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<del>#2 memo</del>	<del>NSC Meeting re: Middle East Peace Settlement. Secret</del> <del>5 p</del> <i>open 5-5-87 NLS 86-161</i>	10/27/67	A

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3-2-87. NARA. Date 5-5-87

October 27, 1967

MEMORANDUM FOR THE RECORD

SUBJECT: NSC Meeting 11:30 a. m. October 26, 1967, on Economic Elements of a Middle East Peace Settlement

Those present: The President  
The Vice President  
Secretary of State  
Secretary of the Treasury  
Secretary of Defense  
Secretary of the Interior  
Director of Central Intelligence  
Administrator of Agency for International Development, William Gaud  
Director, U. S. Information Agency, Leonard Marks  
Director, Office of Emergency Planning, Gov. Price Daniel  
Assistant Secretary of State, Lucius D. Battle  
W. W. Rostow  
Bromley Smith  
Harold H. Saunders

Secretary Rusk, at the President's request, opened the meeting with the following presentation of the problem:

For the moment, "politics is queen." We do not expect that economic steps will solve political problems. On the other hand we feel that there could come a stage soon where injection of potentially attractive economic arrangements could encourage the parties to reach satisfactory political agreements. Therefore, we have pursued staff work urgently in several areas.

First, and most urgent, is a solution to the refugee problem. Some of us believe the situation is more fluid now than it has been for years. If the refugees could be given some private choice on where to settle permanently and some help, it is possible we might dissolve the problem. This might cost as much as \$1 billion over ten years. However, the international mood is such that considerable help is likely from other nations, and Congress would probably be reasonably forthcoming on any program that promised a permanent solution in place of the year by year drain on US resources that has characterized the past patchwork arrangement.

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The second category of studies falls under the heading of Israel's relations with its immediate neighbors.

It is possible to paint a fairly attractive picture of Israeli-Jordanian economic relations. It is too early to inject this into the negotiating scene, but it is important to hold this picture in reserve. Such arrangements would not necessarily involve heavy US resources. Meanwhile, we have a problem of how much aid to give to Jordan pending a political settlement.

If the UAR comes to terms with Israel, we may want to review the West's interests there and perhaps even reconsider some surplus food sales at some stage. However, until there is movement toward a political settlement, we should stay out of the aid business.

Third, there has been some setback to our water and fertilizer planning as a result of the war. It will probably not be possible to move ahead until there is a political settlement. The Secretary had discussed with several Arab foreign ministers the possibility of setting up a Middle East water authority as a way of proceeding toward indirect relations with Israel, but he had not received much encouragement. He suspected we would go ahead with the Israeli desalting plant as soon as it was politically feasible. This would cost \$80 - \$100 million. The World Bank is working on plans for developing the fertilizer resources of the region and we will stay in step with them.

In conclusion, we meant to pursue our studies urgently in order to reinforce the political dialogue when the occasion offers. The Secretary wanted the President to have this report of staff work in progress.

The President asked the Secretary to spend a couple of minutes discussing action in the UN the day before.

The Secretary misunderstood briefly and launched into a discussion of whether or not we should press for Security Council action on Vietnam, but then returned to explain the developments on the Middle East in New York since July. He concluded by indicating that the non-permanent representatives of the Security Council are now considering a resolution which would state general principles and then appoint an intermediary to go to the Middle East. He said that the Soviets appear interested in seeing what the non-permanent representatives produce. In the next two or three days, we should know whether such a resolution will succeed. He noted, by way of background, that Israel's position has deteriorated since mid-summer.

At the President's request, Secretary Udall reviewed possibilities for water development in the area. The Secretary said he had come to the subject initially with one big concern--that we would have to do the first big desalting plant here in the U.S. Now, however, the Los Angeles plant is underway and he felt we were free to move ahead elsewhere.

"As a resource man," he would prefer not to talk about desalting separately but to talk about the total water picture. He felt we could increase the run-off of the Jordan River by 20% with weather modification. He felt that water must be keyed in with the refugee problem and hoped that in moving ahead on the Israeli plant we could extract some concessions from Israel that would tie the plant into greater Arab use of the Jordan River water. He felt that nothing could be a stronger force for peace than linking vital public utilities--canals, power grids, etc.--across national boundaries. We must think on a regional basis and, insofar as possible, "make" local governments plan together.

The President asked about the status of the Baker resolution. Secretary Udall said the Foreign Relations Committee had held hearings, largely as a courtesy to the Senator. The purpose of Administration witnesses was to show that we are on top of the subject. The flaw in the Strauss plan, as the Secretary sees it, is that there is at least a four to five year lead time before any desalting plants could begin to produce. Therefore, the Strauss plan is not an "overnight panacea." We will have to start whatever we do with the water already present in the Jordan River system.

The President asked how much money the Strauss Plan would cost.

Secretary Udall said that the Plan envisioned three large desalting plants, which would produce so much power that the region could not use it now. He said we might do something like this in thirty to forty years, but the best thing to start with was the Israeli plant which is already on the books. The Strauss Plan would cost something like \$1 billion.

The President asked whether there was any disagreement within the Administration on the Strauss Plan.

Secretary Udall said he thought not. However, he thought that the State Department's letter to the Senate Foreign Relations Committee was a bit pessimistic and made the Administration look more negative than necessary.

At the President's request, Mr. Gaud commented on water development. He pointed out that AID had some question about the economic feasibility of the Israeli desalting plant. Moreover, as far as he could see, this looks like an Israeli and not a regional project. One virtue of a larger desalting plant would be that Israel would not have to take any water out of the Jordan Valley, but the "pick and shovel question" was that AID had no money in its budget for the Israeli plant.

Secretary Udall said he assumed that if a desalting plant were to become part of a political settlement, we would want to handle this outside of normal AID programs. He felt that tactically this was a better way to work with the Congress anyway.

The President asked whether there is any merit in the Republican position that water will solve the Middle East political problems.

Secretary Udall said, "That's the panacea approach." Secretary Rusk said he thought not. Mr. Gaud said he felt that the Republican position was "too simplistic."

The President asked Mr. Helms for a report on the last night's attacks on airfield and power plant in North Vietnam. Mr. Helms gave a brief report, noting that we did not yet have reconnaissance reports. Secretary McNamara reported that we had lost four planes. He noted that civilian casualties might be substantial.

The President asked Mr. Gaud where his AID bill stood. Mr. Gaud said he hoped that the House would soon break the logjam. Passman's Committee was marking up the AID bill that very day and even if no authorization bill were passed, Passman would go to the floor by November 9th.

The President asked what the \$2.2 billion proposed appropriation would hurt most. Mr. Gaud said it would hurt principally the military assistance program, India, Pakistan and Africa. It

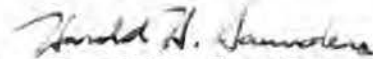
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would hurt elsewhere also, but those would be the principal wounds. He indicated he might be knocking on Secretary McNamara's door to try to shift some Southeast Asian programs to the Defense budget.

In response to the President's question, Secretary McNamara said that, within the military assistance program, China, Turkey and Korea would be hardest hit. The harm is not as bad as it might have been several years ago because programs in Vietnam, Laos, Thailand and NATO have been shifted out of the MAP budget into the Defense budget.

The meeting adjourned.

  
Harold H. Saunders

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LIST OF ATTENDEES, NSC MEETING

Thursday, October 26, 1967, 11:30 A. M.

Vice President Humphrey  
Secretary of State Rusk  
Assistant Secretary Battle  
Secretary of Defense McNamara  
Secretary of Treasury Fowler  
Secretary of Interior Udall  
CIA Director Helms  
AID Administrator Gaud  
OEP Director Daniel  
USIA Director Marks

Walt Rostow  
Bromley Smith  
Harold Saunders

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