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<del>#2 report</del>	<del>summary notes of 587th NSC meeting</del> <del>secret open 9-5-84 NLJ 84-310</del> 4 p	<del>06/05/68</del>	<del>A</del>
<del>#3 cable</del>	<del>London 9529</del> <del>Confidential</del> 6 p	<del>06/05/68</del>	<del>A</del>
<del>#4 memo</del>	<del>for the President from W. Rostow</del> <del>Secret Cambridge 6-12-85</del> 1 p <del>NLJ 84-311</del>	<del>06/04/68</del>	<del>A</del>
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FOR THE PRESIDENT ONLY

SUMMARY NOTES OF 587th NSC MEETING  
June 5, 1968, 12:15 - 12:45 p.m.

SUBJECT: Current Issues Affecting US-UK Relations

Secretary Rusk summarized the current situation in Europe, making the following points:

1. We are in an interim period in our relations with NATO.
  - A. A watchful waiting attitude is customary during our election year.
  - B. Both Canada and France are also in an election period.
  - C. Belgium and Italy are in the process of forming new governments.
  - D. A difficult and uncertain situation exists in Greece.
2. At the NATO meeting scheduled later this month in Iceland, our objective will be to prevent disarray in NATO.
3. The uncertainty in Europe has the effect of increasing the importance to Europeans of the level of U. S. forces in Europe.

Secretary Rusk then turned to the current situation in the UK. He made the following points in addition to summarizing a recent cable from Ambassador Bruce (copy attached).

1. The Wilson Government is in difficulty with all Britishers and confronts divisions within the Labor Party.
2. Despite Wilson's troubles, the UK is more stable than France.
3. Many Britishers have not adjusted to their new role in the world.

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Author: NLS 84-310  
Date: 9-5-84

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- A. The UK is steadily withdrawing from its security commitments in distant areas but at the same time is giving more support to NATO. The size of the UK contribution to NATO depends on whether the Labor government succeeds in improving the economic situation in the UK.
- B. The special relationship the UK has with us is less important to them now because the British have less interest in maintaining a world role. Operationally, the U. S. and UK are working on fewer real problems. The concept of Atlantic cooperation could replace the special relationship. Close bilateral relations with the British, however, will certainly continue.

Secretary Fowler, describing the State paper as excellent, stated that sterling is the major U.S. -UK problem. Aspects of the sterling crisis involve:

- 1. Short-term funding. We have assisted the British, particularly in supporting their requests for international bank withdrawals.
- 2. Bilateral credits.
- 3. The role of sterling in an international monetary system.

The UK financial situation is precarious and, in Secretary Fowler's view, British resources to apply to this problem may be less than indicated in the State Department's paper. Essentially, he added, continental countries have confidence in London and have welcomed British actions reflected in the last UK budget. However, the London financial community has less confidence in the Wilson Government. This is because the British Government and the London business community are out of step.

Secretary Fowler does not share the view of some that the return to power of the Conservative Party would be an improvement. He doubts that the Conservatives could handle the economic situation, especially a wage-price policy, as well as the Labor Party has done.

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With respect to the current situation in London, Secretary Fowler said the British were losing large amounts of reserves not only because of widespread lack of confidence in sterling but also because several countries are diversifying their reserves. This diversification puts pressure on the pound because those countries in the pound bloc move out of sterling into other currencies. Thus, events are forcing Britain to recognize that the pound will not much longer be used as a reserve currency. The immediate problem is how to deal with the sterling balances held in those countries which are diversifying their reserves.

As to France, Secretary Fowler predicted that DeGaulle would seek to maintain the franc at its present rate. In the future, France might have to devalue -- possibly as early as this fall -- in order to meet wage increases which the government will be forced to grant French workmen. If the French do devalue, heavy pressure will fall on the British just at the time they may well be getting their financial situation in balance.

Secretary Fowler called attention to the loss of U. S. reserves in the last six months. He said work was going forward on how to deal multilaterally with the problem of sterling balances in other countries. Contingency plans are being drawn to insure that the sterling problem does not have a major unfavorable impact on the dollar. In addition, initiatives are being worked out to deal with the impact in Europe of instability of the pound and franc which undoubtedly will affect the dollar. These initiatives can be taken only after the tax bill is passed.

Secretary Clifford said that the British do not have the resources, the backup, or the hardware to deal with any big world problem. He said they are no longer a powerful ally of ours because they cannot afford the cost of an adequate defense effort. He made these points:

1. Earlier we had the closest working relations with the British. They looked after one part of the world and we looked after another part.
2. The British are continuing their contribution to NATO but are retrenching elsewhere.
3. It is not certain that the British can keep even their present level of forces in NATO. Although the UK is earmarking for NATO those troops being withdrawn from other areas, no real increase in NATO power results because the earmarked forces merely help to bring the British NATO contribution up to the level they have previously maintained.

Secretary Clifford acknowledged that the British withdrawal creates real problems for us in Southeast Asia, in other parts of Asia, and particularly in the Mediterranean where the Soviets recently have become more active.

In response to a request by the President, Mr. Rostow said one question he would like to have Secretary Rusk answer was whether the chance of the British getting into the Common Market was greater now that DeGaulle is in trouble.

Secretary Rusk asked Assistant Secretary Leddy to reply. Mr. Leddy said DeGaulle will not change his opposition to British entry even though he is in difficulty in France. DeGaulle will, however, have greater difficulty in carrying out his effort to prevent British entry.

Secretary Rusk reported that Foreign Ambassador Bohlen believes DeGaulle may win a large majority in the forthcoming French election. If this happens, DeGaulle will be able to exert considerable pressure on other Common Market members to continue to hold out against British entry. If DeGaulle loses the election, however, his power to oppose British entry may be considerably reduced. A second factor affecting British entry is that the new Italian government may not be as strong for British entry as past Italian governments have been.

Mr. Rostow pointed out that the only operational matter was the suggestion that State-Treasury recommendations for actions to deal with the current monetary situation be sent to the President promptly.

The President asked that such recommendations be prepared for him.

(Attached is the briefing memorandum for the President which he referred to at the meeting.)

*Brouleyhill*



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SP 02,STR 08,TRSY 08,RSR 01,SS 20,NSC 10,L 03,H 02,GPM 04,SIL 01,  
LAB 06,CU 04,152 W

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FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 3958  
INFO AMEMBASSY BONN  
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REF: A) STATE 170648; B) LONDON 8967, C) LONDON 8966

SUBJ: CAN IT HAPPEN HERE?

AS FRENCH SITUATION BROKE, MANY BRITISHERS HAVE BEEN ASKING THEMSELVES THIS QUESTION. CERTAINLY BRITAIN FACES SERIOUS PROBLEMS-- REAL AND PSYCHOLOGICAL; SHOULD THEY BE ALLOWED TO BUILD UP, A DANGEROUS SITUATION COULD DEVELOP. BUT IN OUR VIEW THE CONDITIONS DO NOT RPT NOT NOW EXIST FOR AN EXPLOSION LIKE THAT ACROSS THE CHANNEL, AND THE VERY DISCUSSION OF THE SUBJECT SHOULD HELP TO PRECLUDE THEIR DEVELOPMENT-- UNLESS THE ECONOMIC AND FINANCIAL SITUATION SUDDENLY DETERIORATED. FOLLOWING IN OUR VIEW ARE ESSENTIAL ELEMENTS OF A PRELIMINARY ANALYSIS:

1. DISAPPOINTMENT, DISCOURAGEMENT AND DISILLUSION WITH CURRENT CONDITIONS ARE CHARACTERISTIC OF PRESENT-DAY BRITISH OPINION. IN PARTICULAR:

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A. LABOR GOVT (AS DETAILED REFTEL B) IS IN SERIOUS TROUBLE, ESPECIALLY WITH ITS OWN CONSTITUENCY. ITS THREE-YEAR EFFORT TO MAINTAIN PARITY OF STERLING-- AT THE SACRIFICE OF CHERISHED SOCIALIST PRINCIPLES AND PROMISES-- WAS A FAILURE. WILSON'S SUBSEQUENT BLAND REFUSAL TO ADMIT FAILURE HAS DEEPENED MISTRUST AND SAPPED PUBLIC SUPPORT, AND THE STRUGGLE WITH THE UNIONS OVER COMPULSORY INCOMES POLICY HAS ALIENATED EVEN MANY LABOR PARTY LOYALISTS.

B. ALTHO IN THIS SITUATION THE VOTERS HAVE TURNED TOWARDS CONSERVATIVES, THE OPPOSITION UNDER HEATH HAS FAILED TO CATCH THEIR IMAGINATION WITH A CLEAR ALTERNATIVE IMAGE. AND IN NORMAL CIRCUMSTANCES THERE CAN BE NO MAJOR CHANGE OF GOVT FOR ALMOST THREE MORE YEARS.

C. MORE FUNDAMENTALLY, GROWING PUBLIC CRITICISM HAS BEEN DIRECTED AT THE POLITICAL AND SOCIAL STRUCTURES OF THE COUNTRY: PARLIAMENT'S IMPOTENCE AND INEFFICIENCY, AND CONCENTRATION OF POWER IN "FACELESS BUREAUCRACY" OF WHITEHALL HAVE BECOME FAVORITE TARGETS, CONTRIBUTING TO SUCCESS OF SEPARATIST NATIONALIST MOVEMENTS IN SCOTLAND AND WALES.

D. "PARTICIPATION" IS AN ISSUE HERE AS ELSEWHERE-- AND NOT ONLY IN THE UNIVERSITIES. AS RECENT TIMES EDITORIAL PUT IT, TECHNOLOGICAL SOCIETY "CENTRALIZES DECISION-MAKING BUT SPREADS DESIRE TO MAKE DECISIONS," LEAVING A BETTER-EDUCATED PEOPLE DISSATISFIED AND FRUSTRATED.

E. SPECIFIC CRITICISMS ARE EMBITTERED BY A GENERAL SENSE OF DISCOURAGEMENT AND HELPLESSNESS--THERE SEEM TO BE NO CLEAR-CUT ATTAINABLE GOALS, NATIONAL OR INTERNATIONAL, AND BRITISH VIEWS ON PEACE, ON EUROPE AND ON VIETNAM SEEM SOMEHOW IRRELEVANT. IN SHORT, MANY PEOPLE FEEL THE COUNTRY ISN'T GOING ANYWHERE.

2. UNDERLYING THESE ATTITUDES ARE THREE REAL PROBLEMS:

A. THE BRITS -- ESPECIALLY THOSE OLD ENOUGH TO REMEMBER WWII-- HAVE NOT RPT NOT YET FULLY COME TO TERMS WITH FUNDAMENTAL CHANGE IN BRITAIN'S WORLD ROLE; NOR HAVE THEY FOUND THE WAY TO ADAPT NATIONAL POLITICAL AND SOCIAL INSTITUTIONS, LARGELY FORGED IN A VICTORIAN MOLD REFLECTING PERIOD OF MILITARY AND ECONOMIC DOMINANCE, TO CURRENT REALITIES. THIS IS ONE SERIOUS SOURCE OF MISUNDERSTANDING WITH A YOUNGER GENERATION WHICH WAS BROUGHT UP ON POST-SUEZ REALITIES, AND TO WHICH EMPIRE AND EVEN COMMONWEALTH ARE LARGELY HISTORICAL CONCEPTS. A LEADING ROLE IN A UNITING EUROPE COULD PROVIDE AN ALTERNATE GOAL AND FOCUS OF POPULAR ENERGIES-- BUT THIS TOO REMAINS FRUSTRATED.

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B. ECONOMIC AND FINANCIAL SITUATION-- NOT ONLY DEVALUATION BUT PRECEDING YEARS OF "STOP-GO" POLICIES -- HAVE CONTRIBUTED TO SENSE OF FAILURE AND IMPOTENCE, AGGRAVATED BY FEELING THAT BRITAIN IS PREY TO "GNOMES" AND FOREIGNERS. DESPITE GOVT'S OPTIMISM (LARGELY JUSTIFIED, SEE REFTEL C) ON MEDIUM-TERM OUTLOOK, BRITISH PUBLIC REMAINS IN SKEPTICAL AND SELF-FLAGELLATING MOOD, AND WAITS-- WITHOUT MUCH HOPE OR SENSE OF INVOLVEMENT -- TO BE SHOWN.  
C. RACE PROBLEM HAS ERUPTED ON THE NATIONAL SCENE IN RECENT WEEKS. EMOTION-CHARGED AND IRRATIONAL REACTIONS TO ENOCH POWELL'S PROVOCATIVE SPEECH ON THE SUBJECT HAVE SOWN POLITICAL CONFUSION IN BOTH PARTIES AND RAISED THE SPECTER OF NEW SOCIAL TENSIONS AND EVEN VIOLENCE. FOR THE MORE IDEALISTIC, THIS DEVELOPMENT HAS ADDED A VAGUE SENSE OF GUILT TO THOSE OF FAILURE AND FRUSTRATION.

3. BUT BRITAIN IS NOT FRANCE. AND EVEN WITH HER MANY PROBLEMS, THERE ARE GOOD REASONS FOR DOUBTING BRITAIN COULD REACT IN THE SAME WAY:

A. AS THE DEBATE OVER WEDGEWOOD BENN'S QUESTION PROVES, THE BRITS POLITICAL SYSTEM AND "ESTABLISHMENT" ARE SENSITIVE TO PUBLIC REACTIONS AND ATTITUDES, UNWILLING OR UNABLE TO TREAT THEM WITH OLYMPIAN GAULLIST DISDAIN.

B. THE BRITISH PRESS IS FREE, HONEST, WIDELY READ AND INFLUENTIAL. TWO COMPETITIVE TV CHAINS PROVIDE GENERALLY BALANCED AND DIVERSE NEWS AND COMMENT. THESE AND MANY OTHER MEDIA AND MEANS OF COMMUNICATION PROVIDE CHANNELS OF CRITICISM AND EXPRESSION, AND AN OUTLET FOR INDIVIDUAL AND COLLECTIVE VIEWS AND FRUSTRATIONS.

C. BRITISH YOUTH HAS BEEN SHOUTING ITS DISSATISFACTION WITH THE OLD WAYS FOR YEARS, WITHOUT BEING REALLY SAT UPON. IN THE PROCESS THEY HAVE CREATED AN EMANCIPATED "POP" CULTURE WHICH HAS SWEEPED THE CONTINENT AND GIVEN BRITAIN THE CULTURAL LEADERSHIP OF YOUNG EUROPE. AND THE BRITISH ESTABLISHMENT, MORE FLEXIBLE AND RESILIENT THAN SOME, HAS OFFERED THEM OPPORTUNITIES FOR SELF-EXPRESSION AND ADVANCEMENT GENERALLY DENIED TO CONTINENTAL YOUTH: E.G. A NUMBER OF WIDELY-READ JOURNALISTS OF MAJOR PAPERS ARE IN THEIR TWENTIES.

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ACTION EUR 20

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SP 02,STR 08,TRSY 08,RSR 01,SS 20,NSC 10,L 03,H 02,GPM 04,SIL 01,  
LAB 06,CU 04, /152 W

R 041718Z JUN 68  
FM AMEMBASSY LONDON  
TO SECSTATE WASHDC 3959  
INFO AMEMBASSY BONN  
AMEMBASSY BRUSSELS  
AMEMBASSY LUXEMBOURG  
AMEMBASSY PARIS  
AMEMBASSY ROME  
AMEMBASSY THE HAGUE

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REF: A) STATE 170648; B) LONDON 8967; C) LONDON 8966

SUBJ: CAN IT HAPPEN HERE?

D. BRITISH TRADITIONS OF STABILITY AND CIVIC CONSCIOUSNESS,  
WHILE CONSIDERABLY FRAYED AT THE EDGES BY RECENT EVENTS,  
STILL CONTRAST WITH FRENCH TRADITIONS OF ALTERNATING WEAK AND  
AUTHORITARIAN GOVT, PUNCTUATED BY REVOLUTIONS.

E. A SPECIAL AND IMPORTANT CASE IS THE PLICE,  
WHOSE ATTITUDE, IMAGE AND ACTIONS HAVE PLAYED MAJOR ROLE IN  
TRIGGERING VIOLENT DEMONSTRATIONS FROM DETROIT TO PARIS,  
TOKYO TO BERLIN. THE UNARMED BRITISH BOBBY,  
GENERALLY RESPECTED AND LIKED, HAS SHOWN A REMARKABLE CAPACITY  
TO RESIST PROVOCATION; AND HIS EFFICIENT, MINIMUM-VIOLENCE  
HANDLING OF RECENT DEMONSTRATIONS HAS EVOKED GENERAL PUBLIC  
SUPPORT, AND RESPECT FROM MANY DEMONSTRATORS.

F. EVEN THE ECONOMIC SITUATION, WHILE UNSATISFACTORY, HAS NOT  
YET HIT THE MASS OF THE PUBLIC HARD. REAL WAGES AND CONSUMPTION HAVE

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OVER THE PAST FEW YEARS, AND UNEMPLOYMENT IS NOT SERIOUS. BUT IF GOVT SUCCEEDS IN HOLDING CONSUMPTION DOWN FOR NEXT TWO YEARS, THIS SITUATION COULD DETERIORATE AND STRONGER REACTIONS BE EXPECTED.

4. STUDENT-WORKER SITUATION AND INTERACTION, THE DECISIVE FACTOR IN FRENCH DEVELOPMENTS, IS ALSO VERY DIFFERENT HERE:  
A. WHATEVER THE POLITICAL MOTIVES OF FRENCH STUDENT LEADERSHIP, BROAD STUDENT SUPPORT SEEMS TO HAVE BEEN GENERATED THERE LARGELY ON EDUCATIONAL ISSUES, WHERE A GROWING AND DISSATISFIED STUDENT BODY FACED A RIGID, MONOLITHIC AND INSENSITIVE CENTRALIZED UNIVERSITY AND LYCEE SYSTEM-- BACKED IN THE EVENT BY PREMATURE AND EXCESSIVE POLICE ACTION. WHILE BRITAIN'S EDUCATIONAL SYSTEM (SECONDARY AND UNIVERSITY) LEAVES MUCH TO BE DESIRED, AND STUDENTS ARE RESTLESS AND OFTEN DISSATISFIED, THE PAST FIVE YEARS HAVE BEEN FULL OF EDUCATIONAL MOVEMENT, DISCUSSION, ARGUMENT AND INNOVATION, AND THE CURRENT UNIVERSITY PICTURE IS ONE OF DIVERSITY AND DECENTRALIZATION, ESPECIALLY ON DISCIPLINARY MATTERS. FURTHERMORE, UNIVERSITY AUTHORITIES HAVE RESPONDED TO STUDENT DEMANDS FOR PARTICIPATION WITH AT LEAST ENOUGH DEMONSTRATED CONCERN TO FORESTALL, THUS FAR, COUNTRY-WIDE STUDENT SOLIDARITY.

B. SPONTANEOUS FRENCH STUDENT REVOLT APPEARS TO HAVE RAPIDLY RECEIVED LEADERSHIP FROM COMBINATION OF POLITICALLY-ACTIVE LEFTIST ORGANIZATIONS LED BY OFFICIAL U.N.E.F. BRITISH NATIONAL UNION OF STUDENTS COULD PROVIDE NATIONAL VOICE FOR PROTEST, BUT ITS ESTABLISHMENT-ORIENTED EXECUTIVE COMMITTEE HAS MANAGED-- THROUGH EFFECTIVE IN-FIGHTING AND ASTUTE HANDLING OF BREAD-AND-BUTTER ISSUES-- TO PREVENT THE MUCH SMALLER RADICAL STUDENTS ALLIANCE AND OTHER ACTIVISTS FROM CAPTURING CONTROL AT LEAST FOR ANOTHER YEAR.

C. ECONOMIC STRAINS OF RECENT YEARS AND GOVT'S INEPT HANDLING OF THE WORKERS ARE ALIENATING GROWING SECTIONS OF LABOR MOVEMENT, AND ABSENCE OF POLITICAL ALTERNATIVE (EXCEPT TORIES AND SCOTTISH/WELSH NATIONALISTS) FURTHER FRUSTRATES THEM. BUT BRITISH WORKERS CAN STILL FIND EXPRESSION THRU LONG-ESTABLISHED, EFFECTIVE AND UNITED TRADES UNION CONGRESS (NOW CELEBRATING ITS HUNDREDTH ANNIVERSARY), WHICH HAS RECENTLY SHOWN ITS WILLINGNESS TO MAINTAIN INDEPENDENT POSITION EVEN AGAINST A LABOR GOVT. THERE IS ALWAYS POSSIBILITY OF WAVE OF UNOFFICIAL STRIKES BUT BRITISH TRADE UNION LEADERS ARE MUCH MORE LIKELY TO CHANNEL WORKER DISCONTENT

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THAN THEIR POLITICALLY-SPLIT AND PROFESSIONALLY-INEFFECTIVE FRENCH EQUIVALENTS. FURTHERMORE, BRITISH WORKERS (AND BRITONS GENERALLY) HAVE NO REVOLUTIONARY TRADITIONS TO GO WITH THEIR SLOGANS, AND THEIR ONLY EXPERIENCE OF A GENERAL STRIKE (IN 1926 ENDED IN MISERABLE FAILURE.

4. DESPITE REAL DIFFERENCES OF APPROACH AND OBJECTIVES, FRENCH INTELLECTUALS AND WORKERS HAVE TRADITIONALLY SHARED A COMMON SET OF REVOLUTIONARY MYTHS AND MARXIST SLOGANS. BRITISH WORKER'S TRADITIONAL AVERSION TO COLLEGE BOYS AND INTELLECTUAL DOCTRINES MAKES HIM MUCH LESS INCLINED TO TAKE HIS LEAD FROM MIDDLE-CLASS UNIVERSITY STUDENTS.

5. IN SHORT, BRITAIN TODAY FACES A TOUCHY CLIMATE OF DISORIENTATION, DISCONTENT AND EVEN DISAFFECTION, UNDERLAIN BY THE REAL PROBLEMS OF A DISAPPEARING WORLD ROLE, FRUSTRATING ECONOMIC SITUATION AND EMERGING HOSTILITIES ON THE RACE FRONT. BUT BRITISH TRADITIONS OF STABILITY AND FLEXIBILITY, COMBINED WITH OPEN CHANNELS OF COMMUNICATION AND A MORE CONCERNED AND RESPONSIVE ESTABLISHMENT, SHOULD MEAN LESS CHANCE OF A FRENCH-STYLE EXPLOSION UNLESS ECONOMIC-FINANCIAL SITUATION DETERIORATES OR THE RACE ISSUE EXPLODES. CONVERSELY, SUCCESSFUL ACHIEVEMENT OF SUSTAINED ECONOMIC GROWTH, PURSUIT OF OTHER REFORMS, AND ACHIEVEMENT OF SOME SENSE OF PURPOSE (SUCH AS EUROPEAN LEADERSHIP) COULD RADICALLY IMPROVE THE SITUATION OVER THE NEXT TEN YEARS. IN THE MEANTIME, EMBASSY INTENDS TO INTENSIFY ITS INTEREST IN AND CONVERGENCE OF THE FACTORS DISCUSSED IN THE ABOVE PRELIMINARY ANALYSIS. BRUCE

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June 4, 1968

## MEMORANDUM FOR THE PRESIDENT

SUBJECT: NSC Meeting on US-UK Relations, June 5 - noon

The purpose of the National Security Council meeting is to look at current problems in our relations with Great Britain.

Secretary Rusk is prepared to speak to the major issues which are discussed in a State paper circulated to Council members. He will cover the effect on Britain of recent developments in France.

Summary of State paper - Tab A

Text of State paper - Tab B

Secretary Fowler will wish to speak to the economic and monetary issues including the problem of sterling.

Secretary Clifford may wish to comment on Britain and European defense and on the UK withdrawal from the SEATO area.

Unless covered in the discussion, you may wish to ask the following questions:

1. Will De Gaulle's domestic problems force him to give up his efforts to keep Britain out of the Common Market?
2. Are there steps we can take now to avoid another devaluation of the pound this year?
3. Will Britain's decision to concentrate its defense effort in Europe and the North Atlantic mean that we can reduce our troop contribution to NATO?

To conclude the meeting, you might ask for joint recommendations from State and Treasury on specific actions we can take to steady the international monetary system.

BKS:amc

cbm

8-23-68

W. W. Rostow

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LIST OF ATTENDEES, NSC MEETING

June 5, 1968, Wednesday, 12:00 noon

~~[Vice President Humphrey]~~ *not present*

✓ Secretary of State Rusk  
✓ Assistant Secretary Leddy

✓ Secretary of Defense Clifford  
✓ Deputy Secretary Nitze

✓ Secretary of Treasury Fowler

✓ CIA Director Helms

✓ JCS Chairman Wheeler

✓ USIA Director Marks

✓ OEP Director Daniel

✓ Walt Rostow  
✓ George Christian  
✓ Bromley Smith  
✓ Edward Fried

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