

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Monday, August 23, 1965, 8:50 p.m.

MEMORANDUM FOR THE PRESIDENT

THROUGH: MR. VALENTI

SUBJECT: Your Meeting with the Watson Committee at 11:00 A. M.
Wednesday, August 25

Jack Valenti tells me that you want to keep this meeting as small as possible. The choices are:

1. A minimum-size meeting involving only the nine members of the Committee, their four consultants who did much of the work, plus Bell, Mann, and Hoagland from State/AID.
2. An additional group from the Hill. This may pose problems since Gruening and Morse co-sponsored (with Javits and the Vice President) the amendment which set up the Watson Committee. If other people from the Hill are invited and they are not, they will take it as a slap in the face.
3. Some of the Cabinet: Freeman, Connor, and Fowler would be the most appropriate.


Francis M. Bator

Minimum size _____

Add the Vice President (Sponsor) _____

Add from the Hill:

Javits (Sponsor) _____	Fulbright _____	Morgan _____
Gruening (Sponsor) _____	Sparkman _____	Bolton _____
Morse (Sponsor) _____	Hickenlooper _____	Adair _____
	Aiken _____	Zablocki _____

Add from the Cabinet: Fowler _____ Freeman _____ Connor _____

MEMORANDUM

7a

THE WHITE HOUSE

WASHINGTON

Tuesday, August 24, 1965

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Your Meeting with Watson Committee Tomorrow
(Wednesday, 11:00 a.m.) and Tax Credit for Private
Investment in Developing Countries

You will recall that in your 1964 aid message, you asked Congress to enact a 30% tax credit on private U.S. investment in developing countries. The bill died in Committee. In your 1965 message you repeated the request, but we have not yet sent up a bill, in part because there is disagreement in the Government about exactly what it should contain. The issue comes up now, because the Watson Committee -- they are meeting with you tomorrow -- strongly recommends such a credit.

The questions are: What you should say to the Watson Committee and what we should do about a bill. At Tab A, Dave Bell recommends that:

(1) As part of your statement to the Watson Committee, you indicate support for tax measures to stimulate private U.S. investment in developing countries, without committing yourself to any particular legislation. (This would give a boost to the two tax treaties now before the Senate, and would help any tax credit bill you might want to introduce later.)

(2) You authorize Dave to write to Hale Boggs towards the end of this session, asking Boggs, who sponsored the 1964 bill, to re-introduce it. There would be no hearings until next session. Dave's draft letter to Boggs is at Tab B.

Argument The purpose of the bill is to get more private U.S. money and management into the poor countries. This would be all to the good, even though our tax specialists at the Treasury are not happy about using the tax structure in this way. The principal problem is one of Congressional tactics: Treasury believes that the bill would not survive without a strong White House push. Bell thinks that prospects are brighter and that Mills, in particular, will not be hostile. (By and large, the business community is behind the idea, although the extractive industries may complain about being left out.)

Recommendation (1) I agree with Bell that a public Presidential statement to the Watson Committee in support of tax incentives would be useful. (McPherson

and Hardesty are working on a statement which will include an optional paragraph on tax credits.) (2) I do not see much point in getting Boggs to introduce a bill at this session. If you should decide later in favor of a tax credit bill -- and I would so vote -- it would be much better to send it up next session with a strong message from here. Meanwhile, Dave, Joe Barr, Tom Mann and Jack Connor could pave the way with the Congress, and we could do some more work on what should be in the bill.

fm
Francis M. Bator
mb

For the Watson Committee Meeting:

General statement supporting tax
incentives (Tab C) Approve _____ Disapprove _____

On the question of a bill:

No action this session _____

O. K. to send Bell letter asking Boggs to
introduce a bill this session _____

7:30 p. m.

7-b

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON 25. D. C.

AUG 3 - 1965

OFFICE OF
THE ADMINISTRATOR

MEMORANDUM FOR THE PRESIDENT

We recommend that you meet with the Advisory Committee on Private Enterprise in Foreign Aid, chaired by Arthur K. Watson of IBM, to receive its Report, which is now completed after a year-long study. A copy is attached. Congressional and press interest dictate as early a release date as possible.

You will recall that this Committee was established in response to a provision of the Foreign Assistance Act of 1963. Appointment of the members was announced by the White House in May, 1964. A list of the members is attached.

The Committee held monthly meetings, hearing over 100 representatives of the private sector - business, labor, agriculture, voluntary agencies, etc. Committee members also personally examined A.I.D. activities in selected countries.

Their Report is solid, although not sensational. Key recom-
mendations include the following:

- they back the President's recommendations to Congress for greater authority to guarantee private investment in developing countries, and for establishing a special 30 percent tax credit for such investment; ←

- they recommend that A.I.D. do more to identify and remove obstacles to private investment in developing countries; (we are already moving in this direction and are quite willing to accept this needle); ←

- they recommend that A.I.D. make much freer use of our authority to guarantee businessmen against loss from any cause - including ordinary commercial risks. This is the most striking of their recommendations, and will probably take the headlines. It is advice quite contrary to that received from the Clay Committee. We believe, however, that it is correct, and have already begun to move in this direction. ←

There are a number of other valuable recommendations in the Report. A summary was submitted with our June 29 memorandum.

In our judgment, the Report is a responsible and helpful one. It gives the Administration general support for our existing program, and identifies some constructive new approaches for the future. The Committee has been careful not to disparage the present AID program - and indeed gives us some pats on the back. Nevertheless the fact that the Report recommends some new actions could result in critical comment in the press. We think the best way to prevent this is to give the Report a cordial welcome and to promise - and deliver - a quick follow-through.

The legislation creating the Committee called for completion of their study by June 30, 1965, and distribution of the Report to the public and the Congress. AID has agreed to report to the Congress on implementation of the recommendations.

Accordingly, I recommend:

- (1) that the Committee be given the opportunity to present the Report to you personally (possibly with appropriate Members of Congress present), after which the White House Press Office would release copies;
- (2) that you use the occasion to welcome the Report and to emphasize the importance you give to an increased private participation in our development programs. If you agree, we will prepare an appropriate draft.

David E. Bell
David E. Bell

Attachments