

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

1 of 1

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
#3a letter	Eshkol to the President re Israel PCI 2 pp.	1/17/69	A
#5a letter	President to Eshkol re Israel PCI 2 pp.	1/17/69	A
#22 memo	Rostow to the President re nuclear weapons S 1 p.	1/17/69	A
#22a memo	Rostow to Holders of NSAM 370 S 1 p. <i>Exempt 5703</i>	1/17/69	A
#23a cable	Rawalpindi 605, Oehlert to the President <i>sanitized</i> Vol 140 [1/69]		A
#29a cable	Saigon 122, Bunker re Buttercup/ Vietnam S 2 pp.	1/18/69	A
#32a cable	PM Wilson to the President S 2 pp. [Exempt NLJ 94-252, 3/24/95]	1/17/69	A
#33a letter	President to Eshkol re Israel PCI 2 pp.	1/17/69	A
#39 memo	Rostow to the President S 1 p. —	1/17/69	A
#39a memo	To the Secretary of Defense and AEC Chairman PCI 1 p. —	[1/69]	A
#40 memo	Rostow to the President S 1 p. —	1/17/69	A
#45a letter	Proposed message to Eshkol from the President PCI 3 pp.	[1/69]	A
#52 memo	Rostow to the President, 8:30 a.m. re Vietnam S 1 p. <i>Sanitized NSJ 019-044-3-6(1/02)</i>	1/16/69	A
#52a cable	Saigon 097, Bunker re Buttercup/ Vietnam S 2 pp.	1/16/69	A

FILE LOCATION

NSF, Memos to the President, "Walt Rostow, Vol. 114, 1/16 - 20/69, Box 44

RESTRICTION CODES

- (A) Closed by Executive Order 12356 governing access to national security information.
 (B) Closed by statute or by the agency which originated the document.
 (C) Closed in accordance with restrictions contained in the donor's deed of gift.



1

Pres file

INFORMATION

Saturday, January 18, 1969 -- 2:30 p.m.

Mr. President:

Saville Davis came in and reviewed his position on the Tonkin Gulf resolution and concluded:

-- The President was wholly correct in presenting the full implications of the Tonkin Gulf resolution; and the Senate debate reflects that fact.

-- The President's statements in the 1964 campaign, taken as a whole and not out of context, are consistent with his later actions.

-- The problem was that the public did not understand that action of the kind taken in 1965 was likely or imminent. Therefore, looking back, there is a widespread feeling that the President was not candid in 1964.

He said he would be glad to find an occasion to write in this vein.

I said that in my view the disintegration of the military situation in 1964 was not evident to the public because it was not a fixed-front war; and this technical fact has played an important part throughout in public understanding of either regression or progress.

W. W. Rostow

WWRostow:rla

ACTION

2

Saturday, January 18, 1969

Mr. President:

Sir Alexander Bustamante, the former Prime Minister of Jamaica, has written you a personal note of farewell as you leave office (Tab B).

A suggested reply is attached (Tab A).

Long
2. Pres file

W. W. R.

SWL:ksb

2a

January 18, 1969

Dear Sir Alexander:

I was pleased to receive your very kind letter of good wishes on the occasion of the end of my term as President. Your understanding and support have been a source of encouragement to me and we will continue to cherish your valued friendship in the years to come.

Lady Bird and the girls join me in extending our warmest personal regards to you and Lady Bustamante.

Sincerely,

The Right Honorable
Sir Alexander Bustamante, P.C., Kt. B., LL.D., G.B.E.
"Bellencita"
Post Office Box 219
Kingston 6, Jamaica

LBJ:State:SMW:ksb

The Rt. Hon. Sir Alexander Bustamante, P.C., Kt. B., LL.D. G.B.E.,

26
"BELLENCITA",
P.O. BOX 219,
KINGSTON 6,
JAMAICA, W.I.

PERSONAL

4th January, 1969.

Lyndon B. Johnson, Esq.,
President of the United States of America,
The White House,
Washington, D.C.,
U.S.A.

My dear President,

It is with profound regret that you will step down from the Presidency of the United States, but despite the fact that you will not be President as of January 20, as far as my wife and I are concerned you both will always be held dear to our hearts.

You can look back with pride and satisfaction at all you have accomplished in the interest of mankind. We have always been with you during your years in office, and will be no less with you when you demit. Our feeling- my wife's and mine will never change.

May I take the liberty of requesting you to say to Lady Bird "I am still in love with her?" (smile)

God be with you both, and warm regards to the girls and their families.

Very sincerely yours,

Alexander Bustamante

ALEXANDER BUSTAMANTE.

Mr. Rostow

3

January 18, 1969

Mr. President:

Herewith Prime Minister
Eshkol's farewell message to you.

~~1. sup~~
2. Per file

W. W. R.

Mr. Rostow 4

Pres file

~~CONFIDENTIAL~~

Friday, January 17, 1969

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Approval of PL 480 Credit Sale to Morocco

Orville Freeman and Bill Gaud recommend you approve a \$6.8 million PL 480 credit sale for Morocco. Charlie Zwick concurs.

This sale of cotton and tallow--both of which we have in abundant supply--would be the only new PL 480 agreement for FY 1969. Last year you approved \$16.2 million, but a reduction was possible because of the very successful Moroccan wheat harvest last year. We also have an ongoing \$15-16 million food for work program.

Morocco has a good self-help record and we plan to use this sale for further improvements in livestock production, irrigation and cereal storage. There are no problems with excessive military expenditures or trade with Cuba or Vietnam.

I recommend you approve. This is routine, and there are no contentious issues. There is no reason not to keep this program moving.

W. W. Rostow

Approve _____

Disapprove _____

DECLASSIFIED

E.O. 12958, Sec. 3.5

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

By 4, NARA, Date 3-5-91

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

4a
DEC 30 1968

MEMORANDUM FOR THE PRESIDENT

Subject: P.L. 480 Sale to Morocco

Orville Freeman and Bill Gaud recommend your approval of a \$6.8 million P.L. 480 agreement with Morocco. This credit sale of cotton and tallow, would be repayable in dollars or convertible currency -- half on 20-year credit and half on 40-year credit. Previous agreements were half for local currency, so this represents some hardening of terms. No "Purcell" currency use payment would be required since our holdings of Moroccan currency are already excess to our needs.

Self-help - Moroccan self-help performance has been good. The Government continues to give high priority to the agricultural sector and in 1968 wheat production more than doubled. Though this is partly due to improved weather, it also reflects increased use of fertilizer and other improved practices. Self-help measures proposed for inclusion in this agreement would extend and refine the progress made to date. These measures include efforts to

- improve livestock production
- complete ongoing irrigation projects and improve erosion control
- provide adequate storage facilities for cereals.

Military Expenditures/Trade with Cuba - State and AID are satisfied that Morocco's military expenditures do not present a problem under the terms of the Symington amendment. State also concludes that Morocco continues to meet the requirements of the Pindley-Belcher amendment, which prohibits trade with Cuba and North Vietnam, consistent with your determination of September, 1967.

Recommendation - Since Morocco needs imports of cotton and tallow, and since our supply of these commodities is abundant, I recommend that you approve this P.L. 480 agreement.

Charles J. Zwick
Charles J. Zwick
Director

Attachment

Approve _____

Disapprove _____

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guid.
By y, NARA, Date 3-5-98

~~CONFIDENTIAL~~

46

To: The President

DEC 26 1953

Subject: Public Law 480 Program with Morocco

We recommend that you authorize us to negotiate a PL 480 sales agreement with Morocco to provide approximately 36,800 bales of cotton and 10,000 tons of tallow with a current export market value (including applicable ocean transportation costs) of approximately \$6.84 million. Fifty percent of the sale will be financed under dollar credit terms, and fifty percent under convertible local currency credit. The proposed dollar credit terms are: 20 years credit including 2 years grace with an initial payment of 5 percent on delivery. The proposed local currency credit terms are: 40 years credit including 10 years grace with a 5 percent initial payment on delivery. The interest rates will be the same under both types credit arrangements; that is 2 percent during the grace period and 3 percent thereafter. No currency use payment as provided for under Section 103(b) of the Act (Purcell Amendment) will be required since Morocco is an excess currency country and no such payment is needed. The Departments of State and Treasury concur in this recommendation.

Need for Program

The Government of Morocco has continued to give priority to the agricultural sector of the development program, and has requested PL 480 assistance in attaining its goals. The proposed PL 480 sale of cotton and tallow to Morocco would (1) meet shortfalls in domestic production (2) help to sustain the cotton and soap (tallow) industry's production goals, (3) maintain U. S. exports of tallow and cotton which are in abundant supply, and (4) result in savings of scarce Moroccan foreign exchange needed to support vital agricultural and other economic development activities.

Self-Help Efforts

In negotiating this agreement, we will seek agreement of the Government of Morocco to undertake the following measures:

1. Increase efforts to improve livestock production by continuing to support forage production, range management and improved livestock management practices.
2. Within the area of irrigation, give first priority to completing on-going irrigation projects and effectively using land and water resources at the farm level.
3. Establish and maintain erosion control measures in upper watersheds adjoining irrigation development projects.

~~CONFIDENTIAL~~

DECLASSIFIED
Authority 410/15 Agriculture guidelines
By 48 NARA, Date 3-5-98

~~CONFIDENTIAL~~

2

4. Carry out studies to determine the adequacy of storage facilities for cereals and provide for construction of additional facilities as required.

Military Expenditures Review

With respect to Section 620 (s) of the Foreign Assistance Act, State/AID have concluded that United States development assistance is not being diverted to military expenditures and that Morocco resources are not being diverted to military expenditures to a degree which materially interferes with its development.

Findley-Belcher Review

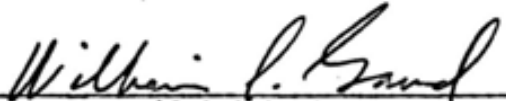
Department of State has concluded that the conditions that justified your September 18, 1967 Findley-Belcher finding still are valid and that, therefore, no new finding is necessary.

Recommendation

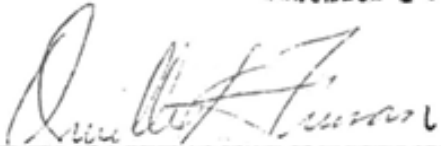
That you authorize us to proceed with this PL 480 sales agreement as described above.

December 16 1968

DEC 26 1968



Administrator
Agency for International Development



Secretary
Department of Agriculture

Approve: _____

Disapprove: _____

~~CONFIDENTIAL~~

5

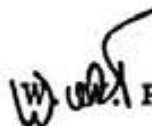
THE WHITE HOUSE
WASHINGTON

ACTION

Friday, January 17, 1969

Mr. President:

Attached for your signature is
a letter to Israeli Prime Minister
Eshkol. You have earlier approved
the language of the text.

 R.

ACTION 6

Saturday, January 18, 1969 -- 7:15 p.m.

Mr. President:

Following is a proposed congratulatory message to Chairman Podgorny on the successful flight of Soviet spacecraft Soyuz-4 and Soyuz-5. If possible, it should go out tonight.

Dear Mr. Chairman:

I extend congratulations on behalf of the American people for the successful flight of the Soviet spacecraft Soyuz-4 and Soyuz-5, marking a further achievement in man's exploration of space.

Please transmit my best wishes to the crews of the spacecraft, Vladimir Shatalov, Boris Volynov, Yevgeny Khrunov and Aleksey Yeliseyev.

Sincerely,

Lyndon B. Johnson

W. W. Rostow

Message approved _____

Approved as amended _____

Call me _____

rla

1
Pres file

INFORMATION

~~CONFIDENTIAL~~

Sunday, January 19, 1969
11:00 a. m.

Mr. President:

Herewith a farewell letter from
Kenneth Kaunda of Gambia. He was
among those to whom you dispatched
a farewell letter.

W. W. Rostow

~~CONFIDENTIAL~~

WWRostow:rlm

DECLASSIFIED
White House Guidelines, Feb. 24, 1983
By *lj*, NARA, Date *3-5-11*

PAGE 01 LUSAKA 02099 191222Z

ACTION AF 16

INFO CPR 02, GPM 04, NSC 10, P 04, RSC 01, SS 20, USIA 12, SSO 00, NSCE 00,

CCO 00, RSR 01, /070 W

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FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC IMMEDIATE 3539

LIMITED OFFICIAL USE LUSAKA 99

SUBJ: MESSAGE TO PRESIDENT JOHNSON FROM ZAMBIAN PRESIDENT KAUNDA

1. FOLLOWING IS MESSAGE DELIVERED TO EMBASSY BY
STATE HOUSE MESSENGER 12:45 P.M. JANUARY 19
WITH REQUEST IT BE CABLED TO WASHINGTON FOR
PRESIDENT JOHNSON FROM PRESIDENT KAUNDA.

2. BEGIN TEXT:

QUOTE: MESSAGE TO PRESIDENT LYNDON B. JOHNSON, PRESIDENT OF
THE UNITED STATES OF AMERICA FROM PRESIDENT KENNETH
D. KAUNDA, PRESIDENT OF THE REPUBLIC OF GAMBIA.

QUOTE: AS YOU PREPARE TO HAND OVER TO YOUR SUCCESSOR
TOMORROW MAY I, ON BEHALF OF THE ZAMBIAN PEOPLE AND INDEED,
ON MY OWN BEHALF SEND YOU AND YOUR FAMILY THE VERY BEST OF
OUR WISHES. WE RECOGNIZE THAT THE AMERICAN PRESIDENCY
IS THE MOST TAXING AND EXACTING POST. THAT YOU HAVE GIVEN
OF YOUR VERY BEST IS IN NO DOUBT AT ALL.

QUOTE: WE ESPECIALLY WOULD LIKE TO SEND YOU OUR
CONGRATULATIONS ON YOUR EFFORTS TO BRING THE VIETNAM
CONFLICT TO A ROUND TABLE CONFERENCE.

QUOTE: WE ALSO REMEMBER THE OUTSTANDING SUCCESSSES IN
SPACE EXPLORATION BY THE AMERICAN PEOPLE UNDER YOUR
LEADERSHIP. END QUOTE

3. MESSAGE DATED AT STATE HOUSE, LUSAKA, 19TH JANUARY, 1969.

LIMITED OFFICIAL USE

DECLASSIFIED

E.O. 12958, Sec. 3.5

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

By MP, NARA, Date 3-17-98

LIMITED OFFICIAL USE

PAGE 02 LUSAKA 02099 191222Z

DISCONTINUED JANUARY 19, 1969.

PRESERVATION COPY

ACTION

8

Saturday, January 18, 1969

Mr. President:

For your signature are farewell
messages to heads of state in
the Near East.

W. W. R.

ACTION

9

Saturday, January 18, 1969

Mr. President:

For your signature are farewell
messages to heads of state in
East Asia.

Attached also is a letter for
President Tubman of Liberia,
incorporating your farewell message
and thanking him for his farewell
message to you.

W. W. R.

Res. file

ACTION

DECLASSIFIED

Authority NLJ 94-252

mp/cb NARA Date 3-2-98

Free file

~~SECRET~~

Saturday, January 18, 1969
3:15 p. m.

Mr. President:

You will be signing a formal farewell letter for publication, if they so desire. I would recommend that this go on the usual back channel to 10 Downing Street. I think it will mean more to the Prime Minister if it goes that way.

W. W. Rostow

Message okay_____

Call me_____

~~SECRET~~

WWRostow:rla

~~SECRET~~

102
January 18, 1969

DECLASSIFIED

Authority NLS 94-252

Dear Harold:

By mp/cb NARA, Date 3-2-98

Your warm and interesting message and report of the Commonwealth Conference was a fitting conclusion to our official exchanges. As I have said before, they -- and our face-to-face talks -- have been a source of strength and comfort to me in times which have not always been easy for either of us.

Over these years there has been no single joint enterprise for us to conduct as Roosevelt and Churchill had to conduct during the Second World War. There are places in the world where the policies of your country and mine threatened to diverge -- as in Vietnam. We have had to deal -- both of us -- with a Western Europe frustrated by others from moving down the path of unity which both of us know is right. We have both been hampered by balance of payments problems in a world which has not yet created a kind of cooperative international monetary system which it needs. But through all this -- and crises from the Middle East to the Dominican Republic, from Czechoslovakia to Rhodesia -- we have managed to understand one another, to help one another whenever it was possible, to make it as easy as possible for one another when circumstances did not permit complete accord.

And so I shall always treasure our connection and continue to believe that the ^{special} ties between Great Britain and the United States will survive and retain their value as we struggle to build the structure of stable peace.

I shall be looking for you in the days ahead -- at the Ranch and on the podium in Austin. In the meanwhile, you will know that I shall be cheering

~~SECRET~~

~~SECRET~~

-2-

you on as you continue to bear the heavy burdens of responsibility.

WWRontow:rla

~~SECRET~~

INFORMATION

11
Pres file

Saturday, January 18, 1969 -- 1:00 p.m.

Mr. President:

Herewith a letter from the Apostolic Delegate on the possibility of initiatives in the Middle East, arising from an interview between His Holiness and Mr. Nahum Goldmann, President of the World Jewish Congress.

I am making this particular communication available to the Department of State as general background.

It is not a normal communication between the Pope and the President.

W. W. Rostow

WWRostow:rla



UNITED STATES OF AMERICA

3339 MASSACHUSETTS AVENUE
WASHINGTON 8, D. C.

No 239/69

THIS NO. SHOULD BE PREFIXED TO THE ANSWER

January 18, 1969

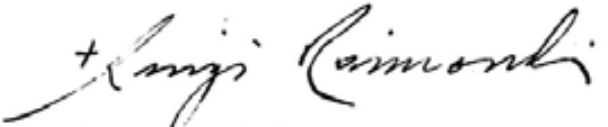
Mr. President:

At the direction of the Secretariat of State of His Holiness, I have the honor to inform you that the Holy See has been deeply concerned about recent incidents in the Middle East, and is now giving careful attention to the initiatives that have been taken in the hope of arriving at a peaceful solution of the problems in that area. This disposition was made clear in a personal interview that Mr. Nahum Goldmann, President of the World Jewish Congress, had with His Holiness, Pope Paul VI, on January 6th, 1969. I am enclosing for your information a copy of the communique that was issued, following the audience.

The Holy See, for its part, is disposed to give all possible cooperation within the limits of its mission. The proposals offered by various governments seem to be prompted by a sincere desire to prevent any developments which could lead to the resumption of hostilities.

The Holy See is confident that the United States will not hesitate to contribute in whatever way it can toward the establishment of a lasting peace in the Middle East, where it is hoped that the interests of Christianity and of Christian communities may be safeguarded.

Accept, Mr. President, the renewed
assurances of my highest consideration.


Apostolic Delegate

The President
The White House

On the occasion of the meeting of the governing council of the World Jewish Congress in Rome, His Holiness Pope Paul the Sixth received Dr. Nahum Goldmann, President of the World Jewish Conference.

His Holiness expressed to Dr. Goldmann his esteem for the Jewish people and also the hope that opportunities would be developed for the cooperation of the Church with the Jewish people as well as with the other peoples in the service of common human causes.

His Holiness, while regretting that his recent statement on the events in the Middle East has been misinterpreted, emphasized that he was opposed to all acts of violence whoever was responsible and that his support would be given to the achievement of a peaceful solution based on justice, which would enable all the peoples in the Middle East to live together in peace and harmony.

~~CONFIDENTIAL~~

Saturday, January 18, 1969

MR. PRESIDENT:

Secretary Rusk wanted to be sure that you would discuss the Venezuelan oil problem when you see Secretary Udall at 1:30 today.

The issue comes down to this:

- Udall was willing to try to change his amendment if he could work out something acceptable to the Phillips petroleum people. This did not prove possible. He therefore believes he must let the amendment stand to carry out his agreement with Phillips.
- As opposed to this, is your commitment to President Leoni of Venezuela on using Venezuelan oil for Puerto Rican refineries and President Kennedy's commitment to consult Venezuela before we made any changes in our oil policies affecting them.
- DeVier Pierson has all the facts and proposes to raise the issue at your meeting. We will draft an answer to President Leoni's letter to you based on the results of the meeting.

W. W. Rostow

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By 2, NARA, Date 3-5-18

13

Pro file

Saturday, January 18, 1969

MEMORANDUM FOR THE PRESIDENT

At Tab A is Assistant Attorney General Wozencraft's letter transmitting a proposed proclamation (Tab B) fixing the effective date of the amendments to our tariff schedules made by Public Law 90-365 -- "an Act for Implementing Conventions for Free Admission of Professional Equipment and Containers, and for ATA, ECS, and TIR Carnets."

This is routine; it goes with the proclamation of the five customs conventions which went to you for signature on Thursday. The effective date of the Act is March 3.

Justice has approved the form and legality of the proclamation.

A proposed press release is at Tab C.

W. W. Rostow

If you approve, we will need your signature on the proclamation at Tab B.

Disapprove _____

Call me _____

not
JKN:ERF:mst



13a

Office of the Attorney General
Washington, D. C. 20530

The President,

The White House.

My dear Mr. President:

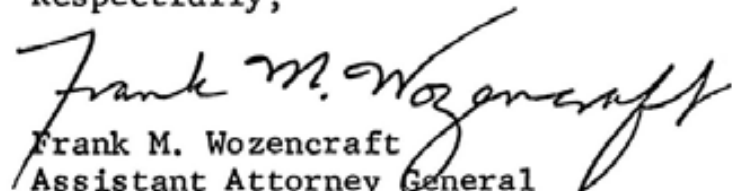
I am transmitting herewith a proposed proclamation entitled "Effective Date of Public Law 90-635, an Act for Implementing Conventions for Free Admission of Professional Equipment and Containers, and for ATA, ECS, and TIR Carnets."

The proposed proclamation was presented by the Department of State and has been forwarded for the consideration of this Department as to form and legality by the Bureau of the Budget with the approval of the Director thereof. The Departments of the Treasury and of Transportation have indicated informally to the Bureau of the Budget that they have no objection to the proposed proclamation.

The proposed proclamation is approved as to form and legality.

The State Department's letter of transmittal expresses the hope that the proposed proclamation could be submitted for the consideration of the President during the week of January 13, 1969.

Respectfully,


Frank M. Wozencraft
Assistant Attorney General
Office of Legal Counsel

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EFFECTIVE DATE OF PUBLIC LAW 90-635, AN ACT FOR IMPLEMENTING
CONVENTIONS FOR FREE ADMISSION OF PROFESSIONAL EQUIPMENT AND
CONTAINERS, AND FOR ATA, ECS, AND TIR CARNETS

- - - - -

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS Section 4 of Public Law 90-635, an Act for implementing
Conventions for Free Admission of Professional Equipment and
Containers, and for ATA, ECS, and TIR Carnets (82 Stat. 1351),
provides that each of sections 1 through 3 of the Act shall apply
with respect to articles entered, or withdrawn from warehouse, for
consumption on and after a date which shall be proclaimed by the
President, which date shall be consonant with the entering into
force for the United States of the customs convention or conventions
which such section implements; and

WHEREAS all the customs conventions which sections 1 through 3
implement will enter into force for the United States on March 3, 1969;

NOW, THEREFORE, I, LYNDON B. JOHNSON, President of the United
States of America, acting under the authority vested in me by the
Constitution and the statutes of the United States, including
Section 4 of Public Law 90-635, an Act for implementing Conventions
for Free Admission of Professional Equipment and Containers, and
for ATA, ECS, and TIR Carnets, do proclaim that sections 1 through 3
of that Act shall apply with respect to articles entered, or with-
drawn from warehouse, for consumption on and after March 3, 1969.

IN WITNESS WHEREOF, I have hereunto set my hand this
day of January in the year of our Lord nineteen hundred and sixty-
nine, and of the Independence of the United States of America the
one hundred and ninety-third.

DRAFT LANGUAGE FOR PRESS RELEASE

The President today signed a proclamation providing that the technical amendments to the Tariff Schedules of the United States contained in P.L. 90-635, An Act Implementing Conventions for Free Admission of Professional Equipment and Containers, and for ATA, ECS, and TIR Carnets, will apply to articles entered, or withdrawn from warehouse, for consumption on and after March 3, 1969, the day on which the five conventions which are implemented enter into force for the United States. The proclamation is issued pursuant to section 4 of the Act.

These conventions share the purpose of simplifying and facilitating the movement of goods in international trade so as to make the carrying on of business by nationals of one contracting country easier in the territory of another. They deal generally with the facilitation of temporary entry of certain specified goods into the territory of the parties, and with expediting the customs clearance of such temporary importations, through adoption of an international customs document known as a "carnet."

ACTION

14

January 18, 1969 - 1:25 PM

~~SECRET~~

MEMORANDUM FOR THE PRESIDENT

Pres file

SUBJECT: PL-480 for Guinea

At TAB A Messrs. Freeman, Gaud and Zwick recommend you approve a \$7.7 million PL-480 credit sale of wheat flour and rice to Guinea. Charlie Zwick (TAB B) adds the proviso, however, that no shipments should be made until Guinea has formally agreed to an IMF study and stabilization program.

This would be a routine PL-480 deal except for the IMF issue. When the attached memoranda were signed, we had word from Guinea's Ambassador here that they were going to invite the IMF presently, and thus Zwick's proviso seemed only tactical. This week, however, President Sekou Toure said flatly he doesn't want the IMF for the time being. Everyone agrees that his refusal is solid in the face of any short-term leverage through PL-480. That sharpens the decision to a choice between (1) food aid for its own sake but pretty much on Toure's terms, or (2) either a flat disapproval from us in return or an agreement offered with the Zwick condition, which would mean the same thing. Using our food to push the Guineans on this issue at this point could have consequences for future U. S. interests in the country, and it is worth setting out the arguments for you.

Hold To IMF Condition (Zwick)

- Despite substantial aid from the Bloc and some from us, Guinea's economic performance has been poor. They've made bad investments and done almost no sensible planning.
- Last year's PL-480 deal required Guinea to seek help to stabilize their economy. They have yet to get an IMF team even on the scene. Now Toure is talking about his distrust of "international bankers" and says he'll not be ready to receive the IMF.
- On the basis of Guinea's own record and our credibility in self-help negotiations, we should stick to actual fulfillment of the IMF study. We can go half way by agreeing to negotiate, yet hold shipments until Toure comes around.

SECRET

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By h, NARA, Date 3-5-98

Forge Direct Leverage (Gaud, Freeman, but particularly Joe Palmer in State)

- Despite their poor record, there is good evidence Guinea is coming to economic realism. Toure himself has acknowledged short-changing agriculture and is moving to correct that problem. Guinea's Foreign Minister and Development Minister have had talks and exchanged notes with the IMF.
- The problem is educating Toure. His principal aides know the score and he is learning, but the process is slow. Moreover, an IMF belt-tightening is a very tough political decision, at a time Toure is especially sensitive about the coup in neighboring Mali.
- There is every reason to predict Toure will react strongly to direct pressure. He's a proud, self-contained politician who readily paid a high price to break with de Gaulle and the Chinese over the issue of aid with "strings."
- The PL-480 food is needed for its own sake and protects our interests as well. With U. S. investment in the new bauxite operation at Boké, we have \$200 million in private capital in Guinea. AID has guaranteed a large chunk of the Boké investment with the equivalent of a \$21 million loan. But the success of Boké depends on dampening the inflationary pressures from the new money it generates. Our PL-480 food is one of the few means Guinea has for that purpose.

Recommendation:

You might leave this one for your successor, but the agreement is due and the Guineans are pressing for an answer. If there is merit to an approval, there is no reason not to go ahead. This is a hard one to swallow. But, on balance, I judge that there is more to lose than gain in holding up the food. Toure does respond to the light touch, and we would deliver the agreement with the clear message that this is the last installment of our patience. The odds are that he'll continue his education in the facts of development. That plus his considerable political skill should make him a constructive force in Africa.

I recommend you approve.

(choice lines on next page)

W. W. Reston

Approve _____

Approve negotiations but hold shipments (Zwick position) _____

Disapprove _____

Call Me _____

~~CONFIDENTIAL~~
~~(SECRET WITH ATTACHMENT)~~

14c

MEMORANDUM

To: The President

DEC 17 1968

Subject: Public Law 480 Program for Guinea

We recommend that you authorize us to negotiate a PL 480 agreement with Guinea to provide agricultural commodities during fiscal year 1969 having a total export market value, including certain ocean transportation costs of about \$7.7 million. Commodities to be offered would include 16,000 metric tons of wheat flour, 15,000 metric tons of rice, 2,750 tons of vegetable oil, 3,500 tons of tallow, 150 tons of nonfat dry milk and 10,000 bales of cotton. This program would be financed under convertible local currency credit terms over a 30 year period including a 6 year grace period and an initial payment of 5 percent. The interest rate during the grace period would be 2 percent, and 3 percent thereafter. No currency use payment as provided in Section 103(b) of the Act (Purcell Amendment) will be required since Guinea is an excess currency country and no such payment is needed. The State and Treasury Departments concur in this recommendation.

Need for Program

Severely limited foreign exchange reserves continue to plague Guinean efforts to meet local consumption requirements for food and other items. Thus, the proposed program would permit the importation of needed commodities which Guinea otherwise would either have to forego, or face a further deterioration in its foreign exchange position.

Self-Help

To further encourage agricultural development in Guinea we would negotiate PL 480 self-help measures under which the Government of Guinea would agree to:

1. Continue to take effective action to stabilize its economy and to guard against inflation as outlined in the aide memoire of August 26, 1968 from the Guinean delegation to AID/Washington. (One of the conditions of last year's PL 480 agreement with Guinea requires Guinea to seek the advice of appropriate international organizations to stabilize her economy. While high level contacts were made with the IMF and notes exchanged between the Guinean Embassy and the IMF on this subject, no mission has yet gone to Guinea. However, we now have assurances from the Guinean Ambassador that a definite date will be arranged. It is not easy for the Guinean technicians and competent authorities to move as quickly as they and we might like with the IMF because such a stabilization program will involve not only severe economic adjustments but would also create serious political

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~~(SECRET WITH ATTACHMENT)~~

DECLASSIFIED
Authority AID Agriculture Swedania
By 4 NARA, Date 3-5-98

problems for the regime. We believe, however, that the Guineans are serious and that by moving ahead with the present PL 480 program we may encourage them to swallow this bitter pill. Therefore, we recommend that we move ahead with the agreement on the basis of progress already made with the IMF and the serious assurances we have had).

2. Request the assistance of appropriate international organizations to implement studies of its agricultural programs and policy, especially of the marketing system, in order to improve efficiency and to achieve optimum production levels.
3. Increase support of existing rice production programs.
4. Accelerate applied research on food crops (principally rice and corn) to determine fertilizer requirements, find higher yielding varieties and to formulate better crop and soil management practices.

Military Expenditure Review

State/AID in consultation with the inter-agency advisory committee concerned with the implementation of Section 620(s) (The Symington Amendment) of the Foreign Assistance Act of 1961, as amended, has determined (a) that Guinean resources are not being diverted to military expenditures to a degree which materially interferes with its development and (b) that neither U. S. development assistance nor PL 480 sales are diverted by Guinea to military purposes. The memorandum in which this determination is made is attached.


Recommendation

That you authorize us to negotiate the PL 480 sales agreement as described above.

December 11 1968



Administrator
Agency for International Development



Secretary
Department of Agriculture

Approve: _____
Disapprove: _____

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~~SECRET~~

AUG 6 1968

MEMORANDUM FOR: AA/AFR, Mr. Peter Straus

FROM: AA/PPC, Paul G. Clark /s/ PGO

SUBJECT: Removal of Guinea from the Symington "Amber Light" List

REFERENCE: AA/AFR Memorandum to AA/PPC, Subject -- Application of Symington Amendment to A.I.D. Program in Guinea, July 17, 1968

This is to notify you that Guinea has been removed from the Symington "Amber Light" list, as recommended in reference. The Symington Committee will be notified by separate memorandum.

The statistics used in the Standard Data Frame in reference were taken from IBRD sources. While these statistics are considered acceptable, SRD recommended that where IBRD statistics differed from IMF statistics that the latter be used to assure consistency with the data base maintained by SRD. This recommendation was accepted by your DP Office and by other members of the Symington Committee. Accordingly the following statistics are to be reflected in the Standard Data Frame for Guinea:

<u>Line:</u>	<u>1965/65</u>	<u>1965/66</u>	<u>1966/67</u>
1. Total Central Government Expenditures (Budget Estimate)	25.0	26.8	35.0
b. Development Budget	8.8	8.8	15.2
Domestic Financing	(2.2)	(2.2)	(8.1)
Foreign Financing	(6.6)	(6.6)	(7.1)
3. Defense and Security as Percent Total Central Government	10.4	11.9	9.7

The Committee also concurred with an INR request that the penultimate sentence on page 6 of reference be revised to read as follows:

"The value of this assistance has been estimated at roughly \$11 million total for the period from 1969 through 1965, the majority of which are grants." (INR language underlined).

~~SECRET~~

DECLASSIFIED
Authority AID Guidelines
By 5 NARA, Date 3-5-90

~~CONFIDENTIAL~~

DRAFT

TO: AA/PPC, Mr. Paul G. Clark

FROM: AA/AFR, R. Peter Straus

SUBJECT: Application of Symington Amendment to U.S. A.I.D.
Program in Guinea

DECLASSIFIED
Authority AID Guidelines
By 5 NARA, Date 3598

Pursuant to established procedures for implementation of Section 620(s) of the FAA, I request your approval of this Bureau's finding that U.S. development assistance to Guinea is not being diverted to military expenditures or that Guinea's own resources are not being diverted to unnecessary military expenditures to a degree which materially interferes with its development. (See Tab 1 for text of 620(s)).

A. STANDARD DATA FRAME 1/

Guinean Fiscal Year - 1 Oct. to 30 Sept.
(in billions Guinea Francs; GF 246.5 = \$1.00)

	<u>1963/64</u>	<u>1964/65</u>	<u>1965/66</u>	<u>1966/67</u>
1. Total Central Government Expenditures (Budget Est.)	24.1	29.9	31.7	38.7
a. Recurrent Budget	11.7	16/2	18.0	19.8
b. Development Budget 2/	12.4	13.7	13.7	18.9
Domestic Financing	(7.3)	(6.2)	(6.2)	(6.1)
Foreign Financing	(5.1)	(7.5)	(7.5)	(12.8)
c. Regional Budgets (Non-Add).	3.0	3.1	2.9	3.6
2. Combined "Defense and Security" 3/ Expenditures of Central Government	2.1	2.6	3.2	3.4
3. Defense and Security as % Total Central Government	8.7	8.7	10.1	8.8

DRAFT

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4. GNP (Current Prices)	52.4	65.8	NA	NA
5. Defense and Security as % of GNP	4.0	3.9	NA	NA
6. Foreign Exchange Expended for Military Items	NA	NA	NA	NA

- 1/ Data is from IBRD Study, Economic Trends and Prospects in The Republic of Guinea, dated 1 September, 1967
- 2/ The expenditures under the plan exist on a one-year basis only for GFY 1966/67; hence, the expenditures for the two-year period 1964/66 and for the three-year period 1960/1963 have been treated as if they occurred on an average annual basis.
- 3/ Includes all military and internal security forces which are under the control of a single ministry. Detail data is not sufficient to permit an accurate breakdown. See narrative for more complete discussion and rough estimates of breakdown.

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B. ECONOMIC PROGRESS

Guinea is well endowed with natural resources. It has large deposits of bauxite and iron ore, relatively good climatic and soil conditions for agricultural production of both export and domestic food crops, and significant hydroelectric potential. The scope for development would thus appear to be considerable.

Since independence in 1958, the Government has made strenuous efforts to achieve modernization. In recent years, for which data is available domestic revenue collection has amounted to well above 20% of the country's estimated GNP; and investment, although largely financed by foreign sources, has been equivalent to about one-fourth of GNP. Both figures would appear to represent an exceedingly good performance among LDC's and might be expected to lead to an average growth in GNP of around 6% per year. However, actual growth would appear to be well below that figure; insofar as it may be judged from limited data, the economy appears to have been largely stagnant over the past decade. Accurate estimates in the absence of national accounts and reliable statistics are, however, impossible.

The most comprehensive surveys of the economy are those completed by the IBRD and the IMF in 1967 and early 1968. The IBRD attempted to develop a set of national accounts for two years - 1963/64 and 1964/65 - in the absence of any other source of information in this area. The IBRD data indicate a rate of growth in GNP in constant prices between these two years of 11.5%. However, this was considered to be extremely misleading

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since 1963/64 was an usually bad year for agricultural output and 1964/65 was an usually good year; and the difference in agricultural output accounted for most of the apparent growth. Over the long-term, the IBRD concluded that no aggregate estimate of GNP growth was possible, but that growth in agriculture was probably about the same as the rate of population increase (i.e., from 2.5 to 3.0 per cent annually).

The failure to achieve significant growth, given some of the favorable factors noted above, may in large part be attributable to the lack of any sound and rational set of economic criteria and investment priorities to guide the country's modernization effort. The dominant environment has been a political one molded by the country's own concept of "African Socialism" with its emphasis on "African Personality" and centralized planning. This approach has tended to minimize attention to practical economic considerations and to create suspicion of foreign technical advice. Furthermore, the abrupt and almost complete departure of the French in 1958 has left the country with a severe shortage of trained technical and administrative manpower. Hence, in practice, Guinea's "African Socialism" has produced an unwieldy system of proliferating state monopolies and trading agencies which has blunted incentive and contributed to the stagnation of the economy. Public investment has been too frequently concentrated on politically motivated prestige projects which contributed little to Guinea's economic development. Although some progress in the industrialization of the country has been made since independence, this progress has not been commensurate with the resources, particularly from foreign aid sources, allocated for this purpose. Many of the projects were not well-matched to Guinea's requirements in scale, availability of raw materials and markets. Little

attention has been paid to the agricultural sector which encompasses at least 80% of Guinea's population and contributes over half of GDP. And problems of personnel, shortages of materials and equipment, poorly organized agricultural credit, poor transportation, unrealistic price policies, and an almost complete lack of understanding of marketing, continue to hamper a methodical program of development.

The brighter side of the picture in Guinea/¹⁸ found on the promise of the extractive mineral deposits. Under favorable conditions, Guinea's mining industry could serve as a basis for the economic development of the country and as a major source of foreign exchange. The bauxite deposits around Mount Kimbo have been mined and processed into alumina since 1960 by an international company, FRIA - Compagnie Internationale pour la Production de l'Alumine. In recent years alumina exports by FRIA have been the single most important source of foreign exchange earnings, accounting for 65% of total exports in 1966/67 as against 21% in 1960. The longer run prospects for bauxite production and exports relate to the expected development of the even larger bauxite deposits of the Boke region with reserves estimated at 1 billion tons. Mining operations are not expected to begin at Boke until 1972, but commitments already exist for the purchase of 5 million tons of bauxite annually which the IMF estimates would yield GF 2.1 billion (or \$8.5 million) in tax revenue to the Government and about GF 3.6 billion, or \$14.6 million, in net foreign exchange earnings. Rich iron ore deposits offer further potential but their future exploitation ~~is~~ less certain at the present time.

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Despite its emphasis on a socialist-style economy domestically, the Government realizes that it must have the cooperation of capitalistic enterprises in the extractive industry. Even though frequently at odds with the U.S. position on political issues, Guinea has welcomed U.S. private investment in this area. Olin Mathieson has a 48.5% interest in the FRIA alumina enterprise and through a subsidiary, Harvey Aluminum has a 51% interest in the Boke development. The investments of both Olin Mathieson and Harvey in Guinea are protected by A.I.D. investment guarantees - approximately \$65 million currently for Olin, and an anticipated future level of \$20 million for Harvey. Both firms have also secured from the Government of Guinea specific rights covering tax concessions, retention of foreign exchange earnings and repatriation of profits.

However, the longer-range benefits from the extractive industries will have little positive effect over the next 4 to 5 years. The shorter term prospects offer little promise for improvement. The IBRD concludes it, short-range assessemnt as follows:

"With respect to the economy as a whole, it is difficult to form a quantitative judgement concerning growth prospects, in the absence of any comprehensive bench mark concerning the past from which to launch projections. There is no system of national economic accounts and available basis statistics can serve only as partial indications. The assessment of prospects can therefore be only partial and for the most part qualitative.

"The economy appears to have been growing at a rate lower than one which would justify the large amounts of investment which have been made. Agriculture, which accounts for more than half of total output and is

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the economic activity engaging most of the population by far, appears to have been growing at a rate at best equal to the rate of population growth. A large part of total investment has been directed to attempts to build up the very minor sector of manufacturing, and factories have been created which are having great difficulties and are operating at low levels of capacity. Investments in agriculture have been at low levels in relation to the importance of this activity. However, the disappointing performance in agriculture is not so much a result of this factor as of a lack of realistic programs which would identify potentials and provide inputs, technical services, and incentives to farmers to realize potentials. Substantial investments have also apparently been directed to infrastructure, such as road building, presumably to induce increases in productive activities for the exchange economy, but the effects have thus far not been marked. With this type of investment allocation, there appears to be no basis for expecting any higher rate of overall growth during the next five years than there has been during the last five years, even if the high rate of investment is maintained.

" . . . ^[in subsequent years] Maximization of the benefits to be derived from the additional Boke foreign exchange, government revenues, and infrastructure would be dependent on carefully worked out general economic policies, a requirement which holds true for virtually all sectors of the economy."

C. DIVERSION OF U.S. RESOURCES

To the best of the Embassy's and USAID's knowledge, no U.S. development assistance funds or PL 480 commodities have been diverted to military expenditures. U.S. technical assistance to Guinea ^{has taken} the form of technicians, participant training and a small volume of commodities

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(of U.S. origin) which are all used in specific projects closely administered by USAID personnel. Development loan assistance is also entirely on a project loan basis and supervised by U.S. personnel. Both technical assistance and development loan projects, as well as an earlier SA grant commodity import program have been closely audited by the U.S. controller staff. Little opportunity exists for diversion of U.S. assistance and we are aware of none.

D. NATURE OF DEFENSE EXPENDITURES

The Standard Data Frame indicates that Guinea's total budgeted defense and security expenditures as a percentages of total central government budget estimates are at about the regional median for the "rest of Africa". However, as a percentage of GNP these same budgeted expenditures are more than twice the regional median. This situation arises as a result of the high percentage of GNP collected as revenues in Guinea and the high level of domestic borrowing to finance "plan" investment expenditures. In the former case, it may be that the percentage is somewhat understated since we are aware that actual expenditures have generally fallen short of budget estimates, however, we have no way of determining actual expenditures for defense and security items, and calculating a percentage on an actual expenditures basis. On the other hand, the statistics are sharply overstated since (1) the defense and security budgets include all internal security forces, including police and customs functions, as well as direct military expenditures and (2) a considerable portion of the military portion of the budget is devoted to civic action programs.

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Personnel costs account for 85% of the total defense and security budget. Of the personnel costs, less than 50% is for the military forces, and about 50% is for internal security forces. The major components of the latter are the National Gendarmerie (19% of personnel costs), the Republican Guard (20%) and police and security (11%). The primary mission of the Gendarmerie is to maintain order in rural areas and to patrol the country's borders. The Republican Guard is used to safeguard the President and other important government members, to protect government buildings and foreign embassies, to serve as honor guards for official ceremonies, and to supplement the regular police forces. The police are used to maintain order and normal security in urban areas. None of these forces has any capability for sustained combat. The Gendarmerie is lightly armed, has limited transportation and communications capability and is widely dispersed throughout the country. The Republican Guard is lightly armed with no automatic weapons and only limited transportation capability and does not fall under army command. If these forces are properly considered as internal security forces, the actual military expenditures are reduced to well below the regional medium as a percentage of total central government expenditures and remain only slightly above the regional medium as a percentage of GNP.

Another mitigating factor is the extensive civic action activities of the military forces. Recent U.S. and West German assistance as well as current Russian assistance to the military forces has been in aid to engineering companies for rural road maintenance and construction and urban street paving. In addition, West German assistance has included

support for small industrial-type enterprises operated by the army, including a tannery, a small shoe factory, a clothing factory, sawmill operations, and a machine repair shop. No detail information exists on the portion of Guinea's military budget devoted to these various civic action programs, but it would appear to be a significant amount. The Army is also used as a labor force for building construction, agricultural works and other civilian-type activities. Guinea's only newspaper, HOROYA, controlled by the Government, usually carries a photograph of a uniformed soldier behind a loom or plow or driving a road grader with a caption "The Guinean Army in the Service of the People". Guinea's official policy, expressed by President Toure and confirmed by the ruling political party at its 8th Annual Congress, October, 1967, is that the role of the soldier, "whether in or out of uniform, is to raise the standard of living of the people."

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The Guinean Army of about 150 officers and 4,500 men is not of disproportionate size in relation to other military establishments in neighboring countries (Senegal - 5,150; Mali - 3,500; Sierra Leone - 1,500; Liberia - 4,000; Ivory Coast - 3,500). Furthermore, since Guinea has no defense treaty with France as most Francophone countries in Africa have, Guinea has to be entirely dependent on its own defense resources.

Major items of military equipment, material and supplies have been provided as aid by the U.S.S.R. and, to a lesser extent, Czechoslovakia. These have been estimated by the U.S. Intelligence Board at roughly \$11 million from 1959 through 1965, of which probably half is in the form of grants. The major items of military equipment received by Guinea include:

<u>Item</u>	<u>Number</u>
T-34 tanks	10 (est.)
75 mm G-13 assault guns	10 ("
85 mm field guns	26 ("
105 mm howitzers	6 ("
37 mm anti-aircraft guns	16 ("
MiG 15 trainers	2
MiG 15 fighters	6
PT-76 amphibious tanks	15 (est.)
Motor torpedo boats	3 (est.)

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<u>Item</u>	<u>Number</u>
Patrol craft	3
Armored Personnel carriers	45

More recent Soviet deliveries, apparently financed under a new agreement concluded in September 1967, appear to have been for support of logistics requirements and civic action programs. The items include a number of jeeps and trucks, 25 portable field kitchens, 2 large dump trucks, 2 small flat-bed trailers, and possibly repair vans and portable generators.

Of the estimated \$9 million in West German assistance for civic action programs all but \$1.5 million has been on a grant basis.

The terms of loans for military assistance to Guinea are not known nor is there any other detail information on the percentage of foreign exchange that Guinea devotes to military purposes. However, the limited information on military assistance and the small amount of the "defense and security" budget devoted to materials would indicate that the amount would be quite small in terms of total imports -- probably not more than 1 to 2 per cent at most if one excludes the imports for internal security forces and civic action programs. The figure may well be less than one percent depending on the terms for Soviet credits which the Guinean officials have identified as being "politically negotiable".

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While Guinea's military expenditures, particularly that portion to maintain its jet aircraft, armored vehicles and patrol craft, may be somewhat excessive in relation to the internal threat to the Government, this is hard to evaluate. With regard to the external threat, it is clear that the surrounding independent states pose no real threat to Guinea, but there are large groups of dissident Guineans in neighboring countries who at various times have threatened to topple the government by military means. The Guineans probably have also built up their air force and military establishments in the belief that it might be necessary to repulse or at least discourage armed attacks by Portuguese forces in neighboring Portuguese Guinea. While retaliatory air raids against Guinean villages have been launched by Portuguese forces, it is not believed that these represent a major threat since Portugal would be restrained by other political considerations from launching attacks on a major scale. However, the fact that the Guinean military establishment is probably no deterrent to the much stronger Portuguese forces is irrelevant to Guinea's belief that it must maintain some sort of military strength.

E. SUMMARY

1) Guinea's economic performance has been poor and the economy largely stagnating during the past decade; however, this has been primarily due to political orientation, administrative inefficiencies,

~~CONFIDENTIAL~~

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poor planning and inappropriate allocation of investment resources rather than to inadequate resources for development. In fact, investment as a percentage of GNP has been high by the standards of other African countries; hence it is unlikely that any savings realized from a reduction in military expenditures would have made an appreciable difference in economic performance.

2) On the basis of budget estimates, Guinea's total "defense and security" expenditures as a percentage of total central government expenditures has been near the median for the "rest of Africa" region. When appropriate allowance is made for expenditures for normal internal security forces and for civic action undertaken by military forces, the above percentage would fall well below the regional median and purely military expenditures as a percentage of GNP would probably be near or below the median.

3) Although some portion of the expenditures for aircraft and patrol boats might be considered unnecessary, these expenditures could not be considered sufficiently large to constitute any substantial diversion of domestic resources from economic development.

4) Limited evidence would indicate that foreign exchange expended for military purposes is negligible.

5) There is no evidence of diversion of U.S. assistance for military purposes.

DRAFT

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F. CONCLUSION

We find on the basis of available information that (1) Guinea is not diverting U.S. assistance to military expenditures, and (2) Guinea is not diverting its own resources to unnecessary military expenditures which materially interfere with its development.

G. RECOMMENDATION

That you approve the above findings.

Clearances:

AF/ , W. Milam _____

AF/AFI, J. Ruchti _____

AFR/CWA, G. Hoffman _____

AFR/CWA, W. H. North _____

AFR/DP, H. J. Nissenbaum _____

GC, J. Phippard _____

GC, A. Mudge _____

PPC/MAD, R. Klein _____

INR/RAF, A. Sokolski _____

INF/RAF,

~~CONFIDENTIAL~~

3401

~~SECRET~~

14d

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

DEC 30 1968

MEMORANDUM FOR THE PRESIDENT

Subject: P. L. 480 Program for Guinea

Bill Gaud and Orville Freeman request your approval to negotiate a \$7.7 million FY 1969 P.L. 480 agreement with Guinea, including 16,000 tons of wheat flour and 15,000 tons of rice. Repayment would be made in local currency convertible to dollars over thirty years with a six year grace period, and a five percent initial payment.

Economic Situation - Despite a high rate of public investment and substantial inflows of economic aid from the U.S., Mainland China and Bloc countries, Guinea's economy has remained stagnant for the past decade. Moderate increases in agricultural production have barely kept pace with population growth. A high level of unproductive investment and chronic inflationary pressure have led to a persistent deficit in the balance of trade - export proceeds have not grown since 1960 and exchange reserves have steadily declined.

Guinea has suffered from an almost complete lack of rational economic planning. Too little emphasis on agricultural development, coupled with overemphasis on poorly conceived investment projects and an inefficient network of State owned enterprises have combined to mitigate the effect of a fairly high level of investment.

Self-Help - To deal with these basic economic problems, last year's P.L. 480 agreement required a commitment from the Guineans to request assistance from appropriate international agencies to recommend stabilization and development programs. An IMF stabilization program was to be the central element of this commitment. Any subsequent agreement was to be considered only if Guinea made good use of this help.

To date, Guinea has not requested IMF assistance. However, the Guineans have given verbal and written assurances of their intention to take action. They have recently begun to discuss with the IMF the possibility of sending a team of experts to Conakry.

Guinea is not a development emphasis country for AID. Therefore, aside from a small technical assistance program, P.L. 480 is the only major assistance with which we can negotiate for self-help actions. Gaud and

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DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By J , NARA, Date 3-5-98

~~SECRET~~

2

Freeman recommend we proceed with the present agreement on the basis of assurances from the Guinean Ambassador that a definite date will be arranged with the IMF. They believe that negotiation of a P.L. 480 program will encourage Guinea to approach the IMF and respond to its recommendations. Moreover, State believes that taking a hard line on the P.L. 480 agreement would make our relations with the Guineans more difficult.

Military Expenditures - State/AID have determined that Guinea is neither diverting its own or U.S. resources to military expenditures to a degree which materially interferes with development.

Recommendation - On the basis of Guinea's self-help performance to date, I would be reluctant to recommend approval of this proposal. Nevertheless, I can appreciate Gaud's judgment that by responding to Guinea's request for assistance we may be better able to encourage them to later implement the IMF stabilization plan. I therefore recommend that you authorize negotiation of this agreement, but that no shipments be made until Guinea has completed firm arrangements for IMF assistance. This approach would indicate our continued interest in Guinea's development but would reconfirm the importance we attach to self-help performance.

Charles J. Zwicker
Charles J. Zwicker
Director

Attachment

- _____ Approve
- _____ Approve, with shipments dependent on arrangement with IMF
- _____ Disapprove

~~SECRET~~

1/18/69

15

Mr. President:

Herewith a thoughtful
reply to your New Year's
message from General Gowon
of Nigeria.

Pres file

W. W. Rostow



Reference :

15a.
SUPREME HEADQUARTERS,
STATE HOUSE,
DODAN BARRACKS,
LAGOS, NIGERIA

14th January, 1969.

My Dear President,

Thank you very much for your New Year greetings. I am grateful also for the sentiments expressed therein which I know to be sincere and to be prompted by genuine concern for my country. We on our part have watched with equal anxiety the many external and internal difficulties and problems with which your country has had to cope in the past year. If we have been unable to contribute our own little quota towards a solution of these difficulties it has only been because of our understandable preoccupation with our internal crisis. Nevertheless, I assure you, Mr. President, that we watch with sympathy and hope that a solution will be found in the near future so that your great country can continue to give its time-honoured leadership especially in the march towards the equality of man.

One of the milestones of your Administration was the passage of the Civil Rights Bill, which typified your concern with the dignity of man and your determination to ensure justice for every citizen of the United States. The significance of this achievement will be appreciated in the years to come when its benefits to society and humanity are appraised.

I am sorry that we will soon have to bid you good-bye as you vacate the august office the duties of which you have so ably discharged with restraint, magnanimity and understanding. If our relations have sometimes not been as smooth as we would like them to be, it is

/because

His Excellency
President Lyndon B. Johnson,
The White House,
WASHINGTON,
U. S. A.

SUPREME HEADQUARTERS,
STATE HOUSE,
DODAN BARRACKS,
LAGOS, NIGERIA

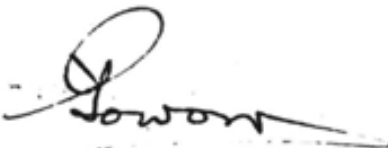
because, as in the course of a great river, there are eddies, cross-currents and waterfalls which do not, however, stop its progress. We in Nigeria have sometimes reacted to certain actions and pronouncements in the United States in a way which might appear to have been over-sensitive. However, such reactions have been caused by a very natural - and understandable - disappointment that if we had a right to any instinctive comprehension and sympathy for our cause we were more entitled to it from the United States, which had experienced a situation similar to ours, than from any other country.

I must express my appreciation to you, Mr. President, for the personal contribution you have made to the uniformly happy relations that have existed between our two countries during your term of office. As history pauses to take stock in the closing days of your Administration I am sure you will be remembered for the courage and sincerity you have shewn in coming to grips with problems before which a lesser man would have blanched. I think I am right in saying that the high peaks of achievement which the feats of your astronauts have attained will symbolise your administration and stand as a beacon to guide your successor.

I send you the best wishes of my Government and people for a happy retirement and many more fruitful years of service to mankind. I am sure your successor in office and the American people will continue to benefit from your years of rich experience and knowledge. I look forward to meeting you during my visit to the United States which will not be too long, I hope, after the conclusion of my country's present crisis.

With warmest personal regards,

Yours most Sincerely,

A handwritten signature in dark ink, appearing to read 'Gowon', with a horizontal line drawn underneath it.

S. A. MAJOR-GENERAL YAKUBU GOWON
Head of the Federal Military Government,
Commander-in-Chief of the Armed Forces
of the Federal Republic of Nigeria.

ACTION

Mr. President:

1/18/69 - 1:15pm

16

Attached, for your approval
is a proposed condolence message
on the death of the Governor-
General of Sierra Leone.

Pres file

I recommend you approve.

W. W. Rostow

Approve _____

Call Me _____

Proposed Message to Prime Minister Stevens of Sierra Leone

162

Dear Mr. Prime Minister:

All Americans join me in expressing deepest sympathy to you and the People of Sierra Leone on the passing of Governor-General Sir Henry Lightfoot-Boston.

Sir Henry was an eminent lawyer, a distinguished jurist and a respected statesman. He was a worthy leader of your brave young nation and a fine representative within the Commonwealth.

We share in the sense of loss with you and friends of Africa.

Sincerely,

His Excellency
Siaka Stevens,
Prime Minister of Sierra Leone
Freetown.

ACTION

Saturday, January 18, 1969

17
Pur file

Mr. President:

For your signature are farewell messages to Heads of State in Latin America, i. e. , Argentina, Brasil, Haiti, Mexico, Panama, and Peru. It was felt that these messages should be of a special nature rather than sending the blanket type letters.

Also attached is a letter to the Governor of British Honduras reflecting the independent status of that state.

W. W. R.

18
Pres file

INFORMATION

~~SECRET~~

Saturday, January 18, 1969
12:30 p. m.

Mr. President:

Herewith Clark Clifford forwards
the classified text of fiscal years 1970-74
Defense program and 1970 Defense
budget.

W. W. Rostow

~~SECRET~~

WWRostow:rlh

DECLASSIFIED
White House Guidelines, Feb. 24, 1983
By 5, NARA, Date 3-5-88

~~SECRET~~

423

18a

THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

January 18, 1969

The President
The White House

Dear Mr. President:

In my note of yesterday I said that I would be sending to you today the classified text of the FY Defense Budget and Defense Program statement.

I am privileged to forward Copy No. 1 to you for your permanent records.

With all best wishes.

Sincerely,

Carl L. Clegg

UPON REMOVAL OF ATTACHMENTS THIS
DOCUMENT BECOMES UNCLASSIFIED

~~SECRET~~

Sec Def Cont Nr. X-0300

Saturday, Jan. 18, 1969
12:15 p. m.

Pres file

19

Mr. President:

Herewith a farewell note
from Gorton.

W. W. Rostow

Attachment



196

LONDON

MESSAGE FROM THE RIGHT HONORABLE J.G. GORTON, M.P.,
AUSTRALIAN PRIME MINISTER
TO
PRESIDENT JOHNSON

I know my colleague, John McEwen, as acting Prime Minister, has separately sent you a message on behalf of the Australian Government and people. But I wish to send from London my own personal thanks and good wishes as you relinquish the burdens of President of the United States.

You have led your country with courage and distinction during a most difficult period. We in Australia have appreciated and reciprocated your friendship, and you will always be a welcome visitor to our shores.

Betty and I wish you and Lady Bird good health and happiness in the years ahead.

Sincerely,

John Gorton.



AUSTRALIAN EMBASSY ^{19a}
WASHINGTON, D. C.

18th January, 1969

Dear Mr President,

I have been asked by the Australian
Prime Minister, the Right Honorable J.G. Gorton, M.P.,
to pass to you the enclosed message.

Yours sincerely,

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

(Keith Waller)
Ambassador

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

Pres file

20

Saturday, Jan. 18, 1969
11:55 a. m.

~~CONFIDENTIAL~~

MR. PRESIDENT:

Herewith Moscow warns of intelligence from Iraq that Israel may initiate major military action shortly. An Iraqi intelligence campaign in this sense has been going on for some days.

Secretary Rusk has dictated a reply telling the Russians we have been aware of the Iraqi campaign, calling it irresponsible and saying we have some evidence that a Soviet officer has been encouraging it. We would also say, however, that we shall approach the Israelis again -- we have their assurance that they are planning nothing -- and be back to the Soviets.

W. W. Rostow

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By g, NARA, Date 3-6-98

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

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PAGE 01 MOSCOW 00252 181400Z

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ACTION NEA 15

1969 JAN 18 14 38

INFO EUR 15, IO 13, CCO 00, SSO 00, NSCE 00, USIE 00, CIAE 00, DODE 00,
GPM 04, H 02, INR 07, L 03, NSAE 00, NSC 10, P 04, RSC 01, SP 02, SS 20,
SA 01, SAH 02, SAL 01, SR 01, ORM 03, AID 28, ACDA 16, RSR 01, 7149 W
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O 181315Z JAN 69
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC IMMEDIATE 994
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AMEMBASSY PARIS
AMEMBASSY BEIRUT
AMEMBASSY AMMAN
USUN 622
AMEMBASSY JIDDA
AMEMBASSY KUWAIT

~~CONFIDENTIAL~~ MOSCOW 252

DEPT PASS CAIRO IMMEDIATE

1. CHIEF USA SECTION FOREIGN MINISTRY KORNIENKO CALLED ME TO MINISTRY 1500 HOURS LOCAL THIS AFTERNOON AND READ ME FOLLOWING ORAL STATEMENT:
2. BEGIN TRANSLATION SOVIET GOVERNMENT CONSIDERS IT NECESSARY TO DRAW ATTENTION U.S. GOVERNMENT TO FOLLOWING:
3. ON JANUARY 13 MINISTER FOREIGN AFFAIRS IRAQ INFORMED SOVIET AMBASSADOR THAT IRAQI GOVERNMENT HAS INFORMATION THAT ISRAEL IN NEAREST FUTURE MAY BEGIN EXTENSIVE MILITARY ACTIONS AGAINST NEIGHBORING ARAB STATES, THAT IS, AGAINST UAR, SYRIA, AND JORDAN, AND ALSO IRAQI MILITARY UNITS LOCATED ON JORDANIAN TERRITORY. THIS IS CONFIRMED, AS POINTED OUT IN COMMUNICATION OF IRAQI MINISTER OF FOREIGN AFFAIRS, BY OBSERVED ACTIVITY AMONG ISRAELI TROOPS AND BY SHIFTING OF UNITS. THERE IS INFORMATION THAT ISRAEL MAY TRY TO COMMIT NEW AGGRESSION AGAINST ARAB COUNTRIES BEFORE ADVENT OF NEW ADMINISTRATION IN USA.

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 12958, Sec. 3.5
State Dept. Guidelines
By 7 NARA, Date 3-6-98

-PRESERVATION COPY

~~CONFIDENTIAL~~

PAGE 02 MOSCOW 03252, 181400Z

4. SOVIET SIDE IS TAKING STEPS TO CHECK THIS INFORMATION.
5. IN VIEW SERIOUSNESS OF MATTER WE CONSIDER IT ESSENTIAL TO INFORM U.S. GOVERNMENT OF THIS, TAKING INTO ACCOUNT ITS INTEREST IN AVOIDING FURTHER AGGRAVATION OF SITUATION IN THIS REGION.
6. WE WOULD BE GRATEFUL IF AMERICAN SIDE WOULD CONSIDER IT POSSIBLE TO SHARE WITH US AVAILABLE INFORMATION ABOUT THE FOREGOING.
7. WE ARE ALSO INFORMING GOVERNMENTS OF FRANCE AND ENGLAND CONCERNING IRAQI DEMARCHE. JANUARY 18, 1969. END TRANSLATION.
8. COMMENT. BRITISH MINISTER COUNSELOR (IN ABSENCE SIR DUNCAN WILSON IN KIEV) AND FRENCH AMBASSADOR WERE HANDED ANALOGOUS ORAL STATEMENTS AT 1000 HOURS AND 1200 HOURS RESPECTIVELY THIS MORNING. IT SEEMS NOTEWORTHY TO US THAT IT TOOK SOVIETS FOUR WHOLE DAYS TO ADVISE US OF IRAQI DEMARCHE, BUT I WAS UNABLE DRAW OUT KORNIENKO ON THIS POINT. SOVIET ACTION IS NONETHELESS GIVEN ELEMENT OF URGENCY BY FACT HIGHEST RANKING US, UK, AND FRENCH REPRESENTATIVES AVAILABLE WERE CALLED TO MINISTRY ON SATURDAY WHEN IT NORMALLY CLOSED EXCEPT FOR MOST PRESSING BUSINESS. KORNIENKO SAID HE COULD BE REACHED SUNDAY THROUGH MINISTRY DUTY OFFICER IF WE HAVE ANYTHING IMPORTANT TO COMMUNICATE.
9. QUITE ASIDE FROM MERITS OF INTELLIGENCE TRANSMITTED, SOVIET APPROACH TO THREE POWERS CONTRIBUTES TO SENSE OF URGENCY SOVIETS HAVE IN OTHER WAYS BEEN SEEKING TO IMPART TO ARAB-ISRAELI SITUATION.

GP-3. SWANK

NOTE: NOT PASSED CAIRO BY OC/T.

CONFIDENTIAL

~~CONFIDENTIAL~~

Mr. Rostow

21

~~1. Prop~~
2. Pres file

CONFIDENTIAL

Friday, January 17, 1969

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Approval of PL 480 Credit Sale for Ceylon

Bill Gaud, Orville Freeman and Charlie Zwick recommend you approve a \$17.5 million PL 480 wheat flour credit sale for Ceylon. We plan no other aid to Ceylon in FY 1969, and this sale would fulfill a conditional pledge we made last April.

Despite Ceylon's excellent self-help record--16-20% increase in rice production in each of the last two years--it still has to import food. We plan to use the flour sale to require even more progress in rice.

Ceylon's small defense expenditures are no problem under the Symington Amendment.

This is a routine matter with no contentious issues, so there is no reason not to approve it now.

W. W. Rostow

Approve _____

Disapprove _____

DECLASSIFIED
E.O. 12958, Sec. 3.5
1950 Memo, 1/30/69, State Dept. Guidelines
By ly NARA, Date 3-5-96

CONFIDENTIAL

~~CONFIDENTIAL~~

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

212

JAN 16 1969

MEMORANDUM FOR THE PRESIDENT

Subject: P.L. 480 Program for Ceylon

In the attached memorandum, Orville Freeman and Bill Gaud request your authority to negotiate a \$17.5 million P.L. 480 agreement with Ceylon. This sale would provide 150,000 tons of wheat flour (equivalent to about 210,000 tons of wheat) and would be repayable in dollars over twenty years. The first three annual payments after a two-year grace period would be a token \$100,000 each to help Ceylon meet its short-run balance of payments problem.

This P.L. 480 agreement would constitute all of our aid to Ceylon in FY 1969.

Self-help - The moderate Senanayake government has taken a number of difficult and fundamental self-help measures during the past two years, including currency devaluation and import reform. These steps should go far toward helping Ceylon achieve a basically sound economic situation. In addition, the country's Grow More Food campaign has been a great success, with rice production increasing 16-20% in each of the past two years.

This P.L. 480 agreement would require continuation of the basic agricultural policies which led to this success and would require that specific targets be revised as follows:

- The rice production goal for 1969 would be raised to 71 million bushels, a 29% increase over the 1968 goal.
- The availability of fertilizer for the 1969 rice crop would be raised to 122,000 tons, a 37% increase over the 1968 goal.

Symington and Purcell Amendments - The Symington amendment presents no problem since Ceylon's defense expenditures are less than 1% of GNP. No currency-use payment would be required under the Purcell amendment because our holdings of Ceylonese rupees are already excess to our needs.

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By g, NARA, Date 3-5-98

~~CONFIDENTIAL~~

2

Timing of Agreement - It is desirable that this agreement be authorized soon. For one thing, it simply fulfills the conditional "pledge" we made at the April, 1968, meeting of the World Bank-chaired group of donors to Ceylon. At that time we indicated that we would try to make our food aid available during CY 1968. Moreover, Ceylon arranges for food imports early in the calendar year, and there is some danger that if we do not begin negotiations soon we will lose this sale to Australia or Europe.

Recommendation - On the basis of Ceylon's excellent self-help performance, her need for concessional food imports, and our desire to ship this wheat, I recommend that you approve this P.L. 480 program.

Charles J. Zwick

Charles J. Zwick
Director

Attachment

Approve _____

Disapprove _____

~~CONFIDENTIAL~~

4016

216

~~CONFIDENTIAL~~

MEMORANDUM

To: The President

JAN 13 1969

Subject: Public Law 480 Program for Ceylon

We recommend that you authorize us to negotiate a CY 1969 Title I, Public Law 480 agreement with Ceylon to provide 150,000 metric tons of wheat/wheat flour (in flour equivalent) with a current export market value, including certain ocean transportation costs, of \$17.5 million. This would be a dollar credit sale with a one percent initial payment and the remainder payable over 20 years including a two-year grace period. The first three payments would be \$100,000 each with the remaining payments in approximately equal annual amounts. The interest rate during the grace period would be two percent and three percent thereafter. These terms, except for the initial payment and increase to three percent of the continuing interest, are identical to those of the CY 1968 agreement. No currency use payment as provided for under Section 103(b) of the Act (Purcell Amendment) will be required since Ceylon is an excess currency country and no such payment is needed. The Departments of State and Treasury concur in this recommendation.

Need for the Program

Although there has been a substantial increase in rice production, Ceylon will continue to need to import both wheat and rice to meet consumption requirements. Ceylon requested 200,000 tons of wheat flour under PL 480 for CY 1969. Our recommendation provides for 150,000 tons. We believe this quantity together with the approximately 68,000 tons to be carried over from the CY 1968 agreement, commercial imports and anticipated contributions from donors under the International Grains Arrangement should be sufficient to meet Ceylon's wheat/wheat flour import needs during CY 1969.

Self-Help

The October 27, 1967 and June 21, 1968 agreements list specific self-help measures that are being undertaken by the Government of Ceylon. We are proposing that the specific targets of the first two measures of the June 21, 1968 agreement be updated to read as follows:

- (1) Raise paddy production to 71 million bushels in 1969 with programs to achieve this goal concentrating on improving yields from existing croplands, particularly those with the highest production potentials;
- (2) Expand the use of fertilizer for paddy to 122,000 tons for the two 1969 crop seasons.

~~CONFIDENTIAL~~

DECLASSIFIED
Authority: NSA/CSS Guidelines
By: S NARA, Date: 3-5-98

~~CONFIDENTIAL~~

2

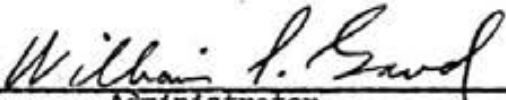
In addition, the Government of Ceylon will be asked to undertake a comprehensive review of the present storage construction program for food and agricultural inputs. The program will be evaluated in terms of expected storage needs brought about by production increases.

Military Expenditure Review

State/AID has determined that Ceylon's resources are not being diverted to military expenditures to a degree which materially interferes with its development, and that United States assistance is not being diverted to military purposes. This determination was made in a PL 480 memorandum signed by you on June 6, 1968, and the basis for it remains unchanged.

Recommendation

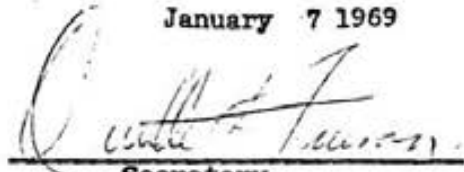
That you authorize us to negotiate the PL 480 sales agreement as described above.



Administrator

Agency for International Development

January 7 1969



Secretary

Department of Agriculture

Approve: _____

Disapprove: _____

Date: _____

~~CONFIDENTIAL~~

INFORMATION

23

Monday, January 20, 1969
10:00 a. m.

Mr. President:

Herewith a farewell message
from Ben Oehlert.

W. W. Rostow

23a

1

25X1A

~~SECRET~~ 200240Z

FM AMBASSADOR OEHLERT RAWALPINDI 605
TO THE WHITE HOUSE, FOR THE PRESIDENT

1. MAY THE GOOD LORD LIFT UP THE LIGHT OF HIS COUNTENANCE
UPON YOU AND GIVE YOU PEACE --BOTH NOW AND FOR EVER-
MORE-- THE PEACE YOU HAVE EARNED AND SO RICHLY DESERVE.

2. ALICE AND I WILL LOOK FORWARD TO SEEING YOU AND LADY
BIRD WHEN WE RETURN HOME IN THE NOT - RPT NOT - TOO
DISTANT FUTURE

~~SECRET~~

SANITIZED

Authority NLS. 019.044.003/4

By jc NARA, Date 12-28-09

ACTION

Saturday, January 18, 1969

Mr. President:

Herewith the final batch of farewell letters for your signature -- covering the European area.

W. W. Rostow

rln

ACTION

Saturday, January 18, 1969

Mr. President:

For your signature are farewell messages to heads of state in Africa, i. e., Equatorial Guinea, Ghana, Gambia, Lesotho, Libya, Mauritius, Morocco, Sierra Leone, South Africa, Swaziland, and Tunisia.

Thine on withdrawal²⁴

~~SECRET~~

Saturday, Jan. 18, 1969

Pres file
262

MR. PRESIDENT:

Herewith (Tab A) Thieu's press release on troop withdrawals.

At Tab B, Bunker's cable on background.

W. W. Rostow

~~SECRET~~ attachment

DECLASSIFIED
White House Guidelines, Feb. 24, 1983
By 6 NARA, Date 3-5-88



Department of State

wf 6
TELEGRAM

266

O 180504Z JAN 69 ZPT-6
FM AMEMBASSY SAIGON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7649
INFO RUFNCR/AMEMBASSY PARIS IMMEDIATE 3551
STATE GRNC
BT

4 8 3 0Q
JANUARY 18, 1969
2:33 A.M.

~~SECRET~~ SAIGON 1075

DECLASSIFIED

NODIS

Authority NLS 91-53

PARIS FOR VN DELEGATION

By mp/iz NARA. Date 3-2-98

SUBJ: US TROOP WITHDRAWAL - GVN PRESS RELEASE

REF: SAIGON 1074

1. FOLLOWING IS TEXT OF RELEASE AGREED UPON WITH GVN: QUOTE
IN ANSWER TO THE NUMEROUS VERSIONS AND FIGURES REPORTED BY BOTH
THE DOMESTIC AND FOREIGN PRESS CONCERNING THE GRADUAL WITHDRAWAL
OF AMERICAN TROOPS IN 1969, THE PRESIDENT SAID:

2. THE PRESIDENT STILL MAINTAINS THE DECISION HE HAD MADE PUBLIC
ONE YEAR AGO AND WHICH HE ONCE AGAIN CONFIRMED IN HIS TV SPEECH
OF DECEMBER 31; THAT IS, IN 1969 THE REPUBLIC OF VIET-NAM ARMED
FORCES WILL SHARE MORE OF THE BURDEN OF THE WAR SO THAT PART OF THE
AMERICAN TROOPS CAN RETURN HOME, BECAUSE THE VIETNAMESE HAVE THE
DUTY TO GRADUALLY ALLEVIATE THE BURDEN FOR THE PEOPLE AND THE GOVERN-
MENT OF THE UNITED STATES.

3. THE PRESIDENT CONFIRMED THAT SEVERAL DAYS AGO, HE HAD
DISCUSSED THIS PROBLEM WITH THE CHIEF OF THE JOINT GENERAL STAFF
OF THE RVN ARMED FORCES, AND FOLLOWING THAT DISCUSSION THE
PRESIDENT DIRECTED GENERAL CAO VAN VIEN TO CONFER WITH GENERAL
ABRAMS TO DRAFT A PROGRAM TO IMPLEMENT THE ABOVE DECISION.

4. IN ANSWER TO THE QUESTION ABOUT THE TIMING OF THE WITHDRAWAL
OF THOSE COMBAT UNITS, THE PRESIDENT REPLIED THAT DETAILED PLANS
WILL FIRST HAVE TO BE DEVELOPED BY THE HIGH MILITARY STAFFS OF THE
TWO COUNTRIES BEFORE SPECIFIC TIMING CAN BE DETERMINED.

5. THE PRESIDENT SAID FURTHER THAT THIS PROGRAM CAN NOW BE
IMPLEMENTED THANKS TO THE GROWTH OF THE ARVN BOTH IN QUANTITY
AS WELL AS QUALITY, AND THIS PROGRAM WILL IN NO WAY ALTER THE
MILITARY AND SECURITY SITUATION IN VIET-NAM.

6. THE PRESIDENT EMPHASIZED THAT THIS DECISION WAS TAKEN ON THE
BASIS OF OUR EXISTING STRENGTH AND THE STRONG CONFIDENCE IN THAT
REAL STRENGTH, AND NOT ON THE BASIS OF ANY POLITICAL OR OTHER
REASON. UNQUOTE.

7. RELEASE PLANNED BY GVN FOR 1200 HOURS TODAY LOCAL TIME.
BUNKER

~~SECRET~~



Department of State

WH 6
TELEGRAM

260

00 RUEHC RUFNCR
DE RUMJIR 231Q 0180545
ZNY SSSSS ZZH
O 180500Z JAN 69 ZFF-6
FM AMEMBASSY SAIGON
TO RUEHC/SECSTATE WASHDC IMMEDIATE 7648
INFO RUFNCR/AMEMBASSY PARIS IMMEDIATE 3550
STATE GRNC

BT

~~SECRET~~ SAIGON 1074

NODIS

PARIS FOR VN DELEGATION

SUBJ: US TROOP WITHDRAWAL

~~SECRET~~

4 8 3 3Q
JANUARY 18, 1969
1:22 A.M.

DECLASSIFIED

Authority NLS 91-53

By sp/ing NARA, Date 3-2-98

1. LAST EVENING (JAN. 17) PRESIDENT THIEU'S PRESS SECRETARY CALLED TO SAY PRESIDENT, FOLLOWING UP ON MY MEETING WITH HIM, WISHED TO ISSUE PRESS RELEASE ON TROOP WITHDRAWAL THAT EVENING. PRESIDENT DESIRED TO HAVE MY APPROVAL OF THE PROPOSED PRESS RELEASE.

2. PRESS SECRETARY WAS INFORMED THAT I WAS NOT AVAILABLE AND THAT SUBJECT OF PRESS RELEASE WAS SUCH THAT I WOULD HAVE TO SEE IT PERSONALLY. IT WAS AGREED THAT RELEASE WOULD BE DEFERRED UNTIL EARLY THIS MORNING AFTER I HAD HAD A CHANCE TO SEE IT.

3. AFTER CONSULTING WITH GENERAL ABRAMS ON THE PROPOSED RELEASE WE HAVE AGREED WITH GVN ON A MODIFIED VERSION THAT IS A REITERATION AND ELABORATION OF THIEU'S NEW YEAR'S EVE REMARKS ON WITHDRAWAL. IT OMITTS SOME OF THE SPECIFICITY ON TIMING CONTAINED IN THE ORIGINAL DRAFT AND MAKES NO REFERENCE TO NUMBERS. RELEASE DOES STATE THAT PRESIDENT THIEU HAS ASKED GENERAL VIEN TO WORK WITH GENERAL ABRAMS IN DRAWING UP A PROGRAM ON WITHDRAWAL.

4. I HAVE GONE ALONG WITH THE PROPOSED RELEASE BECAUSE IN VIEW OF THE VARIOUS STATEMENTS THAT HAVE BEEN MADE IT IS IMPORTANT THAT THERE BE AN AUTHORITATIVE STATEMENT THAT WILL LAY TO REST THE SPECULATIONS ABOUT FIGURES. THE STATEMENT SHOULD ALSO BE AN ASSET INsofar AS AMERICAN PUBLIC OPINION IS CONCERNED.

5. TEXT OF PRESS RELEASE SENT SEPTTEL.

6. SINCE THE STATEMENT MENTIONS ONLY THE UNITED STATES, WE HAVE SUGGESTED TO THE FOREIGN MINISTRY THAT THEY FIND A WAY TO SIGNIFY TO THE TROOPS BY CONTRIBUTING COUNTRIES THAT THE IDEA OF GRADUALLY RELIEVING THE BURDEN OF THE US IN-VIET-NAM APPLIES TO THEM ALSO. BUNKER

~~SECRET~~

1
50
5-hour Meeting²⁷

27a

INFORMATION

~~SECRET~~/HARVAN

Saturday, January 18, 1969 -- 1:50 p.m.

free file

Mr. President:

Herewith Vance reports on the 5-hour successful procedural meeting.

As you see, the GVN will not be ready Tuesday. The first reaction of Rogers and company is that they would like a postponement until Friday. I have tossed out informally the suggestion that they might want to go in Tuesday hard to nail down the DMZ understanding with respect to the bombing cessation.

It would be a wholly correct thing to do; it would buy time; it would signal that the new team is going to be tough and stay with the understandings negotiated by the Johnson Administration. I don't know where they will come out; but that is not my business any more.

W. W. Rostow

Paris 781

~~SECRET~~/HARVAN

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By h, NARA, Date 3-5-98

WWRostow:rlh



Department of State

276
TELEGRAM

~~SECRET~~

Z 181640Z JAN 69
FM AMEMBASSY PARIS
TO RUEHC/SECSTATE WASHDC FLASH 9962
INFO RUEHCR/AMEMBASSY SAIGON FLASH 2498
STATE GRNC
BT

04901

DECLASSIFIED

Authority NLS 91-159

By sp/ig NARA, Date 3-2-98

~~SECRET~~ PARIS 781

NODIS/HARVAN

DELTO 1180

FROM VANCE

ACTION COPY

1969 JAN 18 PM 12 00

1. WE MET THIS MORNING FOR FIVER HOURS AT THE USUAL CONFERENCE AT THE MAJESTIC WITH NEW FURNITURE. OUR DELEGATION FOR THE FIRST NEW MEETING CONSISTED OF VANCE, JORDEN, MILLER, NEGROPONTE, TOUMAYAN AND A COURT REPORTER.

2. WE REACHED AGREEMENT ON ALL THE PROCEDURES FOR THE PLENARY SESSIONS. THE AGREEMENT REACHED ON EACH OF THE PROCEDURAL MATTERS IS REFLECTED IN THE NOTES OF THE RESPECTIVE PARTICIPANTS AND OUR STENOGRAPHIC TRANSCRIPT. WE AGREED NOT TO PREPARE AN AGREED MINUTE. BOTH WE AND THE OTHER SIDE FELT THAT THIS WAS THE ONLY WAY TO AVOID THE PROBLEM OF LANGUAGE, I.E., "OUR SIDE-YOUR SIDE" VERSUS "FOUR DELEGATIONS." WE REACHED AGREEMENT ON THE SUBSTANCE OF ACH ONE OF THE PROCEDURAL ITEMS WITH EACH SIDE DESCRIBING IT IN ITS OWN TERMS.

3. AFTER WE HAD SPOKEN AND TABLED OUR DRAFT OF PROPOSED RULES, MRS. BINH SPOKE FOR THE NLF AND LAUNCHED INTO AN ATTACK ON THE UNITED STATES AND THE GVN. THE NORTH VIETNAMESE FOLLOWED AND MERELY PRESENTED THEIR VIEWS WITH RESPECT TO THE PROPOSED PROCEDURES WITHOUT TABLING ANY PIECE OF PAPER. THEREAFTER, WE RESPONDED, REAFFIRMING OUR POSITION THAT THE MEETINGS WERE TWO SIDED RATHER THAN FOUR DELEGATIONS. WE CALLED MRS. BINH TO TASK FOR VIOLATING OUR UNDERSTANDING THAT THERE WOULD BE NO DISCUSSION OF SUBSTANTIVE OR POLITICAL MATTERS IN THE PROCEDURAL MEETINGS. WE TOLD HER THAT WE EXPECTED THAT THIS WOULD NOT HAPPEN AGAIN, AND IT DID NOT.

~~SECRET~~

~~SECRET~~

-2- PARIS 781 Jan 18, 1968

4. WE TOOK TWO LONG RECESSES FOR CONSULTATION DURING THE COURSE OF THE FIVE-HOUR MEETING, AT WHICH WE AND THE SOUTH VIETNAMESE WERE ABLE TO REACH AGREEMENT ON OUR POSITIONS.

5. THE OTHER SIDE PUT US SOMEWHAT ON THE DEFENSIVE BY PROPOSING THAT THE FIRST SUBSTANTIVE PLENARY MEETING BE HELD ON TUESDAY, JAN. 21. THE SOUTH VIETNAMESE TOLD US THAT THEY DIDN'T SEE HOW THEY COULD POSSIBLY MAKE THAT DATE. IN AN EFFORT TO GIVE US A LITTLE MORE TIME, WE STATED IN THE MEETING THAT WE AGREED IN PRINCIPLE TO A MEETING EARLY NEXT WEEK BUT WOULD HAVE TO CHECK WITH THE LEADER OF OUR DELEGATION BEFORE AGREEING ON AN EXACT DATE. WE TOLD THE OTHER SIDE WE WOULD LET THEM KNOW AS SOON AS POSSIBLE WHAT DAY WOULD BE ACCEPTABLE TO US.

6. WE CAN GET OUR STATEMENT PREPARED FOR TUESDAY, BUT THE GVN SAYS THEY CANNOT COMPLETE THEIRS. THIS CREATES A REAL DILEMMA BECAUSE IF WE DO NOT MEET ON TUESDAY OR WEDNESDAY, THIS WILL GIVE THE OTHER SIDE A REAL PROPAGANDA ADVANTAGE. THE GVN SAYS THAT WEDNESDAY IS OUT OF THE QUESTION BECAUSE THEY DO NOT WANT THE FIRST NEW MEETING TO BE HELD ON THE SAME DAY, I.E., WEDNESDAY, ON WHICH THE OFFICIAL CONVERSATIONS WERE HELD.

7. WE SHOULD APPRECIATE YOUR THOUGHTS AND GUIDANCE ON HOW TO HANDLE THIS QUESTION OF THE DATE OF THE FIRST PLENARY SESSION. WE CAN PROBABLY STAVE OFF THE PRESS UNTIL LATE TOMORROW AFTERNOON, BUT THEN THEY WILL BE HITTING US VERY HARD.

8. PHONG HANDLED HIMSELF VERY WELL UNDER TRYING CONDITIONS IN WHICH HE HAD TO COPE WITH RAPIDLY CHANGING POSITIONS ON THE OTHER SIDE. HE WAS AT ALL TIMES DIGNIFIED AND ARTICULATE AND POISED.

9. FULL SUMMARY FOLLOWS.

HARRIMAN
BT

~~SECRET~~

~~SECRET/SENSITIVE~~

Saturday, January 18, 1969
9:55 a. m.

Pers. file
28

MR. PRESIDENT:

Vance has telephoned that in a 5-1/4 hour meeting, full procedural agreement was reached between the two sides.

The first substantive meeting will take place Tuesday, January 21. It was agreed that it would not be necessary to develop a formal protocol covering the procedures; but that the minutes of the meeting itself would suffice.

Nevertheless, Cy will write out the substance of the procedural understanding; as it will be incorporated in our minutes, and check it out with Lao and make sure that there is no misunderstanding.

It may be that they have come to a mood not unlike that of May 20, 1954, when they decided to wrap it up fast. If so, we may see some rather brisk movement because they know how to move fast when they wish to.

But in my judgment, they will see how their welcome offensive for Nixon makes out -- in the United States as well as in the field -- before they make that decision.

W. W. Rostow

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By tg, NARA, Date 3-5-98

29
INFORMATION

~~SECRET~~/BUTTERCUP

Saturday, January 18, 1969
9:20 a.m.

Mr. President:

Herewith the BUTTERCUP
channel is kept open and focused on
U. S. prisoners.

W. W. Rostow

~~SECRET~~

WWRostow:rln

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By g, NARA, Date 3-5-98

30

INFORMATION

~~SECRET~~

Pres file

Saturday, January 18, 1969
9:15 a. m.

Mr. President:

Herewith Jean Monnet notes and
responds to your words on European
unity in the State of the Union message.

W. W. Rostow

Paris 765

~~SECRET~~

WWRostow:rla

DECLASSIFIED
White House Guidelines, Feb. 24, 1983
By , NARA, Date 3-5-8



Department of State

30a
WTS
TELEGRAM

~~SECRET~~

614021

1969 JAN 17 PM 3 40

VV CRD998
OO RUEHC
DE RUFNCR 765 0172030
ZNY SSSSS
O 172025Z JAN 69
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 9945
STATE GRNC
BT
~~SECRET~~ PARIS 765

NODIS

JEAN MONNET HAS ASKED THAT THE TEXT OF THE FOLLOWING MESSAGE
BE TRANSMITTED TO THE PRESIDENT:

QUOTE I READ YOUR MESSAGE ON THE STATE OF THE UNION WITH DEEP
INTEREST.

I WISH TO ASSURE YOU OF MY PERSONAL FEELING OF FRIENDSHIP AND
ADMIRATION.

AS YOU SAY IN YOUR MESSAGE, I HOPE AND FEEL CERTAIN THAT THE
UNITY OF EUROPE WHICH HAS ALREADY BEGUN WILL MOVE FORWARD
AND THAT YOU AND I IN OUR LIFETIME WILL SEE IT ACHIEVED.

A UNITED EUROPE SPEAKING WITH ONE VOICE, CO-OPERATING ON A
BASIS OF EQUALITY WITH THE UNITED STATES IS THE SUREST WAY TO
ORGANIZE PEACE.

WITH BEST THOUGHT AND BEST WISHES TO YOU, MRS. HOHNSON AND
YOUR FAMILY. JEAN MONNET

UNQUOTE

BLAKE
BT

~~SECRET~~

DECLASSIFIED
E.O. 12958, Sec. 3.5
State Dept. Guidelines
By NARA, Date 3 5 98

31

INFORMATION

~~SECRET~~

Free file

Saturday, January 18, 1969
9:10 a. m.

Mr. President:

Herewith a handsome but well-
deserved tribute from Thieu.

W. W. Rostow

Saigon 1071

~~SECRET~~

WWRostow:rln

DECLASSIFIED
White House Guidelines, Feb. 24, 1993
By 4, NARA, Date 3-5-88

1969 JAN 18 05 20

SECRET

HCE 024

PAGE 01 SAIGON 01071 183436Z

14

ACTION SS 73

INFO SSO 00, NSCE 00, 1070 W

132343

P 133400Z JAN 69

FM AMEMBASSY SAIGON

TO SECSTATE WASHDC PRIORITY 7641

~~SECRET~~ SAIGON 1071

L I M D I S

PERSONAL FOR THE SECRETARY FROM BUNKER

1. PRESIDENT THIEU HAS ASKED ME TO TRANSMIT TO PRESIDENT JOHNSON THE FOLLOWING LETTER ON THE OCCASION OF HIS DEPARTURE FROM OFFICE:

2. BEGIN TEXT:

DEAR MR. PRESIDENT,

AS YOU ARE LEAVING YOUR HIGH OFFICE, I AM WRITING TO EXPRESS TO YOU MY HEARTFELT GRATITUDE FOR YOUR GREAT DECISIVE CONTRIBUTION TO THE DEFENSE OF FREEDOM IN VIET-NAM, AND FOR THE WARM AND CONFIDENT COOPERATION WHICH HAS EXISTED BETWEEN OUR TWO GOVERNMENTS DURING THE YEARS THAT I HAVE HAD THE PRIVILEGE OF BEING IN OFFICIAL RELATIONSHIP WITH YOU.

YOUR COURAGEOUS DECISION TO COMMIT UNITED STATES TROOPS TO VIET-NAM IN 1965 IN THE FACE OF MASSIVE COMMUNIST INFILTRATION, THE MILITARY PRESSURES EXERTED AGAINST NORTH VIET-NAM TO MAKE THE COMMUNISTS PAY FOR THEIR AGGRESSION AND THEREBY TO GIVE THEM AN INCENTIVE FOR PEACE, YOUR VISION OF A CONSTRUCTIVE AND HARMONIOUS COOPERATION BETWEEN THE NATIONS OF SOUTHEAST ASIA, YOUR SUPPORT OF THE VIETNAMESE EFFORTS TO ESTABLISH DEMOCRATIC INSTITUTIONS IN THE MIDST OF A WAR, AND FINALLY YOUR CONSTANT AND TIRELESS SEARCH FOR AN HONORABLE PEACE, ARE THE MAJOR LANDMARKS OF YOUR OUTSTANDING EFFORTS IN FACING ONE OF THE MOST DIFFICULT, THE MOST COMPLEX, AND THE MOST CRUCIAL CHALLENGES OF OUR TIMES.

THE BASIC ISSUES IN THIS STRUGGLE REMAIN TODAY THE SAME AS THEY WERE YEARS AGO WHEN THE UNITED STATES DECIDED TO MAKE A STAND

DECLASSIFIED

E.O. 12958, Sec. 3.5

NSC Memo, 1/30/95, State Dept. Guidelines ~~SECRET~~By rf, NARA, Date 3-5-98

PRESERVATION COPY

~~SECRET~~

PAGE 02 SAIGON 01971 182436Z

AGAINST COMMUNIST EXPANSION IN VIET-NAM. THROUGHOUT THE YEARS, WE HAVE BEEN MAKING EFFORTS AND SACRIFICES TO PRESERVE FREEDOM, TO ENSURE THAT AGGRESSION BE NOT REWARDED, AND TO BUILD A SAFER, MORE HARMONIOUS, AND HAPPIER WORLD FOR OUR CHILDREN AND GRAND-CHILDREN TO LIVE IN.

IN MANY REGARDS, VIET-NAM IS A CRUCIAL TEST CASE IN OUR TROUBLED WORLD. I AM CONVINCED THAT THE FREE WORLD WILL COME OUT STRONGER FROM THIS TEST AFTER THE MEETINGS I HAD WITH YOU IN HONOLULU, MANILA, GUAM, CANBERRA, AND AGAIN IN HONOLULU LAST JULY.

AN HONORABLE AND LASTING PEACE OF COURSE IS OUR MAJOR OBJECTIVE.

TO THAT END, COLLECTIVE SECURITY IS THE MAIN GUARANTEE OF A DURABLE PEACE. BUT THE STRENGTH AND EFFECTIVENESS OF COLLECTIVE SECURITY NATURALLY DEPEND CLOSELY ON THE INTERPRETATION BY FRIENDS AND FOES OF WHAT THE FREE WORLD WILL BE ABLE AND WILLING TO DO IN MEETING THE CHALLENGE OF COMMUNIST EXPANSION.

ON THE BASIS OF WHAT WE HAVE ACHIEVED IN RECENT YEARS, I AM CONFIDENT OF THE SUCCESSES OUTCOME OF OUR STRUGGLE FOR FREEDOM IN VIET-NAM.

FREE VIET-NAM IS TODAY SUBSTANTIALLY STRONGER THAN IT WAS, MILITARILY AS WELL AS POLITICALLY, AND WE SHALL NOT FORGET THAT IT WAS MOSTLY THANKS TO YOU THAT WE HAVE ACHIEVED THESE RESULTS.

AS YOU ARE LAYING DOWN YOUR GREAT BURDENS IN THE COMING DAYS, I WISH YOU GOOD HEALTH AND HAPPINESS THROUGHOUT THE YEARS TO COME.

SINCERELY YOURS,
NGUYEN VAN THIEU.

END TEXT. BUNKER

NOTE: LIMDIS CAPTION ADDED PER S/S-O MR. THEROS 1/18/59.

~~SECRET~~ LIMDIS

INFORMATION

~~SECRET~~

Friday, January 17, 1969
3:00 p. m.

Mr. President:

Herewith a final, chatty
message from Prime Minister Willson.

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

BY mp ON 3-2-98

W. W. Rostow

~~SECRET~~

WWRostow:rla

33

Pres file

THE WHITE HOUSE
WASHINGTON

ACTION

Friday, January 17, 1969

Mr. President:

Attached for your signature is
a letter to Israeli Prime Minister
Eshkol. You have earlier approved
the language of the text.

W. R.

Mr. Rostow

34

Pres file

January 17, 1969

Mr. President:

No reply to the attached is necessary since it is a thank-you note for the album of pictures covering the Hoveyda visit, but I thought you would wish to read the warm personal words it contains.

WWR

Att: Letter from Hushang Ansary of Iranian Embassy
to President Lyndon B. Johnson, 1/15/69



IRANIAN EMBASSY
WASHINGTON 8, D. C.

January 15, 1969

The Ambassador

Dear Mr. President:

Mrs. Ansary joins me in expressing to you and to the charming First Lady our sincere gratitude for your warm letter of December 31, 1968, and for the album which you have so graciously enclosed.

I find myself at a loss for words that would truly express our deep feeling of admiration for you and Mrs. Johnson, and our very great appreciation for the kindness and thoughtfulness shown to us by every member of your family since our arrival in Washington.

We shall cherish many happy memories of these occasions and pray that you may all enjoy good health and happiness in the years to come.

Please accept, Mr. President, the assurances of my highest esteem,

Respectfully,

Hushang Ansary
Hushang Ansary

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

Friday, January 17, 1969

MEMORANDUM FOR THE PRESIDENT

Our Embassy in London has requested your photograph (approximately 13" x 16-1/2") with an appropriate inscription and signature, to add to its Presidential gallery.

I suggest the following inscription:

"To the staff of the American Embassy,
London, with appreciation and best wishes."

State will arrange delivery.

W. W. Rostow

JKN:ERF:mst

36
Pres file

INFORMATION

~~SECRET~~

Friday, January 17, 1969
5:00 p. m.

DECLASSIFIED
White House Guidelines, Feb. 24, 1983
By imp, NARA, Date 3.2.98

Mr. President:

I think you will enjoy this copy
of General Abrams' order to his sub-
ordinate commanders.

W. W. Rostow

MAC 760

~~SECRET~~

WWRostow:rln

~~SECRET~~
~~EYES ONLY~~

17 JAN 1969

C 171019Z ZYH ZFF-3

FM GEN ABRAMS COMUSMACV SAIGON
TO GEN BROWN CDR 7AF SAIGON
LTG MILDREN DCG USARV LONG BINH
LTG STILLWELL CG III MAF DANANG
LTG PEERS CG I FFV NHA TRANG
LTG KERWIN CG II FFV LONG BINH
VADM ZUMWALT COMNAVFORV SAIGON
MG ECKHARDT SA IV CTZ CAN THO
INFO GEN NAZARRO CINCPAC HONOLULU
GEN WHEELER CJCS WAS INGTON
ZEM

~~SECRET~~ MAC 760 EYES ONLY

1. (S) THE PARIS PEACE TALKS ARE SCHEDULED FOR RESUMPTION AT 1730 HOURS, SAIGON TIME, 18 JANUARY 1969.
2. (S) THERE HAVE BEEN CONSTANT INDICATIONS FROM THE ENEMY THAT HE PLANS TO STAGE ATTACKS AT SUCH TIMES AS HE CAN BEST INFLUENCE THE PARIS TALKS.
3. (S) REQUEST THAT EACH ADDRESSEE TAKE SUCH ACTION AS IS NECESSARY TO PRE-EMPT THE ENEMY AND DESTROY HIM COMPLETELY.

GP-4.

200

36a

DECLASSIFIED

Authority

GP4

By

myl

NARA, Date

3-2-98

~~SECRET~~
~~EYES ONLY~~

Friday, Jan. 17, 1969
3:45 p. m.

Pres. file

57

MR. PRESIDENT:

Herewith a note from His
Holiness via the Apostolic Delegate
on the breakthrough in the Paris talks.

W. W. Rostow

Attachment



37a
3339 Massachusetts Avenue, N.W.
Washington, D. C. 20008

January 17, 1969

Dear Mr. President:

At the request of His Eminence, The Cardinal Secretary of State, I have the honor to inform you that His Holiness, Pope Paul VI, wishes you to know that he received with genuine pleasure the announcement that agreement has been reached for the opening of expanded peace negotiations on the Vietnam war.

His Holiness is highly appreciative of the earnestness and good will shown in overcoming the preliminary difficulties and offers his best wishes that the conference may quickly reach the desired goal of a true, just and honorable peace, toward which the Vietnamese people legitimately aspire.

Accept, Mr. President, the renewed assurances of my highest consideration.

+Luigi Raimondi
Apostolic Delegate

The President

The White House

Friday, January 17, 1969 -- 9:30 am

Mr. President:

With respect to the Venezuela oil question and Sec. Udall's recent decision, Leoni has weighed in personally in the attached.

You should know that Sec. Rusk is quite exercised about this problem.

W. W. Rostow

WWRostow:rla

EMBAJADA DE VENEZUELA
WASHINGTON, D. C.

38a

His Excellency
Lyndon B. Johnson
The White House

I address myself to Your Excellency to express my government's profound concern by the recent amendment of the Oil Import Program that grants to Phillips Petroleum Company the alternative to import non-hemispheric crude oil into Puerto Rico.

I take the liberty of pointing out to Your Excellency that this measure was adopted without a previous mutual consultation as has been agreed between our two governments when changes in the Program affecting our exports to United States are contemplated.

Realizing as I do Your Excellency's understanding, as demonstrated on numerous occasions, with regard to oil problems between our two countries, I would greatly appreciate if Your Excellency would give your urgent consideration to this matter which could have adverse effects to our oil trade with the United States.

I avail myself of this opportunity to express to Your Excellency my sentiments of high esteem and distinguished consideration.

Raúl Leoni
President of Venezuela

5/1

41

ACTION

Thursday, January 16, 1969
4:55 p.m.

Mr. President:

Herewith, as requested, is a
draft response, for your signature,
to Bill Rogers' note of January 15.

W. W. Rostow

rlm

4/a

January 16, 1969

Dear Bill:

Thank you for your gracious note of January 15.

On the eve of your assuming responsibility, I would like you to know the confidence I have come to feel in you in these days of transition. I am sure that under the leadership of Mr. Nixon this nation will stay steady on its course in foreign policy -- a course of bipartisan search for stable peace in the world which began when President Roosevelt and Senator Vandenberg made common cause a quarter of a century ago.

I shall be proud that the picture I sent you will hang alongside that of President Eisenhower in your office.

Mrs. Johnson and I wish you and Adele the very best in the rewarding and challenging days ahead.

Sincerely,

Mr. William P. Rogers
Secretary of State Designate
Room 1004
Department of State
Washington, D. C.

LBJ:WWRestow:rla

ACTION

Thursday, January 16, 1969 - 1:30 p.m.

Mr. President:

I have talked with Bill Jorden on the classified phone. I made clear the points about the split of his working time and the cost of moving from Washington to Texas.

He accepted both points.

Attached is a draft letter which you may wish to send to him to close out the arrangements.

W. W. Rostow

WWRostow:rla

January 16, 1969

Dear Bill:

I am delighted that you are prepared to go to Austin to work in the time ahead on the historical materials of our Administration.

The understanding expressed in your letter to Walt, of January 7, is quite satisfactory except on two points.

First, we would expect that your primary task would be to develop the materials for our book on the major decisions of this Administration. Knowing your working habits, I am sure there will also be time for you to shape up your own book on the search for peace in Vietnam.

Second, we would seek to arrange your move to Austin from Washington via the State Department which, I understand, now carries you on its rolls.

We would hope to see you in Austin at the earliest possible time consistent with your obligations to Cy Vance and the Paris delegation.

I look forward greatly to your joining us in the adventure of telling the story of the past five years.

Sincerely,

Mr. William J. Jorden
American Embassy
Paris, France

LBJ:WWRostow:rla

43
INFORMATION

Thursday, January 16, 1969 -- 10:30 a. m.

Mr. President:

Sec. Rusk is inclined to go with Ed Kerry's view on the Chilean loan.

If you approve, he will clear with Rogers -- If it is the transitional problem that concerns you.

W. W. Rostow

WWRostow:rla

Walt 44
THE WHITE HOUSE
WASHINGTON

Thursday, January 16, 1969
7:20 AM

Mr. President:

Herewith Korry address^s The President and pleads for clearance of the Chilean loan.

His case is good because:

--CIAP, IMF and IERD start negotiations on Monday in Santiago. The U.S. program loan is a critical element;

--the Nixon administration, lacking a Latin American Assistant Secretary, is unlikely to be able to come to grips quickly with the problem;

--Frei and Chilean democracy are on a pretty narrow edge with the drought.

Stay with previous decision _____

Go ahead _____

Call me _____

Walt
W. W. Rostow



Department of State

TELEGRAM

~~CONFIDENTIAL~~

ACTION COPY

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DE RUESNA 1840152145
ZNY CCCCC ZZH
O 152130Z JAN 69
FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC IMMEDIATE 7708
STATE GRNC
BT

3912Q
1969 JAN 15 PM 6 13

~~CONFIDENTIAL~~ SANTIAGO 184

FOR WHITE HOUSE ONLY

NODIS FOR THE PRESIDENT ONLY

1. I LAMENT BITTERLY THAT IN YOUR FINAL DAYS IN OFFICE THAT I AM COMPELLED FOR THE FIRST TIME IN MORE THAN SIX YEARS AS CHIEF OF MISSION TO APPEAL DIRECTLY TO YOU MR. PRESIDENT FOR YOUR URGENT CONSIDERATION OF A PROBLEM IN MY PARISH.

2. THE PROBLEM IS THE 1969 AID PACKAGE FOR CHILE COMPRISED OF A PROGRAM LOAN OF \$20,000,000, PL-480 FOR DROUGHT RELIEF AND AN AGRICULTURAL SECTOR LOAN.

3. I WAS ASSURED DURING MY RECENT CONSULTATION IN WASHINGTON THAT ALL AGENCIES HAD CONCURRED FINALLY IN THE TACTICS STRATEGY AND COMPONENTS OF THIS AID PACKAGE. ONLY WITH THAT FIRM ASSURANCE IN HAND AND WITH THE COMPLETE SUPPORT OF STATE DID I RETURN TO MY POST. NOW THE SAME RESERVATIONS INITIALLY EXPRESSED BY ONE AGENCY (TREASURY) HAVE BEEN RESURFACED AND HAVE DELAYED THE PRESENTATION TO YOU OF THE PROPOSALS FOR YOUR SIGNATURE.

4. DIPLOMACY USUALLY BOILS DOWN TO MUTUAL BACK-SCRATCHING. IN ANTICIPATION OF YOUR GOVERNMENT'S APPRECIATION OF THE SITUATION I PERSUADED THE GOVERNMENT OF CHILE IN THE FINAL 1968 MONTH OF DECEMBER FOLLOWING MY RETURN FROM WASHINGTON TO AID OUR BALANCE OF PAYMENTS POSITION BY MAKING PRE-PAYMENTS OF BOTH PUBLIC AND PRIVATE DEBT TO THE US OF \$18,300,000. THE TOTAL OF THESE PAYMENTS ALMOST EQUALS THE ANTICIPATED PROGRAM LOAN WHICH IS THE CONTENTIOUS ISSUE. THE PAYMENTS WERE NOT DUE IN SOME CASES UNTIL THE LAST HALF OF 1970. WORKING LEVEL EXPERTS AT TREASURY MAY NOT RPT NOT UNDERSTAND THAT THESE PAYMENTS WERE NOT MADE FOR TECHNICAL

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 12958, Sec. 3.5
State Dept. Guidelines

By h NARA, Date 8-5-98

-2- SANTIAGO 184, JAN 15

REASONS BUT FOR POLITICAL REASONS -- THAT IS, THAT ONE GOOD TURN MERITS ANOTHER. NOR CAN THEY BE EXPECTED TO APPRECIATE FULLY THAT THE GOVERNMENT OF PRESIDENT FREI HAS COOPERATED MORE FULLY WITH THE US IN EVERY WAY IN THIS PAST YEAR THAN AT ANY TIME DURING HIS TENURE OR INDEED AT ANY TIME DURING AT LEAST THE PAST DECADE OF US-CHILEAN RELATIONS.

5. THE URGENCY OF THE PROGRAM IS CREATED BY THE BUDGETARY CYCLE IN CHILE WHICH BEGAN JANUARY ONE AND Y THE PRESENCE HERE OF THE ADVANCE MEMBERS OF THE IMF-WORLD BANK GROUPS WHICH NEGOTIATE WITH THE CHILEANS CONCURRENTLY WITH US. THESE INTERNATIONAL REPRESENTATIVES HAVE EXPRESSED THEIR CONSIDERABLE CONCERN AT THE POSSIBILITY THAT THE PROGRAM LOAN WILL NOT BE APPROVED IN TIME FOR OUR SCHEDULED NEGOTIATIONS TO BEGIN NEXT MONDAY. IT IS THROUGH THE PROGRAM LOAN NEGOTIATIONS THAT WE EXERCISE OUR CONSTRUCTIVE INFLUENCE ON THE GOVERNMENT OF CHILE WHICH FULLFILLED ALL RPT ALL OF THE COMMITMENTS MADE TO US IN THE LAST PROGRAM LOAN NEGOTIATIONS DURING THE SECOND HALF OF CY 1962.

6. FINALLY THERE IS A MORE TRANSCENDANTAL QUESTION. AT A TIME WHEN THE LIGHTS OF DEMOCRACY AND OF CONSITUTIONAL ORDER ARE ONCE AGAIN DIMMING IN MANY PARTS OF LATIN AMERICA AND AT A TIME WHEN ONE OF THE FEW REMAINING DEMOCRACIES IN THE AREA IS SUFFEING FROM A CATASTROPHIC DROUGHT, DO WE WISH TO TAKE AN ACTION (BY INACTION) OF GRAVE POTENTIAL CONSEQUENCE AGAINST THE LATIN AMERICAN WHO HAS MOST SYMBOLIZED THE DEOCRATIC PURPOSES AND ACTION OF THE ALLIANCE FOR PROGRESS? I AM PERSUADED THAT SUCH ADVERSE ACTION IS CONTRARY TO YOUR PERSONAL PHILOSOPHY AND TO THE SUM AND COMPONENTS OF YOUR VERY CONSIDERABLE CONTRIBUTIONS AND COMMITMENTS TO THE BUILDING OF THE BULWARKS OF DEMOCRATIC STABILITY AND PROGRESS IN THE WORLD. FURTHER, I KNOW THAT IS IS CONTRARY TO YOUR SPIRIT TO LEGATE TO A SUCCESSOR A PROBLEM THAT WOULD CREAT VERY TICKLISH ADDITIONAL DIFFICULTIES FOR HIS ADMINISTRATION THROUGHOUT LATIN AMERICA FAR BEYOND CHILE BECAUSE OF ITS POLITICAL IMPORT --- BECAUSE IT WOULD BE INTERPRETED AS US POPPOSITION TO THE FREI-TYPE REFORMIST PROGRAMS.

KORRY
BT

~~CONFIDENTIAL~~

ACTION

Mr. Rostow

45

1. [Signature]
2. [Signature] file

~~CONFIDENTIAL-EXDIS~~

Thursday, January 16, 1969

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Two Last Actions on Israeli Desalting

1. George Woods' proposal is in the budget as you instructed. Although George has informally told his Israeli counterpart, it would be appropriate for you to inform Eshkol yourself. The attached note for your clearance does this and also includes your farewell message. I believe you will wish to take a close look at the fifth paragraph ("I do not underestimate the difficulties Israel faces. . .")

Approve ☒ Disapprove ☐ Call me ☐

2. We all recognize that it is up to the next Administration to follow up on this project. However, it seems to make sense for us to make arrangements for a group to watch over it and to help the new team make up its mind on how to handle the project. Secretary Rusk sees no impropriety in this and has endorsed the immediate establishment of a Policy Group consisting of one representative each from State's Water for Peace Office, Interior and AEC under the executive chairmanship of the Water for Peace Office. This continues formally the organization that supported George Woods in his study. I recommend that you approve on the grounds that it is better to leave your successor with a well-organized group to turn to than to leave your proposal adrift after four years of hard study. If you approve, I shall send Secretary Rusk a short memo to that effect.

Approve ☒ Disapprove ☐ Call me ☐

W. W. Rostow

~~CONFIDENTIAL-EXDIS~~

DECLASSIFIED

E.O. 12958, Sec. 3.5

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

By h, NARA, Date 3-5-98

ACTION

Thursday, January 16, 1969

MEMORANDUM FOR THE PRESIDENT

Pres file

SUBJECT: AID grant for Laos

Attached are recommendations from Charles Zwick and Bill Gaud that you approve up to \$16.6 million in calendar year 1969 for the Laos Foreign Exchange Operations Fund (FEOF).

This is an urgent matter as the 1968 FEOF money has been exhausted.

FEOF was begun in 1964 on the recommendation of the International Monetary Fund. It is the device by which the inflationary pressures resulting from heavy military expenditures are soaked up. In addition to the United States, the United Kingdom, France, Australia, and Japan have contributed funds in the past. This year AID hopes to get additional contributions from Canada and West Germany.

The United States share is about 70%, and the funds we provide to FEOF are not tied to United States procurement. They do, therefore, represent a drain on our balance of payments. However, FEOF is still considered by far the most efficient way of keeping the economic lid on in Laos, and for that reason has the continued support of the Budget Bureau and Treasury, as well as AID and the State Department.

I recommend you approve up to \$16.6 million for FEOF in calendar year 1969.

Atts

W. W. Rostow

Approve _____

Disapprove _____

Call me _____

XXXXX

MWright:wpt

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

46
JAN 15 1969

DECLASSIFIED

MEMORANDUM FOR THE PRESIDENT

Authority

NLT 91-457

By mp/lif

NARA, Date 3-3-98

Subject: AID Grant for Laos Foreign Exchange Operations Fund

Bill Gaud requests your approval to negotiate agreements and to provide up to \$16.6 million to support the calendar year 1969 Laos Foreign Exchange Operations Fund (FEOF). Your approval for extension of FEOF is urgent as calendar year 1968 FEOF resources have been exhausted.

The Foreign Exchange Operations Fund was introduced by the IMF in 1964 as a way to soak up money supply and reduce inflationary pressures. Inflationary forces come principally from the high level of Lao military expenditures and rising civilian expenditures. The U.S., along with the United Kingdom, France, Australia, and Japan have provided foreign exchange for FEOF in the past. In addition, this year AID is seeking contributions from Canada and West Germany.

The proposed FEOF agreements would require the Laotian Government to hold down the size of the budget deficit, in the face of declining tax receipts earned on gold trade, by

- limiting civilian expenditures
- closer monitoring of all expenditures
- increasing customs tax collections.

In order to maintain a tighter review of the stabilization program, release of U.S. funds will be tied to a quarterly review of performance.

Based on the IMF proposal, AID estimates that total foreign exchange requirements for FEOF for CY 1969 will be \$23 million. The proposed U.S. contribution would be \$16.1 million, with \$6.9 million to come from other donors. Based on the recent 70% U.S. share, contributions from other donors would be up \$600,000 over last year. In the event other contributions fall short, Gaud is requesting authority to increase the U.S. contribution to \$16.6 million. Any increase above 70% in the U.S. share will be subject

~~SECRET~~

X 212 -1

~~SECRET~~

2

to Treasury and Budget Bureau review. In addition, AID will provide \$35 million in technical assistance and other supporting assistance funds, about \$5 million less than last year.

Balance of Payments

X
J. F. [unclear]
Funds provided for FEOF are not tied to U.S. procurement and represent a drain on the U.S. balance of payments. However, FEOF is still considered the most efficient and feasible way to finance the stabilization program. Treasury and AID will continue to review the Laos program with a view toward reducing the balance of payments costs.

Military Expenditures

State/AID has determined that Laotian military expenditures do not require action under either the Conte amendment or the Symington amendment. The relatively high level of military expenditures are deemed necessary. U.S. stabilization assistance is provided specifically to offset the inflationary pressure of such expenditures.

Recommendation

I recommend that you approve this request for up to \$16.6 million for FEOF.

Charles J. Zwick
Charles J. Zwick
Director

Attachment

Approve _____

Disapprove _____

~~SECRET~~

466

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

OFFICE OF
THE ADMINISTRATOR

JAN 3 1969

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Extension of Laos Foreign Exchange Operations Fund

I request your authorization to approve funds for CY 1969 support of the Foreign Exchange Operations Fund (FEOF) in Laos.

The fundamental U.S. objective in Laos is the continuation of an independent and neutral country with a reasonable degree of economic and political stability. The ability of the Royal Lao Government (RLG) to withstand Communist pressures is crucial to this objective as well as to the U.S. interest that the Mekong Valley area of Laos remain in friendly hands. The cost of the Lao military establishment far exceeds the RLG's financial capabilities, and runaway inflation resulting from enormous budget deficits would endanger both the economic and political stability of the country.

IMF recommended the creation of FEOF in 1963 as a method of offsetting the inflationary pressures of RLG budget deficits and it has proved to be an effective device in absorbing excess liquidity through the purchase of local currency (kip) on the open market. Thus the U.S. and four other donors, the U.K., Australia, France and Japan, have continued to provide the foreign exchange necessary for such purchases. This multi-national activity sponsored by the IMF also enhances efforts to retain, in the face of continued North Vietnamese aggression, international support for the RLG and its policy of neutrality provided for in the 1962 Geneva Agreements.

Negotiations must begin promptly with the RLG and the other donors to extend the fund through CY 1969. If exhaustion of the fund is to be avoided and financial stability maintained, it is important that the U.S. be able to make its pledge as early as possible in the new calendar year.

We estimate that FEOF will require direct contributions of approximately \$23 million for CY 1969, compared to \$22 million in CY 1968. The CY 1969 estimate is based on IMF calculations with a minor adjustment to reflect our estimate of a somewhat higher demand for foreign exchange. The increase in CY 1969 over CY 1968 is largely due to (a) a recent agreement to shift the financing of gasoline imports from the U.S. commodity import program to FEOF beginning with the second half of 1969, and (b) an estimated reduced level of gold trade in 1969 with consequent reductions in Lao tax revenues and free market foreign exchange availabilities.

RLG deficit spending, the key factor in determining FEOF requirements, increased in CY 1968 with the decline in gold revenues, but the loss in gold taxes was partially covered by a significant increase in other tax collections. A deficit ceiling of 8.25 billion kip is planned for CY 1969 with the institution of quarterly controls on RLG borrowing to assure compliance. Achievement of this ceiling will require, however, strong measures by the RLG: continued improvement in domestic tax collections, including the imposition of new taxes; closer supervision of expenditures and cancellation of low priority activities, particularly the construction of office buildings; and perhaps reductions in military costs through more efficient staffing and organization. The RLG has approved an 'Emergency Plan' which sets out basic guidelines for achieving the planned improvements.

Based on relative contributions in 1968, the U.S. share of the CY 1969 FEOF requirement is expected to be approximately 70% of the total or about \$16.1 million. This compares to the CY 1968 contribution from the U.S. of \$15.7 million, but does not represent a real increase in overall U.S. stabilization assistance to Laos since FEOF financing of gasoline permits a consequent reduction in the U.S. commodity import program (USIP). In fact, total U.S. non-project assistance has remained remarkably stable over the past few years. The attached table gives a breakdown of such assistance by calendar year.

Furthermore, since the gasoline previously financed under USIP was purchased from non-U.S. sources, the shift to FEOF financing will not increase the dollar drain impact of our stabilization assistance. A.I.D. together with the Treasury Department maintains a continuous review of the stabilization program in an effort to reduce our balance of payments costs. Thus far, no practicable alternative to primary reliance on FEOF has been found. A barter attempt involving surplus U.S. agricultural commodities was unsuccessful this past year, but the effort will be renewed should conditions become more favorable.

The progressive shift in recent years from the provision of dollar aid at the official rate of 240 kip to the dollar under USIP to the free market rate of 500 kip to the dollar under FEOF has constituted a partial de facto devaluation and a partial shift of the burden of the governmental deficit to the internal Lao economy. This shift has enabled us to get more anti-inflationary efficiency from our dollar input without increasing the actual dollar drain from the U.S.

We find that support of other donors for FEOF for next year is less certain and predictable than formerly. In view of the clear interests of Japan and Australia in Southeast Asia, we plan to press hard for greater contributions from them. In addition, we are strongly supporting the Lao request to both West Germany and Canada to join with present donors in supporting FEOF. On the other hand, French financial problems may adversely affect their support

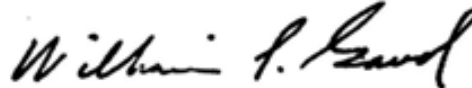
- 3 -

of FEOF. In summary, the uncertainties of other donor support as well as the general uncertainties of the Lao situation may result in either a greater or lesser requirement for U.S. assistance than the above estimate of \$16.1 million. Thus I am requesting authorization to approve funds of up to \$16.6 million for FEOF in the event the higher amount is necessary after efforts have been exhausted to obtain from others the entire balance of the total projected FEOF requirement of \$23 million.

Funds will be released in tranches through the year following quarterly review of RLG performance by A.I.D. Releases will be subject to a determination by A.I.D. that performance has been satisfactory in relation to the conditions contained in the proposed agreement.

We propose to fund all of CY 1969 requirements from FY 1969 Supporting Assistance.

Recommendation: That you authorize me to approve U.S. negotiation and conclusion of the CY 1969 extension of the multilateral and bilateral agreements for the Laos Foreign Exchange Operations Fund (FEOF) with a commitment of up to \$16.6 million. The Department of State concurs.



William S. Gaud

Attachment: a/s

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TABLE I

<u>Cost of Stabilization</u>	<u>CY 1967</u>	<u>CY 1968</u>	<u>CY 1969</u>
Contributions to FEOF			
U.S.	13.8	15.7	16.1
One-time transfer for motor gasoline financing, USIP to FEOF	0	.21/	1.0
Other donors	5.7	6.3	6.9
Commodity Import Programs and Invisibles Support			
U.S. Commodity Import Program			
Petroleum ^{2/}	3.1	2.6	1.2
Other goods	1.1	1.1	1.45
Invisibles (terminated after June 30, 1969)	1.5	1.0	.5
British and Australian CIP	.4	.3	.3
Total U.S.	19.5	20.6	20.25
Total Other	6.1	6.6	7.2
Total Stabilization Cost	25.6	27.2	27.45

1/ This figure reflects credit to Japanese of \$400,000 for food aid contribution which U.S. agreed to offset with dollars saved in refugee program.

2/ Excludes motor gasoline after November 9, 1968.

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46 d

Attachment to the Memorandum on the Extension of the Laos
Foreign Exchange Fund, regarding the applicability of
the Conte-Long and Symington Amendments to the
Foreign Assistance and Appropriation Acts

The Royal Lao Government has not purchased since January 2, 1968, effective date of the Conte-Long amendment, sophisticated weapons systems, and U.S. intelligence sources indicate that Laos does not at this time have any plan for purchasing such equipment.

State/A.I.D. in consultation with the Inter-Agency Advisory Committee concerned with the implementation of Section 620(s) (the Symington Amendment) of the Foreign Assistance Act of 1961, as amended, has determined (a) that resources of the Royal Lao Government are not being diverted to unnecessary military expenditures to a degree which materially interferes with the development of Laos, and (b) that neither U.S. development assistance nor PL 480 sales are diverted by Laos to military purposes. Among the principle factors in this determination are the following:

1. Defense expenditures as a percent of GNP in 1966 were 18.5%, and in 1968 defense expenditures as a percent of central government expenditures were 51.3%. While both of these figures are high and well above the median for the region, they are held to be necessary because of the internal and external military threat to Laos.
2. No foreign exchange has been spent, at least since 1963, for defense, since all imported military goods for the Royal Lao Government are provided on a grant basis, almost completely by the U.S.
3. There have been no acquisitions of major military investment items by the Royal Lao Government other than, for example, propeller-driven aircraft and artillery. The acquisition of these items is also held to be necessary in view of the internal and external military threat to Laos.
4. The Country Team has reported that there is no evidence of U.S. development assistance (or PL 480 sales) being diverted to military expenditures. U.S. non-project assistance to the Royal Lao Government, however, is given to offset the large budget deficits and inflationary pressures caused by the maintenance of a military establishment far in excess of the resources of the Royal Lao Government.

PPC/PRB/MAS:Robert M. Klein *Rmk* Date: 1/9/69

DECLASSIFIED

Authority NLS 96-160

~~SECRET~~

By mp/s NARA, Date 3-3-98

47

~~CONFIDENTIAL~~

Thursday, January 16, 1968

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Foreign Policy Problem with Venezuela over a Recent
Interior Amendment to the Petroleum Import Regulations

You should know that Secretary Udall recently authorized Phillips Petroleum Company to import crude oil from non-Western Hemisphere sources for petro-chemical plant in Puerto Rico. Up to now, Phillips has only been authorized to use naptha imported from Venezuela as a feed-stock for its plant.

This action runs counter to the assurance you gave to President Leoni of Venezuela at Punta del Este -- which you reaffirmed in a letter to him on November 21, 1967 (Tab A).

Your letter assured Leoni that "The petroleum refineries and petro-chemical facilities in Puerto Rico have been required to utilize crude oil and feedstocks produced in this hemisphere We will continue these and other efforts"

Phillips has been unhappy with the uneven supply and with the price of Venezuelan naptha -- and wants flexibility to import crude from its own Middle Eastern production. Udall amended the oil import allocations on December 5 -- without any consultation with the Department of State -- to meet Phillips' request. (As part of the negotiations with Phillips, the company agreed to contribute heavily to a Puerto Rican conservation fund.)

The Venezuelan Government has strongly protested Interior's action. The action also violated our long-standing commitment to consult with them in advance of any changes in our oil import program which affects their interests.

Secretary Rusk has asked Udall to amend the allocation (Tab B). I have talked three times to Udall. He sees no way in which he can go back on his commitment to Phillips, while admitting that the foreign policy interest was not fully considered when he made his decision. I have suggested several possibilities -- such as suspending application of the allocation for 90 days to permit review by the new Administration. However, I am afraid Udall plans no such action in the few days remaining.

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 12958, Sec. 3.5
NSC Memo, 1/30/95, State Dept. Guidelines
By 10, NARA, Date 3-5-11

CONFIDENTIAL

-2-

In light of your promise to President Leoni, I believe you should ask Udall to take some action this week which would at least reassure Venezuela that we have not reversed our policy.

Secretary Rusk may call you on this issue.

W. W. Rostow


SWL:ERF:mm:mst

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

November 21, 1967

20122 47a

file

Dear Mr. President:

Thank you for the telegram of November 1 in which you expressed your concern over the possibility of action by the United States Congress to restrict imports into this country. As you know, I have publicly expressed my opposition to these legislative proposals because of the unfortunate effects they will have on the vital interest of my country in foreign trade, as well as our interest in the welfare of our trading partners.

Concerning the specific problem of the petroleum trade between our countries, I am happy that we have made real progress toward the goals we discussed at Punta del Este. Since my letter to you of August 8, we have advanced to an understanding with the Government of Canada by which it has agreed to limit its oil exports to the United States through 1971. On the question of what follows 1971, the Government of Canada is aware of our intention to re-examine our understanding with them at that time. Thus, despite the difficulties of negotiation, I believe that we have obtained a reasonable understanding with Canada which will assure participation by Venezuela and other off-shore suppliers in the growth of our market, as we undertook to do at Punta del Este.

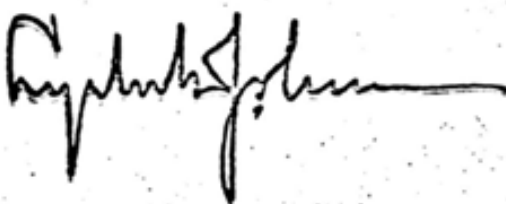
In addition to the measures we discussed at Punta del Este, my government has found other ways of improving Venezuela's opportunity to share in United States market growth whenever it is politically and economically feasible. Taking the picture as a whole, a considerable number of measures have been taken of benefit to Venezuela. The Department of Defense has established a

high level for petroleum product purchases from Caribbean sources. The petroleum refineries and petrochemical facilities in Puerto Rico have been required to utilize crude oil and feedstocks produced in this hemisphere. You are aware of our action to grant freely licenses for the import of residual fuel oil, including number four fuel oil. Our imports of bonded jet fuel, which represent an expanding market for Venezuela, are not restricted by the import program. We will continue these and other efforts, and although it may not be possible fully to satisfy Venezuela's aspirations, our information is that the outlook for overall Venezuelan oil exports in 1967, and exports to the United States in 1968, is excellent.

The meetings between my Secretaries of State and Interior and your Minister of Mines and Hydrocarbons at the end of October, and the technical talks between their staffs which have followed, were welcomed by my government as in the spirit of these efforts. I am confident that through these frank and friendly discussions we will continue to seek ways and means within the context of our oil imports program toward strengthening the Venezuelan position in the United States market and the traditionally close relations between our two countries.

With my personal best wishes,

Sincerely,



His Excellency
Raul Leoni Otero
President of the Republic of Venezuela

THE SECRETARY OF STATE
WASHINGTON

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CONFIDENTIAL

January 11, 1969

Dear Stew:

The Venezuelans have expressed serious concern to us over the recent authorization to the Phillips Petroleum Company to import crude oil for the company's petrochemical facility in Puerto Rico from non-Western Hemisphere sources. This amendment to the original Phillips allocation puts us in a very difficult position since it runs counter to several statements we have made to the Venezuelans including primarily the President's November 21, 1967 letter to President Leoni in which the President said that, "The petroleum refineries and petroleum facilities in Puerto Rico have been required to utilize crude oil and feedstocks produced in this hemisphere." The Venezuelans have indicated additional concern that the Phillips decision was reached without consulting them as we have also committed ourselves several times in the past to do so.

Venezuela's economy is heavily dependent on sales of oil to the United States; the government of Venezuela is consistently concerned about changes in our import policies which affect it and has relied on our assurances that we will try to protect Venezuela's position in our market. Rather than passing off the current action as an unfortunate break-down in communication with no significance in our relations with them, I believe the Venezuelans will interpret it as a definite breaking of promises and commitments made to them and they will react accordingly. The matter will only be aggravated when the Venezuelans realize that Phillips will probably shift purchases from them to the Phillips' concessions in North Africa and the Middle East.

The Honorable
Stewart L. Udall,
Secretary of the Interior,
Washington, D. C. 20240

CONFIDENTIAL

DECLASSIFIED
E.O. 12958, Sec. 3.5
State Dept. Guidelines
By 7, NARA, Date 3-5-78

~~CONFIDENTIAL~~

- 2 -

I believe, therefore, that the Phillips allocation should be further amended. Specifically, I should like to request a proviso be included in the arrangement with Phillips to the effect that Phillips can import crude oil into Puerto Rico from any source only in the event no crude oil is available from the Western Hemisphere.

Sincerely,



Dean Rusk

~~CONFIDENTIAL~~

48

Thursday, January 16, 1969

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Proclamation of Five Customs Conventions

Pres file

Attached at Tab A for your signature are the proclamations of the following five customs conventions:

- (1) Customs Convention on the Temporary Importation of Professional Equipment.
- (2) Customs Convention on the A. T. A. Carnet for the Temporary Admission of Goods.
- (3) Customs Convention regarding E. C. S. Carnets for Commercial Samples, with protocol of signature.
- (4) Customs Convention on the International Transport of Goods under cover of T I R Carnets, with protocol of signature.
- (5) Customs Convention on Containers, with protocol of signature.

The purpose of the Conventions is to facilitate customs procedures and clearances on various kinds of goods.

The Senate gave its advice and consent to ratification of the five conventions on March 1, 1967. You ratified them on May 3, 1967. Implementing legislation was approved on October 24, 1968 and instruments of accession were deposited on December 3, 1968. They will enter into force on March 3 of this year.

At Tab B is Assistant Attorney General Wozencraft's letter transmitting a proposed Executive Order (Tab C) to implement Article 5 of Customs Convention (4) above. The Order designates the Secretary of the Treasury to take the action required of the United States under Article 5. Justice has approved the form and legality of the Executive Order, which also requires your signature.

At Tab D is a proposed press release concerning the Executive Order.

W. W. Rostow

EW
JKW
If you approve, we will need your signature on the five proclamations at Tab A and the Executive Order at Tab C.

Disapprove _____ Call me _____

JKW:mm



Office of the Attorney General
Washington, D. C. 20530

48a

JAN 14 1969

The President,

The White House.

My dear Mr. President:

I am herewith transmitting a proposed Executive order entitled "Designation of the Secretary of Treasury to Authorize Associations to Issue TIR Carnets and to Act as Guarantors Under the Customs Convention on the International Transportation of Goods Under Cover of TIR Carnets," together with a draft press release relating to the order.

The order would implement Article 5 of the Customs Convention on the International Transportation of Goods under Cover of TIR Carnets (TIR Convention) which you ratified on May 3, 1967.

The proposed order has been presented by the Secretary of the Treasury and has been forwarded for the consideration of this Department by the Bureau of the Budget with the approval of the Director thereof. A minor change in style was made in that Bureau at the suggestion of the

(B)

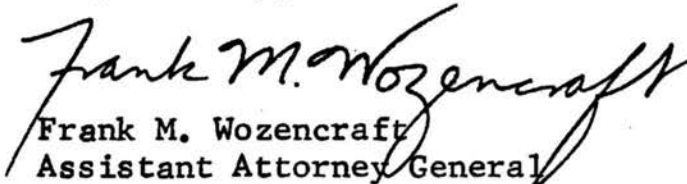
Department of State which, otherwise, has recommended the approval of the proposed order.

This Department has made certain changes of an editorial nature in the proposed order and in the draft press release which do not alter their intent and purpose.

The proposed Executive order is approved as to form and legality.

The Department of the Treasury has noted that it is important that the proposed Executive order be signed as soon as possible.

Respectfully,


Frank M. Wozencraft
Assistant Attorney General
Office of Legal Counsel

EXECUTIVE ORDER

DESIGNATION OF THE SECRETARY OF THE TREASURY TO
AUTHORIZE ASSOCIATIONS TO ISSUE TIR CARNETS
AND TO ACT AS GUARANTORS UNDER THE CUSTOMS
CONVENTION ON THE INTERNATIONAL TRANSPORT
OF GOODS UNDER COVER OF TIR CARNETS

By virtue of the authority vested in me as President of the United States, I hereby designate the Secretary of the Treasury to take all action required of the United States under paragraph 1 of Article 5 of the Customs Convention on the International Transport of Goods Under Cover of TIR Carnets (TIR Convention) ratified by the President on May 3, 1967 (TIAS 6633), and to exercise his authority hereunder subject to the conditions set forth in paragraph 2 of said Article 5. The Secretary of the Treasury is authorized to delegate his authority and functions hereunder, including the authority to subdelegate such authority and functions, as he shall deem appropriate.

THE WHITE HOUSE,

1969

(S)

Press Release

THE WHITE HOUSE

The President signed today an Executive order designating the Secretary of the Treasury or his delegate to take action required of the United States under Article 3 of the Customs Convention on the International Transport of Goods Under Cover of TIR Carnets, which the President ratified on May 3, 1967. The initials TIR stand for "Transport International Routier" (international road transport).

Article 3 of the TIR Convention provides that each contracting party shall designate appropriate associations to issue TIR carnets either directly or through corresponding associations and to act as guarantors of obligations under the carnets. The delegation of the authority to the Secretary of the Treasury to make these designations is appropriate in view of the fact that the carnet is an instrument which serves simultaneously as a customs bond with respect to duty and other liabilities of imported merchandise and as a customs entry and transportation document.

(D)

THE WHITE HOUSE

WASHINGTON

SECRET/NODIS

Thursday, January 16, 1969

Mr. President:

Herewith a capsule of Ambassador Bunker's 75th and last report in which he summarizes the progress and shortcomings of the past year:

A. General

- Tet offensive and March 31 speech were watershed events stimulating progress
- Tet offensive failed within Vietnam but succeeded brilliantly in America.
- Year-end Vietnam trend is clearly up; post-Tet rehabilitation accomplished and military/political initiative regained.
- March 31 speech and partial bombing halt brought Vietnamese to the realization that one day they would be on their own.
- Vietnamese reaction, mobilization, and self-defense growth has brought a new confidence and stability.
- Constitutional government has been strengthened.
- Total military machine of GVN greatly superior to that of January 1, 1968.
- But enemy can still mount attacks; even partially successful offensive would set back pacification and have adverse impact in US.
- Principal SVN political trends in 1968 which likely continue in 1969:
 - Recognition that US commitment not open-ended and corresponding willingness to accept political settlement and deal with NLF in some way.
 - Decline in confidence in the strength and perseverance of US commitment.
 - Increased willingness to make sacrifices and carry heavier war burden.
 - Increased military and political strength, accompanied by marked decline in political influence of military leaders.
- Progress in 1968 has been such that GVN can handle VC on its own if verifiable and supervised withdrawal results from present negotiations.

B. Political

- Trauma of Tet failed to kill and in fact stimulated building of necessary foundations for political strength.
- Huong government installed in May was first change under new constitution and was accomplished without a coup.
- Thieu strength makes challenge by generals unlikely; in a military-civilian structure, military are the junior partners in some areas.

C. Weaknesses and Shortfalls

- Continuing failure to organize effective national political movement; Lien Minh umbrella grouping is divided and lacks Thieu mandate.
- In long run, Assembly blocs may prove better vehicles for unity than Lien Minh.
- All responsible leaders are aware of need for political organization and I will push Thieu on this.

SECRET/NODIS

DECLASSIFIED

White House Guidelines, Feb. 24, 1983
By 7, NARA, Date 3-5-88

- Thieu-Huong government still does not enjoy pronounced popular support from urban masses despite attacks on corruption and inefficiency.
- Enemy also showing signs of corruption and political weaknesses.
- Believe GVN can win forthcoming political contest provided we do not withdraw too rapidly and there are adequate safeguards against enemy use of terror and dismantling of constitutional institutions.

D. Paris Negotiations

- GVN opposition to NLF role in Paris gradually overcome by realization Hanoi would not otherwise agree to GVN participation.
- Thieu held back in October because of need to prepare SVN public opinion, reluctance to bite the bullet, and hope that a new administration would enable him to postpone or evade question.
- Subsequent delays over procedural matters in Paris reflected Thieu's lingering hope that new administration might be safer bet.
- Thieu budged only after realizing there were no differences on procedural matters between you and your successor.
- Events of late October and November created doubts in Saigon leadership about ultimate US intentions; initial problems of new administration may be mainly psychological to assuage Saigon's doubts and fears.

E. Some Communist Trends

- Heavy VC Tet and mini-Tet casualties replaced mainly by Northerners.
- Enemy unable to replace his losses with Southern recruits.
- Local "liberation committees" became enemy's basic political unit in South.
- Some committees were formed in VC-held areas, but others purely imaginary.
- Enemy's "Alliance of National Democratic and Peace Forces" was identified from start as Communist and failed to rally anti-GVN, non-Communist urban Vietnamese.

F. Military

- Enemy losses during three major offensives: well over 100,000.
- Enemy was unable to take and hold any of its objectives.
- By mid-year Allies had seized military initiative.
- By mid-November, enemy could have been knocked out if Allies had pursued as US forces did against Germans and Japanese in World War II.
- RVNAF ranks jumped from 643,000 to 822,000 during year; M-16 rifle, better leadership and high post-Tet morale helped improve performance.
- Of 182,740 enemy killed in 1968, RVNAF responsible for 77,387; US forces killed 101,127.
- RVNAF suffered 23,884 killed in action; US had 14,491 KIA during year.
- Better intelligence and cooperation of populace aided year's military success.
- Enemy can still mount attacks to influence negotiations, but RVNAF and US troops are ready and it questionable whether enemy could get another major offensive off the ground.

G. Pacification

- Pacification momentum has been completely regained since Tet setback.
- Largest factor was elimination of enemy military pressure and expanded GVN presence in countryside.
- By October pacification was proceeding at fastest pace in recent years, and goals raised, including plan to secure more than 1,200 contested hamlets.
- Regional and Popular Force ranks increased by 100,000 to 390,000.
- 100,000 M-16's issued to local forces; 150,000 to be issued early in 1969.
- Attack on VC infrastructure by November had eliminated over 13,000 VC, exceeding year's goal of 12,000; program continues at accelerated rate.
- GVN strengthened leadership at key district and province levels and developed programs for stronger village and hamlet governments.
- Re-establishment of GVN local administrations to counter VC "liberation committees" is key aspect of pacification campaign.
- Most of 1968's 16,000 Chieu Hoi ralliers came from IV Corps, giving hope that the southern base of the insurgency may be eroding. Pace accelerated at year end.
- By December, relatively secure population reached 76.3% - 9.1% over pre-Tet high; VC-controlled population dropped to 12.3%.
- Guidelines for 1969 call for expanded efforts to bring 90% of populace into relatively secure status and occupy all hamlets by year's end.

H. Economic

- Restoration of pre-Tet momentum was a major feat and augurs well for 1969.
- Tet setbacks included loss of 6% of GNP, disruption of transport, and decline in business confidence and activity.
- By August, prices had leveled off after 30% rise and activity was high.
- Despite austerity and higher taxes, deficit doubled over 1967.
- Despite heavy commitment of resources and inflation, population's consumption standard remains high in secure areas.
- Economy is fragile and dependent on US import financing; substantial transitional aid will be needed after peace settlement.

I. Conclusions

- Progress toward objectives was substantial during the year, accelerated during last half and especially last quarter.
- GVN determination to maintain momentum is evident; further steps in pacification and land reform already announced.
- Thanks to you for your steadfast and unswerving support.

W. W. Rostow

FOR THE PRESIDENT FROM AMBASSADOR BUNKER (Saigon 894)

Herewith my seventy-fifth message.

DECLASSIFIED

Authority NLS 91-53

A. General

By mp/lis NARA, Date 3-3-98

In this, my last message to you as President, I shall try to sum up the progress and the shortcomings of the past year in our effort to move forward toward the achievement of our objectives in Vietnam. These I take it to be: a) A just, durable, and honorable peace through negotiations; b) A chance for the Vietnamese people to choose freely the form of government under which they wish to live; c) To help them develop their own stable political institutions and a viable economy; d) To make credible our obligations under the Charter of the U. N. and the SEATO to resist aggression; and e) Eventually to develop regional organizations through which the Southeast Asian countries can carry on joint undertakings in economic development and mutual cooperation. I shall try to give an overview in the first section, followed by more detailed accounts of political developments, Communist trends, military and pacification activities and the economic situation.

1968 was in many ways a momentous year. Two events which proved to be major watersheds from which much else flowed were the Tet offensive and your speech of March 31. In retrospect, they were the source of many constructive developments; and although some immediate problems, material and psychological, followed in their wake, I think they can be judged as major factors in stimulating the very substantial progress that took place in 1968.

Ironically, from a political point of view, the Tet attacks were a failure within Vietnam, and a brilliant success in America. It is true that very heavy material damage was inflicted by the enemy during the Tet and May/June attacks; 150,000 homes were destroyed or damaged, a million temporary evacuees created, substantial damage was done to the industrial plants, the economy set back and business confidence impaired. Yet there was no panic here. The people rallied, not to the Communists but to the Government. There were no uprisings, no defections in the armed forces, the Vietnamese military units fought well, the Government did not fall apart; on the contrary, it reacted with great determination and vigor. Operation Recovery was carried out with great energy and skill. By September, the million evacuees had been resettled, homes rebuilt and new housing provided. The establishment of a Reconstruction Fund and war risk insurance made possible the reconstruction of industry, business confidence returned, and in the last quarter of the year, commercial import licensing was running at a record rate. The decline in the relatively secure population, which had dropped from 67.2% in January to 59.8 % as a result of the Tet attacks was not only made up but at the year end the figure reached a record high of 76.3%. The population under VC control

dropped from 16.4% in January to 12.3% at the year end. Even if one discounts these figures, the trend is clearly up and the situation substantially better than a year ago.

Your speech of March 31 and the partial bombing halt brought the Vietnamese Government and people face-to-face with the fact that we would not be here indefinitely and that one day they would be on their own. The realization of this fact and the confidence created by the successful reaction to the Tet attacks tended to inspire the Vietnamese with greater determination, a greater willingness to sacrifice, a new confidence in their own Government and armed forces. From this fact flowed other constructive developments. It resulted in general mobilization and an ambitious self-defense program. Military and paramilitary forces now number well over a million men. Of the increase of 220,000 in the forces this year, 160,000 have been volunteers. (A force of comparable size in the United States, based on our population, would require 18 million men under arms.) In addition, more than one million men and women have been organized in civilian defense groups, more than half of these trained, and 100,000 armed.

Given the small population base of South Vietnam, these figures represent a prodigious effort to mobilize the entire population for the war effort. Coupled with a substantial improvement in RVNAF weaponry and greatly improved performance -- General Abrams has said, "They are paying the price, and exacting the toll." -- it means that the GVN faces Hanoi today with a military machine greatly superior to the one it had at the beginning of 1968.

A further development flowing from the two watersheds I have mentioned was the continued strengthening of constitutional government, the formation of a more popular and more effective Cabinet under Tran Van Huong, and Thieu's consolidation of his constitutional powers as President. The Assembly proved itself by and large a responsible body meeting its constitutional responsibilities while working quite effectively with the Executive to meet the demands of recurring crises. The Thieu/Ky rivalry, while not entirely resolved, declined greatly in importance as Ky's power was reduced and Thieu's increased. Their relationship today is probably better than at any time since the inauguration of the present Government.

(B) Decline in confidence in the strength of the U. S. commitment. While most responsible leaders do not believe the U. S. will deliberately turn its back on Vietnam, many have grown doubtful of our determination to stay the course long enough to achieve an honorable peace. This, of course, is a critical factor which could affect everything else.

(C) Increasing Vietnamese willingness to make sacrifices and carry a heavier war burden. The TET attacks, general mobilization, the threat of American withdrawal, and growing confidence in their own capabilities led to a significant increase of involvement of the entire population, urban and rural, in the war effort.

(D) Increased SVN military and political strength. With the development of democratic institutions and the consolidation of Thieu's power, the political stability of South Vietnam has increased markedly. The growing strength and improved performance of RVNAF complemented and increased SVN political strength. Improved political stability was also coupled with a marked decline in the influence of the military in the making of policy and the administration of the government.

Adding up the plusses and minuses, I think we can say objectively that 1968 has been a year of very substantial progress. We have seen the development of a government that is more stable and effective than any since the early days of the Diem regime. The military situation has greatly improved, the RVNAF has made significant progress in leadership, morale, and performance. At the same time, there are growing evidences of the decline in enemy morale and leadership. Security has improved and pacification accelerated; so has the Chieu Hoi Program and the attack on the VC infrastructure. In almost all areas, the government is moving with determination and vigor. In the last half of the year, progress has accelerated in almost all areas. It is my view that if, as a result of the present negotiations, a true, verifiable, and properly supervised mutual withdrawal of North Vietnamese and allied forces can be worked out, the Vietnamese government and people will be capable of handling their internal domestic problems with the Viet Cong on their own. A true withdrawal obviously will be a difficult undertaking involving as it will not only verification and supervision, but among other things identification of North Vietnamese in Viet Cong units, and prohibition against the use of the Cambodian and Laotian sanctuaries. It is nevertheless a hopeful situation.

The large increase in money supply brought about by the impact of general mobilization contributed to inflationary pressures. In spite of an increase of nearly 60 percent in money supply, price increases were held to about 30 percent for the year, a tolerable increase if not a comfortable one. In a year that saw the heaviest fighting of the war, the steady decline in the rice deliveries from the delta, which had continued since 1963, was finally reversed. The IR-8 Rice Program was initiated, proving more popular even than had been anticipated, resulting in plans for an accelerated program in 1969. Progress was also made in poultry and other protein production. Recovery from the setback of TET has been achieved and the economy has resumed its forward movement.

Beside these very substantial achievements of 1968, I must set forth some important shortfalls, weaknesses, and hazards. Thanks to his safe havens and external support, the enemy probably still retains the capability to prepare and mount further attacks. Pacification gains would be inevitably set back if the enemy proved able to mount another even partially successful offensive. Such an offensive would also have adverse effects on American opinion, probably its main purpose, since the enemy must be aware of the fact that any real military success is no longer possible.

On the political side, very little progress has been made toward the development of a strong and united Nationalist Political Organization. While the Thieu/Huong Alliance has resulted in the best and most effective Vietnamese government in many years, the GVN is still plagued by inefficiency and corruption. While popular support for the government has improved, it is still not strong enough.

Probably as important as the major accomplishments and shortcomings of 1968 are the chief political trends of that eventful year. While all of those trends may not continue into 1969, I believe it is reasonable to expect that most will I think we can identify at least four:

(A) Increasing Vietnamese recognition that the American commitment is not open ended. This in turn has led to a growing Vietnamese willingness to accept a political settlement, and also a realization that it will be necessary to deal with the NLF in some way. At the beginning of the year, most Nationalist leaders still felt it was impossible even to talk about negotiations in public. Now they are not only openly willing to negotiate with Hanoi, but they are thinking - often out loud - about how to talk with the NLF. I think Thieu must be given much credit for bringing people gradually to the awareness that the consent will change some day from a predominantly military one to a predominantly political one.

B. Political

Elements of political strength. As in other countries, political strength and stability depend on a number of factors - the most important being popular leadership, established and effective government institutions, political organizations, the military establishment, and a healthy economy. Perhaps the intangible element of spirit and morale is even more important when a political system is threatened by communist aggression and subversion. Looking back over the events of 1968, I think it can be said that despite the trauma of the TET attacks - indeed in part because of it - South Vietnam has laid the beginning of the necessary foundations for political strength. The foundations are not yet solid and could be destroyed in the coming political contest, but they are certainly real, and they represent marked progress over the past. The Huong government, with all its faults, is the most popular and most effective of the GVN governments since the early days of Diem. While Thieu is not yet a truly popular leader, there is no question that he has gained stature and support as well as consolidated his power in the course of 1968. The new constitutional institutions are working and for the most part working quite well. The military establishment in 1968 accepted growing civilian control of the government without loss of its own organizational discipline and coherence; in fact, the GVN military machine is undoubtedly in far better shape and more effective than ever before. Nationalist morale, perhaps the most important element in the coming political contest, is good.

The significance of TET. As I have mentioned, the TET offensive was one of the two important watersheds of the past year. At the outset at least, it was viewed as an unmitigated disaster by most western observers. The Vietnamese on the other hand, with much justice, felt they had sustained the worst the enemy had to offer; they were elated because they had not only survived the onslaught, but had hurt the enemy badly in the process. For the most part, they were only vaguely aware of the devastating effect of the TET attacks on American opinion. Even today, they find that effect hard to comprehend.

The enemy onslaught found a new constitutional government barely three months in office and still in the process of shaking down and completing the formation of its basic institutions. The Loc Cabinet was an unhappy compromise between Thieu and Ky with little to recommend it beyond its acceptability to both. Re tension between the military and civilian political elements, exacerbated during the presidential elections, was still high. The new legislature had done little but argue its internal rules. It is not surprising that the enemy hoped for political impotence if not outright political collapse when he launched his attacks at the cities of SVN.

In fact, the political strength, vitality, and determination of the South Vietnamese Nationalists was never more clearly demonstrated than in the days and weeks that followed the TET attacks. The enemy anticipated mass support from the urban proletariat and mass defections from the ARVN. Nothing of the sort happened. The Army fought well and rapidly expelled the enemy from the nation's cities. The people demanded arms, a sweeping civil defense program, and drastic general mobilization.

The fledgling assembly did not dissolve or stand impotent. Although its members were scattered throughout the country for the holiday, it immediately convened and took up its full constitutional responsibilities in the midst of the crisis. As an elected and functioning constitutional body, the legislature proved invaluable in creating an atmosphere of confidence and stability. It vindicated our earlier judgment that a constitutional government, even if more complicated to operate than a dictatorship, would be better able to harness the vital forces of the nation.

Political organizations, old and new, took their stand against the communists and sought to assist the government in the recovery efforts. Two new political groups, devoted to national unity, the National Salvation Front and the Free Democratic Force, emerged as a direct response to the communist assault.

The Huong Government. The installation of the Huong government in May was an event of considerable political significance. It was the first change of government under the new constitution, a change accomplished without a coup and in direct response to legitimate political pressures for more effective and more popular leaders. While this kind of change is customary in Democratic countries, it was a dramatic departure in Vietnamese political experience.

The establishment of the Huong government also reflected Thieu's growing power and his increasing independence of the military establishment. By his alliance with Huong and the civilian elements behind Huong, Thieu was able to move a long step toward the exercise of full presidential powers under the Constitution. He has continued to consolidate this constitutional power and at the end of 1968 it was probably accurate to say that no General or combination of Generals is in a position to challenge his authority. While the military retain an important voice in the formation of GVN policies, they are no longer dominant. Not only has a working civilian/military partnership been formed, but in many areas the military are now junior partners.

Working closely with Thieu, Huong was able to make significant progress in at least four important areas. He strengthened popular support for the GVN. He gave new impetus to Thieu's efforts to reduce corruption, he carried out successfully the sweeping general mobilization and self-defense programs and, again working closely with Thieu, he did much to prepare the Vietnamese people for a negotiated settlement and the coming political struggle with the Communists.

While Huong has not been without his critics, he nevertheless retains the respect and trust of a wide segment of SVN opinion. It is generally recognized that his government is more effective and more honest than those which preceded it.

In the attack on corruption, hundreds of police, civil servants, and military officers were removed from office, disciplined or tried in the courts for corruption during 1968. A new independent Inspectorate was created and is now beginning to function. Various administrative devices were established to make corruption more difficult. Most important, with the often free-swinging assistance of the Assembly and the press, Thieu and Huong created an atmosphere in which corruption is no longer passively accepted. This is the necessary first step toward a permanent reduction of corruption. For without social norms and pressure one cannot effectively police a democratic society.

In the sweeping general mobilization, the induction of tens of thousands of men into the armed forces and organizing over a million people in self-defense groups was only one side of the coin. The other was the need to maintain and improve government services despite the loss of thousands of civil servants to the military. On both counts, the government registered remarkable success. Although primarily guided by Thieu himself, it was also in large part the Huong government which carried out the highly successful accelerated pacification program in the last months of 1968.

Finally, as a result of the many speeches and statements around the country made by both Thieu and Huong, public opinion has moved toward acceptance of the idea that there will be a political settlement which will entail some kind of political contest with the Communists.

Dependence on American and political strength. In the course of the year it became increasingly apparent to Vietnamese leaders that the American commitment is not open-ended, that we are not prepared to stay in Vietnam indefinitely in pursuit of a military solution, but rather are determined to negotiate a satisfactory settlement of the conflict.

For the most part, the results of this understanding were salutary. The Vietnamese have proved willing to carry more and more of the burden of the war. They accepted the idea of a political solution rather than a military victory which had been pictured to them for many years as the only possible ending to the conflict.

This was a painful shift for many. Underlying apprehensions about the reliability of the American commitment rose to the surface and found expression in editorial comment and in speeches in the Assembly. By the end of the year, however, the realization that American support is not endless seemed to bolster rather than undermine nationalist determination. Enemy defeats, the improved performance of the RVNAF, and the demonstrated determination of the Huong government encouraged nationalists to believe that they were ready to reduce their dependence on America. To their credit, most of them found the idea profoundly welcome.

While the nationalists moved forward to the day when they are no longer dependent on the U.S., a great majority are also painfully aware that they cannot stand alone against an enemy who has the assistance of Russia and Communist China and the enormous advantage of privileged sanctuaries from which to launch his attacks. Thus, anxiety about a too rapid American withdrawal or a peace without adequate safeguards is always high. It can be destructive if it becomes too acute. This came close to occurring in November when our two governments were publicly at odds over how to deal with the NLF at Paris.

While Thieu's independent stance on November 2 won him wide support, this emotional reaction quickly passed to be replaced by forebodings which were only partly removed by our statements of November 27. The nationalists are still uncertain about the attitude of the new Administration. If they are reassured by statements and actions of the strength of our commitment and our determination to reach an honorable settlement, the trend toward greater political confidence and strength will continue. If faith in the U.S. commitment is undermined, that favorable trend could be reversed by an abrupt decline in nationalist morale.

C. Weaknesses and Shortfalls.

There were weaknesses in the political performance of South Vietnam in 1968. A major one is the continuing failure to organize effective broad based national political parties.

Earlier in the year, efforts at political unity were marked by the emergence of the National Salvation Front and Free Democratic Force. As a result of Thieu's urging and support, these were subsequently merged. Together with the CVT labor union, they formed the Lien Minh, an umbrella political grouping, designed to unite nationalists and prepare them for the coming political struggle.

Unfortunately, the Lien Minh has been plagued by divisions in its top leadership and lack of a clear mandate from Thieu. Although it has organized number of provincial chapters and its social action program has had some moderately successful programs in Saigon, it is still far from creating the degree of nationalist unity and organization required for the coming political contest with the Communists.

Both in the Lower House and the Senate, efforts have gone forward to organize vehicles for political unity which may ultimately prove more effective than the Lien Minh. The Lower House democratic progressive bloc has emerged as the major grouping in that body, large enough to carry the day on most issues if its members act as a body. In the Senate, Senator Sung's long planned bloc seems to have emerged. He expects to make this eventually a majority bloc in the Senate, ally it with the majority bloc in the Lower House, and then form alliances with various political groupings outside the Assembly.

While none of these efforts is near success at the moment, it is clear that virtually all responsible leaders are aware of the need for political organization and want to do something about it. I hope that 1969 will see them overcome the troublesome Vietnamese penchant for extreme individualism and factionalism and that they will be able to form the needed organizations for nationalist political competition with the enemy. I have urged Thieu to move more forcefully in this area, and I will continue to do so in the coming months.

While the Thieu-Huong government is certainly more popular than its predecessors, it still could not be described as a government which enjoys pronounced support from the masses. Despite attacks on corruption and administrative inefficiency, these still present major political problems. GVN propaganda is probably still less effective than that of the enemy.

I think it is essential, however, to cast the shortcomings as well as the successes of 1968 in a Vietnamese frame. In the first instance this means remembering that Vietnam is an underdeveloped, badly battered small country which has undergone many years of war and is still subject to determined aggression in all forms by forces which are supported by Communist China and Soviet Russia. It is pointless to expect the Vietnamese to measure up to standards of perfection which many developed, peaceful, western countries cannot meet. And it puts the picture in better perspective when we remember that the Communists too have many weaknesses and shortcomings.

It may be significant that we are now hearing of enemy problems with corruption, both in North Vietnam and in the South. There is little question that enemy morale is declining and that there has been a significant lowering in the quality of their leadership. While they have an impressive roster of "liberation committees," most of them are on paper. The Communists almost certainly enjoy far less positive mass support than does the GVN. And I believe that the nationalists can win the coming political contest -- provided that we do not withdraw too rapidly and with too few safeguards, that the present constitutional institutions are not dismantled, and that the enemy is denied the use of widespread terror and coercion.

D. The Paris Negotiations.

The idea of sitting down with the NLF in international negotiations has all along been very troublesome to Thieu and his colleagues. To their mind it gives a degree of recognition and respectability to that tool of Hanoi, and raises the specter of its inclusion in a future government.

These feelings were evident in their initial reluctance to accept the "our side-your side" formula, with its implication that Hanoi could associate the NLF with it during negotiations if it wished. After our consultations with them during the summer, however, I believe Thieu, Ky and Thanh were convinced that this arrangement was acceptable in order to get Hanoi's agreement to negotiations with GVN participation.

I would judge that Thieu's recoil from this formula at the moment of truth in October sprang from these basic factors: his inability adequately to prepare public opinion; his normal reluctance to bite the bullet; and his hope that with a new U.S. administration coming in he could postpone or perhaps evade entirely the bombing halt and the confrontation with the NLF it implied.

But the most important factor in Thieu's about-face was, in retrospect, a genuine public relations problem. The bombing halt and negotiations that included the NLF, while acceptable and even popular with political and public opinion in the U.S., could not be expected to be popular in Vietnam. Thieu had to preserve utmost security at our behest during the delicate US-DRV talks in Paris and had thus kept knowledge of the impending decision to a very small circle (in mid-October, at our request, to himself alone.) Had he sprung the decision on his people, his position as National leader would have been threatened. Thus he felt he needed time to line up support and to bring his people along with him. In retrospect, therefore, the time lost between October 31 and November 27, when the GVN took the decision to go to Paris, could only have been avoided by loosening up on security; and since that might have jeopardized the chances to come to an agreement with the North Vietnamese I conclude that the delay was inevitable.

The same cannot be said about the subsequent delays over procedural matters. Thieu's style of operating and his need to preserve support of the right wing is one factor in that delay, but another may well have been the lingering belief that he would be safer in Paris with a Republican administration than the present Democratic one. Only when it was made absolutely clear to him that he will find no more comfort in your successor's position on these procedural matters than he had in yours, did he finally budge.

At the root of our problems with Thieu over issues in negotiations is the basic matter of mutual trust and mutual objectives. Whatever the reason, the events of late October and November left many Vietnamese leaders, Thieu included, with doubts as to our ultimate intentions. It is not so much the shape of the table that is troubling the Vietnamese - though they do see substance in that issue. Rather it is the question of where we are trying to lead them. Given these fears, they are hesitant to make concessions which would not trouble them if they were really confident that our ultimate objective remains an independent, non-communist South Vietnam free to work out its own destiny without outside interference.

If this analysis is valid and the major problem is restoring mutual confidence the initial problems of the new administration may be largely psychological. The way in which we do and say things will be as important as what we do and say. The

Vietnamese basically like and trust Americans and believe that we share mutual objectives and interests. I am, therefore, confident that with the right approach it will be possible for us to bring them along with us in the necessary atmosphere of mutual trust. I do not think building a better working atmosphere here will require that we agree to all of their preferences or that we must in any way ignore our own best interests.

E. Some Communist Trends

The TET and Mini-TET Offensives caused changes on the Communist as well as on our side. Probably the most important was the increasing North Vietnamization of the war. At the beginning of 1968, enemy main force units were for the most part still Viet Cong, recruited in the south and oriented to guerrilla warfare. TET and mini-TET losses affected the Viet Cong far more than the NVA, however, and the fresh manpower required to keep up unit strength could in most cases not be recruited in the south. The result was that main force strength of "VC" united I, II and III Corps./ These northernized units proved to have much less rapport with the local population than their predecessors.

Another change was the development of the Liberation Committee as the enemy's basic political unit in SVN. The Liberation Committee has several advantages over the old Front Committees. Unlike the Front Committees, Liberation Committees claim "government" status because of their "election" by the people. Should the situation at the negotiations require the communists to claim to be administering the countryside or should they try to establish their own provisional government, the Liberation Committees would give them a better, though still superficial, claim to legality than the Front Committee.

The formation of the new committees has been a high priority task for the Communists throughout the year. They started at the hamlet and village level and worked upward so that today 22 provincial committees have been announced throughout South Vietnam. The committees appear to vary considerably, some being pure figments of the Communist imagination and others apparently having actually been elected by the local population in their area. A large percentage have been established in VC-controlled areas.

Still another organizational phenomenon produced by the Communists in 1968 was the Vietnam Alliance of National Democratic and Peace Forces. The alliance appeared for the first time in announcements by the Liberation radio during the Tet offensive. It was largely neglected by the Communists until April when it was announced as a national body. A number of well-known, if politically unimportant people made up its leadership. Since then, talk of the alliance has waxed and waned on Liberation and Hanoi radios. At times it appeared the alliance might even replace the NLF as the major Communist front in South Vietnam. Of late, however, it has even more closely identified itself with the Communists, and public announcements by it have diminished to the point where there now are only occasional revolutionary exhortations to students.

The alliance's domestic purpose appears to have been to provide a rallying point for anti-GVN, non-Communist, urban Vietnamese. From the beginning, however, the new group was identified as Communist (all its statements were over Liberation radio) and few people rallied to its banner. On the international stage it had more success. Many people, seeking for a "third way" to solve the Vietnamese problem, seized upon the "neutral" alliance as the basis for a compromise solution. But at year's end, even international interest in the group had fallen off, and today there is almost no mention of it in the press.

F. Military

The military situation developed very favorably in 1968. Three enemy offensives were broken, each more decisively than the previous one, with the enemy suffering staggering losses. More than half of the enemy forces committed in the Tet offensive were captured or killed, and enemy losses for all three offensives were well over 100,000 men. Despite these losses and the commitment of over 200,000 North Vietnamese troops to the effort, the enemy was able to take and hold none of his objectives. In the last of the three offensives, the enemy was unable even to penetrate any urban area, being decisively defeated before his forces could approach their targets.

By mid-year, allied forces had definitely seized the initiative. By the end of the year, we had succeeded in driving substantial portion of the

North Vietnamese Army elements and many Viet Cong elements outside of South Vietnam, Viet Cong main forces were shattered, and allied forces assumed a dominant military posture for the first time since the entry of US forces into South Vietnam. By mid-November the enemy was in such a state of disarray that he could have been knocked out of the war completely had he been pursued in the manner that US forces pursued the German and Japanese armies in World War II.

The success of allied forces was due to a combination of factors and tactics. Perhaps the enemy's worst mistake was in overestimating his political strength. If, as he apparently expected, the people had risen to support his attacking forces and the South Vietnamese Army had suffered massive defections, the military history of 1968 would have been very different. But the people did not rise against their own government, and the South Vietnamese Army, although surprised and below strength, fought well from the beginning.

As the year progressed, South Vietnamese Army ranks were swelled by the successful general mobilization effort, jumping from total strength of 643,000 at the beginning of 1968 to about 822,000 at year's end. Not only did the South Vietnamese Army grow in size, but it consistently improved its performance. Part of the improvement was due to better weapons, particularly the M-16, which we provided on an accelerated basis in order to meet the enemy's sharply upgraded weaponry. Part of the South Vietnamese Army improvement was due to better leadership, which improved as the year went on. Probably also the intangible element of morale was very important. Having survived the enemy's Sunday punch and rolled him back at Tet, the South Vietnamese Army from then on had a new confidence in their own fighting qualities vis-a-vis the enemy.

Of the 182,740 enemy killed in action in 1968, the South Vietnamese Army was responsible for 77,387, while US forces killed 101,127 enemy last year. Overall, the South Vietnamese Army suffered 23,884 killed in action in 1968, while the US took 14,491 killed in action. The South Vietnamese Army acquitted themselves very well in all three of the enemy's 1968 offensives. At Tet, the South Vietnamese Army took the brunt of the initial attacks and accounted for 4,959 enemy killed in action and 1,862 captured, at a cost of only 535 friendly killed in action and 1,698 wounded. In the second offensive the South Vietnamese Army forces held their ground in Saigon and the approximately 180 other attacks, killing an impressive total of 9,370 enemy in May. The enemy fall offensive was marked by the brilliant South Vietnamese Army defense of Duc Lap as well as the successful actions at Tay Ninh and in the delta.

There were other reasons for our military success last year. Better intelligence was a major component. In part, this was the result of painstaking effort over a long period of time which finally came to fruition. In part, it was simply that the people became more willing to provide allied forces with information on enemy movements and plans.

I think General Abrams should also be given great credit for his successful tactics. His use of our superior mobility to apply "pile on" pressure whenever and wherever opportunity offered cost the enemy dearly. His understanding of the enemy strategy, and especially of the enemy's need to lay out his logistic net in advance of any offensive, proved brilliantly successful in aborting enemy attacks. His personal direction of the B-52 capability, a disrupting and frightening weapon from the enemy point of view, also played an important part in our victories.

In the last instance, of course, it was allied fighting men who turned the enemy back and forced him to retreat to his refuges in Laos, Cambodia, and North Vietnam. American fighting men proved again and again that they are the best in the world. And let me hasten to add that they found in their South Vietnamese Army allies tough, hard-fighting comrades-in-arms.

This does not mean that the enemy is finally beaten. He has still the option of retiring to his safe-havens and preparing another offensive. This has been his tactic after each attack in 1968, and if he believes the impact on American opinion is worth the cost, he can undoubtedly try once more.

In December there were again indications that the enemy was trying to prepare a new country-wide series of attacks, the objective being political/military successes which might influence the negotiations in Paris. Following the bombing halt, there was a tremendous logistic build-up south of the Dong Hoi area. This could portend an attack on the northernmost provinces of South Vietnam most likely through the DMZ. We have also noted what may be preliminary logistical activity to build up a striking force in Laos opposite the two northernmost provinces of South Vietnam. Intelligence and interrogations indicate the enemy is also at least planning for yet another thrust at Saigon from his bases in Cambodia.

If, in fact, the enemy does attempt a fourth offensive in 1969, I believe that his objective will be more political than military, concerned primarily with its impact on opinion in America. I expect that our forces and the South Vietnamese Army will be as successful in defeating any further enemy attacks as they were in 1968. In fact, I question whether the enemy will be able to get another major offensive off the ground.

G. Pacification

Pacification momentum has been completely regained since the Tet setback and now surpasses by a considerable margin that achieved in late 1967. Increased Government of Vietnam resource input and interest in the entire range of civil-military activities that comprise pacification have been main contributors to gains made in 1968. But more than any other factor, the elimination of enemy military pressure permitted expansion of territorial security and government presence.

At the outset of 1968, the enemy Tet offensive completely upset 1968 pacification plans and wiped out gains made in 1967. Relatively secure population, as measured by the hamlet evaluation system, dropped from 67.2% at end-January to 59.8% -- a loss of about 1.3 million people.

Recovery was initially slow. By June relatively secure population had improved to about 63.3 percent--i.e., about half of the Tet loss had been recovered. By July-August, however, recovery was well underway, the GVN was out of its urban shell, and resources and management attention were returned to pacification. Mobilization augmented the RF/PF and an improvement program further strengthened the capabilities of these territorial security forces. By October, pacification was proceeding at the fastest pace in recent years.

President Thieu seized the opportunity and launched on November 1 an accelerated pacification campaign. This bold, across-the-board campaign includes increased military spot operations, a concentrated attack on the VC infrastructure, a stepped-up Chieu Hoi effort, much greater attention on people's self-defense forces, an extensive psyops effort, and a plan to secure more than 1200 contested hamlets.

A great deal of effort was focused on upgrading RF/PF. The force was expanded by about 100,000 to more than 390,000 during the year. More than 100,000 M-16 rifles were issued; over 150,000 more will be issued early in 1969. The recently-approved 39,000 RF Force increase will allow for continued expansion.

Another bright spot is the stepped-up attack on the VC infrastructure. By the end of November more than 13,000 VCI had been eliminated in 1968, exceeding the year's goal of 12,000. The 2,338 VCI eliminated in November the stimulus of the accelerated pacification campaign was 60 percent above the previous monthly high achieved in October. Preliminary figures for December indicated a still higher rate.

The GVN also put stronger leadership at the key district and province levels and developed programs for strengthening village/hamlet government. Reform measures, taken at Presidential direction, resulted in removal for cause of 20 province chiefs, 91 district chiefs, and scores of lesser officials such as police chiefs and technical service chiefs.

The enemy's emphasis on establishing his own liberation committees, puts the GVN to test. Hence, re-establishing GVN local administrations is a key aspect of the accelerated pacification campaign, by mid-December, 873 administrations were functioning in the 1,238 hamlets targeted in the campaign.

The trend in Chieu Hoi ralliers is up from roughly 1,000 per month in October and November, and about 2,800 in December. More than 16,000 returnees rallied to the GVN during the year. The preponderance have come in IV Corps, where the VC are mostly southerners. This gives hope that the southern base of the insurgency may be eroding.

Although in October pacification made its largest gain in years, November saw this record surpassed as relatively secure population increased 3.5 percent to 73.3 percent -- 6.1 percent above the pre-Tet high. In December another 3 percent, or 537,300 people, were added to the relatively secure category and VC-controlled population dropped to 12.3 percent. The momentum appears to be building up as enemy resistance remains light and uncoordinated. Even an enemy counter-offensive, though it would temporarily cause the line to drop on the graph, is not likely to change what appears to be a strong overall upward trend.

Based on progress achieved, ambitious 1969 guidelines have been developed and approved by the Prime Minister as head of the newly-formed Central Pacification and Development Council. These guidelines call for further expansion of effort to bring 90 percent of the people into relatively secure status and to occupy all hamlets by the end of 1969.

H. Economic

1968 was not a year of great progress for the Vietnamese economy. In terms of the total volume of economic activity, income levels and in many other respects, the state of the economy in January, 1969, resembles that of a year earlier. But this criterion is probably not the most significant one by which to judge the economy in 1968. Rather, one should judge it by the way in which it responded to the destruction, the uncertainty, and the pressures caused by the enemy attacks in the early part of 1968. The restoration of the earlier prosperity and momentum was a major feat. Moreover, developments in the latter half of 1968 argue well for 1969.

While estimates of Tet and mini-Tet damages vary, it is probably safe to say that aggregate destruction of property was in the neighborhood of \$200 million, a figure equal to about 6% of GNP. The destruction included some \$50 million in damage to industrial plants, \$80 million to residential housing, \$60 million to warehouses and their contents, and \$20 million to agriculture equipment and crops. The many small but heartbreaking losses of personal belongings will never be measured.

But the physical damage was perhaps not the most serious of the effects of Tet. Two others were critically important: the disruption of transport, and the blow to business confidence. Immediately after Tet, and for months afterward, most private firms discontinued new investment, cut back purchase orders, sought to reduce inventories and laid off personnel. Since consumers were tending to behave in a similar way, by increasing savings and cutting back luxury expenditure, a period of stagnation ensued. The volume of economic activity and incomes slumped.

In some respects this "recession" had offsetting benefits. It helped keep prices down in a period when supplies were inevitably short, and it loosened up the manpower balance, just when the GVN began its effort to mobilize more men into its armed forces.

Economic recovery from the destruction and difficulties just described was gradual. During the first few days after the attacks began, all markets and places of business were closed. They began to reopen one by one and, within two weeks, all Saigon markets were open. After that, commerce within the city limits approached normal conditions. By early March, traffic on Route 4 was reasonably secure as far as My Tho, and it could be said that connection between Saigon and the Delta had been established. In June, a joint US-VN Industrial Reconstruction Fund was established and provided with VN \$1 billion and US \$10 million, to assist in rebuilding damaged plants. In July, the National Assembly passed a war risk insurance law, providing government backing for war risks to factories, warehouses and goods in transit. The Reconstruction Loan Fund and War Risk Insurance Law gave psychological as well as material support to private enterprise, and the return to more normal business attitudes toward investment and risk-taking dates from about July or August. Beginning in July there was a sharp increase in import licensing.

The US AID retail index levelled off in August after a last spurt in July, and then remained substantially unchanged until the end of the year, at a level around 30-32% higher than that of January 1.

By the last two months of 1968, there were few signs left of the troubles that began in February. Business seemed vigorous in all trades. The large textile plants near Saigon that were devastated during Tet were almost completely rehabilitated. In Saigon itself, the buildings left unfinished when Tet

came were completed and many new ones begun.

While the effects of Tet and the subsequent recovery of the economy to pre-Tet levels represent the most important feature of the economic scene in 1968, there are some other significant aspects. The first half of 1968 saw a marked increase in the GVN budget deficit. Revenues were declining as the expenses of recovery and mobilization placed new demands on the budget. To cope with this the GVN imposed severe restrictions on non-war related expenditures, a freeze on hiring and some delay in new projects. There were also two major tax increases: in April austerity taxes on imports were raised by 5 to 15%; in July a 20% surcharge was placed on most domestic tax rates. Despite these measures, the 1968 budget deficit was VN \$42.9 billion as compared with VN \$21.9 billion in 1967.

Vietnamese foreign exchange reserves at the beginning of 1968 were about \$325 million as compared with an agreed ceiling of \$300 million. We negotiated an agreement which placed \$50 million aside in a special escrow account for purchase of American rice during the ensuing year. This, together with a sharp increase in imports in the latter part of the year, caused reserves to drop to \$271 million by December 31.

Rice imports for the year totaled 678,000 tons, most of it from the U.S. Over the year Saigon retail prices of principal rice varieties went up about 20 per cent while the general food index rose 33 per cent. Delta deliveries for the year were 310,000 tons, about 2,000 tons higher than the 1967 rate. The late November GVN action to raise the wholesale price of U.S. rice accomplished one of the major goals of U.S. economic policy in Vietnam, i.e., to raise rural incomes, and provide farmers with an incentive in the form of higher paddy prices.

The Vietnamese economy at the end of 1968 was still dominated by the characteristics it has had since the American troop commitment became important in 1965. Most of its rather slender resources, especially in manpower, are fully employed, and there is continual inflationary pressure. The heavy commitment of resources to the war effort has, however, not been drawn from the consumption standard of the population. Imports of some \$700 to \$750 million a year, financed by U.S. aid and earnings from our presence, permit a living standard, at least in the cities and secure rural areas, that is higher than Vietnam has ever known before.

The bouyancy and bustling activity of the cities, the daily traffic jams, burgeoning TV aerials, and crowds of people obviously well-dressed and well-fed, contrast with sand-bagged guard posts and other reminders of the war.

In the less secure areas of the countryside, especially those controlled by the enemy, economic life has a different cast. There, population is thin, large areas of formerly cultivated land are idle, economic activity is stagnant, and standards of living are primitive. That people lead a better life on the GVN side is not lost on those who live in Communist-controlled parts of the country.

The present condition of the Vietnamese economy is somewhat precarious in the sense that it could not be sustained without our financing of imports. As peace approaches, and as it becomes possible to demobilize a large part of the Vietnamese Armed Forces, the resources thus released could eventually be directed into new production, but this would take considerable time and the application of sensible policies, otherwise unemployment and serious disruption would take place. Thus the economy of early 1969 has to be regarded as rather fragile and brittle with respect to the consequences of a peace settlement. Continued aid during a substantial period of transition will be required to convert the economy to self-sustaining growth.

I. Conclusion.

I believe it can fairly be said that substantial progress toward the objectives I mentioned at the beginning of this message has been made during the past year. An encouraging element is the fact that this progress has accelerated, especially in the last half and even more particularly during the last quarter of the year.

Determination on the part of the Vietnamese Government to maintain the momentum is evident. Plans to sustain the tempo of the Pacification Program and for a dramatic Land Reform Program in 1969 have already been announced. The Vietnamese Government has made clear its intention to assume an increasingly large share of the war effort. With a modicum of patience, I believe that the goals and objectives we have set for ourselves will be reached. Whatever success we in the American Mission here, civilian and military, may have had has been due to your steadfast and unswerving support and your determination to stay the course. For this all of us are deeply grateful.

50

ACTION

Thursday - January 16, 1969

Pres file

Mr. President:

In the attached memorandum to you Ray Telles transmits a summary report on the work of the United States-Mexico Border Commission since its inception (Tab A).

He also encloses a draft of a letter which he thinks you might wish to send to the President-elect -- recommending that he continue support for the Commission (Tab B).

W. W. Rostow

Attachment s

- Tab A - Ambassador Telles' memorandum to the President, January 15, 1969, with report.**
- Tab B - Proposed draft of Presidential letter to the President-elect.**

SWLewis:mmm



UNITED STATES-MEXICO COMMISSION FOR BORDER DEVELOPMENT AND FRIENDSHIP

1800 G Street N.W.
Washington, D.C. 20525

Office of the Chairman
U.S. Section

January 15, 1969

The President
The White House

Dear Mr. President:

It is my pleasure to transmit to you the enclosed report on The United States-Mexico Commission for Border Development and Friendship: Its History and Progress, 1966-68. This report contains information on the activities of the Commission from its creation through the end of 1968. I hope it will be a useful addition to the records of your Administration.

You will recall that in your letter to President Diaz Ordaz November 4, 1968, you mentioned your intention to recommend to your successor the continued support of this Commission. In President Diaz Ordaz' reply he stated that he was "...very pleased that you propose to recommend to your successor that he continue giving his support to this Commission...". In case you should wish to do this by letter, I am enclosing a draft, along the lines of which you may wish to address the President-elect.

I want, at this time, to say to you what I have said to many others on countless occasions since assuming responsibility for the U. S. Section of this Commission: Whatever measure of success may have been achieved in instituting this Commission and moving it forward has been primarily due to your vision, and to your persevering interest and support.

With my highest respect and lasting admiration.

Respectfully,

Raymond Telles
Ambassador

Enclosures:

1. Report to the President
2. Draft Letter to President-elect Nixon

January 14, 1969

THE UNITED STATES-MEXICO COMMISSION
FOR BORDER DEVELOPMENT AND FRIENDSHIP

Its History and Progress, 1966-68

Since its inception as a functioning agency in July 1967, the U. S. Section of the United States-Mexico Commission for Border Development and Friendship (CODAF) has worked to carry out the objectives envisioned for it by the Presidents of the United States and Mexico when they proposed creation of such a commission at their April 1966 meeting. At that time they issued the following joint statement:

"The two Presidents expressed their determination to improve the relations between the frontier cities of both countries, and to elevate the life of those who live in the border region. They agreed to create a commission which would study the manner in which these objectives could be realized by cooperative action to raise the standard of living of the respective communities from a social and cultural as well as a material point of view."

A Joint Commission to Study Economic and Social Development of the Border Area was created by the Exchange of Notes of November 30 and December 3, 1966. Ambassador Raymond Telles was appointed Chairman of the U. S. Section in March 1967, and shortly thereafter, he spent seven weeks traveling the entire length of the border--from Brownsville, Texas to San Diego, California--in order to gather first-hand information on conditions in that area.

Formal operations began in July with the simultaneous announcement in Washington, D. C., and Mexico City of the composition of the U. S. and Mexican Sections. The U. S. Section is composed of the Chairman, and Commissioners drawn from agencies whose programs and responsibilities are of concern to the border area. Commissioners have been appointed from the Departments of State, Agriculture, Interior, Commerce, Labor, Housing and Urban Development, Transportation, and Health, Education, and Welfare; the Office of Economic Opportunity; the Inter-Agency Committee on Mexican-American Affairs; the Office of Emergency Preparedness (formerly the Office of Emergency Planning).

The period from July to October 1967, when the first joint meeting of the Commission was held in Mexico City, was devoted largely to organization and orientation. The information gathered by Ambassador Telles during his trip along the border served to introduce the Commissioners to the problems of the area and provided a general background for the hearings which they conducted in all four U. S. border states in September. At these hearings the people living on the U. S. side of the border were invited to submit specific proposals for self-help programs in which Federal agencies might assist. The resulting proposals, which have provided a framework for both unilateral and bilateral projects, comprise ten subject groupings: housing for low and moderate income families; manpower development; community centers and services; libraries; industrial and economic development; health and sanitation; transportation; recreation, tourism, and beautification; planning and technical assistance; and improved education, including vocational training.

Shortly after the hearings ended, Hurricane Beulah devastated part of the border area. The Office of Emergency Planning requested the Commission's assistance in working out cooperative emergency relief measures; as a result of its efforts, the Commission was given the additional responsibility of developing a binational mechanism to handle future emergencies.

At its first joint meeting, held in Mexico City October 19-20, 1967, the Commission established Working Groups of technical experts to study and recommend programs in their particular areas of competence, and scheduled a series of meetings for these groups. The Emergency Planning Working Group met in Brownsville, Texas, November 13-14, 1967, to study the area hardest hit by Hurricane Beulah and to devise a mechanism for dealing with future disasters in the border area. The Working Groups on Economic Development, Industrialization, Trade, Labor and Manpower, Urban Development, Public Health, Tourism, Transportation, Port of Entry Procedures, Technical and Vocational Training, Cultural Centers, Sports, Education, Parallel National Parks, and Beautification met at Ciudad Juarez, Chihuahua, on December 5-7, 1967, to explore a number of topics in each of these fields and to recommend projects to be undertaken for the social, economic, and cultural development of the border area. All of the Working Groups met again in San Diego, California, March 18-22, 1968, to hold further discussions and to prepare final drafts of the recommendations to be presented to the second joint meeting of the full Commission.

At the second joint meeting, held in Washington, D. C., May 1-3, 1968, the Commission received the reports of the Working Groups and adopted a number of Resolutions based on their recommendations. At the closing

session of this meeting, the Ambassador of Mexico and the U.S. Secretary of State, by an Exchange of Notes, established the Joint Emergency Planning Committee. This agreement, which resulted from the proposals of the Emergency Planning Working Group, provides a formal framework for binational emergency planning and disaster relief. The establishment of the Joint Emergency Planning Committee concluded the activities of the Emergency Planning Working Group; the other Working Groups were directed to continue their efforts, both separately and jointly.

The third joint meeting of the Commission was held in Mexico City December 5-6, 1968. On the three days prior to this meeting, December 2-4, the Working Groups met in Mexico City to review their activities and to formulate recommendations for submission to the Commission. At its joint meeting, the Commission approved the recommendations of the Working Groups, noted the progress made toward implementing their programs, and expressed satisfaction with accomplishments up to that time. Both the U. S. and the Mexican Sections urged that the work of the Commission be continued and expanded during the coming year, and the Working Groups were directed to proceed accordingly with their activities.

At the request of the President, bills to give the U. S. Section of CODAF permanent status as an independent agency were submitted to both Houses of the 90th Congress. However, the CODAF bills were not introduced until late in the 2nd Session of this Congress, and the press of other business prevented the Congress from acting upon them. Similar bills are being submitted to the 91st Congress in January 1969, and it is hoped that they will receive consideration and become law before the end of the current fiscal year.

The progress made by each of the Working Groups up to the end of 1968 is summarized below.

Emergency Planning

At the May 1968 meeting of the Commission, the Emergency Planning Working Group recommended the adoption of the Disaster Assistance Agreement which it had drafted. This Agreement, which was effected by an Exchange of Notes (see above), provided for the creation of the Joint Emergency Planning Committee to prepare plans for cooperative measures to provide relief in case of future natural disasters. The creation of this autonomous Committee concluded the activities of the Emergency Planning Working Group. However, the Chairmen of the U. S. and Mexican Sections of the Commission were made members of the Joint Emergency Planning Committee, and members of the Working Group have assisted in the activities of the Committee.

Economic Development and Industrialization

At the December 1968 meeting in Mexico City, the Chairmen of the Economic Development and Industrialization Working Groups agreed to hold joint discussions due to the overlapping of subject matter and personnel in the two groups. The Economic Development Working Group has been compiling basic data relating to the human and material resources of the border area for use in planning economic development projects there. The Industrialization Working Group has studied the special economic and social characteristics of the border area as they relate to industrialization. Mexico already has a program for industrialization of the border zone well under way. Possibilities for further industrialization on the U. S. side have been studied. A report entitled Industrial and Employment Potential of the United States-Mexico Border was prepared for the U. S. Section under the auspices of the Economic Development Administration of the U. S. Department of Commerce by Robert R. Nathan Associates, Inc., a private consulting firm. The Nathan report was published in December 1968, and copies have been distributed to members of both the U. S. and Mexican Sections of the Commission.

Border Trade

The Border Trade Working Group has exchanged information on a number of matters which one or both sides consider to be problems hindering the development of border commerce. The Mexican side requested consideration of the problems of including goods assembled in the Mexican border area from raw materials originating in the United States in the U. S. cotton textile import quota, and of exports from "In-Bond" stores on the border. Both sides recommended that the two governments study the possibility of a reciprocal agreement to allow each returning visitor to import duty free up to one gallon of liquor produced in the country of purchase. The problem of contraband also was raised, and both sides recommended that the two governments be requested to work toward a level of cooperation between their customs services in this field equal to that achieved in narcotics. At the December 1968 joint meeting the Mexican Section suggested the possibility of the Commission undertaking a study of the problem of border contraband, but a decision of this matter has not yet been reached.

Transportation

The Transportation Working Group has recommended that the U.S. and Mexican Governments coordinate their plans for building highways in the border area in order to integrate as far as possible all direct

access between the two nations, and that steps be taken to adopt a uniform system of traffic signs--such as the one recommended by the United Nations--in the border area. It has also proposed undertaking a study of the economic and administrative feasibility and advantages of constructing binational airports to serve twin border cities. At the December 1968 meeting the Transportation Working Group resolved to meet in Brownsville and Matamoros in February 1969 in order to plan the urban transportation survey of that area which it had previously recommended. This study is to serve as a pilot project, with planning guides to be developed there for use in similar surveys in other twin border cities. The Urban Development Working Group has been invited to participate in this session, and other items of interest to both groups have been added to the agenda. The latter include a study of the best alternatives for the location of a new International Bridge between Nuevo Laredo, Tamaulipas, and Laredo, Texas, and another port of entry crossing between Tijuana, Baja California, and San Diego, California. The Transportation Working Group also proposed broadening its title and functions to include communications.

Tourism

The Tourism Working Group has devoted its efforts to studying ways of developing tourism and eliminating various administrative and procedural obstacles to its development on both sides of the border. In the latter category, it has recommended that the Mexican Government consider methods for facilitating, within existing regulations, the entry and exit of hunters with their arms, ammunition, and equipment. The Working Group has recommended that appropriate publicity be given to the opening of new attractions in the area such as the camping area constructed by the Mexican Government at Amistad Dam. It has under consideration a project presented by the U. S. Section for the designation of a network of roads and highways along both sides of the border as the "Border Friendship Route". All four U. S. border states have approved designation of this route, which would be promoted by the publication of brochures and by use of various public information media; local groups would participate in marking and promoting historic and scenic attractions along the route. The U. S. Section presented a summary of the report on Tourism in the South Texas Triangle prepared for the U. S. Section under the auspices of the Economic Development Administration of the U. S. Department of Commerce by Checchi & Co., a private consulting firm. The Checchi report, which is scheduled for publication in January 1969, presents detailed feasibility studies for a number of projects designed to attract tourists to that area.

Urban Development

The Urban Development Working Group has recommended that twin border cities be urged to adopt a "one community" approach toward growth and redevelopment programs by means of joint planning and cooperative development of community resources wherever practicable. To this end, the Working Group is sponsoring a series of urban development workshops in twin border cities for the purpose of identifying urban problems, proposing solutions, establishing priorities, and implementing programs. Each workshop is to be composed of U. S. and Mexican technicians and local representatives. At the December 1968 meeting, the Working Group reported that successful meetings had been held in the twin border cities of Laredo, Texas/Nuevo Laredo, Tamaulipas; Nogales, Arizona/Nogales, Sonora; and Brownsville, Texas/Matamoros, Tamaulipas. The next meeting has been scheduled for Calexico, California/Mexicali, Baja California in January 1969. As a result of these meetings, local committees have been formed to undertake further study of their problems and needs. Of particular importance is the fact that participants in the Brownsville /Matamoros meeting decided to establish a permanent pilot program for planning the urban development activities of these twin cities. The U. S. Government approved a grant to carry out this pilot program, and the Mexican Section will contribute technical services for study, planning, and programming activities. The Urban Development Working Group resolved to meet in Brownsville and Matamoros together with the Transportation Working Group in February 1969. The Urban Development Working Group also has recognized the need for low cost housing in border cities. The U. S. Section has assisted in a pilot program in which 80 "roundhouses", to sell for a maximum of \$5,000, are being constructed in Del Rio, Texas. The Mexican Section has expressed interest in this project and is considering a similar undertaking on its side of the border. In addition to the roundhouses project, the U. S. Section has acted unilaterally to assist and encourage the efforts of many U. S. border communities to secure low income housing, neighborhood facilities, and urban planning grants. Examples of the activities in which it has been involved are low income housing for the elderly in Mercedes, Texas; neighborhood facilities in Laredo, Texas, Nogales, Arizona, and Calexico, California; and urban planning grants in El Paso, Texas, and Deming, New Mexico.

Public Health

The Public Health Working Group has noted that all border health problems fall into two categories: those common to both countries which should be handled through binational programs are of first priority; and those internal problems which primarily affect one country but which would benefit from cooperative action are of second priority. In keeping

with this assessment, the Working Group recommended at the December 1968 meeting that the Mexican public health authorities consider and approve the sanitary landfill project in Nogales, Sonora/Nogales, Arizona, and communicate their decision to the U. S. authorities as soon as possible. It also proposed that the two countries exchange information and organize a demonstration project in air pollution control in the Ciudad Juarez, Chihuahua/El Paso, Texas metropolitan area; and that CODAF endorse and participate in the workshop on housing sanitation to be held in the twin border cities of Tijuana, Baja California/San Diego, California. The Working Group recommended that necessary actions be continued to eradicate the *Aedes Aegypti* mosquito, which is the carrier of yellow fever, in the U. S. states which are still infested; and that CODAF support and promote binational committees on specific communicable diseases, such as the Tuberculosis Control Commission functioning in El Paso-Ciudad Juarez. It also recommended the exchange of information and observers dealing with research programs in the area of nutrition. In the field of maternal and child health, it recommended that binational local health councils be encouraged to provide a forum for discussion of mutual problems and programs, and that both countries cooperate with the Pan American Health Organization border field office which is studying services, training resources, and needs in this field. The Working Group also has recommended that binational training efforts be undertaken in the areas of auxiliary and semi-professional workers in health services, and that the feasibility of developing binational training centers for this purpose in the border region be considered.

Education

The Education Working Group reported at the December 1968 joint meeting in Mexico City that it has scheduled a joint conference on the accreditation of university level studies to be held in the twin border cities of Ciudad Juarez, Chihuahua/El Paso, Texas, in March 1969. Approximately 30 educators from each country, representing universities, college accrediting associations, and the two Governments are being invited to attend this conference. At the same time, it recommended initiation of a pilot project for the exchange of high school language teachers between the cities of El Paso and Ciudad Juarez; and reported on plans for the exchange of "Cultural Friendship Kits" (consisting of books, post cards, records, slides, and other cultural materials prepared by the children themselves) between elementary school pupils in the U. S. and Mexican states along the border, starting on Pan American Day, April 14, 1969, if possible. In order to supervise the carrying out of its programs, the Education Working Group agreed that each Section would select and assign a CODAF Educational Programs Coordinator to its office in the Ciudad Juarez/El Paso area by the end of January 1969.

The Working Group also recommended undertaking a joint project in the area of rural education and community development, and approved a proposal for a joint study to select an area in which such a project could be established. In addition, the Education Working Group is studying the feasibility of establishing a jointly administered manpower development center.

Manpower and Labor

The Manpower and Labor Working Group has initiated the compilation and exchange of information on employment and working conditions in the border area, and has recommended that the U. S. and Mexican Governments undertake intensified studies of manpower, employment, personal income, and working conditions in that region. It also recommended that the two Governments consider undertaking labor market and skill surveys which would include areas on both sides of the border (international labor market areas); that they start a regular exchange of information and data, summarized by state, on border labor market conditions; and that they review the needs of the other CODAF Working Groups for labor and manpower statistics and recommend ways of supplying such data. The Working Group noted that both the U. S. and Mexico plan to take a national census in 1970 and proposed that the two Governments review details concerning each census, report useful data on the border to CODAF, and give priority to early tabulation of border data. In addition, it recommended that universities in both countries be encouraged to undertake studies of border area manpower, labor, and working conditions; and that a binational conference of university professors and other academic researchers be held in 1969, under its auspices, for the purpose of exchanging information about such manpower and labor studies. Concerning the manpower development center proposed by the Education Working Group, the Manpower and Labor Working Group recommended that selection of its location should be deferred until sufficient labor market information is available to indicate where the greatest need for the center exists.

Vocational and Technical Training

The Vocational and Technical Training Working Group cooperated with the Education Working Group in developing the proposal for a binational manpower development center. As a step toward the possible establishment of such a center, the Vocational and Technical Training Working Group recommended that existing training facilities in the Ciudad Juarez, Chihuahua/El Paso, Texas, area be used for initiating training programs in public service occupations needed in this region.

Sports

The Sports Working Group has sponsored and encouraged sports activities

involving participation from both sides of the border, and it has recommended that qualified persons in the border communities be selected to cooperate with committees and individuals already active in such programs.

Cultural Activities

The Cultural Activities Working Group has recommended that CODAF promote conferences, workshops, and competition in the arts in the border area, and that two pilot cultural centers be established in twin border cities. At the December 1968 joint meeting in Mexico City, the U. S. Section reported that it had initiated plans for a cultural center in Laredo, Texas. Funds for the Laredo project were included in a grant for a multi-purpose community service center authorized by the U. S. Office of Economic Opportunity (OEO) in July 1968. The "cultural center" planned for Laredo will consist of four mobile trailer vans, which will be devoted to theatrical productions, recreation, educational and cultural films, and history. The vans will make scheduled visits to neighborhood centers in and around Laredo, to rural communities in Webb County (the county in which Laredo is located), and to Nuevo Laredo, Tamaulipas, across the border. An OEO grant for a project to include a second U. S. pilot cultural center at Calexico, California, is under consideration. At the December 1968 meeting, the Working Group approved plans to establish a national committee in each country and local coordinating groups in the border communities as mechanisms for carrying out its cultural programs. As an initial step in implementing these plans, U. S. and Mexican representatives are scheduled to meet in Ciudad Juarez, Chihuahua, with members of local organizations already active in the promotion of cultural affairs in January 1969. The Working Group also recommended that competent authorities in each country review the situation concerning the crossing of the border of individuals and materials involved in cultural exchange and take necessary steps to facilitate such crossings as imperative to the success of cultural exchange programs.

Beautification

At the December 1968 joint meeting in Mexico City, the Beautification Working Group noted the success of the first CODAF-sponsored "Border Beautification and Friendship Day", which was held on May 18, 1968. Several U. S. and Mexican border communities participated in this event, which involved efforts to clean up and beautify the appearance of the U. S.-Mexico Border. The results led both U. S. and Mexican officials to conclude that beautification efforts should be carried out on a continuing basis. In order to encourage citizen involvement and participation

and to bring accomplishments to the attention of the general public, the Working Group recommended that Border Beautification and Friendship Day be established as an annual event to take place in April or May.

National Parks

The National Parks Working Group is studying the possibility for development by the United States and Mexico of parallel national parks on their respective sides of the border. In areas of Sonora under study, the Working Group decided that these areas do not have the necessary characteristics to justify establishment of national parks, and recommended instead that hunting preserves be established, following the pattern outlined by the Mexican Secretariat of Agriculture and Livestock. Both National Sections reported that work has been started on recreation areas at the Amistad Dam, and the U. S. Section reported that a proposal to create an Amistad National Recreation Area is being submitted to the U. S. Congress. The Working Group recommended that both Governments be encouraged to undertake cultural and recreational developments in the Chamizal area; work on a park there is underway.

Port of Entry Procedures

The Port of Entry Procedures Working Group has recommended that studies of automobile insurance coverage for visitors to Mexico be continued and expedited, with a view to early solution of this problem. It also proposed that a study of ports of entry providing less than 24 hour service is justified; and that a meeting be held as soon as possible with the responsible national and local authorities in San Diego, California, to discuss the opening of a new border crossing point between San Diego and Tijuana, Baja California. The Working Group also discussed the question of opening ports of entry at Anapra, New Mexico, and at the Anzalduas Dam in Texas, and recommended that this question be studied by competent authorities in both countries.

frad 50c

DRAFT

Dear Mr. Nixon:

One of the innovations instituted during my Administration in the field of international relations was the creation of the United States-Mexico Commission for Border Development and Friendship. I believe that this Commission, which is still in its formative stage after little more than a year of organized existence, has already begun to prove its utility. It has strengthened this country's good relations with Mexico. It caters to the specialized needs of our two peoples in an area affected by the problems and opportunities which flow from the economic and social consequences of the interface between two great but dissimilar political and cultural entities.

I am enclosing a paper setting forth some of the highlights of the Commission's history and activities to date. In the belief that it can be useful to our country and serve as an example of positive cooperation to other nations sharing common frontiers, I recommend to your Administration the study, continuation and support of this experiment.

Sincerely,

Lyndon B. Johnson

Enclosure:

History and Progress Report

INFORMATION

51

Thursday, January 16, 1969
8:40 a.m.

Mr. President:

You may not have yet seen this
handsome tribute from the Drummonds.

W. W. Rostow

WWRostow:rla

WASHINGTON

THERE IS NO NEED TO WAIT FOR HISTORY'S VERDICT ON THE
PRESIDENCY OF LYNDON B. JOHNSON.

DURING HIS FIVE YEARS IN OFFICE JOHNSON HAS CONFRONTED MORE
DIFFICULT CRISES THAN MOST OF HIS PREDECESSORS AND MOST OF THE TIME
HE HAS MADE THE RIGHT DECISION AT THE RIGHT TIME FOR THE RIGHT
REASONS.

A WEAKER, LESS DETERMINED PRESIDENT MIGHT HAVE FALTERED. LYNDON
JOHNSON FALTERED HARDLY AT ALL AND THE RESULT TODAY IS THAT IN THE
CAUSE OF PEACE, IN THE CAUSE OF RACIAL JUSTICE, IN THE CAUSE OF
ENDING POVERTY THE NATION HAS AT MOST POINTS BEEN LIFTED UP TO A
FORWARD ROAD.

THIS ISN'T JUST OPINION WITHOUT PROOF. AND IT IS A JUDGMENT
WHICH WE BELIEVE IS SHARED BY THE NEXT PRESIDENT OF THE UNITED STATES.
RICHARD NIXON IS SHOWING HE INTENDS TO BUILD ON THE INNOVATIVE
MEASURES OF THE JOHNSON YEARS AND CARRY THEM FORWARD, NOT UNDO THEM
AT ANY MAJOR POINT.

X X X

AT THE MOMENT LBJ HIMSELF IS TENDING TO PUT A LOW-KEY ESTIMATE
ON HIS RECORD. "WE TRIED," HE IS SAYING. THE RECORD IS FAR BETTER
THAN THAT. JOHNSON NOT ONLY "TRIED", HE SUCCEEDED.

HE HAS DONE MORE THAN ANY PREVIOUS PRESIDENT TO MAKE BETTER
EDUCATION AVAILABLE TO MORE STUDENTS FROM ELEMENTARY SCHOOLS TO
COLLEGE.

HE HAS DONE MORE THAN ANY PREVIOUS PRESIDENT TO MAKE RACIAL JUSTICE
A REALITY IN AMERICA AND TO ENABLE BLACK CITIZENS TO LAY HOLD OF THEIR
CIVIL RIGHTS AND VOTING RIGHTS.

THE ANTI-POVERTY PROGRAM FUMBLERED AND FALTERED IN SOME OF ITS
EXECUTION BUT LYNDON JOHNSON IS THE FIRST PRESIDENT TO FOCUS NATIONAL
ATTENTION ON THE PROBLEM OF SO MUCH POVERTY IN THE MIDST OF SO MUCH
AFFLUENCE AND TO GALVANIZE THE CONSCIENCE OF THE NATION INTO BEGINNING
TO DO SOMETHING ABOUT IT.

THE KENNEDY-JOHNSON YEARS HAVE BEEN MARKED BY A LONGER PERIOD OF
SUSTAINED PROSPERITY AND HIGH ECONOMIC GROWTH THAN EVER BEFORE.
LBJ BROUGHT ABOUT A TAX REDUCTION WHEN IT WAS NEEDED TO STIMULATE THE
ECONOMY AND, HOWEVER TARDILY, PERSUADED CONGRESS TO INCREASE TAXES
WHEN IT WAS CRITICALLY NEEDED TO RESTRAIN THE ECONOMY.

IN ALL OF THESE AREAS AND IN OTHERS JOHNSON SUCCEEDED IN PERSUADING
CONGRESS TO ENACT THE NECESSARY LEGISLATION. IT WAS A REMARKABLE
ACHIEVEMENT, BUT NOT LBJ'S ALONE. HE WAS HELPED BY TWO DECADES OF
ADVOCACY AND NATIONAL DEBATE WHICH CRYSTALLIZED PUBLIC SUPPORT.
JOHNSON INHERITED THIS PUBLIC SUPPORT AND USED IT BRILLIANTLY.

X X X

IN FOREIGN POLICY THE ACHIEVEMENT TO WHICH HISTORY MAY PAY THE
GREATEST ATTENTION IS THAT THE JOHNSON PRESIDENCY AVOIDED NUCLEAR WAR
AND HELPED TO NEGOTIATE THE NUCLEAR NON-PROLIFERATION TREATY.

IT IS TOO SOON TO ATTEMPT A VERDICT ON THE VIETNAM WAR BECAUSE THE
WISDOM OF OUR DEFENSE OF SOUTH VIETNAM WILL BE JUDGED BY THE KIND OF
PEACE WHICH EMERGES FROM THE PARIS TALKS.

JOHNSON MADE THESE TALKS POSSIBLE BY STOPPING THE BOMBING OF NORTH
VIETNAM AND HE DID SO NOT BECAUSE OF THE PRESSURES FROM HIS CRITICS AT
HOME BUT BECAUSE HANOI FINALLY ACCEPTED THE CONDITIONS WHICH HE SAID
WOULD MAKE ENDING THE BOMBING POSSIBLE.

AND HE GAVE UP RUNNING FOR RE-ELECTION AT A TIME WHEN THERE WAS
EVERY PROBABILITY HE WOULD BE RE-NOMINATED AND WHEN MOST POLITICAL
REPORTERS THOUGHT HIS CHANCES OF RE-ELECTION WERE BETTER THAN EVEN.
HE DID SO IN THE CAUSE OF PEACE.

TODAY LYNDON JOHNSON IS LEAVING OFFICE UNDER A CLOUD OF ANIMUS
AND HOSTILITY, PRIMARILY BECAUSE OF THE DEMOCRATIC LIBERALS WHO DIDN'T
LIKE HIS STYLE AND HIS SOUTHERN ACCENT AND BECAUSE OF THE ANTI-VIETNAM
WAR CRITICS WHO FELT THAT THE U.S. DID NOT HAVE ENOUGH AT STAKE IN
SOUTHEAST ASIA TO DEFEND A SMALL COUNTRY SO FAR AWAY.

BUT THE TWO GREATEST PRESIDENTIAL FAILURES OF THE LAST HUNDRED
YEARS--ULYSSES S. GRANT AND WARREN G. HARDING--LEFT OFFICE IN THE
SUNSHINE OF POPULAR PRAISE.

THE VERDICT OF HISTORY CORRECTED THESE TWO MISJUDGMENTS AND WILL
LIKELY CORRECT THE OTHER.

(END...DRUMMONDS... FOR LBJ. JAN. 17)

52

INFORMATION

25X1A

SECRET [REDACTED] / SENSITIVE

Thursday, January 16, 1969 - 8:30 a.m.

Pres file

Mr. President: 25X1A

Herewith the old [REDACTED] channel comes alive again.

You will recall it was designed to open up on prisoners and then move to talks on a political settlement in the South.

The lady's first move on the phone is sticky for Thieu; but this could be the opening up of a "back street in Saigon" for serious GVN-NLF talks on a southern deal.

W. W. Rostow

25X1A Saigon 097 ([REDACTED] channels)

25X1A

SECRET [REDACTED] / SENSITIVE

WWRostow:rlm

Approved For Release 2001/08/24 : NLJ-019-044-3-6-7

SANITIZED
Authority NLJ 019-044-3-6
By 90, NARA, Date 1/17/02

ACTION

**Thursday, January 16, 1969
8:10 a.m.**

Mr. President:

**George Christian told me to
prepare a possible insert on Paris,
for your 10:30 a.m. signing ceremony.
A draft is attached.**

**If you wish to shorten it, the
bracketed section could come out; but
I do think it would be appropriate to
draw the lesson suggested from our
experience since March 31st.**

Pres file

W. W. Rostow

WWRostow:rla

Draft Statement for the President
to be inserted at 10:30 a. m.
signing of the Economic Report

* * *

We are all pleased that certain basic procedural problems in Paris have been solved and a new phase of the talks can open.

At last the way is cleared to come to grips with the substantive issues of peace in Southeast Asia.

[There are three lessons of our experience since March 31st.

First, we must be clear and firm in pursuing with our allies the limited but vital objectives we seek in Southeast Asia.

Second, we must be patient and face the hard fact that fighting is likely to continue as the negotiations are carried forward.

Third, we should be confident that an honorable peace is possible if we here at home remain steady.]

We have had three crises in these negotiations since they opened nine months ago: on the place for the talks; on the terms for a bombing cessation; and on the procedures for the new talks. In each case, patience, firmness, and fairmindedness achieved a satisfactory result.

I deeply believe that if we stay on this path a stable and honorable peace can be achieved in Southeast Asia.