

41

THE WHITE HOUSE
WASHINGTON

10/5/65

Mr. Komer,

This has been sent via private wire to
PM Wilson. Mr. Bundy said "and
have Mr. Komer get it to the British
on the other wire as well." Here is
a copy of the msge.

*+ one for
yr files if you wish.
mz*

OCT 5 1965

WK 41a

VIA PRIVATE WIRE to London

SECRET

Oct. 5, 1965

TO: Prime Minister Wilson

FROM: The President

We agree that the Southern Rhodesia affair could quickly become a calamity, with potentially serious damage to Western interests. We also agree that deterring Smith from any fateful step is by all odds the best course open to us.

If you see fit, we would be glad if you would tell Smith when you see him that we as well as you would take a very poor view of UDI, and that we would necessarily have to oppose it vigorously.

We would also be prepared, as you suggest, to approach Smith directly along the above lines, either through our Charge in London or by calling in the Rhodesian minister attached to your embassy here. And if deterrence is our prime objective, it may be better for us to convey our views before your decisive meeting with Smith, rather than after. We will do this promptly if you ^{WISH} agree. Should negotiations fail, we would certainly be prepared to make our views public in an appropriate way.

I am glad that our two governments are in close touch, since it is important to coordinate our efforts with yours in dealing with this unhappy problem.

~~SECRET~~

DECLASSIFIED
Authority FRUS. Vol. XXIV, # 476
By *ly* NARA, Date 8.29.05

OCT 5 1965

OUTGOING TELEGRAM Department of State

02461 ⁴²

INDICATE: COLLECT
 CHARGE TO

SECRET

80
Origin
55
Info

ACTION: AmEmbassy LONDON PRIORITY
INFO: USUN for Ambassador Goldberg
TOSEC 77

1788
KMM
2/6/
OCT 5 9 13 PM '65
OK
X S / K / P / H / O / D
X S / P / H / O / D

EXDIS

Following message sent October 5 to Prime Minister

Wilson from the President:

QUOTE: We agree that the Southern Rhodesia affair could quickly become a calamity, with potentially serious damage to Western interests. We also agree that deterring Smith from any fateful step is by all odds the best course open to us.

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*LBJ
to
Wilson
10/5/65*

DECLASSIFIED
FRUS. Vol. 11, #476
Embassy
By NARA, Date 8-29-05

Drafted by: _____
Text recv'd from WH 10/5/65
Telegraphic transmission and classification approved by: S/S - Lawrence S. Eagleburger

S/S - Mr. Read
EUR - Mr. Reneville

SECRET

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FORM 8-63 DS-322

OCT 6 1965

~~SECRET-EXDIS~~

meeting with Smith, rather than after. We will do this promptly if you wish. Should negotiations fail, we would certainly be prepared to make our views public in an appropriate way.

I am glad that our two governments are in close touch, since it is important to coordinate our efforts with yours in dealing with this unhappy problem. END QUOTE

END.

BALI.

42a

VIA PRIVATE WIRE to London

SECRET

Oct. 5, 1965

TO: Prime Minister Wilson

FROM: The President

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SECRET

DECLASSIFIED
Authority FRUS. Vol. XXIV, # 476
By *ly* NARA, Date 8-29-05

The Hon. McGeorge Bundy,
The White House.

43



With the compliments of

Sir Patrick Dean

British Embassy, Washington, D.C.

~~SECRET~~

43a

2 October 1965

The Prime Minister has asked
me to transmit to you the attached
message.

Sgd. Patrick Dean

WK S/plod
X

The President
of the United States of America.

~~SECRET~~

DECLASSIFIED
E.O. 13292, Sec. 3.4
By 19/6m, NARA, Date 8-16-06

OCT 4 1965

43b

~~SECRET~~

TEXT OF MESSAGE

2 October 1965

*10/14/65
British Embassy
Menton*

As you know, we have been keeping in close touch about Rhodesia with your Administration at all levels and we are most appreciative of the support which we have received. Mennen Williams' statement was most helpful.

We are now entering a crucial phase and the discussions I am to have with Smith next week are likely to be final and decisive. He seems to have retreated from the basis of negotiation which the Commonwealth Secretary established with him earlier this year, and I do not think it likely that we can now reach any agreement with him. The risk of unilateral declaration of independence must therefore be regarded as serious and I know you share with us the belief that this could escalate with disastrous consequences for the whole area and serious damage to Western interests.

If our negotiations unhappily fail, I shall do everything possible to bring home to Smith the consequences of an illegal step in the hope of deterring him from it. If there is still any chance of deflecting him and his colleagues from such a disastrous course I believe that your influence might be a decisive factor. I wonder therefore if you would be prepared to approach Smith in whatever way you think best calculated to bring home to him the gravity of the step which he is apparently contemplating. Subject to the way things go in the next few days I think that a message from you would be most effective immediately after a break-down in the negotiation. Since the timing of such a message could be crucial we will keep your Ambassador closely informed of the

/progress

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Authority FRUS, Vol XXIV, # 473
By *ng* NARA, Date 8-29-05

~~SECRET~~

OCT 4 1965

~~SECRET~~

progress of our discussions with Smith. I hope very much that you will feel able to intervene in this way and to do so publicly since your message would then have the maximum effect on the Rhodesian public.

~~SECRET~~

W.H.

(Drafting Office and Officers)

DEPARTMENT OF STATE

Approved in S
9/21/65

14008

1- Dates
2- Rome
3- ret. 44

Memorandum of Conversation

RECEIVED
McGEORGE BUNDY'S OFFICE

Part 5 of 6

DATE: September 10, 1965
Time: 11:05 a.m.
Place: The Secretary's office

1965 SEP 23 PM 4 00

SUBJECT: India-Pakistan Conflict

U.S.

UK

PARTICIPANTS: The Secretary
Thomas M. Judd, EUR/BNA

Sir Patrick Dean, British Ambassador
Michael N. F. Stewart, Minister,
British Embassy
John E. Killick, Counselor, British
Embassy

COPIES TO: H
S/S INR/OD
G FE
EUR USUN
NEA White House
IO AID/EXSEC

AmEmbassy LONDON
AmEmbassy KARACHI
AmEmbassy NEW DELHI

Handwritten signature/initials

Ambassador Dean said that if U Thant failed, which seemed likely, some sort of Commonwealth initiative might be tried. The Foreign Office was telling the Russians about this and had asked them what they thought of the idea.

The Secretary replied that he did not know if the Russians could be of much help at the present time. There were rumors that they were getting ready to make changes at a high level in their government. The Secretary agreed that if U Thant seemed to be on the point of failing, it was important that there be something ready to move in to keep the possibilities of negotiation open. There were still possibilities of settlement. Military engagement on both sides had been rather tentative. Without interfering with U Thant's activities, we were making a quiet effort to insulate the eastern part of the subcontinent from the conflict. We were urging the Indians not to exploit the military advantages they had there. This was largely because of our fear of what would happen if the Chinese moved in.

Ambassador Dean said that London did not have much information on the actual fighting. It had the impression that the fighting was

/largely

FORM DS-1254

DECLASSIFIED
E.O. 13292, Sec. 3.4

By *reg/ctm*, NARA, Date *8-16-00*

~~SECRET~~ - LIMDIS
GROUP 4

Downgraded at 3 year intervals;
declassified after 12 years.

GPO 206992

DEC 2 1965

largely governed by political considerations. The Indians were trying to wear down the Pakistanis. The Ambassador said that HMG had told the Pakistanis that it could not be blackmailed into helping them by the threat of Chinese intervention. They also told the Pakistanis that they should not assume the Chinese are going to help and that if the Chinese did intervene, that the Indian effort would automatically be paralyzed.

Ambassador Dean asked about the Pakistan Consortium.

There was a feeling in certain quarters that we should cut off all aid to the subcontinent. We had been able to contain this feeling so far. We have suspended our military aid. As to economic aid, we were still in the same position we were in last summer. We are not making any new commitments until the AID appropriation is passed. If the AID bill is cut because of the situation in the subcontinent, then the subcontinent would have to take the loss. Other aid recipients should not be made to suffer because of the subcontinent situation.

Minister Stewart said that the UK believed that the Consortium meeting would take place on schedule and that most of the members would make pledges. There was some doubt about Germany.

Secretary Rusk said that we could not possibly make a pledge while fighting was going on.

1000 200 10 10 8 50
~~SECRET~~ LIMDIS

IN
DEPARTMENT OF STATE
EXECUTIVE SECRETARIAT

White House

15061

45

Albert E. Irvin

Drafter: George Springsteen DEPARTMENT OF STATE
September 13, 1965

~~1 - Bates 9/23~~
2 - Komer
3 - net.

RECEIVED
Memorandum of Conversation

DATE: September 8, 1965

Approved in U 9/21/65 1965 SEP 23 ~~SECRET~~ 100

SUBJECT: Indo-Pakistan Dispute

Place: Foreign Office, London, England

PARTICIPANTS: United Kingdom: Foreign Secretary Stewart
Minister Cledwyn Hughes, CRO
Sir Bernard Burrows
Mr. Greenhill
Mr. Peck
Mr. Pickard

uk

XXXXXXXXXX
XXXXXXXXXX

Copies to: United States: Under Secretary Ball
Ambassador Bruce
DOD EUR G AmEmb. LONDON Mr. Springsteen
CIA NEA FE AmEmb. KARACHI Mr. Irving
IO S/P AmEmb. NEW DELHI
S/S White House

COPIES TO:

*** 1-1468

After welcoming remarks, the Foreign Secretary asked Minister Hughes to lead the discussion on the Kashmir situation and the present conflict between India and Pakistan.

Hughes said that the British had hoped that the Indians would pursue limited military objectives against Pakistan. They had hoped for instance that the Indian response to the Pakistan advances, threatening Akhnur, would be limited to a thrust against Lahore. Such hopes had evaporated, however, when the Indians also undertook a thrust in the Rajasthan area. It appeared now that the Indians were moving in an all-out effort to crush Pakistan.

This view tended to be confirmed further, said Hughes, by the fact that the Indians were now bombing Pakistani cities. Hughes said also that, although it was not entirely clear, the fact that the Indian military were bombing Pakistani cities tended to indicate that Shastri had lost control over the military and that Chavan had moved to the fore.

DECLASSIFIED
Authority NLS 99-293 (#280)
By ispen, NARA, Date 8-16-06

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DEC 2 1965

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-2-

On the Pakistani side, the developments of recent days only tended to strengthen the hand of Bhutto.

Hughes said that the present position of the United Kingdom Government was to support fully the U Thant mission and the resolution of the Security Council. Until the outcome of the Secretary General's mission could be more clearly seen, the UKG was refraining from any other initiatives, including those involving the Commonwealth. It was noted, however, that other Commonwealth leaders, in response to a message from Prime Minister Wilson, were sending messages to India and Pakistan urging their support for the Security Council Resolution calling for a cease-fire and asking that they give support to the U Thant mission.

The Foreign Secretary indicated that the UKG was also giving consideration as to what steps might be taken in the Security Council should the U Thant mission fail. He indicated, at one point, that they were examining recourse to Chapter VII of the UN Charter. Further Commonwealth initiatives, should the U Thant mission fail, were not yet formerly developed.

Under Secretary Ball said that the United States Government was supporting fully the U Thant mission. He indicated that later in the day a statement would be issued from Washington indicating that we had suspended the shipment of military supplies to both warring nations. Previously we had delayed only any major shipments. Now we would be suspending all shipments and announcing this publicly.

Mr. Ball also pointed out that the US could also exert leverage through denial of economic aid. We had not yet taken this step but he noted that we had made no commitment to either country for Fiscal Year 1966 (July 1, 1965 to June 30, 1966) for economic aid and would reserve full freedom of decision on such aid under present circumstances.

Mr. Ball then inquired whether the UKG thought the USSR might be helpful in this situation.

The Foreign Secretary said that the United Kingdom planned to sound out the USSR in the next few days. The British Ambassador in Moscow would see Kosygin and explore the various possibilities with him. Mr. Ball said that we would endorse such an approach and hoped that it might improve the possibilities for obtaining a cease-fire.

Minister

~~SECRET~~

~~SECRET~~

-3-

Minister Hughes then returned to the question of the suspension of military aid, particularly that to Pakistan. It was his view, which others on the British side supported, that the suspension of aid by the United States would have a definite influence on the duration of the fighting since Pakistan had only three weeks supply of arms. The Indians, on the other hand, are less vulnerable because they have more facilities to produce arms and ammunition. The evenhandedness of the US approach tended to benefit the Indians.

The Under Secretary said that he recognized the consequences of our evenhanded approach in regard to military assistance, but as he indicated earlier, the current position in Washington was for the suspension of military aid to both sides. He felt that the situation described by the British tended to underscore the need for a fast solution to the India-Pak dispute, particularly the early invocation of a cease-fire.

The Foreign Secretary observed that the UKG had not yet issued an official statement about delivery of military shipments but would probably do so soon.

Minister Hughes stated that the Pakistanis had made no approach to the United Kingdom Government on the question of invoking the CENTO Treaty. Both he and the Foreign Secretary reiterated the point that, from their standpoint, CENTO was not applicable to disputes between Commonwealth countries.

The Under Secretary, noting that the Foreign Secretary had only shortly before this meeting seen U Thant at the London Airport, asked what lines of action U Thant was likely to take. The Foreign Secretary said U Thant hoped to be able to set a definite date for cease-fire after taking stock of the situation and talking to both sides. The Under Secretary noted that the Secretary General's task was not easy, particularly if the Paks insisted on injecting the political settlement of the Kashmir issue as a prior condition to a cease-fire.

The British were asked how they viewed the possibility of communal uprisings occurring in both Pakistan and India as a result of the fighting. The British replied that, so far, there had been relative few uprisings, but, unhappily, they could mushroom suddenly.

The Under

~~SECRET~~

SECRET

-4-

The Under Secretary raised the question of possible Chinese Communist intervention. The Foreign Secretary indicated that the Chinese Communist position was difficult to fathom at present. At the moment, the Chicom position appeared to be confined to denouncing India. However, he also detected a note of "watchful waiting" in their position but that at the moment, they did not seem particularly anxious to intervene directly. He said that the Chinese Communist may calculate that their position would be best served by allowing the Indo-Pakistan conflict to take its course and then exploit whatever advantages it may offer.

In conclusion, the Foreign Secretary said that the best that could be done at the moment was for all parties to throw their full weight behind the activities of the Security Council and the Secretary General. He said that he hoped the question of Kashmir would not itself prove a sticking point to a cease-fire. He noted that the strain of war might quickly induce exhaustion on both sides with the best hope for talks growing out of a situation of stalemate. However, he noted that this might happen later rather than sooner.

SECRET

3079

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON 25, D. C.



S/S-10689

DEPARTMENT OF STATE
WASHINGTON RECEIVED
McGEORGE BUNDY'S OFFICE

1-Komer
2-Pet.
46

1965 JUL 17 PM 12 18

~~CONFIDENTIAL~~

W.K. Rouse
(X)

*Prime Minister
Wilson
L.R.B. 7
7/5/65*

MEMORANDUM FOR MR. McGEORGE BUNDY
THE WHITE HOUSE

Subject: Prime Minister Wilson's Message to the
President Regarding the Rann of Kutch

Mr. Bundy's memorandum of July 7 requested a recommendation concerning a message to the President from Prime Minister Wilson. We believe no reply is necessary since the Prime Minister's message is a reply to the President's congratulations on the successful British efforts to bring about a cease-fire agreement on the Rann of Kutch dispute.

Ben
Benjamin H. Read
Executive Secretary

Enclosure:

Message from Prime Minister
Wilson on the Rann of Kutch
Dispute.

~~CONFIDENTIAL~~

GROUP 3

Downgraded at 12-year intervals;
not automatically declassified.

DECLASSIFIED
E.O. 13292, Sec. 3.4

By *reg/abm*, NARA, Date *8-16-06*

JUL 19 1965

~~CONFIDENTIAL~~



BRITISH EMBASSY.
WASHINGTON, D.C.

46a

July 6, 1965.

Dear Mr. President,

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

Yours Sincerely,

Patrick Dean.

The President

of the United States of America.

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 13292, Sec. 3.4
By reg/cbm NARA, Date 8-16-06

~~CONFIDENTIAL~~

46b

July 5, 1965.

TEXT OF MESSAGE

Thank you for your message about the Rann of Kutch. We have all been most grateful for the helpful understanding your people have shown throughout these prolonged negotiations. We look forward to working out in close co-operation with them further steps to encourage India and Pakistan towards a settlement of other outstanding problems.

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 13292, Sec. 3.4
By ng/cem, NARA, Date 9-16-06

BB FORM
NO. 38

47

ROUTE SLIP

(Fold Here)

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET

DATE 7/16/65

TO: Mr. Komer

FROM: Mr. Rowen

REMARKS:

JUL 16 1965

~~SECRET~~

Mr. Raker

47a

14 July 1965

UK

MEMORANDUM FOR: Mr. McGeorge Bundy

SUBJECT: UK Visit

Here are my main impressions from the McNaughton, Neustadt, Rowen two-day visit.

Trend and Mitchell: Trend was told that you are relaxed about a meeting. Also that we see that everything -- money, foreign commitments, economic plan -- is connected to everything else. He said nothing of substance. Derek Mitchell, the PM's private secretary, made it clear that the Trend-Bundy meeting had somehow been built up inside the government to such a big event that it raised "constitutional" problems (the Cabinet's hand can't be revealed before the Cabinet takes the decision). However, Mitchell told Dick that the PM regards Trend as a good go-between -- but he shouldn't come right now.

Dick conveyed appropriate points to Mitchell including David Bruce's suitability as a trusted intermediary. Dick stressed that we didn't expect to be told of a Cabinet "decision" before the Cabinet but that we valued outlines of the PM's thinking. Also that the President can't be expected to embrace the Pound until UK comes up with its overall economic and defense program. Mitchell said PM not thinking of unilateral troop reductions in FRG (cooperative reductions another matter), that PM thinks devaluation beyond bounds of possibility, and that maybe Mitchell or Oliver Wright could usefully visit Washington on occasion.

Foreign Office: The Foreign Office people we saw (Gore-Booth -- Caccia's successor -- Chalfont, Palliser, John Thomson, Arthur) say, with varying degrees of firmness and specificity, that foreign commitments will be cut. They don't believe that Healey can get close to the £2000 million defense ceiling through efficiency gains. The most specific and drastic view (Thomson's -- partly prescriptive, partly predictive) was that Britain should/would over the next five years:

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Authority NLS 99-191 (#208)
By sp/br, NARA, Date 8-16-06

JUL 16 1965

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1) get out of Malta, 2) get out of Libya, 3) get out of the base in Cyprus supporting Libya, 4) out of Aden, 5) out of Persian Gulf (or perhaps support Gulf from Indian Ocean bases), 6) expect -- and welcome -- being invited out of Malaysia as part of an Indonesian-Malaysian "settlement," 7) build up base in Northern Australia, 8) build Indian Ocean bases, 9) stay in Europe. I sense agreement by the FO types that Aden is first on the list and that European commitments should be kept.

It isn't clear to what extent the Foreign Office believes these cuts inevitable because they think the Defense Review will force them, or because they think that the Cabinet will force these cuts anyway, or because they think that the Americans should be told cuts are coming for tactical reasons. In any case Healey's line is different.

Healey: He says that 50% of the needed savings have already been found (aircraft and subs), that he expects to find 25% in efficiency gains and that 25% will come out of reducing commitments. The Cabinet will get a proposal on streamlining reserve forces next week, and a big decision on land versus sea-based air by September. (This one had to wait for the Earl of Burma to go. They also want to know if US has some carriers in reserve that can handle their Phantoms.)

Once these decisions are taken, further reductions will involve commitments. But not much. For example, "confrontation" with Indonesia would involve 1/2 Army, 3/4 Air Force, 90% Navy; therefore they can't cut much unless "confrontation" can be ended. (Healey expressed unhappiness on present strategy versus Indonesia and ran through alternatives -- escalate, negotiate out, turn over to Malaysia. He and a lot of his people would like out but clearly don't see it happening in short run.)

Far East and South Asia: He is trying to figure out (ex-Indonesia) what role makes sense. He is thinking mainly about little problems and focuses on Australia. They are talking with the Aussies about a base in the North, see need to do joint planning including use of Australian F-111's and its carrier, and want to concert with US and NZ as well.

~~SECRET~~

3

Mid East: He had thought that UK would have to leave Aden by '68 and move into Gulf. He now thinks that permanent basing in Gulf won't work and that a post '68 base in Aden may work.

On Malta, Libya, Gibraltar, Cyprus: Nothing new.

On Germany: Money offset still unsatisfactory despite new deal. Will go back after FRG election. Prefer: 1) German gold, 2) FRG pick up check for FRG people employed by UK forces, 3) buy hardware from UK. Healey did not suggest major reductions in Germany (by implication, even failing 1-3 above). On contrary, he said cheaper (in budget but not foreign exchange) to keep troops there, and they are usable strategic reserve for elsewhere.

NATO: He wants McNamara to join him in attacking NATO's naval strategy and likes the Select Nuclear Committee idea (but worries about our ability to follow-through).

Consultations with US: Healey emphasized that no UK decision will be taken on commitments without prior consultation with us. He personally would like to see US-UK talks in November-December.

In Sum: We don't have all the pieces (notably the PM's views are missing) and the ones we have don't quite fit. Healey appears to be making useful progress (more than Bob McNamara has credited him with). Healey said he might have been holding his cards too closely -- keeping them from both the FO and us. In any case, they have a clear commitment to consult and we should keep in touch with them. Dick will keep up the chase.

(signed) Henry S. Rowen

HENRY S. ROWEN
Assistant Director

~~SECRET~~

48 / 2817
Orig Bundy 6/30

RECEIVED
McGEORGE BUNDY'S OFFICE

File
Komer

~~CONFIDENTIAL~~

1965 JUN 30 AM 10 42

JUN 30 1965

Komer
The President
has already
cleared this.
BKS

W.K.
[Handwritten signature]

MEMORANDUM FOR THE PRESIDENT

Subject: Message to Prime Minister Wilson
on Rann of Kutch Dispute

Recommendation:

That you approve the enclosed message to Prime
Minister Wilson.

Discussion:

The British, and Prime Minister Wilson personally,
have worked like Trojans, under the most complicated
and frustrating circumstances, to hammer out with the
Indians and Pakistanis an agreement on the Rann of Kutch.
I think a personal message of congratulations from
you to Prime Minister Wilson would be the best way of
showing our admiration for the first-rate job they have
done. The message would be transmitted after the agree-
ment is signed June 30.

/S/ DEAN RUSK

Dean Rusk

Enclosure:

Suggested Message.

copy to
PM Wilson
6/30/65

DECLASSIFIED
E.O. 13292, Sec. 3.4
By *ra/cbm*, NARA, Date *8-16-06*

~~CONFIDENTIAL~~

JUL 1 1965

48a

SUGGESTED MESSAGE

Congratulations on your success in working out a solution to the Rann of Kutch dispute. We all admire the great skill and patience shown by you and your people in helping bring about a peaceful settlement between the two great countries of the subcontinent.

S:DRusk:fr
6/30/65

OUTGOING TELEGRAM Department of State

09233 49

INDICATE: COLLECT
 CASH

~~SECRET~~

Komer

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Origin
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Info

ACTION: LONDON PRIORITY

*7920
UK
X AACE
X Room*

JUN 16 3 28 AM '65

EXDIS

003

FOR AMBASSADOR

President requests that you seek appointment with PM prior to Commonwealth Conference and, speaking on President's behalf cover following topics:

1. Afro-Asian Conference. President sees common US/UK interest in preventing Algiers confab from becoming an anti-Western rally. Since new Commonwealth members could play a major role to this end, President would be grateful if PM could express our hopes as well as those of UK to the Commonwealth conferees.

We are particularly concerned lest South Korea and South Viet-Nam as well as Malaysia, not be invited to Algiers. When US and UK are really defending interests of whole Free World in Viet-Nam and Malaysia, it would be difficult to understand if our friends should not support these beleaguered states. To achieve these objectives, it seems important that conference adopt UN procedures of one-nation, one-vote on at least attendance matters rather than Indonesian-proposed consensus approach. It is equally important, in

Drafted by: WH:RWKomer/

Telegraphic transmission and

FE/RA:JAMendenhall/NEA:CLaise:avn

Classification approved by:

The Secretary

Clearances:

FE - Mr. Bundy
EUR - Mr. Leddy
NEA - Mr. Talbot

AF - Amb. Trimble
S/AH - Mr. White

S/S - Mr. Walsh
White House
Mr. Klein

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~~SECRET~~

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E.O. 13292, Sec. 3.4

By *rg/len*, NARA, Date 8-16-06

FORM 8-63 DS-322

JUN 16 1965

*LIB
AM
5/16/65*

~~SECRET~~

in President's view, to forestall anti-Western resolutions tending to justify outright aggression.

President is especially hopeful that Shastri, Ayub and Nigerian delegation will play constructive role at Algiers. If PM sees fit, he of course free to indicate his understanding that President will be following Algiers proceedings closely.

2. Rann of Kutch. President has watched admiringly PM's patient but persistent effort to mediate dispute. He would be happy if PM chose to say President as eager as PM in devoutly hoping for early agreement on Rann of Kutch issue and avoidance by both sides of further inflammatory actions which could touch off a major clash. President especially disturbed by reports that Shastri feels India will have to take retaliatory action if Paks don't vacate "aggression" in Rann. US reading is that Paks are pressing their military advantage in Kutch too hard in order to improve their bargaining position in subsequent negotiations. A particularly troublesome aspect of this problem for us is the use of US equipment in Indo-Pak disputes. You should tell PM that President is increasingly concerned over justifying continued massive US economic and military investment in Pakistan and India, when both are dissipating their energies and resources in such self-defeating disputes.

GP-3.

END

RUSK

~~SECRET~~

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E.O. 13292, Sec. 3.5

NLJ/RAC 07-16

By *isl*, NARA, Date 7-28-07



U.S. DEPARTMENT OF STATE
Director of Intelligence
and Research

Research Memorandum

REU-68, December 4, 1964

- ~~BUNDY-SMITH~~
- ~~BATOR~~
- ~~BELK~~
- ~~BOWMAN~~
- ~~BRUBECK~~
- ~~CHASE~~
- ~~FORRESTAL~~
- ~~JESSUP~~
- ~~JOHNSON~~
- ~~KEENY~~
- ~~KLEIN~~
- ~~KOMER~~
- ~~MOODY~~
- ~~REEDY~~
- ~~SAUNDERS~~
- ~~SAYRE~~

To : The Acting Secretary
Through: S/S
From : INR - Thomas L. Hughes *Thomas L. Hughes*

Subject: Harold Wilson's First Seven Weeks in Foreign Affairs - Old Policies and New Initiatives

By the time that Prime Minister Wilson arrives in Washington for talks with the President and other US officials, December 7 and 8, his Labor government will have been in office less than two months. It has been handicapped by a severe balance of payments crisis, by the weakness of the pound sterling, and by the narrowness of its parliamentary majority. Clearly, its life has been too short for it to be judged or to have made its mark. Yet it has shown fidelity to traditional British foreign policies, as well as an eagerness to try certain new initiatives in the international sphere. This paper assesses the major political stands taken by the Wilson government in foreign affairs since the October 15 general election, and makes comparisons, where appropriate, with (a) the estimate we had prepared before the election, ¹ and (b) what has been reported of the expectations of governments in some of the regions affected by new British initiatives.

ABSTRACT

Basic Continuity in Foreign Policy. The new Labor government in the UK has demonstrated its intention to pursue Britain's traditional policies in foreign relations. To a large extent, the new Labor administration is pressed by the same necessities as were recent Conservative governments to pursue the same purposes in the world.

Pressures for a New Look. At the same time, the Wilson government needs, if only for domestic political reasons, to give at least the appearance of a new look at and fresh approach to old problems. Labor's tiny, five-seat majority in Parliament provides a powerful incentive for Wilson to seek a stronger mandate and to call for new elections at a relatively early date (possibly as soon as the spring). To succeed, he must try to make a record to place before the voters.

1. See Research Memorandum REU-57, "The Foreign Policy of a British Labor Government," October 8, 1964, Secret/No Foreign Dissem.

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Vigorous Pace in Foreign Affairs. In its first seven weeks in office the Wilson government has sought every opportunity to get its views on record. Top British officials have talked with, or have plans to meet with, all their opposite numbers in the main European countries, the United States, and many other nations as well.

Maintenance of Close Ties with US. The Labor government has given top priority in foreign relations to cementing its ties with the US. The Gordon Walker visit, to be followed by that of Wilson less than two months after assuming office, underlined the importance placed by the new government on Anglo-American relations. There have already been early specific instances of support for US policies, such as in regard to the Article 19 issue at the UN, and even Labor's promise not to lobby at the 19th GA for Peiping's admission evidences sensitivity to Washington's foreign policy problems. Furthermore, the Wilson administration seeks to keep the US committed to Europe, opposes the development of an independent European nuclear deterrent, is firmly pursuing an "Atlantic" policy, and has made it clear that it hopes for close consultation with the US on every possible international issue.

Standard UK Line on Relations with Communist States. Improvement in Britain's bilateral relations with Eastern European countries, and increased trade and contact with Communist nations in general, are goals of the Labor government. But it has so far not done very much that is new to advance the achievement of these objectives. In Peiping, Board of Trade President Jay suggested to the Red Chinese that diplomatic relations between Red China and the UK be raised to the ambassadorial level, but Peiping rebuffed this approach. The Labor government has announced its general intention to improve export credit

facilities and to develop an intensified export credit program on a world-wide basis under existing authority, but there is no indication that it is planning a more generous long-term credit policy toward the Soviet Bloc.

European Connection Emphasized. The Wilson government has taken no initiative toward reopening talks, on the Brussels 1961-62 model, for entry into the EEC. At the same time, the Six have been informed that the new UK Government wants to be in from the start on any talks among them on further developing European political unity. The British presentation at the WEU meetings in Bonn seems to have been intended to convince the Six that the Labor government is just as interested in Europe as was the previous Conservative administration and does not intend to let its European policy drop out of the forefront of attention.

No Improvement in Relations with France. Wilson's immediate efforts to assure continued close British relations with the United States are a clear sign to de Gaulle that the new Labor government intends to follow an "Atlantic" rather than a "European" course, and this will not help to improve the atmosphere in British-French relations. While Wilson is on record as favoring better relations with the French through personal contact, he can have little hope of doing so as long as de Gaulle is in power.

Conscientious Efforts with the Germans. Although there are important areas of disagreement between London and Bonn on such matters as the MLF and a degree of suspicion of each other's intentions, the two governments have made efforts to get off to a good start in bilateral relations. The Labor government has soft-pedaled its long-standing interest in disengagement in Central Europe and has reassured the Germans of its intention at least to maintain the strength of the British Army of the Rhine. Plans are going ahead for the Queen's visit next year to the Federal Republic, and possibly also to Berlin.

New Approach in the Middle East. The Labor government is pursuing the same basic policies in the Middle East as did its predecessor, but with some important differences in approach. It has announced its intention to try to improve relations with the UAR and to come to terms with Arab nationalism. In contrast to the Tory government, the Wilson administration approves of the maintenance of a dialogue between Nasser and the US, assisted by US economic aid, and it is itself in the process of probing the UAR position in talks with the UAR Ambassador in London. Although the British position is forthcoming, the Labor government is insistent upon certain concessions from the UAR side, among them the cessation of hostile acts in Aden and in the South Arabian Federation, and the reduction of the anti-British content of UAR radio propaganda.

Same Problems with India and Pakistan. The Wilson government has shown the same awareness as its predecessor of the need to maintain good relations with both India and Pakistan and is trying to perform the same balancing act that the previous government tried to maintain. Labor thinks that it must try to balance its recent proposals on naval aid to India with similar offers of assistance to Pakistan.

Same Policies in Southeast Asia. The Labor government has reviewed its predecessor's policies in the Indonesia-Malaysia situation and has accepted them in all important particulars. It has taken no new initiatives in other areas of Southeast Asia and will continue to give low-key support to U.S. activities in South Vietnam.

Firmness on African Matters. On two major issues in Africa, the Labor government has demonstrated its intention to adhere, insofar as British national

interests and public opinion permit, to the Labor Party's traditional anti-colonial and liberal attitude toward dependent and newly independent areas in the world. Immediately after its installation in office, it issued a toughly-worded message to the Rhodesian government warning it against any unilateral declaration of independence and reiterating that some form of provision for majority African rule would be the minimum condition for independence. There are as yet no signs, however, that it is preparing contingency plans to implement the punitive economic and other measures that the message threatened if Rhodesia persisted in its unilateral plans for independence. Also within 24 hours of assuming office, the new Labor government announced an arms embargo against South Africa.

Support of the United Nations. The appointment of Lord Caradon, formerly Sir Hugh Foot, as Minister of State for Foreign Affairs and Permanent Representative at the UN, was symbolic of the new Labor government's intention to strengthen the UK's role in the UN and to support UN peacekeeping activities. The airlift by Britain without charge of a Danish contingent for Cyprus was a reversal of previous UK policy and important evidence, in view of Britain's difficult financial situation, of the Labor government's willingness to participate in UN peacekeeping activities.

Initiatives on the Defense Front. Prior to assuming office, the Labor Party placed heavy emphasis on the need for new defense policy initiatives, and the Wilson administration has been extremely active on this front, both internally and in conducting soundings with the US and other allied governments.

The situation at the moment is highly fluid and subject to frequent change. In general, the British position is influenced by certain long-standing objectives of the Labor Party with respect to: giving up an independent British nuclear deterrent, maintaining Britain's "special relationship" to the US, promoting disarmament and non-proliferation, and preserving the ultimate US veto over the use of nuclear weapons. In addition, the UK's financial limitations, particularly in the light of its current economic difficulties, and the importance that the new government attaches to Britain's military role "east of Suez" will play an important part in determining how the British formulate their approach to current defense issues.

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Introduction

After 13 years of Conservative rule, the British electorate decided last October 15 that it was time for a change, and an effective plurality voted to turn the reins of government over to the Labor Party. Traditionally, however, change comes slowly and subtly in the UK and tends to be a matter of nuance rather than substance. There has, historically, been a consensus among her political leaders about Britain's role in the world and about the main lines and objectives of an appropriate international policy. Both major British parties have been moving toward the center of the political spectrum, and the notion that each is more British than specifically Tory or Labor has wide currency and much truth. Regardless of the party in power in the UK, the government is to a large extent pressed by the same external necessities to pursue the same purposes in foreign relations, and there is, in any case, great continuity arising from the powerful corps of permanent civil servants.

Because of these considerations, government leaders around the world, whether or not they were favorably disposed beforehand to the Labor Party, expected that there would be a high degree of consistency in British foreign policy despite the change of government in the UK. Their expectations have generally been borne out. Moreover, the fact that Labor has only a 5-seat majority in the House of Commons means that it must ever remain alert to the danger of being turned out of office. This factor also has tended to inhibit new or different foreign policy initiatives that are significant.

And yet, there are also pressures for change. First, the difficulties inherent in governing with such a small majority provide a powerful incentive for Wilson to seek an appropriate opportunity for new elections at an early date -- perhaps as soon as next spring. To be returned to power with a larger, more workable majority in Parliament, the Labor government must advocate measures which it is sure will command a wide measure of popular support and at the same time must build a distinctive record to lay before the voters. Secondly, Wilson cannot wholly forget his election pledges to the Party's left wing, particularly in the field of defense policy, on which he probably feels that he ought to show some signs of movement. Finally, the Labor government has apparently felt that Britain's relations with certain states, notably those in the Middle East, have been in need of re-examination for some time. Thus, in spite of tradition and of the need for parliamentary caution, there is, in the political circumstances of the moment, a palpable degree of pressure for new approaches and new initiatives.

For these reasons -- and because of Wilson's own nature -- the Labor government has started out with a vigorous pace in foreign affairs during its first 7 weeks in office. The Wilson government has sought every opportunity to get its views on record. Its first international actions included visits to Washington

and Bonn by Foreign Secretary Gordon Walker, followed immediately by plans for an American visit by Wilson. Indian Prime Minister Shastri has visited Britain, and discussions have been held in London with Indian Defense Minister Chavan. Gordon Walker has talked in London with Italian Foreign Minister Saragat and, together with Wilson, has met with Willy Brandt and other international socialist leaders at the sessions of the Socialist International in London. In addition, the President of the Board of Trade, Douglas Jay (following up his predecessor's announced intention), went to Peiping to open Britain's trade fair, where he talked with Chou En-lai and other top Red Chinese leaders. En route to Peiping, Jay met with Soviet Premier Kosygin in Moscow. Other early international contacts of the Labor government include meetings of Wilson and other UK ministers with the Colombo Plan delegations in London, Gordon Walker's talks with European leaders at the WEU Ministerial sessions in Bonn, Ceylonese Finance Minister Perera's economic mission to London, the visit of Zambian President Kaunda to the UK, and Colonial Secretary Greenwood's visit to Aden and the South Arabian Federation.

Seven weeks in office is hardly time enough for a party so long denied the exercise of responsibility to work out the specifics of foreign policy. But the wide-ranging diplomatic activity of the Labor government in this brief period provides sufficient evidence to indicate that, while the broad lines of British policy remain unchanged under Wilson, there are nuances and, in some few areas, significant differences in approach to international problems and issues.

The United States

The Labor government has already given evidence of its intention to maintain the closest possible relations with the United States. Scarcely a week after the British elections, Foreign Secretary Gordon Walker came to Washington for wide-ranging talks. The discussions indicated that although there are differences with the US on some matters, the Wilson government will stand with the United States on the major issues and, where differences exist, will give careful consideration to US views. Specifically, the Labor party has long advocated Peiping's admission to the UN and campaigned on a promise to do everything possible to gain a seat for Red China. While continuing to hold this view, the Wilson government has indicated that it will refrain from lobbying on Red China's behalf, at least in the 19th General Assembly, and will probably support us on the "important question" issue, through which Red China's seating in the General Assembly would require a two-thirds majority in the UNGA.

There have been other concrete instances of support. The Labor government has indicated it would do nothing to make our position or task more difficult in Southeast Asia. The Wilson government gave firm backing to the US-Belgian rescue action in the Congo (including the use of essential British facilities on Ascension Island), despite strong criticism from its own backbenchers in Commons. Gordon Walker has expressed approval of continuing US economic aid to Nasser, as a means of keeping a dialogue with the UAR going and of preventing the UAR from falling completely into the hands of the Soviet Bloc. The Wilson administration seeks to keep the US committed to and physically present in Europe and has expressed its steadfast opposition to the development of an independent European nuclear deterrent. It has promised to uphold the US view on Article 19 of the UN Charter. Prime Minister Wilson's visit to Washington December 7 and 8 is evidence of Labor's strong desire for the closest consultation with the United States on every possible issue, and mention has already been made of a follow-up trip to Washington in the second half of January 1965, when Wilson may be in New York during the UNGA session.

The Soviet Union, Eastern European States, and Communist China

The British have long believed that they have a role to play in increasing the area of agreement between East and West, and in helping out, where possible, to bring the US and the USSR into closer and more fruitful discussions. It is clear that the new UK administration intends to continue a policy of increasing trade and other contacts between Communist and non-Communist nations in the belief that a fat and satisfied Communist is less dangerous than a lean and hungry one. Labor, like the Tories, also believes that Red China in the United Nations is less dangerous than when isolated from world council tables. In its first seven weeks, however, the Labor government has done little new to implement these policies.

As noted above, Britain under Wilson will not in fact do everything within its power to bring Communist China into the UN at the 19th General Assembly, and this restraint stems at least in part from consideration for the importance of close relations with the US. Board of Trade President Jay has, however, already talked with Soviet Premier Kosygin in Moscow, with Chou En-lai in Peiping, opened a British trade fair in the Chinese capital and invited Red China's Minister of Foreign Trade to visit Britain sometime in the future. Jay suggested to the Chinese that diplomatic representation between Britain and China be raised to the ambassadorial level, but the Chinese rejected this approach, citing the UK's stand on Southeast Asia and Taiwan as the reason.

Gordon Walker told US officials in October that the UK wished to improve Britain's bilateral relations with the Eastern European countries, and he referred in this connection to increased trade and to possible official visits to Warsaw Pact capitals. It remains to be seen whether Britain under Wilson will be willing to expand the Conservative government's policy of generous credits to the Soviet Union and the Communist countries of Eastern Europe in order to increase the flow of trade. The government announced on October 26 its intention to improve export credit facilities "wherever this will lead to an immediate increase in our overseas earnings," and, in view of Britain's balance

of payments difficulties, the pressure to do something in this direction is certainly great. British officials in London have informed us, however, that no new instructions have been given to the UK's Export Credit Guarantee Department (ECGD) since the British elections, but that an intensified export credit program would be developed on a world-wide basis under the existing authority.

Europe and European Integration

In power, as out, Labor remains opposed to British membership in the European Economic Community (EEC) -- except on conditions that, for the present at least, are impossible of achievement. However, the continuing efforts of certain members of the Six to further European political unity have again called into question Britain's future role in Europe and have forced the Wilson government to grapple with the problem of what to do about it.

As was expected, the Wilson administration has not shown an intention to take any initiative toward reopening negotiations for entry into the EEC of the type which failed at Brussels in January 1963. In fact, it has explicitly rejected this road of prolonged haggling on technicalities as a feasible route for accession to the EEC, and, in so stating its position, it undoubtedly calculates that there is no real choice involved here, so long as de Gaulle remains in power. At the same time, the British do not want to be left out of Europe. Wilson and his Ministers were aware that their victory at the polls on October 15 could, in view of the Labor Party's well-known opposition to "joining Europe," lead certain quarters on the Continent to conclude that there would no longer be any reason to delay moves toward a political union of the Six, without the UK. Thus, at the Ministerial Council meetings of the Western European Union (WEU) in Bonn on November 16 and 17, Foreign Secretary Gordon Walker took pains to disabuse Continental leaders of any such notion.

The Labor government's position, as it was outlined at the WEU meetings in Bonn, was as follows:

- 1) it rejects the possibility of reopening discussions for accession to EEC along previous lines, thus risking another failure which could be catastrophic for Europe;
- 2) nevertheless, it desires increasingly close cooperation with European countries;
- 3) it will try by ad hoc means to improve relations with individual countries, and with the EEC as a whole;
- 4) it would like to be in from the beginning on any talks among the six EEC countries on possible measures toward political union; and
- 5) it believes that since Europe is bigger than the Six, the EFTA countries and the Eastern European states must be kept in mind when the organizational framework for a united Europe is being developed.

The British intention seems to have been to convince WEU leaders in a forceful way that the Labor government is just as interested in Europe as the Tory administration had been and does not plan to place its European policy on a subordinate level of interest and attention. The Dutch and the Germans, at least, put this interpretation on Gordon Walker's statement. The German Foreign Office believes the British made it quite clear that the UK considers itself a European country and would follow the general policies of the Conservative government in this respect. The British Foreign Office delegation at the meetings thought that Gordon Walker was successful in getting across this message, and these civil servants were pleased with his performance. On the other hand, Belgium's Foreign Minister, Spaak, did not understand this to be the British purpose, and was depressed by what he considered to be "unrealistic" and "absurd" conditions (such as the involvement of EFTA and East European states) for European political unity and for Britain's future participation in unity moves.

France

The Labor government holds out little hope of attaining improved relations with France as long as de Gaulle is in control, but Wilson told the House of Commons on November 24 that his government hopes to achieve better relations with the French through personal contact, and that Gordon Walker might have talks with French leaders in Paris when he attends the December NATO Ministerial meetings. As far as we know, however, Wilson himself does not have plans for personal meetings with de Gaulle in the near future. His strong opposition to de Gaulle's pretensions to hegemony in Western Europe, his dislike of the French force de frappe or any independent European nuclear deterrent, and his firm support of a US presence in Europe make it highly unlikely that Wilson would press for a meeting with de Gaulle in the face of such limited prospects for bilateral agreement.

Moreover, two early moves of the Labor Government, related to Britain's adverse balance of payments difficulties, were hardly calculated to improve the atmosphere surrounding Anglo-French relations. The UK imposition of import charges of 15 per cent and the British Government's decision to review, if not to cancel, its participation in the joint Anglo-French project to build the Concorde supersonic passenger airliner, added to the coolness already existing between London and Paris. There may have been at least a limited basis for bettering relations with Paris through the joint technological and scientific projects which were started on the basis of British-French cooperation, such as the Concorde, the Channel tunnel, and rocket development, but the Wilson government's attitude toward the Concorde may have seriously inhibited this possibility. The British have not yet taken a final decision to cancel the Concorde project, possibly because of concern at French reactions, but its future still remains much in doubt.

In the final analysis, it becomes apparent that the Wilson government's relations with Washington will be the primary factor in determining the extent and depth of cooperation between London and Paris. Wilson's early and apparently urgent efforts to cement his government's ties with the United States will, therefore, not help him to improve the atmosphere in British-French relations

but will be a clear sign to de Gaulle that Wilson has chosen an "Atlantic" rather than a "European" course in his basic foreign policy. Since this is wholly incompatible with the French President's grand design, relations between the UK and France could thus hardly be expected to become cordial in any case.

Germany and Berlin

Despite a degree of distrust and suspicion existing on both sides, the new Labor government and the Germans have made efforts to get off to a good start. There have been a number of high-level meetings (Gordon Walker visited Schroeder, and Deputy Defense Secretary Mulley visited von Hassel). Plans are also going ahead for the Queen's visit to Germany in the first half of next year. There is a report that the Wilson government will put Berlin on Her Majesty's itinerary to emphasize its firm support of that city's status. In the short life of the Wilson government so far, bilateral relations between the UK and Germany have been relatively free of trouble.

But problems and reciprocal suspicions do remain. Despite the fact that the Labor government has not publicly repeated the party's pre-election advocacy of disarmament and disengagement schemes in Central Europe, enough doubt on this point still exists in Bonn to have caused Foreign Minister Schroeder to raise this matter in his talk on November 26 with Secretary Rusk. Schroeder then said that he had clearly expressed to Gordon Walker the Federal Republic's opposition to any "discriminatory" disarmament and security measures. In this regard, it is interesting that even a recent vague reference by Wilson in Commons to arms control in Central Europe set off a brief flurry of concern in Germany. State Secretary Carstens of the German Foreign Office is understood to have made oral representations to the British in Bonn, which reflected German sensitivity to the Labor government's attitude. Rumors in the British press at the end of November to the effect that the British Army of the Rhine would be cut back as an economy measure were also disturbing to German opinion, although Healey promptly denied any such intention and, instead, promised a build-up to full strength. The German Foreign Office has indicated that it accepts Healey's assurances.

The BAOR issue is an old one in British-German relations because Bonn views the UK commitment to keep a fully manned and modernized BAOR in West Germany as a symbol of British "firmness" on a broad range of East-West confrontation questions, including German reunification. Britain, however, does have a strained defense budget, as well as recruitment problems, and is frequently forced to consider cutting corners in some part of its defense establishment. The current struggle in London between the Treasury and the military, as well as those among the services, also involves the BAOR since some groups would favor cutting it back in favor of a force buildup east of Suez or some other project.

(For further details on other aspects of Anglo-German relations, see below, under Defense Policy.)

The Middle East

The Labor government is pursuing the same basic policies in the Middle East as did its predecessor. It supports a British military presence east of Suez and the maintenance of the base at Aden; it opposes, privately, any real tie-up between the UAR and Iraq; and it is backing the development of the South Arabian Federation (with some private doubts as to whether it can be turned into a genuine state).

Nevertheless, the Wilson Government's approach to Middle East problems contains some important differences, based on an apparent feeling that there was a need to move Britain's relations with the Arab world off dead center. In contrast to the policy of the former Tory administration, the Wilson Government approves of the maintenance of a dialogue between the US and Nasser, assisted by the continuance of US economic aid to the UAR. Moreover, it would like to improve relations with Nasser. The first tentative steps in this direction had actually been taken by the previous Conservative government, which instructed the current UK Ambassador in Cairo, when he presented his credentials in September, to sound out Nasser on improving relations. There was apparently little in the way of a positive response to this approach. Following the British elections, the UAR Foreign Office, on the working level, asked the British in Cairo if the new Labor government had the same interest. The Labor government responded affirmatively and has been following up this approach.

Nasser, it has been reported, was pleased at the election of a Labor government in the UK. He felt that "socialists" should be able to understand each other, and he was favorably disposed to dealing with the Wilson administration. The first formal move on the British side was to suggest a visit to Cairo by a Cabinet Minister. Nasser was responsive to this suggestion, although no details have yet been worked out. In addition, Gordon Walker told a press conference in London that the government looked forward to "better relations with the Arab states and Arab nationalism."

The Wilson Government is now in the process of probing the UAR position in talks with the UAR Ambassador in London. The British position is forthcoming, but London insists upon certain concessions from the UAR side, among them the cessation of hostile acts against the South Arabian Federation and the reduction of the anti-UK content of UAR radio propaganda. The British consider that, so far, Nasser's position has been reasonable, but that on several issues, particularly Yemen and the South Arabian Federation, his reasonableness is more apparent than real. Meanwhile, the British Ambassador in Cairo was directed at the end of November to ask the UAR government to assist in bringing to a halt a recent series of bombing attacks in Aden. A Labor government official announced in Commons that there is "every reason to suppose the attacks were carried out by the Cairo-backed National Liberation Front."

As for the Yemeni Arab Republic, the UK Government has now indicated its willingness in principle to recognize a compromise government which might emerge from the much-postponed Pan-Yemen conference, but the British have laid down a number of pre-conditions. In accordance with preliminary thinking in the UK Foreign Office, the essential conditions are: 1) substantial reduction in UAR forces in Yemen and a firm prospect that they will be cut down to a low level; 2) a declaration from the new Yemen Government asserting its respect for international agreements and calling upon Yemenis in adjacent territories to respect law and order; 3) the cessation of subversive and propaganda activities in the South Arabian Federation (the point would also be made directly to the UAR); and 4) progress on the demilitarization, demarcation, and observation proposals which the former Conservative government put forward at the UN last April.

Meanwhile, Wilson's approach to Arab nationalism has become a matter of concern in Iran and Israel. The Iranian Ambassador in London was instructed to sound out the Labor government on its attitudes toward Nasser and Arab nationalism. There have been expressions of fear on the part of top-level Iranian officials that, in its anxiety to achieve better relations with the Arabs, the Labor government may adopt positions contrary to Iran's interests and place less importance than the Conservatives did upon British responsibilities and policies in Iran and the Persian Gulf area.

In Israel, despite repeated public and private assurances by the British that an improvement in Anglo-Arab relations would not come at the expense of Israel, top leaders have been a little anxious about the Labor government's disposition to improve relations with the Arabs. In anticipation of Labor's election victory, Israeli leaders have been assiduously cultivating the party's leaders for some time -- Wilson, Gordon Walker, Minister of Technology Cousins, Colonial Secretary Greenwood, Housing Minister Crossman, Defense Secretary Healey, and Leader of the House Bowden have all visited Israel in the past two years or so.

In other countries in the Middle East, there is not much disposition to expect important changes in British policy under Wilson, and the new government has in fact taken no initiatives. The announced intention of Wilson to come to terms with Arab nationalism did, however, strike a responsive chord in Iraq, where the Foreign Minister privately indicated that he was hopeful that the UK, under Labor, would prove to be more reasonable and "less grasping" than it had been under Tory leadership.

India and Pakistan

There was little expectation in India and Pakistan that British policy would change very much under Labor's leadership. Indian leaders have a lingering hope that on matters at issue between India and Pakistan, the Wilson government will show greater understanding for the Indian point of view than the Conservatives did. By the same token, there have been indications that Pakistani leaders harbor faint suspicions of the Labor government's attitude. India may anticipate that Labor's stand on colonial questions will produce less friction between London and New Delhi than has often been the case in the past and will lead to somewhat better bilateral

ties. At the same time, Indian leaders are concerned lest the Wilson government's interest in improving relations with Communist China result in a drive to increase trade and diplomatic contacts, which, in the end, might produce a softer British policy toward Peiping.

It is the expectation of basic continuity rather than the hope or concern for changes in British policy that has been vindicated in the first seven weeks of the Wilson administration. There have been no new initiatives in this area since the change of government in the UK. The Wilson government has shown its awareness of the need for good relations with both India and Pakistan, and it is trying to perform the same balancing act that the Conservatives employed -- not always successfully. During Defense Minister Chavan's recent visit to London, the Wilson team showed great concern about the possible effects on Pakistan of British naval aid to India and were aware of the need to make matching offers of assistance to Karachi. Moreover, after extending an invitation to Prime Minister Shastri to visit London, principally to establish early links between the Labor government and the largest member of the Commonwealth, the government decided to balance the Shastri visit by inviting Pakistan's Foreign Minister Bhutto to visit the UK en route to the General Assembly meetings in New York.

In its talks with Chavan on naval aid to India, the Labor government was hardly more forthcoming than the Conservatives would have been and certainly did not try to match the Soviet offer or to meet full Indian expectations. The Soviet Union apparently made more generous offers of assistance in a number of categories -- including submarines and destroyers -- when Shastri visited Moscow recently, but the British were adamant that they would refuse all naval aid to India if New Delhi accepted any help in this field from the USSR. In London, Chavan was able to arrange for the Indian Navy to make more frequent use of British submarines in anti-submarine warfare exercises, and he concluded an agreement committing the UK to assist in the construction of three modern frigates over the next four years -- an agreement valued at a little more than \$13 million. The British were not willing, however, to supply several modern destroyers that Chavan requested. However, in the end they may agree to provide one Daring-class destroyer, one older vessel of the Weapons class, and a loan to enable India to acquire a British submarine.

Southeast Asia

The Labor government has neither undertaken nor plans any changes in British policy in Southeast Asia. Gordon Walker publicly announced on October 23 that the Wilson government will support Malaysia "in its struggle to maintain its independence." The government has already completed a review of its predecessor's policies in the Indonesia-Malaysia situation and has accepted it in all important particulars. If anything, the Labor government has been at pains to demonstrate that, while it stands ready to negotiate, it takes a tougher attitude than did the Conservatives toward Sukarno's policy of confrontation. With this in mind, the UK ordered a temporary diversion of NATO-assigned planes to Malaysia and staged a coastal exercise

in the area. Sukarno has responded with further nationalizations of British property in Indonesia.

Gordon Walker made it clear during his recent visit to Washington that the Labor government understands US problems and responsibilities in Southeast Asia and would not do anything to complicate the US task. The British would, however, appreciate being informed as soon as possible in the event of further incidents, such as the bombing of a Cambodian border village. As for South Vietnam, the new UK Government, like the old, supports present US policies, though it would undoubtedly be greatly worried by signs that the war there might escalate more widely in Asia. It has asked to be informed of any new US actions in the area.

Reactions to date from top leaders in Kuala Lumpur, Singapore, and Bangkok indicate that there is no disposition in those areas to expect any basic change in British policy. The prompt delivery of a message from Gordon Walker to the Secretary General of SEATO five days after the British elections has helped to reinforce the impression that the Wilson government intends to do its part to maintain Free World positions in Southeast Asia. In this message, the Foreign Secretary declared that his government was deeply aware of its commitments as a SEATO member, would continue its policy of full support for the aims and activities of the Organization, and looked forward to welcoming the SEATO Council in London next May.

Rhodesia

In its first few days in office, the Wilson government issued a statement declaring that a unilateral declaration of independence (UDI) by Rhodesia would be "an open act of defiance and rebellion," and that it would be "treasonable to take steps to give effect to it." The government warned Rhodesia that HMG would be "bound to sever relations with those responsible for such a declaration." It also stated that the economic effects would be "disastrous" to Rhodesia, that all financial and trade relations with Britain would be "jeopardized," and that any further aid or access to the London market would be "out of the question."

The public release of this toughly-worded warning was a new departure in British policy toward Rhodesia; it was intended to shock the Smith government and to draw it away from UDI if possible, or, at the very least, to encourage some Rhodesians to resist Smith's plans. London's strong statement was intentionally woolly on details, particularly with respect to economic sanctions, because, as Gordon Walker put it in talks with officials in Washington in late October, the British realize that the Rhodesians can get help from South Africa; moreover, the British do not want to halt the export of Rhodesian tobacco to the UK. Gordon Walker also indicated that the imposition of economic sanctions against Rhodesia, in view of the precedent this would furnish for a similar policy, at some point, toward South Africa, would create problems for the Wilson government.

Behind the scenes, the Labor government is trying to work toward a settlement and, toward this end, has twice invited Smith to London for talks (Smith has thus far refused). Labor's minimum conditions remain the same, however; like the

Conservatives, the Labor administration is insisting on some form of majority rule as a minimum condition for independence for Rhodesia, but it recognizes that it has only a limited capability to influence developments. It has informed the Rhodesian Government that it stands on the principle of eventual African majority rule in Rhodesia, but proposes no time limit for the realization of this objective.

London is still hopeful that the Rhodesians will get off their UDI tangent, but it is not optimistic. In the meantime, we have seen no indication that the Wilson government is taking steps actually to prepare the punitive economic and other measures which it threatened, in its public warning, to impose.

Whatever action the Wilson government takes -- or is forced to take -- in this situation, it will try to accommodate African opinion to the fullest extent consistent with fundamental British interests. Leaders in the newly independent African states, more than leaders in any other area of the world, seem to have rather high hopes that the Labor government will make it easier for them to achieve their objectives. They are counting on the Labor Party's traditional stand on colonial matters to make the new UK Government more sympathetic than was the former British administration to African aspirations and positions. In Uganda, for example, the top leadership reacted with undisguised delight to Labor's victory in the elections, and President Kaunda of Zambia was quoted as saying that it was "high time for a change" in the UK. In a communique issued the night after the British elections, several African heads of state -- Nyerere of Tanzania, Kenyatta of Kenya, Obote of Uganda, and Kaunda of Zambia -- appealed to the Labor government to honor the pledges on Southern Rhodesia given to the Commonwealth Prime Ministers Conference last September, in which speedy independence for that territory was called for by the same procedures and under the same conditions as had applied to all other dependent British territories.

South Africa

Although Wilson continues to oppose a general boycott on trade with South Africa, he has honored his pre-election pledge to embargo arms exports to South Africa. This policy was implemented within 24 hours of Wilson's taking office, although it did not become effective until November 17. The main features of Wilson's embargo policy are that: 1) no new contracts for military supplies and equipment will be made; 2) no new export licenses will be issued; 3) outstanding contracts, whether public or private, will be permitted to stand, with the exception of sporting weapons and ammunition, such as shotguns and rifles, shipments of which were ceased immediately irrespective of existing contracts.

The decision to honor existing contracts was taken in part with a view to minimizing the sharpness of the South African reaction and in the hope that the UK naval base at Simonstown could thereby be preserved. The most important contract that was affected by this decision was the one for 16 Buccaneer naval strike aircraft already on order by South Africa; it was decided that the deal

should be carried out. In answer to Tory criticism in Commons that the embargo jeopardized UK security, Wilson declared that if continuation of the Simonstown base agreement were subject to the whims of the South African Government, he questioned its value in any eventuality.

United Nations

Wilson's appointment of Lord Caradon, formerly Sir Hugh Foot, as Minister of State for Foreign Affairs and Permanent Representative at the UN is, in a way, symbolic of the Labor government's attitude toward the world organization. The Labor Party has, historically, tended to take an idealistic view of the UN and to emphasize the need to broaden its scope and to strengthen its authority as a mechanism for keeping the peace. Caradon's dedication to the cause of international organization is unexceptionable -- he sees in the UN, if the nations of the world would permit it to grow and prosper, the best hope of preventing a war which could engulf all mankind. Since assuming office, Caradon has stressed, in private talks with US officials, that his policy framework in New York is provided by the Wilson government's clear desire to strengthen Britain's general UN role -- a departure, in principle, from the position of the previous government (though it remains to be seen how much this difference will amount to in actual practice).

Caradon has also indicated that the UK would show an active interest in UN peacekeeping, perhaps going so far as to earmark British units for UN use. (Units of the BAOR have been mentioned in this connection, to Bonn's concern.) Indeed, the Wilson government has already demonstrated its support of UN peacekeeping activities and its willingness to contribute to them. When UN Secretary General U Thant approached the previous Conservative government, shortly before the British elections, for assistance in airlifting Swedish troops serving with UN Forces in Cyprus, the British Government agreed to assist only on a reimbursable basis. In a similar situation in November, the Labor government agreed to airlift a Danish contingent free of charge. In view of the UK's financial difficulties and of the government's current problems in dealing with them, this reversal of policy can be regarded as important evidence of the Wilson administration's support of UN peacekeeping operations.

The new government is also thinking in terms of expanding the UN's role in dependent territories. The UK intends to examine the possibility of creating a UN presence in such areas, e.g., Fiji or the West Indies, where the UN itself could participate in the process of evolution from colonial to independent status.

These early examples of the Labor government's UN policy and planning tend to confirm Wilson's statement at the Lord Mayor's Guildhall banquet on November 16 that his government would work "to create a more effective means by which the United Nations can step in to keep the peace, and to prevent small clashes from escalating into big ones."

Defense Policy

In no field were new policy initiatives more loudly and more frequently promised by Labor when it was in opposition or campaigning for office than in defense. Party spokesmen had repeatedly proclaimed that once in office a Labor government would give up Britain's nuclear deterrent and seek re-negotiation of the Nassau agreement under which the UK was to acquire Polaris missiles from the US for use on British nuclear submarines. Labor's leaders had also repeatedly expressed strong opposition to the creation of a mixed-manned fleet of Polaris-armed surface vessels (the MLF) and had indicated that they intended to bargain for an ambitious alternative solution to the nuclear problems of the Alliance that the MLF was designed to solve -- a solution that aimed at no less than a reorganization of NATO itself. On all these issues, however, Labor's positions were expressed in such general terms and were so hedged about with qualifications and loopholes as to give the new government considerable leeway in evolving a specific program.

Since taking office, the Wilson administration has been extremely active on the defense front, both internally and in conducting soundings with the US and other allied governments. This memorandum is not an appropriate place to review the details of the highly active operations and negotiations that are proceeding on the MLF-interallied **nuclear force front**, if only because the situation is so fluid. Nevertheless, **it is** possible to outline some of the basic motivations that seem to be influencing the formulation of the British approach.

First, the UK apparently wants to divest itself of an "independent" nuclear deterrent over which it, as a nation, has ultimate control. Yet, second, it wishes to accomplish this in such a way that London's strong voice in Allied military councils will not be weakened and its "special relationship" with Washington on these matters will, in some form, be preserved. Third, within the framework of new Allied nuclear arrangements, Britain would like the German and, probably, Italian positions to be formally equal to that of the UK (with the possibility of subsequent French involvement on the same basis). However, fourth, the US veto power over the use of all nuclear weapons should become as explicit and as long-lasting as possible (or perpetual), in order both to prevent the eventual transformation of the Allied nuclear force into an all-European force and to minimize disturbance in relations with the USSR. Fifth, new Allied arrangements should be accompanied by some type of commitment on non-proliferation by the participating Allied powers, possibly including some specific arms-control approach to the USSR. Sixth, the new program should permit substantial work in research, development, and production for British laboratories and industry to keep the UK abreast of the latest scientific and technological advances. Finally, seventh, the resulting plan should not expose the Labor government to attacks either from its quasi-pacifist, anti-German wing on the left or from those Tories on the right who are vigorously campaigning for Britain's continued nuclear "independence."

Underlying this reasoning there is also the ever-present need to bring financial limitations to bear on the determination of military force structure, a consideration given added weight by Britain's current financial difficulties. Labor has long emphasized the burden of maintaining a military presence and capability from Suez to Singapore, a peacekeeping function that it considers to be essentially a contribution to the Atlantic Alliance which should be weighed against the UK's military contributions in other areas. A basic policy assumption of the Labor government appears to be that, while the situation in Europe will become increasingly stable, there will be continued, if not increasing, tension in the "third world," i.e., Africa, the Middle East, and the Far East. The UK's position on the nuclear force proposals will be heavily influenced by this basic policy assumption, by general financial limitations, and by the importance which the Labor government attaches to peacekeeping capabilities in this "third world."

Finally, there is apparently a desire on the part of the Labor government to link the establishment of an inter-allied nuclear force with attempts to make progress on new disarmament proposals. Proposals of this kind would constitute a gesture toward the Labor party's left wing and would satisfy the dictum expressed by Wilson in the recent House of Commons defense debate: "A defense policy which does not contain within itself the seeds of progress toward disarmament is one which, in the present state of the world, we can no longer regard as appropriate."

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To : The Secretary
 Through: S/S
 From : INR - Thomas L. Hughes *TH*

October 16, 1964

Subject: Labor Wins Bare Majority in UK General Election

Close Vote Will Handicap New Administration. The extraordinary narrowness of the Labor majority will impose severe constraints upon the new Wilson government. It will be forced to operate with great caution and will have to avoid bringing up issues that may not command the support of its entire parliamentary delegation. It will concentrate on holding the line and preventing the recurrence of the deep (if now papered-over) splits that have plagued the Labor Party in the past, while waiting for an opportune moment to call for a new election.

Situation Reminiscent of 1950 Labor Government. Labor's tiny majority calls to mind the 1950 parliamentary situation, when Labor had an overall margin of only six seats. Although that government, headed by Clement Attlee, proved that it was technically able to retain control of parliamentary affairs and did actually survive for some 18 months, it was so hamstrung by the narrowness of its majority that it was hardly able to do much more than enact routine legislation. MP's and cabinet ministers had to be in the House of Commons at all hours, and even the halt and the sick had to be dragged to Westminster for every important vote.

New Election Likely Within Year or Two. The closeness and inconclusiveness of the vote in Thursday's election shows that neither party nor party leader was able to inspire the kind of confidence that would have resulted in a decisive

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majority. Thus, the task of both parties now will be to find the issues and the leaders which will attract a larger number of supporters in the next election. Both parties will be preoccupied less with major policy initiatives than with preparations to go before the voters again, probably within a year or, at most, two.

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U.S. DEPARTMENT OF STATE
Director of Intelligence
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Research
Memorandum

REU-57, October 8, 1964

To : The Secretary
Through: S/S
From : INR - Thomas L. Hughes *Thomas L. Hughes*
Subject: The Foreign Policy of a British Labor Government *ut*

The voters of Britain will elect a new government on October 15. Labor, long favored to win by the public opinion polls, has seen its lead cut in some, disappear in others, in the last few weeks. The unusual discrepancies and fluctuations in recent polls seem to indicate that the victor could well be either Labor or Tory. A new Conservative administration would not necessarily follow exactly the same policies as the previous government, but it would be a known quantity to Washington, and one from which no foreign policy surprises would likely be forthcoming. A Labor government, on the other hand, might well end up pursuing many of the same policies as its predecessor, but it would be a largely unknown quantity to many US officials. In these circumstances, it appears to be only prudent to analyze the foreign and defense policies that we believe a Labor government would be likely to follow if it won the election.

ABSTRACT

No Basic Change in British Policy. We do not expect a Labor government to make basic changes in Britain's foreign policy. We believe that the foreign policies of a Wilson government, like those of the last Labor administration (1945-51), will be more British than Labor. National interest will be far more important than party interests, and considerations of practicability will be far more important than devotion to party dogma. Labor ministers will be just as anxious as were their Tory counterparts to enhance Britain's position in the world.

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E.O. 13292, Sec. 3.5
NLJ/RAC 07-16
By *nlj*, NARA, Date 7-28-07

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Continuation of Close Ties with US. The prime concern of a Labor government will be the maintenance of the closest possible relations, including the "special" relationship, with the US. Britain under Labor will continue to disagree with us on such matters as trade with Cuba, long-term credits to the Soviet Bloc, and Communist China's admission to the UN. Labor will also differ with us on some matters of timing and emphasis. It may make some changes in defense policy. But it will stand with us on all vital issues in the East-West confrontation.

Mindful of the effects of their actions on Britain's relations with us, Labor ministers will be willing to consider making adjustments in their policies for the sake of preserving a harmonious relationship. At the same time, a Labor government will want close consultation in advance on all possible issues. Labor will be sensitive to our comparing their government to the departed Tory team. It will be inexperienced; it will need time to shake down; and it will have to be brought up to date on a whole range of background information on and procedures for the handling of major issues of policy that for years have been under joint US-UK discussion.

Desire to Broaden Relations with USSR. Although Labor in opposition has occasionally seemed needlessly tolerant of the USSR, Labor's leaders have few, if any, illusions about the incompatibility of Soviet aims and British national interests. Yet, a Labor government will see the UK's mission as one of reducing tensions and broadening the area of potential agreement between the US and the Soviet Union. Wilson may well plump for annual summit meetings. Labor, like the Tories, will look upon expanded trade with the Soviet Bloc as one of the most hopeful tools for extending the area of agreement between the Communist and non-Communist worlds.

Another area in which a Labor government can be expected to seek agreement is arms reduction and, eventually, some form of East-West disengagement in Central Europe. However, Labor's defense spokesman has, for the time being, ruled out moves toward such disengagement, on the ground that these would be dangerous unless accompanied by a solution of the German problem -- a solution that is not, in his view, in the cards at present because it implies some form of reunification.

Firmness on Berlin; Possible Flexibility Toward East Germany. A Labor government would stand firm with us on Berlin. Wilson has indicated, however, that in order to get a Berlin settlement the West should be prepared to show "flexibility" -- in willingness to accept Germany's eastern frontiers and "some measure of recognition" of East Germany, "without prejudice to the ultimate reunification of Germany on a basis of free elections."

Coolness Toward European Integration. We estimate that a Labor government will not take the initiative in seeking a resumption of negotiations with the EEC. Labor fears that a Britain which entered the EEC would get cut off from the US and the Commonwealth. Labor would first want to exhaust the possibilities of developing closer ties with the US and Commonwealth countries. In the meantime, a Labor administration would presumably try to create close relations with the EEC.

Little Change in Middle East or Southeast Asia. Despite Labor's deeply anti-colonial tradition, its leaders have stressed their belief in a strong British presence east of Suez. The Labor Party has fully supported the present UK policy in Malaysia, and a Labor government would not significantly change that course.

Desire for Peiping in UN. The Labor Party has long urged the admission of Communist China to the UN, and a Labor administration might eventually press somewhat harder for Peiping's admission than has the present UK Government. Believing that the continued isolation of Communist China is dangerous, Labor would probably seek closer relations with that regime.

Possibility of Joining MLF. Labor spokesmen have maintained that a Labor government would give up Britain's nuclear deterrent and seek re-negotiation of the Nassau agreement. They have also expressed strong opposition to the MLF. Nevertheless, we believe that there is a reasonable chance that Labor, once in power, might well decide to retain the British deterrent on the ground that the UK's prestige and national interest required it; continue with the Polaris program because it had become uneconomical to stop production of the nuclear submarines; and come around to joining the MLF because of its fear that not doing so would allow West Germany to usurp Britain's role of favored partner of the US.

* * * * *

THE FOREIGN POLICY OF A BRITISH LABOR GOVERNMENT

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I. THE PARTY AND THE MEN

The foreign and defense policies of a Labor government will be decided partly by the nature of the party, partly by the character and personality of the men who formulate and administer these policies, and partly by the specific circumstances of the international scene at a given time.

A. Nature of the Party

The British Labor Party is a democratic non-Marxist socialist party that aims to bring about a more egalitarian society by evolutionary, constitutional, and practical means. It rejects the Communist goals of violent revolution, total state ownership, and the dictatorship of the proletariat. It is a party whose character and policies have been shaped by experience as well as by dogma.

Labor gets its mass support from the trade unions, most of whose leaders are basically conservative. Moreover, Labor has had to move to the right because significant numbers of working-class voters have in recent years come to look upon themselves as members of the middle rather than of the working class and vote ^{Tory}. Consequently Labor seeks to woo back to the fold those former supporters who have begun to vote Tory, but, even then, Labor leaders realize that getting the votes of the trade unionists would still not be enough. Labor must win also the votes of the new technician class, the professionals, and the uncommitted voters. This consideration has heavily influenced its appeals during the long election campaign and will help determine the nature of its policies if it should win office.

The fact that the Labor Party relies on organized labor for its mass support means that the party's leaders and the major trade unions' leaders must reach a general understanding about major policies. Historically, they have worked in tandem, but after Labor's third straight defeat in the 1959 general election, the consensus broke down. Fundamentalist and left-wing elements in both the party and the trade union movement tried to commit the party to extreme positions in domestic and defense policies. The result was a deep crack in party unity. Hugh Gaitskell had managed to paper it over before his death early in 1963, and Harold Wilson, who succeeded him as Party Leader, has kept it papered over by his adroit handling of the party's divergent elements and by his appeal to them to stay united to win the general election. The basic divisions within the party remain, however, and Wilson will have to adopt policies that can create a vital consensus of party and union leaders -- a consideration which should exert a moderating influence on the party's policies.

Some 50 or more of the roughly 260 Labor MP's in the Parliament just dissolved could be described as left-wing, and about a dozen are considered extreme leftists. The extremists are noisy and a nuisance, but they have little influence in the party and would probably have even less in a Wilson-led government. Wilson doesn't need them.^{1/} On the other hand, he does

1. He might need them if his government's majority were so small that he had to have every vote to stay in power.

need the support of the center and the right wing. The left-wing militants will get nothing from him because they can give him nothing.

When Labor was last in office (1945-51), its foreign policies were determined more by pragmatism than by ideology, and national interests loomed far larger than socialist dogma. It was a Labor government that stood firm with the United States in Berlin in 1948-49 and that joined its European and North American allies in setting up NATO. In the main, Labor's course then was pragmatic and British. We believe that those will again be the characteristics of a new Labor government.

B. Character of Selected Labor Ministers

Wilson has been very close-mouthed about whom he will choose for his cabinet. He has been keeping quiet partly because it is his nature, partly because his silence helps "keep the boys in line," and partly because there are few posts and men that seem made for each other. The shadow cabinet is woefully short of experienced talent. Only Wilson and Patrick Gordon-Walker, the Shadow Foreign Secretary, have ever held cabinet posts before.

Some members of Wilson's first cabinet may last only a year or so. In some cases, Wilson may decide to do a good bit of looking over the shoulder of the nominal ministry head. In any event, he will keep a tight rein on all departments during his first year. His administration, like any new team, will need time to shake down.

Wilson has often expressed admiration for the way in which the US administration draws upon talent outside government and has indicated that he too would name as advisers or office holders experts from the universities, the "City," or private groups. Ever since his election as Party Leader, he has had a number of brain trusts working for him. One, composed of specialists from Oxford and Cambridge, the "City," and Transport House, the party headquarters, specialized in economic problems and reported to James Callaghan, the Shadow Chancellor of the Exchequer. Another, which consisted mainly of university people and was headed by Richard Crossman, who is expected to be Minister of Education and Science, concentrated on science matters. A third, working at the London School of Economics under Professor Richard Titmuss, prepared a revised scheme for pensions.

As for the men who are likely to head the ministries with which the subject matter of this paper is most concerned, Gordon-Walker seems a reasonably sure bet for Foreign Affairs, Denis Healey a likely choice for Defense, Arthur Bottomley a good possibility for Commonwealth Relations. Only one man is absolutely certain of what post he will occupy in a Labor government.

1. Wilson as Prime Minister. Since Wilson succeeded Gaitskell as Party Leader in February 1963, the epithet-makers have had a field day: "the cat that walks by himself," they have called him, "the supreme compromise," "a splendid lurcher," and so on. Such labels accurately, if flamboyantly, reflect Wilson's past performance.

Wilson was for years a hero of the local Labor parties, whose members tend to be the most idealistic and militant of any in Labor's far-flung domain. He was never personally popular with members of the Parliamentary Labor Party, but he was respected by its leaders and was elected or appointed to numerous important party positions.

Throughout the 1950's Wilson shifted and temporized on a host of issues. He followed Nye Bevan out of the Attlee government in 1951 in disapproval over its rearmament policies, but when Bevan resigned from the shadow cabinet in 1954 because of foreign and defense policy differences, it was Wilson who took his place. In 1955, Wilson supported Gaitskell for the Party Leadership. After the 1959 general election, however, when the fundamentalists and the unilateralists went after Gaitskell's scalp in the bitter intra-party fight over nationalization and defense policies, Wilson not only did nothing to help Gaitskell but gave aid and comfort to his enemies. In late 1960, he ran against Gaitskell for the Party Leadership, the first such challenge in nearly 40 years, but was defeated. Nevertheless, when Gaitskell died in January 1963, the center and right-wing members of the Parliamentary Labor Party eventually elected Wilson, whom they disliked and distrusted, as Leader. They apparently believed that he, more than any other Labor MP, had the qualities necessary to lead the party -- and possibly the country.

Wilson astounded one and all by his ability to hold the party together. He disregarded the extreme leftists and conciliated the center and right-wing Laborites. He succeeded in finding the highest common factor uniting the diverse elements in the party and the trade union movement. (It cannot be denied that he got a big assist from the unifying influence of an expected election victory.) Within a few months, Wilson was firmly and indisputably in control of his party, and there he has remained.

Wilson has tried hard to give the impression that he is business-like and moderate, a man who understands the necessity of compromising between socialist and egalitarian instincts. He has shown only a minimal commitment to nationalization, but he has consistently emphasized the importance of NATO. He has talked some unions out of calling strikes, but he is much more trusted than Gaitskell ever was by the powerful left-wing head of Britain's largest union, Frank Cousins.

An economics don at Oxford at 21,^{1/} a junior minister at 29, President of the Board of Trade at 31, Wilson is today at 48 above all a pro. He has established himself as a first-rate administrator and a brilliant debater. At the same time, he has also gained a reputation among some observers for being a scheming opportunist and an egocentric. He might best be summed up as a consummate politician.

^{1/} Nora Beloff has written that Wilson's university contemporaries remember him "as an active member of the Oxford Liberal Club. There was no intimacy with Communism during the feverish 1930's."

2. Gordon-Walker as Foreign Secretary. Amidst all the speculation that has taken place about whom Wilson will name to his cabinet, it has been reported that Wilson has given Gordon-Walker a firm pledge to name him Foreign Secretary. Now 57, once a history don at Oxford, Commonwealth Relations Secretary under Attlee during 1950-51, Gordon-Walker has always been in the right wing of the Labor Party. It is said that his own close friends consider him instinctively a Conservative.

A dear friend of Hugh Gaitskell, Gordon-Walker was urged to run against Harold Wilson for the Party Leadership after Gaitskell died. He refused -- he could not possibly have gotten the votes -- and he and Wilson have worked well together. This is little short of remarkable when it is remembered that in virtually every party controversy since 1951 Gordon-Walker and Wilson fought on opposite sides. The explanation seems to be that, despite their differences, they respect each other's ability, and that Gordon-Walker has the qualities that Wilson wants in a Foreign Secretary: soundness, trustworthiness, and reliability.

Gordon-Walker, a ruminative sort, has not been reticent about his views; indeed, his willingness to talk has occasionally got him into trouble. Gordon-Walker was opposed to Britain's entry into the Common Market -- the only issue on which he and Wilson were on the same side in party debates. He would, however, favor Britain's retaining its existing ties with Europe. He has been anti-MLF, but, like other Labor spokesmen, he has been careful to qualify his opposition by leaving open the possibility that Labor might change its mind. He is pro-Commonwealth, pro-NATO, and pro-US. What is perhaps more important, he has an old-fashioned patriotic determination to restore Britain's influence in the world.

3. Healey as Defense Minister. Now 47, a member of the shadow cabinet since 1959, Healey has at one time or another been Labor's spokesman on foreign affairs, Commonwealth and colonial affairs, and defense. A brilliant student at Balliol,^{1/} he is an intellectual first and a politician second. Healey has a reputation for knowledgeability and expertise in international affairs. Some of his detractors contend, however, that he is guilty of impulsiveness and immaturity, and that his thinking is streaked with neutralism, though the latter characterization hardly seems objectively accurate. A loner on the opposition front bench, Healey has allegedly been shaky in his tactical judgment in Westminster.

Healey is a founder-member of the Institute for Strategic Studies and was Gaitskell's idea man on disarmament, disengagement, and defense. He is understood to have been the father of the so-called Gaitskell plan for disengagement in Central Europe (for further details, see below, under Disengagement).

Healey belongs to the right wing of the Labor Party. He was opposed to Britain's entry into the EEC, and he has expressed opposition to the MLF although he has privately conceded that the UK cannot stand aloof from the force if the US and other allies actually agree to institute it (see below, under MLF). He is generally friendly toward, though not uncritical of, the US.

^{1/} While an undergraduate, Healey joined the Communist Party in 1937, but he resigned in 1939 after the conclusion of the Nazi-Soviet Pact, which left him strongly anti-Communist.

4. Bottomley as Commonwealth Relations Secretary. A long-time trade-unionist, Bottomley, 57 years old, is one of the few Labor MP's who has had front bench experience. In 1946 he became Parliamentary Under Secretary of State for Dominions (now Commonwealth Relations). The following year, he succeeded Wilson as Secretary of Trade in the Board of Trade when Wilson was named President. Bottomley worked well with Wilson at the Board of Trade and backed him in his successful bid for the Party Leadership in February 1963.

Bottomley has made numerous trips to Commonwealth countries and colonies as a government official, as a member of parliamentary delegations and trade missions, and on his own initiative. Although he is wholeheartedly convinced of the value of the Commonwealth association, he supported Britain's application to join the EEC. He is anti-Communist and has always been identified with the moderates in his party.

II. POLICIES TOWARD KEY AREAS

The foreign policies of Britain under a Labor government will be more British than Labor. National interests will outweigh both party interests and ideological prejudices. The responsibility of office will temper the irresponsibility often expressed in opposition. Labor ministers will be just as aware as their Tory predecessors that the UK still has interests and responsibilities in every continent. And they will be just as anxious as were the Conservatives to enhance Britain's influence in the world.

We do not expect a Labor government to make basic changes in British foreign policy. Labor's traditional concern for ^{the} under-privileged will continue to generate emotional responses which will have some impact on its policies toward colonial issues, aid to under-developed countries, and UN activities. This may ease problems of coordination with the US in some of these fields. At the same time Labor's conviction that every effort must be made to find solutions to East-West disagreements will encourage it to explore new approaches that may well lead to differences on matters of timing and detail with some of its Western allies. However, such tendencies will in all probability be kept subordinate to Labor's determination to retain Britain's special relationship with the US, and its recognition of the need to take account of Britain's position and interests in the world.

A. United States

Maintenance of the closest possible relationship with the United States will be the prime concern of a Labor government. During his visit to Washington last February, Gordon Walker indicated to US officials that, although Labor, like the Tories, would differ with us on some matters, it would stand with us on all major issues. This does not mean that a Labor administration will go along with all US policies and initiatives, any more than has the Conservative government. Labor will continue to disagree with us on trade with Cuba, on long-term credits to the Soviet Bloc, on Communist China's admission to the UN, and probably on a number of lesser issues.

Like their Tory predecessors, however, Labor ministers will be ever-mindful of the effect of their actions on their relations with us. In many -- though not all -- cases, they will be willing to consider making adjustments in their policies. By the same token, they will want close consultation on all possible issues. (In their early months in office especially, they will be sensitive to our comparing their performances with those of their Conservative predecessors.) A Labor government will insist on Britain's right to be consulted in advance about US actions that might affect not only the US but also its allies. Wilson has several times decried the lack of consultation between the US and its allies during the October 1962 Cuban crisis.

Labor spokesmen have contended that in a number of areas their policies are closer to those of the US than Conservative policies have been. Wilson has called attention to the similarity of Labor and US views on such matters as the 1961 UN operation in the Congo and on an embargo on arms shipments to South Africa.

B. Soviet Union and Satellites

The leadership of the Labor Party has few, if any illusions about the aims of the USSR. Like most European socialist parties, Labor is well-acquainted with the tactics and the goals of Soviet policy, and its leaders are wary of Communist motives, protestations, and cajolery.

Nevertheless, Labor in opposition has occasionally seemed guilty of excessive forbearance with the USSR and of unjustified optimism on the possibility of reaching accommodation with it. Labor's militant leftists have sometimes professed to see little difference between the US and the Soviet Union and have been inclined to give the Russians the benefit of the doubt while denying it to us. Wilson was at one time the darling of these extremists, but since becoming party leader he has avoided their embraces, and they are unlikely to have much, if any, influence in a Labor government. As for Labor's leaders, the imperatives of the global situation and the responsibilities of office can be expected to dispel most of the lingering illusions they might have about the Soviets.

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Yet, a Labor government will continue to see Britain's mission as one of reducing tensions and broadening the area of potential agreement between the US and the Soviet Union. Thus, Labor ministers, while chary of Soviet approaches, will be willing to talk and will probably favor -- in Wilson's words -- "regular and routine" summit meetings. After Wilson returned from a visit to Moscow last June, his second in a year, he said Soviet leaders had warmly endorsed his proposal for an annual summit conference of the UK, the USSR, the US, and France at the autumn meeting of the United Nations. Peiping's participation could be considered later, he said.

A Labor government will probably look upon the Sino-Soviet split as offering the West additional opportunities to encourage the USSR to seek agreements with Free World nations. Gordon-Walker has cautioned, however, that Labor would want to avoid any suspicion that it was playing Communist China off against the Soviet Union. Yet he has also concluded that "in the conflict between Russia and China our sympathies must be with Russia."

Labor would place great emphasis on expanding trade with Communist nations. It sees East-West trade as one of the most hopeful tools for extending the area of agreement between the Communist and non-Communist worlds. Wilson subscribes to the notion that a well-fed, prosperous Communist is less dangerous than a lean and hungry one, and a Labor government can be expected -- like the present Tory administration -- to seek increased trade with, and to guarantee generous credits to, the Soviet Union and its European satellites. Gordon-Walker has also said that Labor would try to improve relations with these countries, except East Germany.

Another area in which a Labor government could be expected to seek agreement is arms reduction and disengagement. Both Wilson and Gordon-Walker have expressed interest in the Gomulka plan for a nuclear freeze in Central Europe, not as an end in itself but as a step toward a reduction in nuclear weapons on a wider geographical basis. (For further details, see below under Germany and Berlin, under Disarmament, and under Disengagement.)

C. Germany and Berlin

The dominant consideration in Labor's thinking about Germany has been the relationship of the German question to the possibility of achieving a detente with the Soviet Union. Thus, the German policy of a Labor government would be designed to take account of what party leaders regard as the "realities" of the situation in Central Europe.

Labor's basic views on Berlin and Germany were set forth by the 1961 party conference and have been reflected in official party statements ever since. In the most authoritative statement of this position, which Wilson first made in Commons in 1962, he said any negotiations over Berlin had to proceed from "two non-negotiable conditions":

"first, freedom for the people of West Berlin to live under a system of society of their own choosing, and, secondly, guarantees of access going beyond mere paper agreements. Associated with these must be the conditions necessary to ensure the economic viability of Berlin.

"These are the absolutes of a settlement. To get them as part of a package deal which incorporates them we should be prepared to show flexibility, especially, for example, by showing willingness to accept Germany's eastern frontiers with Poland and Czechoslovakia. We should also show flexibility in the matter of some measure of recognition of the East German administration as a purely factual arrangement pending, and without prejudice to, the ultimate reunification of Germany on a basis of free elections."

From time to time Labor Party leaders have elaborated on these proposals. Wilson has indicated, for example, that the Western military presence in Berlin must be preserved as the guarantee of any settlement with the Soviets. Diplomatic recognition of East Germany has been ruled out -- Gordon-Walker has affirmed that a Labor government would "never approve it." Wilson has made clear that even the conclusion of a proposed non-aggression pact with the USSR would "in no way" provide diplomatic recognition of the East German administration, and would preclude the use of force either to interfere with West Berlin and the Western right of access to Berlin or to change the existing frontiers of Germany.

With respect to what he meant by "some measure of recognition," Wilson has explained that he had in mind such things as trade relations and cultural contacts, but if it were necessary to proffer "further recognition in a political sense" in order to secure Labor's two "non-negotiable" conditions, "I do not think we ought to be afraid of that." In this connection, it is perhaps significant that Labor's fraternal party in West Germany seems to be reasonably confident that a British Labor government would not compromise Allied rights in Berlin and would uphold non-recognition of East Germany, but is reportedly apprehensive about Labor's plans for disengagement in Central Europe.

Labor believes that a solution to the problems of Berlin and a divided Germany can be found only within the broader framework of a solution involving not only the two Germanies but also Poland, Czechoslovakia, and possibly Hungary. Consequently, Labor has long been interested in various schemes for arms reduction and disengagement in Central Europe (for further details, see below, under Disengagement). In Healey's view, such a solution of the German problem implies some form of German reunification, but he believes that reunification is not on the political horizon at present.

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There is still anti-German sentiment in Labor -- as in Tory -- ranks, and strong opposition to giving West Germany anything approaching parity with other NATO members in the nuclear weapons field. Yet it has been reported that Wilson has become convinced that the rigid Labor position about Germany's role in NATO must develop along more adaptable lines. This new adaptability is evident in Gordon-Walker's proposal that Germany -- along with Britain and France -- should have "a real share" with the US in shaping nuclear policy and strategy, while leaving the ultimate decision in the hands of the President (for further details, see below, under MLF). This would be "the only way," he has written, by which Germany could be given "a full and equal place in the alliance, without acquiring nuclear weapons of her own." Wilson has said that Labor is "completely, utterly, and unequivocally opposed, now and in all circumstances, to any suggestion that Germany, West Germany or East Germany, directly or indirectly, should have a finger on the nuclear trigger."

The Labor Party has in the past expressed the view that the United Nations should be associated with any settlement of the Berlin problem, and, although the party has been silent on this point in recent months, it would probably still favor a UN role. Wilson at one time mentioned the possibility of establishing a specialized agency of the UN in Berlin, and a Labor government might well resurrect this notion.

D. France

Like the Conservatives, a Labor government would also favor better relations with France. However, since it would not be willing to sacrifice any significant British objectives to attain this improvement, few noticeable results in the broad political and economic fields could be expected as long as France adheres to its present policies. Thus, Labor would limit itself to engaging in cooperation with France wherever feasible without granting concessions to what appeared to be narrow French national interests. A Labor government would probably seek to continue Anglo-French cooperation in such relatively non-controversial areas as joint aircraft development. Moreover, although Labor strongly dislikes de Gaulle's pretensions to hegemony in Western Europe, ironically its own present policy of keeping Britain aloof from the movement toward European integration will tend to bring it close to the French position on this question, at least in the short run.

Gordon-Walker has on occasion indicated his approval of de Gaulle's proposal for a NATO "directorate" of strategy. (Gordon-Walker's own views on the reorganization of NATO are somewhat similar; for details, see below, under MLF.) But Labor's strong opposition to the proliferation of nuclear weapons makes the French force de frappe a major source of potential conflict between a Labor government and France. Pending his proposed reorganization of NATO, Gordon Walker has written, France should be given "no aid in her nuclear ambitions." French intransigence in NATO runs directly counter to Labor's strong support of the alliance and has led Wilson to blame the French for the "great strain" to which NATO is now being subjected. Thus, as long as de Gaulle pursues his current course, there seems little reason to expect dramatic improvements in Anglo-French relations.

Wilson indicated his approval of France's recognition of Communist China earlier this year but questioned de Gaulle's motive in doing so at that particular time. Wilson also expressed the view last March that de Gaulle's proposal for the neutralization of Viet Nam was "visionary" and not helpful.

E. Europe and European Integration

We estimate that Labor will remain unenthusiastic about the idea of "Britain in Europe" and will not take the initiative in seeking a resumption of negotiations with the EEC. "Until there has been significant progress toward the achievement of an Atlantic community," Gordon-Walker wrote a few months ago, it is extremely improbable that there will be any dramatic changes in Britain's relations with the European Economic Community.

Up to the time of Labor's annual conference in October 1962, the party had remained "on the fence" regarding the UK's admission to the EEC, but Hugh Gaitskell, then the Party Leader, took it off the fence and into the anti-EEC camp. Wilson had not been prominent in either camp, but he was no supporter of British membership.

Labor's official policy remains that which was adopted by the party conference in October 1962, i.e., Britain's entry into the EEC would be acceptable only if there were adequate safeguards for Commonwealth interests, the UK's EFTA partners, and domestic agriculture, and only if Britain retained the right to pursue its own foreign policy and to plan its own economy. Since the breakdown of the Brussels negotiations, Wilson has more than once maintained that Labor would be willing to enter into fresh negotiations with the Six, "if, but only if," these five conditions were met.

Wilson has warned, however, that the "concessions" made by the UK before the Brussels breakdown could not be considered "an acceptable starting point." He has also stated that before Britain could enter into new negotiations it would have to be assured that it would not have to spend another 18 months "in the antechamber." Gordon-Walker has gone further: he has said that no British government would reopen talks unless success were certain. Even when allowances are made for the possibility that such remarks are bargaining talk, it is evident that they do not sound like the statements of men anxious to go into the Common Market.

This attitude is, of course, not at all inconsistent with the estimate that a Labor government would presumably try to create close relations with the EEC. According to Gordon-Walker, it would want to equate British tariffs with those of the Common Market, would encourage cross-investment, would be eager to undertake joint European projects, such as the development of nuclear propulsion or communication satellites, and would be ready for the mutual abolition of passports and reciprocal social security arrangements. A Labor government, like the Tory administration, would support the position that it would want to take part, from the beginning, in any discussions leading to a political union in Europe. However, this seems less than meaningful in view of Labor's general unwillingness to collaborate with the European integration movement.

Wilson said in the spring of 1963 that Labor was more interested in Atlantic partnership than in a narrow European unity and that he would be quite prepared to join a united Europe if it were part of the Atlantic Community and not "an alliance within an alliance." Later he wrote that when he spoke of "Atlantic partnership" he had in mind not merely what the term is usually understood to mean but "indeed, a wider-than-Atlantic grouping covering the Commonwealth and Latin America." Labor, he continued, felt that membership in the EEC would have been "worthwhile as a stepping stone to this wider free world unity."

Gordon-Walker and other Labor spokesmen have expressed the fear that a Britain which entered the EEC would get cut off from the US and from the Commonwealth. It seems unlikely that a Labor government would consider an approach to the EEC at least until it had exhausted the possibilities of developing closer ties with the US and with Commonwealth countries.

In the public and parliamentary debates attendant upon Britain's efforts to gain entry into the EEC, the Labor Party -- in Wilson's own words -- "re-discovered" the virtues of the Commonwealth. Healey has written that the Commonwealth has "a unique potential value" for British policy because it "bridges all the great gulfs which now divide humanity -- between committed and uncommitted, between rich and poor, and between white and colored." He has suggested that a Labor government should not only develop a new pattern of intra-Commonwealth trade but should also extend political consultation inside the Commonwealth "so as to make it an essential part of the nervous system of a new world order."

Wilson has given the impression that he really believes that, with appropriate stimulation from the UK, the Commonwealth can become a major center of Free World influence. He has on several recent occasions proposed an elaborate multi-step program which the UK should undertake to achieve expansion in Commonwealth trade (e.g., worldwide commodity agreements, guaranteed British markets for Commonwealth primary produce, a "Buy Commonwealth" plan, expanded world liquidity). Some observers have attacked a number of his arguments as unrealistic.

It may well be, as Richard Crossman, a prominent Labor front-bencher, has suggested, that a Labor government would pay lip service to the Commonwealth for about a year before deciding to turn to closer ties with Western Europe and the US. At any rate, it seems a near certainty that a prior attempt to achieve closer Commonwealth unity is inevitable.

Labor can also be expected to revive efforts to "bridge the gap" between the EEC and EFTA. Gordon-Walker told a meeting of German and British socialists in London last March that for the short term efforts should be made to establish closer relations between the EEC and EFTA. He envisaged the next round of negotiations as being between the EEC on the one hand and the UK, EFTA, and the Commonwealth on the other.

F. Middle East

The Labor Party has traditionally been deeply anti-colonial in its basic thinking, but its leaders have gone out of their way to stress their belief in the necessity of a strong UK presence east of Suez. Wilson has stressed, both publicly and privately on several occasions, that the UK needed bases east of Suez to permit it to make its contribution to the Commonwealth, to its alliances, and to UN peace-keeping activities. Gordon-Walker told US officials last February that a Labor government would "at all costs" maintain British strength and influence in the Aden to Singapore area. Earlier, when Gordon-Walker visited Kuwait at the turn of the year, he was said to have left the impression that a Labor government would not appreciably change British policy in the Middle East.

Labor spokesmen have criticized the Conservative government's handling of the Aden and Yemen issues during the past two years, but the party's responsible leadership has been taking a more "realistic" view of these problems as it approaches the responsibilities of office. This change in attitude has been brought about by a variety of influences and considerations: the lobbying efforts of the British military, the British oil companies, and the Israeli Embassy in London; Labor's doubts about Nasser's intentions and the staying power of the Yemeni Arab Republic; the necessity of appearing as patriotic as the Tories; and, most important, Labor's realization that the UK's national interest requires the continuation of a strong British presence in the Middle East. The combination of these factors has sometimes made Wilson sound more royalist than the King.

Aden, Wilson told the Commons in mid-June, was needed "as an essential center for peace-keeping operations over a wide area ... and as an essential staging post in our communications with the East, particularly India and Malaysia." He maintained -- in answer to taunts from extreme left-wingers in his party -- that his stand had "nothing to do with oil imperialism." "We shall get our oil on a commercial basis or not at all," he said. By justifying British retention of Aden on the ground that it was required to enable the UK to carry out its peace-keeping responsibilities east of Suez, Wilson thus sought to answer critics in his own party and also to distinguish Labor's position from that which it attributes to the Tories.

While accepting the necessity of keeping the Aden base, Labor has scored the Conservative government's handling of the political problems of the area. In late 1962, Labor deplored what it considered the "shotgun wedding" of Aden and the hinterland sheikdoms. Observing that Britain's ability to retain Aden (or any similar base) depends on the willingness with which it is accepted by the local populace, Labor spokesmen have argued that the achievement of that goal will require: 1) the holding of elections to produce a more representative government; 2) the establishment of a looser constitutional relationship between Aden and the sheikdoms; and 3) the postponement of independence for the South Arabian Federation until the above conditions have been achieved.

Gordon-Walker told US officials last February that inasmuch as the British could not keep the Aden -- and Singapore -- bases forever, he hoped that

eventually some sort of lease arrangement might be worked out. He has written also that Britain under a Labor government might try to make it possible to give up its bases in Aden and Singapore by creating two or three small floating bases in the Indian Ocean that would enable the UK to give military assistance to its friends in the Persian Gulf and elsewhere.

G. Southeast Asia

In many of its essentials, Labor policy toward the problems of Southeast Asia is indistinguishable from that of the Conservatives. Labor has fully supported the government's policy in Malaysia, and Gordon-Walker told Embassy London officers last January that Labor would not change that policy once it took office. A Labor government would remain strongly committed to the defense of Malaysia, but it might well be more willing than the Tories to keep the UN involved in consideration of the Indonesian threat. Gordon-Walker said last February, however, that Britain, like the US, would not want to break relations with Indonesia, and that he thought it desirable for the US to continue aid to Indonesia.

Labor spokesmen have indicated a belief that neutralization was "the best answer" to the problems of Vietnam, Laos, and Cambodia. They have also indicated an awareness, however, that the neutralization of Vietnam was not attainable at present, and therefore that a continued strong US presence was necessary. After visiting South Vietnam last spring, Healey said that a Labor government would "never joggle the American elbow." At the same time, Labor spokesmen have made clear their opposition to an extension of the war to North Vietnam.

H. Communist China

The Labor Party has long urged the admission of Communist China to the UN, and a Labor government would probably press somewhat more actively for Peiping's membership than has the Tory administration. In a foreign affairs debate last June, Gordon-Walker said that "everything possible" must be done to end China's dangerous isolation and to render it "more accountable to Western opinion." The time had come, he maintained, to "do all we can and use all our influence" to get Communist China into the UN. Gordon-Walker told US officials last February, however, that while a new Labor government might push harder for ChiCom membership it would certainly not want to do so during an American election year but would wait until a later time.

A Labor government would probably also seek closer relations between the UK and Communist China. Gordon-Walker has called for the establishment of full diplomatic relations with China, and other Labor spokesmen have urged a stepping up in cultural relations. Behind these views lies Labor's conviction that Peiping's continued isolation is dangerous, that China is a formidable factor in world affairs, and that peace cannot be secured unless that country plays its full part. Labor also believes that Peiping must be a signatory to any nuclear disarmament settlement and should therefore participate in disarmament negotiations.

I. Southern Rhodesia

Labor's leaders have privately conceded that the Tory government has so far done a fairly good job of handling the troublesome Southern Rhodesian problem. Wilson told Commons last May that the Douglas-Home government's policies would almost certainly "command support in all parts of the House."

The twin principles of majority rule and minority rights on which the present government has insisted have been for the most part entirely satisfactory to the Labor Party. The minimum condition for independence acceptable to a Labor government would be some form of majority rule for the Africans. Labor's firm insistence on this point has led Southern Rhodesian white leaders to believe that a Labor administration would be less sympathetic to their interests than the Conservative government has been.

We cannot say with any assurance what a Labor government would do in the event of a unilateral declaration of independence by Southern Rhodesia. Gordon-Walker has said privately that in the event of a unilateral declaration it would be important for the UK to "go along with" the views of the major Commonwealth countries, particularly Canada and Australia, and that the UK response would depend on the nature of the Southern Rhodesian move. In any case, he ruled out the possibility of Britain's using force to achieve a solution. He indicated that the only power the UK had was its ability to refuse to recognize the legitimacy of Southern Rhodesian independence, thus adding to outside pressure for more moderate policies in the new state.

To judge from Labor's past history and policies, a Labor government might be more inclined than a Tory administration to support international sanctions against Southern Rhodesia and to recognize a government-in-exile. Much would depend on the circumstances of the unilateral declaration and the reaction of the Commonwealth, especially its African members.

J. South Africa

Wilson has publicly promised that a Labor government would place an embargo on all arms exports to South Africa. Labor leaders have not said what they would do if an arms embargo cost Britain the use of the Simonstown naval base, as Conservative spokesmen have claimed it would. On the other hand, Labor has been opposed to the imposition of a boycott on all trade with South Africa on the ground that such action would be little short of war and should be adopted only in the most extreme conditions. Wilson sent a message to this effect to the International Conference on Economic Sanctions Against South Africa, which met in London in April. But a number of observers have pointed out that these same words could be used later to justify a resort to sanctions.

When Gordon-Walker visited the Department a month earlier, he made the point that the UK would be reluctant to invoke a trade boycott unless the boycott were world-wide; he said it would be intolerable if non-participating countries should profit from Britain's abstention from trade. Gordon-Walker thought that a Labor government might, however, vote for some sort of UN resolution favoring a boycott. A few weeks later Wilson told Department officials that Labor was strongly opposed to a boycott under the then-current circumstances; if there were a situation approaching open warfare, however, Labor would favor something like an oil embargo.

K. British Guiana

Labor has expressed the party's disapproval of the Tory government's decision of October 1963 to require British Guiana to undergo a further general election under a new electoral system of proportional representation before attaining independence. (That election is now scheduled to be held on December 7, 1964.) Various Laborites have objected to the imposition of PR on the grounds that it is un-British, un-workable, and a transparent device to oust Jagan. Although Labor does not consider Jagan lily-white, it does not see him as a Communist and Castro-ite menace.

During a parliamentary debate last April on the institution of the new electoral system in British Guiana, Laborites criticized PR but withdrew their critical motion. A party spokesman explained that forcing a vote might have led to an increase in the disorders that were then rampant in British Guiana. Both Wilson and Bottomley indicated to Trinidad's Prime Minister, Eric Williams, during his visit to London last April that despite Labor's dissatisfaction with a Labor government would probably go through with the projected PR election if plans for it were well under way at the time that Labor came to power. They noted, however, that Labor might wish to make certain modifications in the type of PR system now prescribed, and that it might want to postpone the election so as to avoid being confronted with a messy situation as soon as it took office.

We are inclined to doubt that a Labor government would junk the PR formula and "cut BG loose" as soon as it was elected. Labor is fully aware of -- though it does not share -- US concern over the threat of an independent British Guiana under Jagan. A Wilson administration, which would give the highest priority to maintaining the most harmonious possible relations with the US, would want to avoid antagonizing the US over an issue of great sensitivity to this country.

L. United Nations

Labor has always tended to be evangelical about the UN, and its spokesmen have emphasized that a Labor government would by its policies seek to strengthen the scope and authority of the world organization. Wilson, who has been a vigorous defender of the UN, has said that his government would place the UN "far higher in the scale of priorities" than has the Tory administration. Labor has promised to make the British delegate to the UN a minister of cabinet rank. The likely choice for this post is Sir Hugh Foot, formerly Governor of Jamaica and of Cyprus, who was the British representative on the UN Trusteeship Council until he resigned in 1962 in protest against the Conservative government's attitude toward Southern Rhodesia.

Labor has expressed its support of the Canadian and Scandinavian proposals to have nations earmark some of their military forces for UN peace-keeping operations. Wilson has suggested that the UK might be able to designate some of its troops -- for example, part of the British Army in Germany -- to serve with UN contingents.

Labor is a great believer in the UN as an instrument for promoting aid for the underdeveloped countries, and the party claims credit for having inspired, in 1961, the UN Development Decade. Labor has criticized the Conservatives for allocating too little money for aid programs and for channeling too little of its aid through the UN.

III. DEFENSE AND DISARMAMENT POLICIES

Labor spokesmen have said time and again that a Labor government would give up Britain's independent nuclear deterrent and seek re-negotiation of the Nassau agreement of December 1962 under which the UK is to acquire Polaris missiles from the US for use on British nuclear submarines. They have also repeatedly expressed strong opposition to the MLF. In many cases, however, their renunciations and objections have been followed by qualifications and escape clauses. We believe that once in power Labor might well retain the British deterrent, continue with the Polaris program, and join the MLF.

A. Independent Nuclear Deterrent

Labor accepts without question the need for a Western nuclear deterrent and is willing to accept the full implications and risks of membership in an alliance that possesses such weapons. It believes, however, that Britain should cease making its own nuclear weapons, give up its strategic nuclear striking force, and stop trying to be an "independent" nuclear power because:

- 1) using part of its limited resources for this purpose prevents it from honoring its military commitments in NATO and elsewhere;
- 2) its failure to meet this NATO commitment increases the danger of conventional warfare in Europe;
- 3) its retention of a national deterrent hampers efforts to halt nuclear proliferation; and
- 4) a general nuclear war is not only the least likely of all contingencies, but also one which the UK, in any event, could not meet alone.

Leading Laborites used to say that a Labor government would not simply junk Britain's then-existing nuclear weapons, but would not replace them once they became obsolete. In March 1964, however, Wilson told a British TV audience that a Labor administration would assign (or leave) the main nuclear striking force, the V-bombers, to NATO; the government would make no reservation about its right to use them in a nuclear role for a purely national purpose, but it

would reserve the right to use them as conventional bombers anywhere in the world. Moreover, although Labor apparently plans to abandon the present plan to give the TSR-2, a new low-level supersonic aircraft, a nuclear capability, Labor spokesmen have said that they would continue the development program for the plane while reviewing its role to see whether it could be used for conventional strike and reconnaissance work. Nuclear weapons on the battlefield, in the tactical elements of the RAF, and on aircraft carriers would be "integrated" into alliance strategies. Such weapons would be retained as long as they were part of the general defensive plan of the alliance.

In the most recently noted statement on the subject, the party's election manifesto, issued in mid-September, there is no talk at all of "abandoning," "phasing out," or "not replacing" the independent deterrent. There, Labor is simply against the "development of national nuclear deterrents."

It would appear, in sum, that the above statements are sufficiently vague, un-rigid, and short of irrevocable renunciation of an independent nuclear deterrent to enable a Labor administration to make the transition to a policy of retaining the deterrent without too much difficulty. We believe, moreover, that a Labor government will in fact probably decide that global imperatives require it to hold on to the British deterrent for an indefinite period, but the real test of Labor's stand in this field will result from later decisions on whether or not to modernize and replace the existing nuclear force rather than on whether to give it up.

B. Polaris

The foregoing is closely tied to Labor's views on the Conservative government's active program to provide Britain, through collaboration with the US, with a nuclear-powered submarine fleet carrying Polaris nuclear missiles. Ever since the conclusion of the December 1962 Nassau agreement, Labor's leaders have maintained that they wanted (first) to "de-negotiate" or (more recently) to "re-negotiate" the agreement under which the UK would acquire Polaris missiles from the US. If new negotiations showed that Britain's possession of Polaris-carrying submarines added nothing indispensable to the collective strength of the alliance, then the UK would abandon its plan to buy the missiles and would use the nuclear subs for hunter-killer duties.

But Labor spokesmen have recently interjected significant qualifications. Wilson observed on several occasions in March that if construction of the submarines were so far advanced by the time Labor came to power as to make it economically unfeasible to halt production, then a Labor government would continue with the Polaris program and place the completed submarines under NATO command and control. Later the same month, Healey told Department officials that if the alliance required Britain's continued adherence to the Polaris program Labor might consider retaining it and attributing the results to the alliance.

C. MLF

Various Labor spokesmen have at one time or another opposed the MLF on the following grounds:¹

- 1) it would weaken NATO by establishing two nuclear alliances;
- 2) it would be a strategic weapons system, threatening the USSR itself;
- 3) it would make more difficult the effort to achieve a detente with the Soviet Union;
- 4) it would not necessarily placate West Germany's nuclear ambitions but might even encourage them;
- 5) it might eventually be governed by majority voting, and the US and the UK could not "veto hotheads who might wish to press the button";
- 6) it would add nothing to NATO's military strength;
- 7) it would lead to a spread of nuclear weapons;
- 8) it would offer the UK only "a partial share in a partial nuclear weapon," which would be unsatisfactory;
- 9) it would be economically wasteful.

To judge from a number of statements made over the past year by Gordon-Walker, Labor would prefer to resolve the political problems which the MLF is assertedly designed to meet by negotiating with the US -- in exchange for allowing the British nuclear deterrent to run down -- a reorganization of, and improved consultation within, NATO. Precisely how this would work is not clear, but it would presumably include the following features: The ultimate decision on the use of nuclear weapons would remain with the President of the US, but he would make that decision only on the basis of continuously evolved and commonly agreed strategy and doctrine. Britain would share in the knowledge and decisions that affect the deployment and targeting of nuclear weapons, would participate in discussions of the conditions under which nuclear weapons might be used, and would know in a general way the options. The UK would also want to conclude agreements under which it could carry out enough "specialist work to benefit from the industrial fall-out" that results from the production of nuclear weapons.

Gordon-Walker has more than once suggested that a Labor government would want France and Germany to play the same role as Britain in these matters. However, he told US officials last February that a NATO committee composed of the US, the UK, Germany, Italy, and France could be formed to work on these questions, with the US

1. Labor is also opposed to the idea of a joint European nuclear deterrent.

and Britain consulting unofficially on the more highly classified matters. He also told Gen. Polk, the US Commandant in Berlin, in April 1963, that the UK would ask the US to allow a small group of the top British officials to have an intimate knowledge of US atomic weapons, production, deployment, targeting, safety controls, and policy debates.

Despite their strong objections to the MLF, and their ambitious alternatives, Labor spokesmen have left a future Labor government a number of loopholes should it decide that Britain's interest would best be served by participating in the MLF. Thus, in November 1963, Healey told Embassy London officers that if the MLF project survived until Labor took office, and if the alternative courses remained blocked, then the new government might join. He has also stated more explicitly to private Americans that if the United States finally undertook to inaugurate the MLF with Germany, he did not see how any British Government could fail to be "bluffed" into participation. Gordon-Walker told US officials in February 1964 that if Labor's proposals for improved nuclear consultation did not fully meet the situation, especially the German problem, Labor would take another look and might conceivably "come around" to the MLF. Finally, Wilson said both publicly and privately last March that a Labor administration would accept the MLF if that were the only effective way to prevent West Germany from acquiring an offensive nuclear capability.

The above statements do not encourage us to say flatly that a Labor government will join the MLF. We submit, however, that they do suggest that Labor has not closed the door yet and may well in time "come around," especially if approached patiently, sympathetically, and adroitly by American policy makers. Even in this event, however, it would argue that it needed some little time to enable its new ministerial team thoroughly to explore the issue in all of its ramifications and to condition its supporters to the switch in policy.

D. Disarmament

The search for multilateral and comprehensive disarmament under international control is a Labor stock-in-trade, and a Labor government will give high priority to proposals aimed at achievement of this goal. Nevertheless, although pressure on the US to be "more forthcoming" in reaching compromises with Soviet positions on disarmament can be expected, we do not believe that Labor will allow itself to get substantially out of step with US policies and tactics on these issues. Labor can be expected to set up a disarmament office or department headed by a minister and closely related to the Foreign Office and the Ministry of Defense.

Statements made by Wilson and Gordon-Walker in January of this year make clear Labor's belief that the signing of the test ban treaty has created a new atmosphere which should be exploited. Labor holds that all the elements of a disarmament treaty are in the US and Soviet plans; now the gap between the two plans must be bridged. Labor's views on disarmament, including suggestions on how the US and the Soviet plans could be reconciled, include the following:

- 1) Timing -- The USSR has proposed three stages spread over 5 years; the US, a possible spread of 10 years or more; Labor suggests 6 years.¹

1. These and the following Labor suggestions were embodied in a memorandum that Gordon-Walker sent to Foreign Secretary Butler on January 8, 1964. This memorandum included all the proposals contained in the policy statement issued by the Labor Party's national executive committee on February 27, 1963, as well

- 2) Manpower levels -- The Soviet Union proposed a total strength of 1.7 million men for itself and the US at the end of the first stage; the US, 2.1 million; Labor suggests that the Soviet compromise figure of 1.9 million be accepted.
- 3) Conventional armaments -- Labor supports the US proposal for an agreed reduction of 30% during the first stage, to which the USSR has also seemed to agree.
- 4) Means of delivery of nuclear weapons -- The US proposed a 30% reduction in the first stage and a 35% cutback each in the second and third; the USSR, a 100% reduction in the first, except for a small residual nuclear "umbrella" retained until some time in the third; Labor suggests that, since the Soviet Union has now accepted the idea that both sides should retain a "minimum deterrent" until the end of the third stage, this level should be reached as soon as possible.¹
- 5) Foreign bases -- The US proposed gradual but progressive elimination in the second and third stages; the USSR, complete removal in the first; Labor wonders if the US withdrawal of Thor missiles from the UK, and of Jupiters from Italy and Turkey, does not suggest that the US might agree to a phased withdrawal of bases in the first stage.
- 6) Inspection -- Labor realizes that there will be no disarmament treaty unless the USSR agrees to permit adequate inspection not only of what has been destroyed but also of what is left; Labor believes, however, that the degree of inspection that the Soviets have already agreed to accept, in their proposals for the "minimum deterrent," together with the information already at the disposal of states, "will provide a sufficiently accurate verification of the execution of the treaty, at least during the first stage."
- 7) Production of fissile material -- Labor proposes acceptance of an agreed and inspected cutback of the output of such material.
- 8) Hand-over of fissile material -- Labor urges that the US proposal for the nuclear powers to give agreed quantities of fissile material to the UN for peaceful uses -- rejected by the USSR -- should be re-introduced.

1. Wilson has publicly and strongly endorsed President Johnson's proposal for a freeze on nuclear delivery vehicles and for a "bomber bonfire."

- 9) Participation of Communist China -- Labor believes that meaningful disarmament depends on Peiping's adherence to a disarmament agreement, which in turn requires her participation in the Geneva negotiations.

Wilson and Gordon-Walker both realize that even in the improved atmosphere following the test ban treaty quick results on general and complete disarmament cannot be expected. They have therefore proposed that, while those negotiations continue, efforts be made to reach agreement on partial, limited measures, such as the following, which may be easier to negotiate and may contribute to the further easing of tensions:¹

- 1) A freeze on defense expenditures at the 1963/64 figure;
- 2) A freeze on nuclear weapons in East Germany, West Germany, Poland, and Czechoslovakia as a first step toward the establishment under international supervision of an area free of nuclear weapons and containing reduced conventional forces (for further details, see below, under Disengagement);
- 3) As part of the inspection system required to supervise the freeze on nuclear weapons, a system of observation posts to provide warning against surprise attack;
- 4) An agreement to prohibit the transfer of nuclear weapons from nuclear to non-nuclear powers, as well as any assistance by one country to another to make nuclear weapons;
- 5) Extension of the test ban treaty to cover all tests, including those underground, with the minimum necessary number of on-site inspections;
- 6) Discussion of the Soviet proposal for a non-aggression treaty between the NATO and the Warsaw Pact powers, as part of a broader agreement;
- 7) Establishment of additional nuclear-free zones in areas of tension, including Latin America, the Middle East, and Africa.²

When Wilson first made public these limited proposals in January, he said he had no illusions that any of even these partial measures would gain immediate acceptance by all the powers concerned. Six months later, on his return from Moscow, he told an off-the-record London audience that, if general disarmament

1. This list is a combination of the proposals made by Gordon-Walker in the memorandum he sent to Foreign Secretary Butler on January 8 and those put forward by Wilson in a speech in Derbyshire the following day.
2. Wilson had proposed this in Commons in October 1963 during a discussion of the Cuban crisis. The proposal had previously been made by the Labor Party national executive committee in February 1963.

did not appear practicable in the near future, Labor was prepared to consider feasible, safeguarded, limited regional proposals for arms control -- especially nuclear weapons control -- almost anywhere. It seems reasonably certain that a Labor government will press ahead for progress both in partial measures and in general disarmament.

E. Disengagement

Labor has long favored plans for one or another kind of disengagement. In the late 1950's Hugh Gaitskell and Denis Healey both put forward broadly similar plans calling for, among other things, the removal of all foreign forces from, and the denial of nuclear weapons to, East and West Germany, Poland, Czechoslovakia, and Hungary; the reunification of Germany; and the withdrawal of West Germany from NATO and of the other states from the Warsaw Pact. Disengagement remains a long-term objective of Labor, and a Labor government could be expected in time (see below) to push for the acceptance of some such scheme.

Wilson, like Gaitskell before him, has more than once indicated that he regarded the Rapacki plan (first proposed by the Polish Foreign Minister, Adam Rapacki, in 1957 and often modified since then) as a valuable basis for negotiations. Labor spokesmen have at one time or another criticized the Rapacki plan, however, for not including Hungary, for omitting the question of German reunification, for suggesting only gradual rather than total withdrawal of forces from the designated area, and for not providing for inspection within Russian territory. Wilson has maintained, moreover, that the plan should be part of a wider agreement on the prevention of surprise attack, and that any resulting agreement should not disturb the existing balance of forces in Central Europe.

As noted above (under Disarmament), Labor, in January of this year, proposed a new plan calling for a freeze on nuclear weapons in the two Germanies, Poland, and Czechoslovakia. The making public of this proposal followed by less than two weeks a statement by Prime Minister Gomulka, and was itself followed at the end of February by a Polish note, which proposed a freeze on all nuclear warheads in the same areas;¹ the Polish proposal was in effect the first stage of the Rapacki plan, separated from the second or denuclearization stage.

Labor spokesmen have told the Poles that the Gomulka plan must be extended to a wider area, that it must apply to missiles, not just warheads, and that the inspection system which it proposed should serve also as a system of observation posts against conventional surprise attack. At a press conference in Washington last March, Wilson observed that Labor welcomed proposals for a freeze of nuclear weapons in Central Europe as a step toward a nuclear-free zone and a reduction in conventional armaments there. But

1. Wilson had talked with Gomulka and Rapacki in Warsaw in June 1963, and David Ennals, one of Wilson's aides, had discussed disarmament with Rapacki and his deputy, Winiewicz, last December.

he stipulated "two very important conditions" for such proposals: they must not relate only to the two Germanies but must extend further east, and they must not alter the balance of forces between East and West. Despite his reiteration of these reservations, we share Embassy London's view that the presumption is strong that a Labor government would actively push for something like the Gomulka plan and probably attempt to relate it to some form of disengagement of forces in Central Europe -- although the two ideas are separable and in the present context are being kept separate.

Healey has pointed out that it is important to separate the concept of controlling arms, which implies the reduction and control of forces, from the much more ambitious concept of disengagement, which implies the physical separation of forces. He has stressed that the latter would be "profoundly dangerous" unless it were accompanied by a solution of the German problem which was acceptable to the East, to the West, and to the Germans. And he has concluded, as noted above (under Germany and Berlin), that such a solution, implying as it does some form of reunification, is not on the political horizon at the moment.

- END -

PRUS 001/24
1624Z 24 JUL 64
FM THE PRESIDENT
TO PRIME MINISTER HOME

54

UK

X India-Pak

~~SECRET~~

CAP64197

DEAR FRIEND:

THANK YOU VERY MUCH FOR YOUR THOUGHTFUL LETTER OF JULY 22. IT IS A GREAT HELP TO HAVE THIS FULL AND CLEAR ACCOUNT OF YOUR DISCUSSIONS WITH AYUB. AND IT IS ALSO GOOD TO HEAR THAT THE COMMONWEALTH CONFERENCE WENT SO WELL.

I AM NOT SURPRISED THAT YOU FOUND THE PAKISTANI POSITION SO STIFF, AND IT IS CLEAR THAT WE WILL SIMPLY HAVE TO KEEP WORKING ON THEM. MEANWHILE, I DO AGREE THAT IT IS IMPORTANT TO KEEP THE LEVEL OF OUR ASSISTANCE TO INDIA AS WELL AS PAKISTAN UNDER CAREFUL REVIEW, AND I HAVE ASKED MY PEOPLE TO TAKE A FURTHER HARD LOOK. OUR EXPERIENCE OVER THE LAST YEAR AND A HALF SUGGESTS THAT THE MORE CLOSELY WE WORK WITH THE INDIANS, THE MORE THEIR OWN SENSE OF NEED CAN BE MODERATED. AS A MATTER OF FACT, WE BELIEVE THAT IN OUR RECENT MILITARY AID TALKS WE MANAGED TO GET THE INDIANS TO MODERATE THEIR APPETITES TO A LARGE EXTENT, AND I SEE EVERY ADVANTAGE IN TRYING TO MAKE FURTHER PROGRESS IN THIS DIRECTION IF POSSIBLE

WITH WARM REGARDS,

SINCERELY

L. B. Johnson
John

DECLASSIFIED

Authority NWJ 94-290 (410)
By SP/DA NARA, Date 8-16-06

JUL 27 1964

PRESERVATION COPY

TO PRESIDENT

SECRET

T. 277/64

MESSAGE BEGINS

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*U K P
X India*

~~SECRET~~

46865

DECLASSIFIED
Authority NLJ/RAC 07-17
By Saw, NARA, Date 3/4/08

MY DEAR FRIEND,

THANK YOU FOR YOUR TIMELY AND HELPFUL LETTER OF JULY 4 ABOUT RELATIONS BETWEEN INDIA AND PAKISTAN. I ALSO REGRET THAT MR. SHASTRI WAS PREVENTED FROM COMING TO LONDON FOR OUR MEETING: BUT THERE WAS A USEFUL MEETING BETWEEN PRESIDENT AYUB AND MR. KRISHNAMACHARI WHICH I BELIEVE MAY LEAD TO A MEETING BETWEEN AYUB AND SHASTRI IN THE AUTUMN.

AS IT HAPPENS I SAW PRESIDENT AYUB VERY SOON AFTER I HAD RECEIVED YOUR LETTER AND HAD A LONG TALK WITH HIM. THE BURDEN OF THE PRESIDENTS SONG WHICH HE REPEATED TO ME OVER AND OVER AGAIN WAS THAT INDIA WAS ASSUMING A MILITARY PROGRAMME WHICH WAS FAR IN EXCESS OF HER NEEDS TO MEET A CHINESE THREAT, AND IN BREAKING HERSELF ECONOMICALLY SHE WAS PULLING DOWN PAKISTAN WITH HER. I STRESSED THE IMPORTANCE THAT BOTH YOU AND WE ATTACHED TO INDIA BEING EFFECTIVELY PREPARED AGAINST THE CHINESE CAPACITY TO ATTACK HER, AND SUGGESTED THE POSSIBILITY OF QUADRIPARTITE MILITARY TALKS TO DISCUSS THE DEFENCE NEEDS OF THE SUB-CONTINENT. NEITHER HE NOR BHUTTO, HOWEVER, FOUND THIS IDEA ATTRACTIVE.

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DURING OUR FULL MEETINGS THERE WERE SEVERAL FRIENDLY REFERENCES TO THE IMPORTANCE OF IMPROVED RELATIONS BETWEEN INDIA AND PAKISTAN: YOU WILL HAVE SEEN THAT THERE WAS A REFERENCE IN THE COMMUNIQUE TO THE SATISFACTION WITH WHICH WE

NOTED THE FRIENDLY PUBLIC STATEMENTS BY THE PRESIDENT OF PAKISTAN AND THE PRIME MINISTER OF INDIA AND TO OUR HOPES THAT THE PROBLEMS BETWEEN THEIR COUNTRIES WOULD BE SOLVED IN THE SAME FRIENDLY SPIRIT. EVEN THAT CAUSED TROUBLE AND THE INDIANS HAVE REACTED BADLY TO IT. THE SITUATION IN MY JUDGEMENT SHOWS LITTLE GIVE OR CHANGE. WE HAVE NOT YET SUCCEEDED IN MITIGATING THE GRAVE MISUNDERSTANDINGS WHICH EXIST IN PAKISTAN ABOUT THE REASONS FOR, AND THE EFFECTS OF, OUR MILITARY AID POLICIES TOWARDS INDIA. PAKISTAN WILL NOT ACCEPT THAT SHE IS UNDERESTIMATING THE DANGER FROM CHINA, SO THE DEADLOCK REMAINS AND SHASTRI WILL HAVE TO BE A VERY BIG MAN TO BREAK IT.

I SUBSEQUENTLY SUGGESTED TO THE PRESIDENT THAT WE SHOULD OURSELVES BE PREPARED TO OFFER PAKISTAN A MODEST AMOUNT OF MILITARY AID. WE DID NOT HAVE TIME TO DISCUSS THIS IN DETAIL: BUT WHEN WE DO SO WE SHALL HAVE ANOTHER OPPORTUNITY TO TRY TO BRING HOME TO THE PAKISTANIS NOT ONLY OUR CONCERN ABOUT THESE MISUNDERSTANDINGS BUT OUR CONVICTION THAT A REASONABLE AMOUNT OF MILITARY AID TO INDIA ENABLES US TO EXERCISE A MODERATING INFLUENCE WHICH CANNOT BUT BE BENEFICIAL TO BOTH PAKISTAN AND INDIA. I WONDER, HOWEVER, WHETHER WE OUGHT NOT TO REVIEW THE SCALE OF AID TO INDIA'S DEFENCE EFFORT. AN ATTACK ACROSS THE HIMALAYAS IS A VERY DIFFICULT MILITARY OPERATION, AND, IF INDIAN TROOPS WERE NOT TIED UP ON THE PAKISTAN FRONTIER, THEY PROBABLY HAVE ENOUGH, IF THEIR WEAPONS AND TRAINING ARE GOOD, TO MEET A CHINESE

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AS TO THE MEETING ITSELF, IT WAS A FAIR-SIZED RISK CALLING ALL THESE PRIME MINISTERS TOGETHER, CHIEFLY BECAUSE OF THE DANGER OF AN EXPLOSION OVER SOUTHERN RHODESIA, BUT IT SEEMED ESSENTIAL TO ME TO RE-DEFINE THE PURPOSES OF THE COMMONWEALTH IN ITS NEW SHAPE AND SIZE, PARTICULARLY AFTER OUR RATHER UNHAPPY EXPERIENCES IN 1961 AND 1962. INDEED WE HAD SOME FAIRLY NERVE-RACKING MOMENTS. AS IT WAS, IN THE END IT TURNED OUT EVEN BETTER THAN I HAD HOPED AND FAR BETTER THAN I HAD FEARED. IT WAS PARTICULARLY ENCOURAGING TO FIND THAT WE ALL PLACED A HIGHER VALUE ON WHAT UNITED US THAN WHAT DIVIDED US. THE SUGGESTION OF A COMMONWEALTH SECRETARIAT CAME FROM NONE OTHER BUT NKRUMAH: NORMALLY INSTITUTIONS ARE FROWNED ON AS IMPLYING DOMINATION FROM LONDON.

I DO NOT CLAIM THAT ALL WILL NOW BE PLAIN SAILING: BUT I AM CONVINCED THAT THE NEW COMMONWEALTH HAS TAKEN SHAPE AND WILL HAVE A MAJOR ROLE TO PLAY IN THE FUTURE AS WE TURN OUR MINDS TO THE PROBLEMS OF THE NEXT DECADES: THE GAP BETWEEN THE RICH AND POOR NATIONS AND THE DIVISIONS OF RACE. I HOPE THAT HAVING SINCE THE WAR HELPED US IN THE TASK OF DE-COLONISATION, THE COMMONWEALTH MAY IN THE FUTURE HELP US TO TAKE THE STING OUT OF THE WORLDS RACIAL PROBLEMS. FOR US THE KEY WILL BE SOUTHERN RHODESIA. THIS LAST MEETING WILL NOT HAVE HARMED, AND MAY WELL HAVE HELPED, OUR CHANCES OF FINDING THE RIGHT ANSWER HERE.

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IN ADDITION WE ALL SUPPORTED THE TUNKU OVER MALAYSIA
AND GAVE NO HOSTAGES TO FORTUNE IN CYPRUS. SO IN GENERAL
AND IN DETAIL IT WAS A MOST USEFUL MEETING.

WITH WARM REGARD,

ALEC DOUGLAS-HONE

JUL 22 1964

SECRET

MESSAGE ENDS

PRESERVATION COPY

TELEGRAM Department of State

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CLASSIFY: COLLECT
CHARGE TO

~~SECRET~~

56

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Origin
SS
No.

ACTION: Amembassy LONDON 105 PRIORITY

JUL 5 1 18 PM '64

INFO: Amembassy NEW DELHI 24
Amembassy KARACHI 14

CK
X Cypriess cables

FOR AMBASSADORS

EXDIS

President sent following telegram to Prime Minister Home

July 4:

QUOTE. Dear Mr. Prime Minister: On the eve of the Commonwealth gathering, may I share with you some of our anxieties about India and Pakistan?

Shastri's illness will put a serious damper, I fear, on the Indo-Pakistani reconciliation approaches that looked so promising if only a few days ago. It would be a tragedy if the stresses and strains inherent in the situation should rise again before Shastri is able to respond effectively to the handsome gestures Ayub made after Nehru's death. Commonwealth meetings have been notable for a climate of comradeship and I do hope that this spirit will encourage Ayub and the Indians to maintain the present mood of moderation until they can get into effective negotiation.

Classified by: NEA:PTalbot/SOA:CCLaise
Telegraphic transmission and classification approved by: S/S - Richard Davies
White House / S/S: HOMills:ejp
BNA - Mr. Shyllaw White House - Mr. Smith
SOA - Miss Laise The Secretary (substance)

~~SECRET~~

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DS-322
10 1964

DECLASSIFIED
Authority: RAC 032R-53-3-16.9
By: JOK WARA Date: 2-26-0

PRESERVATION COPY

PRIORITY

Page 2 of telegram to Amembassy LONDON/ rptd. NEW DELHI , KARACHI

~~SECRET~~

I am sorry to see that you will find Ayub strongly agitated about our military aid to India. From the ~~begin~~ beginning you and we have kept the Pakistanis filled in on our plans, of course, and every step of the way has been made with an eye upon Pakistan's concerns. Apart from Ayub's natural reluctance to see any military assistance given India, I have the impression that his people have distorted and exaggerated the extent of the arrangements that were completed just when Nehru died, as if they went beyond what Maxwell Taylor indicated to Ayub last December. The fact, of course, is that they do not. I should welcome anything you can reasonably do to reassure him, without encouraging his apparent present strategy of brinkmanship in his dealings with us.

z In any event, I hope there will be a chance for some straight talk with Ayub so that he understands ~~ix~~ what we are doing in India and why. Pakistan's leaders have a capacity to paint themselves into a corner, and I am troubled that their recent intemperate public statements attacking the United States and the Western alliances at this critical juncture in our confrontation with Communist China may lead to actions and reactions which would be unfortunate for us both.

There are bound to be very unfavorable repercussions here if the Pakistanis go on talking about "a betrayal" of alliances, as Bhutto did on June 22 before his National Assembly or if the Paks go on talking

~~SECRET~~

PRESERVATION COPY

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about our present policy as opportunist "and devoid of moral quality" as Ayub did in the Daily Mail. This kind of irresponsible comment can get picked up over here, especially in an election year, in ways which can only be destructive to the interests of Pakistan herself.

We value Pakistan as a ~~friend~~ friend and ally and would consider it a great pity if through ~~our~~ misunderstanding Ayub failed to assess correctly the continued importance of Pakistan's ties with the West to our mutual national interest and our ability to help each other.

I wish you well in your ~~x~~ deliberations and look forward to learning of the outcome. UNQUOTE.

END

ACTING

BALL.

~~SECRET~~

PRESERVATION COPY

1603Z APR 64

FROM THE PRESIDENT

TO PRIME MINISTER DOUGLAS HOME

~~SECRET~~ N O D I S

CAP64114

~~SECRET~~ NODIS*at
X Yemen*57

1. MANY THANKS FOR YOUR NOTE. OUR DECISION TO ABSTAIN WAS INDEED AN ACT OF SOLIDARITY, BUT I FEEL I MUST TELL YOU QUITE FRANKLY THAT I APPROVED IT RELUCTANTLY AND ONLY BECAUSE AS THE MATTER FINALLY CAME TO ME IT SEEMED TO ME THAT YOU WERE ENTITLED TO EXPECT THAT WE WOULD NOT OPPOSE YOU DIRECTLY. ON THE MERITS, IN A FUTURE CASE, IT WOULD BE HARD FOR ME TO MAKE THE SAME DECISION AGAIN. WE MAY HAVE TO PAY HEAVILY FOR THE ABSTENTION IN A LOSS OF AUTHORITY AND AN AWKWARD PRECEDENT THAT CAN BE USED AGAINST US.

2. I, OF COURSE, HAVE NO ILLUSIONS ABOUT NASSER OR THE MISCHIEVOUS GAME HE IS PLAYING. BUT I QUITE FRANKLY DOUBT THAT AT THIS POINT IN TIME ABRUPT CHALLENGES TO THE ARABS ARE USEFUL FOR OUR JOINT INTERESTS.

3. SO I AGREE THAT THIS INCIDENT AND ITS AFTERMATH MAKE IT MORE THAN EVER IMPORTANT THAT WE CONCERT OUR NEAR EASTERN POLICIES MORE CLOSELY. I HOPE THAT RUSK AND BUTLER WILL BE ABLE TO REACH SOME SOLID CONCLUSIONS WHEN THEY MEET DURING THE CENTO SESSION LATER THIS MONTH. WE BOTH HAVE SUCH GREAT INTERESTS TO GUARD IN THAT TORTURED PART OF THE WORLD THAT WE CANNOT AFFORD TO PURSUE DIVERGENT POLICIES.

~~SECRET~~ NODIS

END OF MESSAGE

UNQUOTE

PR 17 1964

DECLASSIFIED (#37)
E.O. 13292, Sec. 3.4
By *reg/len*, NARA, Date *8-16-06*

PRESERVATION COPY

~~SECRET~~

58



BRITISH EMBASSY,
WASHINGTON, D.C.

April 10, 1964.

UK + Yemen

Dear Mr. President,

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

Yours sincerely
Harold
[Signature]

The President
of the United States of America.

~~SECRET~~

DECLASSIFIED
E.O. 13292, Sec. 3.4
By *ng/cbm*, NARA, Date *8-16-06*

APR 14 1964

~~SECRET~~

58a

TEXT OF MESSAGE

April 10, 1964.

I should like to thank you most warmly for your decision to abstain on the resolution in the Security Council on Thursday, despite the doubts of most of your own people. I am most grateful for this act of solidarity.

I should now like to build on this decision and see whether we cannot achieve a sense of common purpose and align our common policies more closely over the whole problem of the Yemen and Aden. Experience has shown that the general Western interest, as well as the particular British and American interest, are best served when British and American policies are in harmony. I should now like to do for the Middle East what we did for South-East Asia last February.

Our respective Secretaries of State are shortly to meet. I hope you will agree that they should use this occasion to reach a general understanding over these questions.

Alec Douglas-Home

~~SECRET~~

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E.O. 13292, Sec. 3.4
By rg/ctm, NARA, Date 8-16-06

APR 14 1964

59

04590

TELEGRAM Department of State

UNCLASSIFIED

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Origin
SS
Info

ACTION: Amembassy LONDON 5737

UK
Handwritten signature
MAR 10 5 59 PM '64

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ISTA

FROM THE PRESIDENT

Please deliver following message soonest to Buckingham

Palace:

QUOTE Mrs. Johnson and I are delighted to learn of the birth of a son to Your Majesty and Prince Philip. I know we speak for all our fellow Americans in sending you our best wishes on this happy occasion.

Sincerely,

Lyndon B. Johnson UNQUOTE

- BUNDY-SMITH
- ALEXANDER
- BELK
- BRUBECK
- CHASE
- DINGEMAN
- DUNCAN
- FORRESTAL
- JESSUP
- JOHNSON
- KLEIN
- KOMER
- SALINGER
- SAUNDERS
- SCHLESINGER
- SMITH, WM. Y

RUSK

FILE COPY

Drafted by text recd from WH by phone 3/10/64:jmj

Telegraphic transmission and classification approved by

S/S - Mr. McKesson

Clearances

The White House - Mr. Bundy

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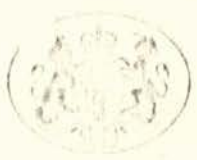
FORM 86-322
MAR 11 1964

PRESERVATION COPY

60

ck
x Cyprus

~~SECRET~~



BRITISH EMBASSY,
WASHINGTON, D. C.

February 19, 1964.

Dear Mr President,

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

Lord Harlech is returning
to the Embassy later this evening
and will be at your disposal if
required.

Yours sincerely
Denis Greenhill

(D. A. Greenhill)

The President

of the United States of America.

DECLASSIFIED
E.O. 13292, Sec. 3.4
By rg/cbm, NARA, Date 8-16-06

~~SECRET~~

FEB 20 1964

60a

~~SECRET~~

TEXT OF MESSAGE

February 19, 1964.

Dear Mr. President,

Thank you very much for your letter of February 19th. I am glad that we are so closely in agreement in our appraisals of the Cyprus situation and that you welcome our quick move to the Security Council.

The question of a summit conference is one which I, also, have had in mind. There is much to commend the idea but I am sure that we must watch two points. There is the one which you yourself have made in your message: that it is important that whatever the guarantor Powers do as a group should reinforce rather than cut across the current effort in New York to establish the basis for an international peacekeeping force. The second is that I feel strongly that we should avoid giving any impression that the larger Powers are ganging up on the small Republic of Cyprus.

These two points both boil down largely to a question of timing. There is also the question as to where such

/ a conference

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E.O. 13292, Sec. 3.4
NARA, Date 8-16-06

~~SECRET~~

FEB 20 1964

~~SECRET~~

a conference might be held. I will watch the situation very closely and keep in touch with you over the next few hours and days.

Yours sincerely,

Alec Douglas-Home

~~SECRET~~

Changes given to George Ball
3:20 p.m. 18 Feb.
RWK

AK
X Cyprus

61

AmEmbassy, LONDON

Please deliver the following letter from the
President to Prime Minister Douglas-Home:

Prime Minister
Dear Friend:

I have had a good talk with George Ball about
the impressions he gained on his trip and we have
given further thought to the explosive situation
stemming from the troubles in Cyprus.

George Ball reports he had a particularly useful
meeting with Rab Butler and Duncan Sandys and I am
glad to find that there is no difference in our
appraisals of the Cyprus crisis.

I think you were wise ~~to try~~ to beat the Cypriots
to the Security Council. It seems very likely that
we should be able to ^{prevent the} ~~frustrate Makarios' design to~~
use ^{of} the Security Council to scrap the guarantee
treaty. I hope we can also obtain a satisfactory
resolution for the creation of an international
force. However, the Council may well be heading
into a mean and protracted debate, and I fear that

an

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Authority FRUS, Vol. XVI, #154 WH Guidelines
By ag/csm NARA, Date 8-16-06

FEB 19 1964

an international force will not be landed in Cyprus quickly.

Meanwhile, there is the increasing nervousness of the Turks. In more than three hours of conversation with Inonu, George Ball came away convinced, as you know, that the Turks are poised to intervene and that they will certainly move if a further nasty incident like Limassol should occur. In that event, we would be in for deep trouble since the Greeks have made it clear that they will not stand down.

I conclude from all this that we cannot safely depend merely on the results of the Security Council action. Even an international force may not secure order in Cyprus, ⁵

As your own people on the Island ^{have} pointed out quite perceptively, no peacekeeping force will be able to maintain order unless something can be done to change the attitude of the two communities-- and the encouragement each is getting from the mainland. Yet Turkish passions will not sub-

side, even with a force in being, if the killing
continues

continues.

For that reason, I would strongly urge you to give serious thought to convening the guarantor powers ^(under Article IV of the Treaty) for a summit conference within the next few days. There are clear advantages in acting promptly. First, we need immediate insurance against a unilateral Turkish move. Second, we have, at long last, a Greek Government with a solid majority. Papandreau is rumored in the press this morning as indicating his intention to get together with the Turks as his first order of business. This may well be the psychological moment for an effort to break the impasse.

I should think that the subject matter of such a summit meeting could well be the security problem in Cyprus and support for the international force in the United Nations. At the same time, I think you might use such a meeting to develop standby contingency arrangements against the possibility that the Turks may be stimulated by events into a unilateral move.

Such arrangements could take the form of a pledge from each of the guarantor powers that, if one party felt compelled to move, it would confer with the other two powers to make arrangements by which the move would be made on a tripartite basis. Military representatives of the three countries could work out plans for some kind of a combined operation -- perhaps along the lines suggested in a paper which George Ball gave to Rab Butler and Duncan Sandys in London.

If such a meeting were to be held, it might be useful to ask the United States to send observers in order that we could add our influence to yours in injecting some rationality into the present situation. If you thought this a good idea, I would be glad to

send George

George Ball and ^{perhaps} General Maxwell Taylor.

Of course, it is important that whatever the guarantor powers do as a group should reinforce rather than cut across the current effort in New York to establish the basis for an international peacekeeping force. Both the draft resolution you expect to put into the Security Council and the ideas floated by U Thant include the provision that the guarantor powers should reach agreement, along with the Government of Cyprus, on details of a peacekeeping plan. I have no doubt that a meeting of guarantor powers could be fitted into the track now being pursued in the United Nations.

With my strong feeling that time is of the essence, I am at your disposal to help in any possible way to avoid the fearful consequences of a Greek-Turkish war.

OUTGOING TELEGRAM Department of State

INDICATE: COLLECT
 CHARGE TO

LIMITED OFFICIAL USE

50-52

Origin
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Info:
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CAP
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ACTION: Amembassy LONDON 4809 PRIORITY
INFO: Amembassy CANBERRA 662 "
" OTTAWA 666 "
" BUENOS AIRES 724"

UK collect
4 UK collect

- BUNDY-SMITH
- ALEXANDER
- BELK 00905
- BRUBECK
- CHASE
- DINGEMAN
- DUNGAN
- FORRESTAL
- JESSUP
- JOHNSON
- KILPATRICK
- KOMER
- SALINGER
- SAUNDERS
- SCHLESINGER

62

*LESY
2/4/64
Bureau
Transmitted
2/4/64*

~~FEB 4 3 46 PM '64~~

Ambassador should deliver soonest following message from President to PM

re UK grains proposal:

"Dear Mr. Prime Minister:

"Thank you for your letter of January ~~28~~ 28, 1964, concerning the desire of your Government to obtain the cooperation of your major overseas cereals suppliers in the establishment of minimum import prices. As you are aware, we on our side have been particularly concerned about the implications that such an arrangement would have for the Kennedy Round negotiations and, particularly, the work of the GATT Cereals Group. Both sides are in agreement that the arrangement should in no way interfere with these efforts but indeed should be designed to enhance the possibilities for the successful negotiation of a world cereals arrangement. In this connection, we attach particular importance to the access assurance provided overseas suppliers and to the commitments regarding remedial action in the event imports are not maintained.

"I therefore welcome the following clear-cut statements on these points which appear in your letter:

'We are also willing to commit ourselves to the objective of

Drafted by: E:OT:JAGreenwald:mb 2/4/64

Telegraphic transmission and classification approved by: JAGreenwald

Clearances: SIN - Ambassador Roth
E - Mr. Fleischer
EUR - Mr. Tucker

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maintaining a fair and reasonable balance between home production and imports and that imports, as well as home production, will enjoy a share in the growth of the market. We are furthermore ready to keep the arrangements under review to see that the stated objectives are being achieved. And we will commit ourselves to taking corrective action should it prove in the event that the recent level of cereal imports is not being maintained[†]

"As you indicate, it was not possible to reach complete agreement at the meetings in London on a draft note of the understanding. The suggestions contained in your letter have been very helpful, however, in facilitating agreement. I now understand that after further exchanges between the representatives of our two Governments agreement has been reached on certain changes in the text of your Government's note which was given to the United States delegation at the conclusion of the meeting in London on January 25, 1964. Accordingly, on the basis of these changes, which are being transmitted separately to the appropriate officials of your Government, the United States Government hereby gives its agreement in principle to the understanding which you have proposed.

"Final signature of the understanding will not, of course, take place until after the results of your annual agricultural review are available for our consideration, and until the annexes dealing with the schedule of minimum import prices and flour arrangements have been approved. I would not anticipate the results of the annual review would present an obstacle to our formal adherence to an agreement as long as they are consistent with the final proposals put forth by

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your people at the meeting in London.

"I am looking forward very much to the pleasure of your visit in February.

Sincerely yours,"

We are not repeat not giving any publicity to Home-Johnson exchange and assume HMG also keeping messages confidential. Request UK to consult with us prior to any public statement.

For time being, response to any press inquiries should be no comment.

END

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U.S. DEPARTMENT OF STATE
Director of Intelligence
and Research

*Research
Memorandum*

REU-60, October 23, 1964

uk

To : The Secretary
Through: S/S
From : INR - Thomas L. Hughes *Thomas L. Hughes*
Subject: British Labor Government Faced with Balance of Payments Problem

Toward the end of the British election campaign, the deterioration of the United Kingdom's balance of payments became a political issue with which Labor attempted to embarrass the Conservatives. As a result, the Labor Government now appears committed to take some corrective action in the very near future. This memorandum surveys statements of Labor's economic policy and speculates upon the nature of the specific and immediate short run measures likely to be taken. It does not purport to diagnose the fundamental disequilibrium, possibly arising from structural causes in Britain's economy, which may exist in the balance of payments or to estimate either the choice of longer run corrective measures or their possible efficacy.

Abstract

For the past few months concern in informed circles over Britain's deteriorating balance of payments situation has mounted. Both recently available economic data and public statements late in the British election campaign engendered broad public awareness and editorial comment. Speculation as to how a Labor Government would deal with the problem was growing even before the election, but neither during the campaign nor subsequently have Labor spokesmen given a clear, precise indication of what, if any, immediate corrective actions were contemplated. Nevertheless, from what has been said, as well as from what is known regarding Labor's economic philosophy and program, an indication can be given of how Labor may attack the problem in the short run.

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OCT 26 1964

By *ngj/etm*, NARA, Date 8-16-06

Most of the traditional means of dealing with the problem, such as boosting interest rates, conflict with Labor's desire to avoid a deflationary economic policy. Moreover, Labor will feel constrained to steer clear of trade and currency restrictions that seriously violate GATT and IMF rules, or that impair Commonwealth relations. Thus, Labor has little choice other than to place great reliance, at least initially, on borrowing from the IMF and various central banks to reinforce confidence in the pound and to put Britain in better shape to withstand the further payments imbalances which lie immediately ahead. Labor recognizes, however that these measures, even combined with a vigorous export drive, are not likely by themselves to alter the basic problem of Britain's lack of competitiveness on world markets and its slow rate of growth. Therefore, the respite in the payments crisis afforded by international borrowing will undoubtedly only become the occasion for a careful review by Labor of the fundamental structural problems in Britain's economy. Efforts to deal with these issues will then become the focus of the Government's domestic program and should unfold progressively in the months to come.

Until late in the campaign, the leading Labor politicians took pains not to inject the weakened state of Britain's external finances into the campaign as an issue. They no doubt realized that to do so could precipitate a flight from sterling and thus lay Labor open to the charge of playing politics irresponsibly with the nation's economy. During most of September, it seemed as if this issue would not be raised, and the foreign exchange markets, in a sense, cooperated by remaining exceedingly placid, more so than during any pre-election period since the war.

It was thus somewhat unexpected when Harold Wilson, on September 26, spoke more directly and openly than before about an existing "export-import crisis." He reportedly said: "I will state categorically that if they (the Conservatives) by any mischance were to get back, we would have within six months a further application of the brakes and crisis measures forcing production into a further period of deflation and industrial stagnation. Most city editors and the majority of City experts believe we would not have to wait six months--it would be six weeks." Chancellor of the Exchequer Maudling's rejoinder and the publication of the rather gloomy balance of payments estimates for the first half of the year occasioned heavy editorial coverage and enhanced general interest. Subsequent pre-election statements by Wilson and James Callaghan, who became the Chancellor of the Exchequer, shied away from specifying what, if any, short term corrective measures might be instituted. Although Callaghan's criticism of the Tories for not having acted during the summer implied that Labor would have to act promptly, he reportedly laid stress on export promotion as a remedy, "by studying customers' requirements and then producing the goods they want," even though this would certainly be only a long term proposition.

Post-election Developments

The trade figures for September, which became available after the election, give added impetus to the case for some prompt corrective action. Seasonally adjusted exports, including re-exports, fell to \$1,008 million from the figure of \$1,075 million in August. Imports were nearly at the high August level and amounted to \$1,319 million, resulting in a trade gap of \$311 million. This discouraging data completed the trade returns for the third quarter, which was the sixth consecutive quarter in which the trade gap has worsened. See Table I.

The first cabinet meeting of the new government was reportedly devoted largely to a consideration of the economic situation, but no public statement was issued at its close. The Times (of London) on October 20 reported that on Mr. Wilson's prompting it was decided that a full and candid Government statement must be made before the week is out, if possible with indications of the corrective action that will be taken. The paper commented:

There is the strongest evidence that Mr. Wilson and his colleagues mean to avoid short-term measures to get the balance of payments right. There promise to be no deflationary measures

to produce a quick effect and the Government are determined to base their actions on a continued expansion of production. In the quarters that matter the phrase to be heard is medium-term measures.

And the medium-term problem as Mr. Wilson, Mr. Brown and Mr. Callaghan particularly see it is the same as that seen by Mr. Maudling, the former Chancellor of the Exchequer: the imbalance between exports and imports which is the monetary expression of the unhealthy unevenness of the economy.

.

In short, Mr. Wilson and his colleagues would not say that Britain is in the thick of an economic crisis, but that it is facing a serious export-import gap quite different from the old-fashioned financial crisis of the 1961 type. A crisis of that type, it will be argued, can be managed nowadays because of the immensely increased powers of mobilizing loans.

Immediate action to obtain greater foreign currency loans, for possible future use, could be considered a medium term measure. On October 20 Douglas Jay, the new President of the Board of Trade, spoke on the Government's economic policy. There was no indication of new or sudden policy departures. He expressed faith that "a way can and will be found of keeping our overseas spending within the ambit of our earnings, without sacrificing internal expansion." In the context of promoting trade with the LDCs he remarked that a nation has the right and duty to keep its balance of payments within bounds, since a persistent and uncontrolled deficit is not an advantage to the outside world. He endorsed the spirit of the GATT and the desirability of an early success of the Kennedy Round.

Ways and Means of Attacking the Balance of Payments Problem

None of the various ways of dealing with the problem is painless or problem-free. The choice is therefore one of the lesser of several evils. One alternative would be international borrowing, from the International Monetary Fund or central banks of foreign countries, but this would involve subsequent repayment and, possibly, some monitoring of domestic fiscal and monetary policy by the lender. Still for a debtor nation with reasonably good economic prospects, it is the ideal solution. Another alternative would involve monetary measures, but these, by tightening the supply of credit, would hinder economic expansion, a major Labor goal. Furthermore, this approach was tried on February 27, 1964 when the Bank of England discount rate was raised from 4 to 5 percent. At this level, it already exceeds that of all the major trading nations except Japan, which traditionally has high rates. Labor spokesmen have espoused a two-tier system of

interest rates so that mortgages for public housing would carry low rates, but do not yet seem to have worked out the mechanics of such an innovation. Unless and until a practical way of doing so is found, a rise in the discount rate would affect the level of general economic activity, including housing construction.

The most drastic monetary measure, devaluation, would strike a severe blow at Britain's standing within the sterling area and in the O.E.C.D. Psychologically, it could be ruinous for the fortunes of the Labor Party, which was responsible for the 1949 devaluation of the pound and the subsequent austerity. This measure is, however, definitely not in prospect, if only because Britain's reserves are now many times above their 1949 level when they amounted to only \$1,340 million. (See page 4)

Further alternatives are also unattractive. Restrictions on the movement of capital within the sterling area would impair Commonwealth relations; Canada has already shown some apprehensions regarding such a move. Cuts in foreign economic aid would be objectionable on foreign policy grounds and would offer little relief since most of the aid is tied to purchases within the U.K. There has been some discussion in the press of a possible cutback in overseas military spending (the balance of payment costs of the British Army of the Rhine (BAOR) are estimated at \$224 million per year). However, this could create problems for the continuation of Germany's offset purchases of military equipment in Britain, and quite apart from this economic factor, the new Government will certainly tread most warily in dealing with BAOR questions, which involve such major issues as British-German ties, Britain's role in NATO and overall East-West relations.

For a Government that favors central planning, there can be no objection in principle to controls on imports and subsidies on exports, which could undoubtedly help to overcome the payments problem in the short-run. GATT and IMF waivers would, however, be required and might be particularly difficult to obtain at present, when strenuous efforts are being made to liberalize trade. Furthermore, administrative machinery would have to be created and the countless problems inherent in a system of controls would have to be met. Some curbing of imports can be accomplished indirectly through the tax system. The Chancellor of the Exchequer already has authority to alter indirect taxes by 10 percent by applying the so-called "regulator." Parliamentary approval may be obtained subsequently. The "regulator" is flexible in the sense that it can be applied to some, rather than all, indirect taxes. Presumably increases would apply to tax groups comprising mainly imported goods, such as tobacco and alcohol.

If Britain now faced a general economic crisis, as opposed to a balance of payments crisis, the new Government would have a much freer hand, perhaps even a mandate, to impose far-reaching controls over the domestic economy. The economy weathered its last balance of payments crisis, in 1961, and has been on the upswing, particularly since the second quarter of 1963. The latest key indicators show a rise of 6 percent in production, 1.4 percent in employment and 4 percent

in exports over a year ago. Furthermore, it would be difficult to maintain that the economy is overheated in the sense that its rate of growth is too rapid to be sustained. In fact, there are increasing references to a tapering off of the boom. Before sailing into uncharted seas, Labor policymakers will want to ascertain the extent to which existing and prospective foreign exchange reserves may cover the estimated deficit in the balance of payments.

In mid-August the National Institute for Economic and Social Research published a forecast of British economic prospects, which included estimates of a basic balance of payments deficit of 500 million pounds or \$1.4 billion in 1964 and \$840 million in 1965, assuming no government intervention. Since neither second quarter estimates, which showed a considerably greater deficit than that for the first quarter, nor August and September trade returns, which showed a widening of the trade gap, were available when the N.I.E.S.R. forecast was issued, the actual deficit for 1964 may prove to be even greater.

Official British holdings of gold and foreign exchange reserves plus existing availabilities are substantial, amounting to a maximum of approximately \$4.5 billion. This figure includes the \$1 billion IMF stand-by arrangement available for one year, a \$500 million swap line with the U.S. Federal Reserve System, and approximately \$500 million worth of swap agreements under the Basle arrangement with five E.E.C. central banks plus Switzerland and Canada. Although Labor spokesmen criticized the Tories during the election campaign for cushioning the economy with these swap arrangements, the new Government may be expected to take considerable satisfaction from this "money in the bank."

Conclusion

Indeed, it is believed that the Government will seize on these arrangements as the main instrument of its short-run balance of payments policy and one of the Government's first acts will be to undertake the necessary funding. Efforts will probably be made to renegotiate the Basle arrangements, which are understood to be for a three month period, possibly securing them by drawing from the IMF or the Federal Reserve. It would follow logically that the Government will move carefully, and therefore slowly, in imposing trade or currency restrictions which violate GATT and IMF provisions. At the same time, the first steps will be undertaken toward an increasingly vigorous promotion of exports through various devices. In defending any unpopular measures, Labor will blame the state of affairs it inherited from the Conservatives.

Deflationary measures will be avoided as long as possible. Not only is Labor dedicated to rapid economic growth but to rapid results. With a majority of only four seats in Parliament and dependence on some measure of cooperation from the Liberal Party, Labor is already handicapped in pursuing its program. It could hardly increase its electoral support with an austerity program, and this appears to be a very unlikely recourse unless the payments situation suddenly begins to deteriorate unexpectedly at a much more rapid pace.

Confidence in the pound is essential to Britain's prosperity and Labor will recognize that borrowing and an export drive are unlikely, in themselves, to solve the basic problem of Britain's lack of competitiveness on the world market, which inhibits a more rapid rate of economic growth. In its Manifesto, Labor gives higher priority to production than to distribution--"first we must energise and modernize our industries." Labor undoubtedly hopes that Socialist planning will produce "new wealth," including increased exports which will lead to equilibrium in the balance of payments. The play of forces between the new Ministry for Economic Affairs, headed by George Brown, and the Treasury will be instrumental in future decisions as to corrective balance of payments measures. Treasury advocacy of such measures may well encounter objections from the Economics Ministry, and this will require frequent personal decisions by Prime Minister Wilson. In any case, however, the likely emphasis of the next months on a program of major economic expansion is likely to postpone specific actions to redress the balance of payments deficit beyond those limited steps to be announced next week.

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TABLE 1

UNITED KINGDOM

FOREIGN TRADE, 1962-64

(Monthly averages, by quarter, in million US dollars)

| | <u>Exports</u> | <u>Imports</u> | <u>Negative Trade Balance</u> |
|--------|----------------|----------------|-----------------------------------|
| 1962 I | 909 | 1,022 | 113 |
| II | 936 | 1,052 | 116 |
| III | 931 | 1,077 | 146 |
| IV | 928 | 1,051 | 123 |
| 1963 I | 949 | 1,049 | 100 |
| II | 976 | 1,108 | 132 |
| III | 1,005 | 1,161 | 156 |
| IV | 1,005 | 1,190 | 185 |
| 1964 I | 1,029 | 1,268 | 239 |
| II | 1,020 | 1,293 | 273 |

Data adjusted for seasonal variations.

Exports f.o.b., imports c.i.f.

SOURCE: OECD General Statistics.

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January 30, 1964

64

Home
to
1/30/64

W.K.
x Cyprus

My dear Friend,

The Cabinet this morning agreed to the terms on which Ambassador Bruce has given us to understand the American Government will be prepared to participate in a joint force drawn from certain NATO countries for despatch to Cyprus to augment the existing tripartite peace-keeping force there. I hope we can now go ahead urgently with making the necessary approaches to the Greek, Turkish and Cyprus Governments and to our NATO allies.

Meanwhile I would like to send you my warmest thanks for all the help the American Government have given us in the past over this problem. I am particularly grateful for the friendly understanding shown by Mr. Kennedy and your other collaborators and for your decision to join in this way in trying to prevent the North Atlantic Alliance being disrupted over Cyprus.

Yours very sincerely,

Alec Douglas-Home

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JAN 31 1964