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THE DEPARTMENT OF STATE DURING THE ADMINISTRATION
OF PRESIDENT LYNDON B. JOHNSON

NOVEMBER 1963 - JANUARY 1969

VOLUME I

ADMINISTRATIVE HISTORY

PART II

[Chapter 3 (continued)]

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D. BILATERAL RELATIONS WITH WESTERN EUROPE

1. Great Britaina. Our Traditionally Close Relations

The period of the Johnson Administration largely coincided with that of the Labour Party, which returned to power in Great Britain in October 1964 after being in opposition for about thirteen years. Throughout the Johnson years, United States-British bilateral relations continued on a high and cordial level with only one significant discord, i.e., that concerning the devolution of British defense policy.

High level consultations were frequent, with six bilateral meetings between President Johnson and Prime Minister Wilson, and even more numerous bilateral and multilateral meetings involving Secretary Rusk and British Foreign Secretaries Gordon Walker, Stewart, and Brown. Our overall goals on major multilateral issues were generally compatible in NATO,

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the UN, EEC, international monetary affairs and trade policy, the Middle East and Viet-Nam. With some exceptions, such differences as existed related more to matters of tactics, detail or emphasis, e.g. the stringency rather than the principle of East-West trade restraints, and disagreements about contributions and control rather than the need for some kind of multilateral nuclear force within NATO. Although general differences continued over the issues of deterrence and detente, these differences were largely reconcilable. Thus, although Great Britain was generally in advance of the United States in pursuing certain detente goals, the long-standing practice of close bilateral consultation on disarmament matters led to the adoption of mutually-reinforcing US and UK negotiating positions in the arms control field. However, the British continued to perceive the NATO nuclear threshold as being at a much lower level than did the United States. While this difference in strategic concepts remained under discussion both bilaterally and in various NATO forums, it did not preclude formal UK acceptance of NATO's flexible response

strategy in 1967.

b. The Question of British Defense Policy

In the area of defense policies, the US and the UK have continued to agree that the Atlantic Alliance is the essential and prime element in the national security of both countries. However, the divergence of the last several years has arisen from the Labour Party's growing conviction that the UK could not continue to play a world-wide role, albeit a smaller one, complementary to that of the US. Principally because of balance of payments problems, but supported by the Labour Party's ideology and its general reassessment of international politics, the British Government fitfully but faithfully moved toward the decision early in 1968 that it would accelerate its military withdrawal from all points East of Suez (South Arabia, Persian Gulf, Southeast Asia), with the exception of Hong Kong, by the end

of 1971. While the corollary of this decision was the reinforcement of Britain's commitment to NATO, the US Government sought to dissuade Britain from this rapid devolution of its defense policy. US efforts involved highest level political persuasion as well as financial improvisations, but they only delayed the ultimate and historic British decision.

c. Origins of a New Policy

Early in 1965, the new Labour Government announced it was undertaking a Defense Review designed to bring Britain's commitments more in line with its resources and to develop a distinctive Labour defense policy. This development posed a two-pronged problem: financial, and politico-military. The British informed the United States of their intention to reduce their annual defense budget for the 1969-70 period from a previously projected level of £2.4 billion to the level of £2.0 billion. Even if this could help solve their budgetary problem the British anticipated that (1) changing political conditions overseas would affect their ability to remain in certain bases, and (2) increasing domestic pressure within the UK would require major retrenchment.

The US Government was fundamentally interested in the maintenance of a British overseas military posture for the following reasons:^{1/} (1) The British force contribution to NATO provided a major stabilizing influence, political as well as military, in the area of prime strategic concern. (2) The British military posture in the Far East area was of highly significant political value from the US viewpoint as an adjunct to our efforts to contain Chinese Communist expansionism. A substantial British cutback would create a vacuum which would be difficult and costly for the United States to fill. (3) The British capability for conducting peacekeeping operations in the general environs of the Indian Ocean would capitalize on British expertise, contacts, and acceptability. The United States was desirous of sharing its heavy world-wide security tasks with a responsible ally, particularly as we could not substitute for the British in certain locations East of Suez. (4) Other British military bases and deployments

^{1/} Department of State (G/PM) Scope Paper for US-UK Talks Concerning UK Defense Review, Nov. 17, 1965
(SECRET)

(e.g. in the Mediterranean, Southern Africa, and the Western Hemisphere) were clearly less vital to US interests than those in Western Germany, Malaysia-Singapore, and Arabian Sea-Persian Gulf areas. With these factors in mind the United States undertook to delay and to some extent influence the nature of the shrinkage.

The first formal indication of the directions of the British Defense Review came during Prime Minister Wilson's visit to the United States in December 1965.^{2/} In January 1966 Foreign Secretary Stewart and Defense Minister Healey came to Washington for detailed discussions on the decisions which were to be publicly announced in February.^{3/}

The British Government indicated that it intended Britain to remain a world power, but it acknowledged that certain adjustments in British overseas deployment and commitment would be necessary in light of the realities of

^{2/} Bundy Memorandum on Wilson Visit, December 17, 1965; Shullaw Memorandum, December 21, 1965.

^{3/} Aide Memoire by Her Majesty's Government, "The United Kingdom Defense Review," January 24, 1966.

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the economic situation. Britain would remain in Singapore and Malaysia as long as welcome, but would reduce its forces on the ending of Malaysia's "confrontation" with Indonesia. The British base at Aden would be abandoned by 1968, but British forces in the Persian Gulf would be augmented to some extent. There would be some cutbacks in the Mediterranean. The UK would keep intact its 51,000-man British Army on the Rhine in fulfillment of its NATO and WEU obligations, provided the German Government was prepared to offset fully the foreign exchange costs of the BAOR.^{4/}

d. Aircraft, Credits and Offset

In financial terms, the 1966 Defense White Paper represented the tip of the iceberg. The Labour Government was moving to reduce capital costs, and in this connection it had decided it would be cheaper to purchase American military aircraft than to continue with several expensive British aircraft development projects. Arrangements were

^{4/} British Defense White Paper, February 1966
(Cmnd 2901-2902). (UNCLASSIFIED)

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made for the purchase of 24 to 82 C-130E aircraft and 150 F-4M fighters. Options were given to purchase up to 110 F-111 long-range, reconnaissance-strike aircraft. The British eventually decided to order 50, mainly for the Indo-Pacific area where they would hope to operate in conjunction with the Australians who were also buying F-111's.

To ease the balance of payments strain on the British Government, the United States undertook to arrange financing with the Export-Import Bank for the aircraft purchases up to a ceiling of \$1.5 billion. Even more importantly, it agreed in principle to try to offset as much as possible the dollar cost of the aircraft through the purchase by the Department of Defense of British equipment and material. After negotiations lasting more than a year, a military balance of payments agreement was worked out between the US and the UK taking into account all US military expenditures in the UK and the sum total of British purchases here. In February 1966, Secretary McNamara guaranteed \$325 million worth of Defense Department purchases in the UK and also

agreed that the US would step aside in certain third countries to permit British sales of military equipment up to a total of \$400 million. It was estimated that by adding the \$725 million to other US military expenditures in the UK, mainly for the Third Air Force, a round military balance of payments would be achieved between the two countries over a period of 12 years.^{5/}

Britain's balance of payments was showing new strains in the first half of 1966, amidst growing resentment that the Germans were benefitting financially and militarily from the BAOR. The British Government notified the US Government that, lacking any prospect of getting a 100 percent offset from the Germans, it intended to save £5-8 million through a reduction in troop expenditures in Germany and £15 million through running down the logistics establishment for the support of BAOR. The US Government was concerned that a withdrawal of British troops would increase domestic pressures for the reduction of US forces

^{5/} McNamara Letter to UK Defense Minister Healey, February 10, 1966. (SECRET)

in Germany and have an unravelling effect on NATO. At the same time, it was anxious not to do anything that would imperil its own prospects of getting a satisfactory offset agreement with the Germans.

The answer was sought through tripartite US-UK-FRG talks on offset arrangements which began in late 1966 and were concluded in the spring of 1967.^{6/} To persuade the British to keep their troops in place, both in Germany and East of Suez, at least until these talks were concluded, the US agreed to provide a £12.5 million increase in US expenditures under the offset agreement already existing with the UK.

With the conclusion of the talks, the US agreed on another £7 million in offset payments to keep the British withdrawal to manageable proportions. The British agreed to redeploy over one brigade group to the UK and one RAF squadron. The total foreign exchange cost at the reduced strength would come to £82 million annually, and arrangements were made for Germany to cover £72 million. The British

^{6/} These negotiations are discussed in greater detail in a preceding section.

were willing to accept the £10 million gap, particularly in light of their "Europe first" policy.^{7/}

e. Transitional Security Concepts

Immediately prior to the ministerial level talks, held in Washington on January 27, 1966, the British made available a memorandum entitled "Four-Power Defense Arrangements in the Indo-Pacific Area." The central theme of this memorandum was that, in the British view, the combination of their economic difficulties in maintaining large forces plus the probable unavailability of bases in such areas as Singapore and Malaysia in the 1970's would make it necessary for the UK to look to new "interdependent" security arrangements and also to alternative base sites, specifically in Australia. It seems probable that this Four-Power proposal was intended as a means of developing a relationship that would permit the British to exercise continuing influence in the Indo-Pacific area at less cost in resources. The British claimed to have no fixed ideas on the kind of quadripartite machinery that might be required. However, the memorandum

^{7/} Hansard Vol. 746 (May 2, 1967) Col. 337

suggested that it might be useful to discuss such topics as joint machinery for contingency planning and consultation, joint command and supply arrangements for use in appropriate cases, and force requirements for dealing with contingencies likely to arise in the area. Although the British have not mentioned this paper since January 1966, and there is no indication that they intend to surface it again, it is the only explicit statement we have concerning the kind of quadripartite arrangements the British apparently were considering, at least at that time.

f. Accelerating the Timetable

By early 1967, it was increasingly apparent that the British were preparing to accelerate the timetable for withdrawal East of Suez. In January, Foreign Secretary Brown told Secretary Rusk that they were contemplating a cut in Britain's strength in Malaysia and Singapore by one-half by "1970-71" and that they would be off the mainland of Asia (meaning Singapore but excluding Hong Kong) "by the mid-1970's." The Secretary told Brown that we would be seriously concerned if there were significant withdrawals of effective strength while the Viet-Nam war continued, and that this problem required

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consideration by Australia and New Zealand as the United States could not envisage substituting for the UK. The Secretary also asked Brown whether these announcements of intent to withdraw totally by the mid-1970's were necessary or desirable; we were concerned that Britain maintain a world position and that Europe as a whole play a world role. The Foreign Secretary indicated that these announcements were necessary to satisfy the Labour Party's internal critics, and that the British approach to Common Market membership included the hope that the British could in time exert influence upon Europe to play a wider role in world affairs.^{8/} In June, President Johnson met with Prime Minister Wilson in Washington and also took a very strong line against the impending British decision regarding withdrawal from Malaysia-Singapore in the mid-1970's. It was clear, however, that the British were well along the road to a formal decision on withdrawal.^{9/}

^{8/} Department of State Telegram 177203, April 10, 1967 (SECRET EXDIS)

^{9/} Department of State Telegram 211766, June 16, 1967 (SECRET EXDIS)

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The week before the publication of a Supplemental Defense White Paper on July 18, the President wrote to the Prime Minister and Secretary Rusk wrote to George Brown. Both reiterated our deep concern about any decisions regarding the reduction of British presence in Southeast Asia, contending "very strongly that this is not the time to rock the boat in any way," and noting that we would be willing to meet with the British, Australians, and New Zealanders to explore the kind of defense arrangements that might be developed beyond the 1970-71 time period.^{10/} The British, however, rationalized the early announcement of their new timetable on the grounds that the decision would become known whether or not there was an announcement. The British Ambassador Sir Patrick Dean put it more succinctly to Under Secretary Katzenbach: "it was better to come clean."^{11/}

^{10/} Department of State Telegram 3245, July 7, 1967 (SECRET EXDIS)

^{11/} Memorandum of conversation, Ambassador Dean to Under Secretary Katzenbach, July 17, 1967 (CONFIDENTIAL).

g. The Final Historic Decision

British resolve to cut back East of Suez was finally reinforced in the second half of 1967 when Britain's mounting balance of payments crisis forced the devaluation of the pound in November.^{12/} This in turn revived political, press, and public interest in defense policy with considerable discussion about even further accelerating the rundown East of Suez, further cuts in the BAOR, and curtailment, or even cancellation, of military contracts in the United States, notably the F-111. During December the British Cabinet engaged in a lengthy analysis of the budget to consider major cuts both in domestic and overseas expenditures.^{13/} Given the political pressures on the Labour Government, substantial defense cuts were inevitable if the public was also to be asked to accept heavy cuts in social welfare expenditures and steep tax increases.

^{12/} From London, Telegrams 4161, November 23, 1967 (UNCLASSIFIED) and 4296, November 28, 1967 (UNCLASSIFIED)

^{13/} Healey Letter to McNamara; Telegram 5068 from London, December 28, 1967 (CONFIDENTIAL).

In January 1968, Foreign Secretary George Brown came to Washington, not to consult but to inform us that the British intended to withdraw all British forces from the Far East (except Hong Kong) by March 31, 1971, and that they would retain no specific military capability at all in that area after withdrawal as originally envisaged in July 1967. Also, they intended to withdraw all of their forces from the Persian Gulf by the same time, although they had previously intended to maintain and perhaps increase their forces in that area indefinitely. The sole UK forces available for redeployment to those areas or elsewhere outside Europe after 1971 would be limited to those stationed in the UK or in Europe. Brown explained that these steps were considered essential to help achieve £1 billion in overall budget savings in order to make devaluation work and to restore the strength of sterling. He also alerted us to the likelihood of the cancellation of the F-111 order which effectively would eliminate a long-range strike capability.^{14/}

^{14/} Memorandum for the President, "British Withdrawal from the Far East and Persian Gulf," January 11, 1968, (SECRET).

Secretary Rusk expressed to George Brown our deep dismay over these pending actions. He characterized them as tantamount to British withdrawal from world affairs and as certain to have profound repercussions on the future of the free world, on US public opinion, and on our political will to maintain our own presence. He said the US would not and could not fill the vacuum left by the British, and he urged that the British Government and people consider most carefully the alternatives to the disastrous path of action on which they seem to be setting their feet.^{15/} President Johnson again wrote to Wilson, echoing these themes; but these representations, like those in 1967, were to no avail. The new decisions were announced on January 18, 1968, and for all practical purposes they told the world that the British had finally, albeit with mixed feelings, reversed their historical global role.

^{15/} Ibid. ; Memorandum of Conversation, Secretary Rusk and Foreign Secretary Brown, January 11, 1968 (SECRET/EXDIS).

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2. Germany

a. The US Stake

The Foreign Policy objectives in Europe of the United States and of the Federal Republic of Germany have been closely interrelated since the Federal Republic was formed in 1949. Both countries believe that peace and security in Europe are vital to their national interests and that the threat of Soviet expansion must be met by concerted action. Furthermore, the United States has supported German desires for reunification, not only to fulfill the desires of the German people, but also as an important element in securing future peace and stability in Europe. This close identification of interests, together with the continuing responsibilities of the United States in regard to Berlin and Germany as a whole, has caused the United States to become involved in many aspects of FRG foreign policy to a degree not normal in relations between two countries.

During the period of transition from the Kennedy to the Johnson Administration, Germany was also going through a

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change of governments. While the general orientation of German foreign policy vis-a-vis the United States continued, there developed on the part of German leaders a growing spirit of independence in the field of foreign affairs. In particular, the Grand Coalition Government formed between the Christian Democratic and Social Democratic parties in December 1966 showed an increasing willingness to take more initiatives in formulating policy.

During the Johnson Administration, personal meetings between President Johnson and Chancellors Erhard and Kiesinger played a major role. Erhard visited Washington several times and established an intimate working relationship with the President. Kiesinger met with President Johnson less frequently but continued the practice of direct contacts, meeting with the President twice, once in Bonn and once in Washington.^{1/}

^{1/} Joint Communiques of these meetings were dated December 29, 1963, June 12, 1964, June 4 and December 21, 1965, September 27, 1966 and August 16, 1967.

Major issues in US-Federal Republic relations during the Administration included German reunification, Berlin, military arrangements, European security, and disarmament. In addition, balance-of-payments problems were a major factor in our relations.

b. The Issue of German Reunification

The Federal Republic pressed hard during the spring of 1964 for the adoption of a German plan of reunification to be put forth by the Three Western Allies to the USSR.^{2/} The Three Western Allies considered that the presentation of such a plan to the Soviets at that time would not meet with a useful response. The United States therefore submitted a draft of a Four-Power Declaration on Germany reaffirming the need for a solution of the German problem based on the right of self-determination in both parts of Germany.^{3/} Subsequently, such a declaration was issued by the Three Western

^{2/} German Draft Initiative, presented by FRG Ambassador Knappstein to the Washington Ambassadorial Group, January 15, 1964.

^{3/} US Draft of Tripartite Declaration informally circulated in the Washington Ambassadorial Group, June 1964.

Allies, as a response to the signing by the Soviet Union of a Treaty of Friendship with the East German regime on June 12, 1964; and arrangement was made for the delivery of copies of the Declaration in the capitals of most countries of the world.^{4/}

During the remainder of the Erhard period the US (and the German) objective of peaceful reunification of Germany on the basis of self determination was frequently the subject of statements and communique, especially in connection with the customary Quadripartite gatherings (US-FRG-France-UK) held during the semi-annual NATO Ministerial Meetings.^{5/} On May 12, 1965, the Three Powers issued a formal Declaration on Germany pledging further efforts to negotiate a settlement of the German problem with the Soviets.

While there was in this period no real movement on the reunification issue, there was a beginning of a Federal German

^{4/} Tripartite Declaration on Berlin and Germany, June 26, 1964

^{5/} Joint Communiqués of these meetings were dated December 29, 1963, June 12, 1964, June 4 and December 21, 1965, September 27, 1966, and August 16, 1967.

policy of rapprochement with Eastern Europe, which we sought to encourage. Beginning in 1963 the then Foreign Minister, Gerhard Schroeder, without violating the so-called Hallstein Doctrine, had promoted and succeeded in arranging agreements for the exchange of trade missions with Poland, Romania, Hungary and Bulgaria; under them German trade missions were soon set up in those Eastern European countries. Although falling short of diplomatic relations, they proved a useful vehicle for FRG relations with the East.

Nonetheless, President Johnson's bridge-building speech of October 7, 1966, urging the "building of bridges" toward Eastern Europe, aroused German concern, despite its being in accord, in its purpose, with the new Eastern approaches launched by the Erhard Government.^{6/} Although the President's speech put great emphasis on German reunification, the Germans were reluctant to accept the statement that progress on reunification and progress in the fields of security and

^{6/} Speech by President Johnson to National Conference of Editorial Writers, New York, October 7, 1966.

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disarmament were irrevocably linked, and that reunification could only occur at the end of a long road of detente measures.

Within a few months, however, the new Kiesinger Government adopted policies remarkably consistent with those set forth in the President's speech. Acknowledging that the road to German unification and a European peace order lay through greater East-West understanding, the Federal Republic proceeded to seek improved relations with the Soviet Union and its Warsaw Pact allies.

For its part the Soviet Union continued its propaganda pressure against Germany by sending a series of communications to the Federal Republic, attacking alleged West German support for neo-Nazism. These accusations were tied to the activities of the rightist National Democratic Party (NPD) which, beginning in November 1966, proceeded to win sufficient votes in German state elections to permit representation in seven state legislatures. The three Western Allies were recipients of Soviet communications on the same score -- an aide memoire from the Soviet Union of December 8, 1967, to the Three Powers

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and a letter of March 13, 1968 to the three Western Ambassadors from the Soviet Ambassador, Abrasimov, in East Berlin. In the first instance, the United States rejected the Soviet accusations against the FRG in a note to the Soviet Government of December 29, 1967. The British and French sent similar notes. A joint reply was sent to Abrasimov.^{7/}

Meanwhile the Kiesinger government adopted a new policy regarding the Hallstein Doctrine which would permit diplomatic relations between the Federal Republic and the countries of Eastern Europe, even though the latter had concurrent relations with the East German regime. As a consequence, an agreement was reached for full diplomatic relations with Romania on February 1, 1967, and agreement was reached on restoration of relations with Yugoslavia on February 1, 1968. An agreement was also reached on August 3, 1967, for the opening of a Trade Mission in Czechoslovakia. Earlier hopes for full diplomatic

^{7/} Allied reply to Soviet Ambassador Abrasimov, April 18, 1968.

relations with Hungary, Bulgaria and Czechoslovakia could not be realized owing to East German and Soviet pressures on those countries.

At various times competing political groups in Germany suggested that the United States was concerned over the Kiesinger policy towards the East. In fact, we believed that, while the problems of Berlin should be kept in mind, the German policy was a good policy, complementary in many ways to our own. As occasion arose, we sought to assure high German officials of our true attitude toward the German efforts for better relations with the East. An example was Secretary Rusk's letter to Foreign Minister Brandt of December 23, 1967, encouraging Brandt to continue to pursue a policy of detente with the East.^{8/}

c. Berlin

The summer of 1963, following the Soviet-US confrontation during the Cuban crisis, was generally considered

^{8/} To Bonn, Telegram 89181, December 23, 1967

to be the end of the Berlin crisis period which had begun with the Khrushchev ultimatum of November 1958. This view prevailed despite the fact that a final sputter and confrontation occurred between the Soviets and Allied convoys on the Berlin Autobahn just before the assassination of President Kennedy. The major preoccupations, therefore, during 1963 and 1964 were broader German and European problems. The problem of Berlin arose briefly again in the spring of 1965 when for the first time since 1958 the Federal Republic decided to hold a session of the Bundestag in the city. The Allied Embassies in Bonn had agreed tripartitely that the Allies should interpose no objection to holding the session in Berlin if publicity were kept to a minimum, if the sessions were short and routine, and if no further plenary session were held in ^{9/}Berlin that year. ^{10/}The Department approved this decision. The Soviet Union reacted to the meeting with annoying

9/ From Bonn, Telegram 3125, February 24, 1965
~~(CONFIDENTIAL)~~.

10/ To Bonn, Telegram 2442, February 24, 1965
~~(CONFIDENTIAL)~~

harassment measures, consisting largely of sonic booming over West Berlin by Soviet aircraft. The United States, together with Britain and France, registered protests with the Soviets at appropriate levels.

A four-year period of relative quiet in Berlin ended on January 6, 1968, with a Soviet aide memoire to the Federal Republic, alleging Federal Republic interference in Berlin. The Soviets then addressed similar messages to the Three Western Powers.^{11/} In March and April, respectively, the East Germans issued ordinances forbidding surface travel between the Federal Republic and Berlin, at first for members of the rightist National Democratic Party and then for high officials of the German Government. More seriously, these measures were followed by announcement by the East German regime on June 11 that henceforth German travelers to and from Berlin would require passport documents and transit visas. Concurrently, the East Germans announced new fees

^{11/} From Berlin, Telegram 951, February 15, 1968
(LIMITED OFFICIAL USE).

and restrictions on civilian surface transportation.

The Federal Republic responded by indicating its willingness to recompense travelers for the cost of these new measures. The German Government also sent a representative to Washington to discuss what further measures could be taken. It was the German view, however, that no really effective countermeasures could be adopted, and the United States deferred to this view.^{12/} However, Secretary Rusk visited Bonn and met with Chancellor Kiesinger on June 26 as a gesture of solidarity with the Federal Republic and the people of Berlin.

On July 3, 1968, the Three Western Powers addressed a letter to the Soviet Union, protesting against these new East German measures. In its reply, on July 26, the Soviets maintained the right of the East Germans to adopt such measures and emphasized that civilian access to Berlin had

^{12/} Boeker-Katzenbach Memorandum of Conversation, Department of State, June 20, 1968 ~~(SECRET)~~.

not been interfered with. The Soviet reply attributed any difficulties resulting from the new arrangements to efforts of the Federal Republic to intervene illegally in Berlin's affairs. ^{13/}

In concert with the Federal Republic, the three Western Allies have undertaken a series of studies on Berlin. The US and the FRG took the lead within the Bonn Group (representatives of the US, British, and French Embassies and of the FRG Foreign Office) on drawing up possible countermeasures against the East German moves. Secretary Rusk's discussion with Foreign Minister Brandt in Reykjavik added several more studies to the list of matters under consideration in Bonn and in the tripartite capitals. ^{14/} The Department then listed the complete studies to be undertaken by the Bonn Group and those to be carried out by the United States unilaterally. ^{15/}

^{13/} From Moscow, Telegram 4828, July 26, 1968
(LIMITED OFFICIAL USE).

^{14/} From Reykjavik, Telegram SECTO 8, June 24, 1968
~~(CONFIDENTIAL)~~.

^{15/} To Bonn, Telegram 193970, June 29, 1968
~~(CONFIDENTIAL)~~.

These studies, still underway in the last months of 1968, included alternative proposals for dealing with Berlin access, measures to maintain the economic viability of the city and the morale of its population, and a clearer definition of the role of the Federal Republic in Berlin.

d. Defense

A major defense issue involving the United States and the Federal Republic early in the Johnson years was the question of the proposed Multilateral Nuclear Force (MLF). The proposal had been conceived during the Kennedy Administration as a method of giving our NATO allies, particularly the Germans, a sense of participation in their own nuclear defense without giving them control of nuclear weapons. It foresaw creation of a force of nuclear-armed ships controlled and manned multilaterally. (See above.)

The Erhard Government supported the idea of MLF from the beginning. The Soviets, however, professed to see the scheme as a means of putting nuclear weapons into the hands of the Federal Republic; and Moscow used this viewpoint to block

progress on other matters, such as the Non-Proliferation Treaty.

By the end of 1965, largely because of the opposition of the British, it was apparent that the MLF would not come into being. This caused considerable unhappiness within the German Government, where there was a feeling that the United States, having persuaded the Germans to support MLF, had in abandoning the project "let them down."

Another major subject for discussion during Chancellor Erhard's December 1965 visit to the United States was the question of Allied participation in the nuclear planning and decision-making process.^{16/} The problem was finally resolved, although not to the complete satisfaction of the Germans, through establishment, at the initiative of Secretary of Defense McNamara, of the NATO-wide consultative process within the Nuclear Planning Group, which was created in December 1966. (See above.)

^{16/} President Johnson-Chancellor Erhard Memorandum of Conversation, Washington, December 20, 1965, ~~(SECRET)~~, and Memorandum handed by Chancellor Erhard to President Johnson on same date ~~(SECRET)~~.

Another multilateral defense problem was created by the decision of the French Government in July 1966 to withdraw its forces from integration in NATO. This French decision had a direct bearing on common US-FRG interests. On the one hand, a relocation of American forces previously stationed in France had to be undertaken -- involving the transfer into the Federal Republic of a number of headquarters and units, including the Headquarters of the Commander in Chief, US Forces in Europe. In the event, thanks to the close cooperation of the Federal Republic, there were no real problems with Germany in working out the arrangements for this major redeployment.

On the other hand, there was also the question of the status of French forces remaining in Germany. While the French forces, like the British and American, had originally been stationed in Germany as part of the postwar occupation, after 1954 they were there to fulfill obligations under the North Atlantic Treaty. For the US part, we were concerned over the implications of the withdrawal of the French forces

for the defense of the Central Region. Although Chancellor Erhard was not known as a Gaullist and was often criticized for lack of support of German-French relations, the Erhard government was hesitant to press the French on the status of French forces. Agreement was worked out, and was confirmed by General de Gaulle during his August 1966 visit to Bonn, that French forces would remain in Germany as long as they were desired by the German Government, but without a direct linkage to NATO forces.

In July 1967 the Federal Republic announced a new five-year financial plan which would project anticipated federal expenditures in various categories for that period. In connection with this announcement, the German Minister of Defense "leaked" to the press that because of reductions in projections for the Defense budget, German forces would have to be cut by about 60,000 men. While this was immediately denied, the statement was of considerable concern to the US Government, since a reduction in German forces could have

had serious implications on the continued presence of our own forces in Germany committed to NATO. This subject was to be an important matter for discussion between the Chancellor and the President during Mr. Kiesinger's first visit to Washington in August 1967.

The meeting between the Chancellor and the President was highly successful and resulted in the establishment of cordial personal relations between the two leaders. Kiesinger assured the President that there would be no appreciable reduction of German forces.^{17/} (Actually, none at all took place.) He made clear that the "more independent" policy of the new German Government did not mean any diminution in the close relations between our two countries.

e. Balance of Payments

One further issue continued to trouble German-American relations throughout this period. This was the matter of the

^{17/} President Johnson-Chancellor Kiesinger Memorandum of Conversation, Washington, August 15, 1967.

continued "offsetting" by the Federal Republic of Germany of the balance of payments cost of maintaining US forces in Germany. The original understanding reached in October 1961, known as the Strauss-Gilpatrick Agreement, operated well during the period of the build-up of the German Armed Forces. By the summer of 1964, however, it was apparent that the Federal Republic would have difficulty in making purchases and payments in the magnitude required to meet the goals of the new two-year agreement, agreed to between Secretary McNamara and German Minister of Defense von Hassel in May 1964.^{18/} It was again agreed between the President and the Chancellor during the latter's visit to Washington in June 1964 that the Federal Republic would continue to exert every effort to neutralize fully the balance of payments costs of American forces in Germany.

^{18/} Memorandum of Understanding (the so-called McNamara-von Hassel Agreement), Washington, May 11, 1964 ~~(CONFIDENTIAL)~~.

German problems with the Offset Agreement came to a head during Chancellor Erhard's visit to Washington on September 26-27, 1966. The Chancellor explained to the President that, owing to budgetary difficulties and an economic recession in Germany, it would not be possible for his government to fulfill the offset agreement on schedule. He therefore asked for some leeway in meeting the financial obligations involved.^{19/} Concurrently, the Federal Government was facing the same problem with the British Government Army on the Rhine. The United States did not make more than minor concessions on the US-FRG agreement itself -- not enough to save Erhard from the severe financial crisis which contributed to the downfall of his government later in the year -- but the President and the Chancellor did agree that both the question of neutralizing the balance of payments costs of troops and the broad range of associated military

^{19/} Memorandum of Conversation, President Johnson-Chancellor Erhard, Washington, September 26, 1966.

problems would be discussed "trilaterally" among the United States, the British and the Federal Republic. These talks, which were pursued throughout the winter of 1966-1967, eventually resulted in a "Trilateral Agreement," establishing new financial arrangements providing for the redeployment of approximately 34,000 United States troops and some British forces from Germany.^{20/} These forces continued to be designated for the defense of Europe, however, and were to be rotated back to Germany periodically. Meanwhile, the Federal Republic adopted special measures aimed at satisfying the existing US-German offset agreement, the payments portion of which expired June 30, 1967.

During May and June 1968 a new agreement was reached for Fiscal Year 1969 covering the neutralization of the cost of American troops in Germany.^{21/} It was also agreed that talks

^{20/} United States Government Statement on Conclusion of Tripartite Talks, Washington, May 2, 1967.

^{21/} From Bonn, Telegram 13168, containing text of agreed minute on cost neutralization agreements, June 12, 1968 (~~CONFIDENTIAL~~).

would take place later in the year aimed at seeking a longer term solution to this question.

The early days of 1968 were a period of preoccupation with the President's balance of payments proposals. A visit to Bonn of Under Secretary Katzenbach was an important step in the consultative process. The Germans were generally sympathetic to our problem and offered to cooperate.^{22/} They were, however, concerned over the possibility of the institution of restrictive trade measures by the United States and hoped that other approaches could be adopted. The very helpful role played by the German Government and the German Central Bank in the adoption of the Special Drawing Rights proposal in Stockholm and the new policy on gold agreed to in Washington in the spring provided ample evidence of German awareness of the critical nature of this problem and of a continuing German desire to maintain the most cordial relationship with the

^{22/} Letter of Chancellor Kiesinger to President Johnson, March 17, 1968.

United States. The Federal Republic also was instrumental in arranging for assistance to the British and their payments problems.

f. Disarmament

In February 1964 the Federal Republic ratified the Limited Nuclear Test Ban Treaty. This brought to an end a period of controversy and friction between Germany and ourselves, not over the substance of the Treaty but over its accession articles. The FRG had originally been surprised at the rapidity with which this agreement had been conceived the previous summer. For the first time the Germans found themselves pledged to sign an international treaty which was to be also signed, in Moscow, by Ulbricht's East German regime (the "German Democratic Republic").

Problems of this kind were not, however, to disappear with the German ratification of the Test Ban Treaty. Throughout the Johnson Administration the problem of how to cope with East German adherence to broad international treaties, such

as the Outer Space Treaty, Astronaut Agreement, and the Non-Proliferation Treaty, without a resulting enhancement in the international status of the Ulbricht regime, was a constant focus of concern in US-German relations. With FRG concurrence, however, the United States worked out guidelines for dealing with East Germany in the Non-Proliferation Treaty context, which it was hoped would establish the pattern for similar ^{23/} international agreements in the future.

During the lengthy deliberations related to the proposed Multilateral Force, the United States and the United Kingdom had supported the inclusion in the MLF agreement of an undertaking, whereby nuclear members would agree not to disseminate nuclear weapons, and non-nuclear members would undertake not to acquire or obtain control over them. From the outset, the Federal Republic was dubious about combining MLF with a non-proliferation obligation. Chancellor Erhard expressed fears

^{23/} Department of State Circular Airgram CA-3291, containing Legal Advisor's Memorandum GDR Recognition and the NPT, November 1, 1967 ~~(SECRET)~~.

that the non-proliferation agreement would hamper the future establishment of a purely European nuclear force as a part of the process of European integration.^{24/} Moreover, the Erhard Government took the position that, in view of the strong Soviet interest in keeping Germany denuclearized, the West should attempt to extract from the Soviet Union concessions on the German reunification question as a part of any non-proliferation negotiations.^{25/}

This was the situation up to the time when the Kiesinger Government was formed, late in 1966. At about that time, negotiations on a nuclear non-proliferation treaty, which had been stalled for some time, suddenly gained momentum when the Soviets acquiesced in a new formulation for the key articles of the Treaty. The Germans, always sensitive on this issue, raised the question whether the United States was

^{24/} Letter of Chancellor Erhard to President Johnson, February 26, 1966.

^{25/} Letter of FRG Foreign Minister Schroeder to Secretary Rusk, July 27, 1965.

reaching agreements bilaterally with the Soviets on issues of vital interest to Germany without adequate advance consultation with the Federal Republic.^{26/} Over the weeks and months to come, the Germans were to raise a wide range of basic questions about the Treaty. These concerned the potential impact of the latter upon existing Western security arrangements and the European integration process;^{27/} the "European option," i.e., whether the Treaty would prevent a federated European state from developing an independent nuclear defense capacity;^{27/} possible adverse effects that the application of safeguards under the Treaty might have upon the integrity of EURATOM;^{28/} the Treaty's impact on peaceful uses of atomic

^{26/} From Bonn, Telegram 10009 reporting Kiesinger's speech, February 27, 1967 ~~(CONFIDENTIAL)~~.

^{27/} Memorandum of Conversation, ACDA Director William C. Foster-FRG Ambassador Knappstein, Washington, January 13, 1967 ~~(SECRET/EXDIS)~~.

^{28/} Memorandum of Conversation, Deputy Assistant Secretary of State Stoessel-FRG Ambassador Knappstein, Washington, February 7, 1967 ~~(SECRET/LIMDIS)~~.

energy and the dangers of industrial espionage;^{29/} nuclear
blackmail;^{29/} and the duration of the Treaty.^{30/}

Through patient, time-consuming consultations, the United States was able successfully to satisfy the German concern over the need for mutual consideration of treaty language. Gradually we were also able to dispel German doubts as to whether legitimate German interests were being taken into account during our Non-Proliferation Treaty negotiations with the Soviets and others. As it emerged in final form in June 1968, the Treaty incorporated numerous textual changes sought by the Federal Republic and designed to meet German security needs. German signature, which was expected to be forthcoming in time, was nevertheless still being held in abeyance in the latter part of 1968 pending a thorough reappraisal of the implications of the Soviet intervention in Czechoslovakia.

^{29/} Memorandum of Conversation, Secretary Rusk-Foreign Minister Brandt, Washington, February 8, 1967 ~~(SECRET)~~.

^{30/} Department of State Telegram 3188 to Paris NATO, Bonn, Geneva, May 9, 1967 ~~(SECRET/EXDIS)~~.

g. Emergency Legislation

Under the 1954 Convention on Relations with the Federal Republic, the Three Western Powers temporarily retained special powers, relating to the protection of their armed forces stationed in Germany, until German authorities gained similar powers under German law that would enable them to protect the security of Allied forces. After more than ten years of parliamentary consideration, a series of laws were enacted in June 1968 giving the Federal Government far-reaching powers to deal with internal and external emergencies. After careful scrutiny of the proposed laws at every stage of the legislative process to ensure their adequacy, the United States, the United Kingdom, and France informed the Federal Republic on May 27, 1968, that the rights hitherto retained by the Powers would lapse when the emergency laws went into effect.^{31/} US rights with regard to Berlin, and Allied responsibilities for Germany as a whole, were not affected by this action.

^{31/} From Bonn, Telegrams 12527 and 12528, May 24, 1968 (CONFIDENTIAL).

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5. Canadaa. US Objectives

In its relations with Canada during the Johnson Administration as before, the United States sought active co-operation in the air defense of the North American continent, fair treatment of the extensive private American investment in Canada, expansion of the already prosperous trade between the United States and Canada, and active cooperation with regard to problems of common interest elsewhere in the world. Progress in the achievement of these objectives, together with penetrating but highly confidential comments on internal developments in Canada, can be found in the annual reviews prepared each year by Ambassador Butterworth in Ottawa. ^{1/}

b. Joint Defense

In the late 1950's, the two countries had entered into a Defense Production and Development Sharing Program, the

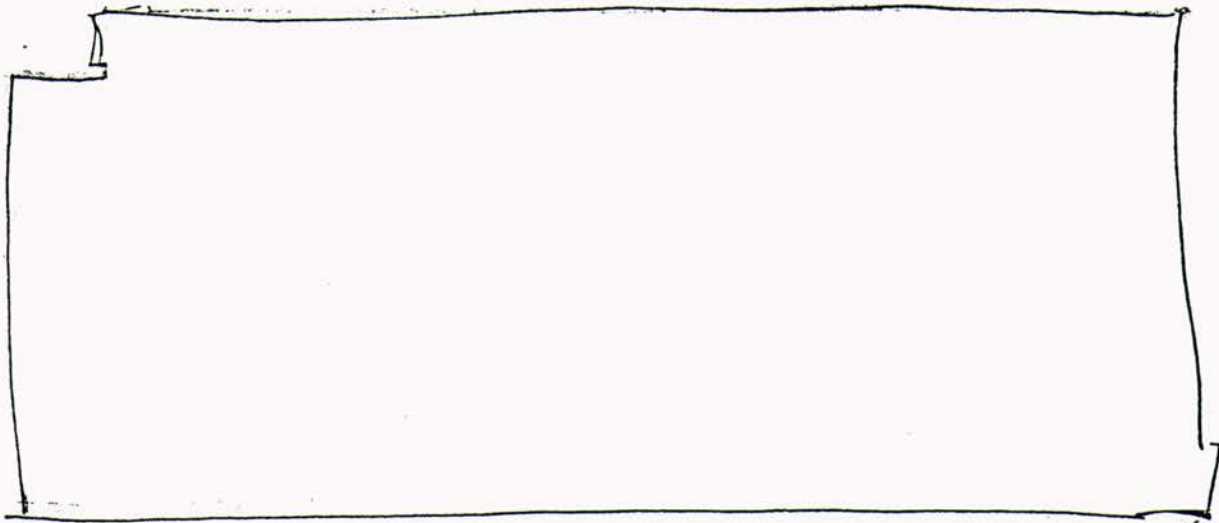
^{1/} Embassy Ottawa's Airgrams A-581, January 3, 1964 (Secret); A-493, January 6, 1965 (Confidential); A-638, January 6, 1966 (Confidential); A-667 January 6, 1967 (Confidential); A-772, January 2, 1968 (Confidential).

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declared purpose of which was to promote the more effective coordination of economic resources for their common defense. During the early years of the program, Canada purchased more from the United States than it sold, a circumstance which occasioned some discontent in Canada. Largely because of United States purchases related to the war in Viet-Nam, however, by 1968 the balance had shifted the other way. The program was continuing to function as the period under review came to a close and, in addition to its military significance, it contributed to the general trend of greater integration of the two economies.



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The year 1968 was the scheduled expiration of a ten-year-old agreement between the two countries for the establishment of the combined North American Air Defense Command (NORAD). With the approach of the expiry date, the two governments entered into negotiations for its renewal.

Public controversy in Canada over the reality of the Soviet manned bomber threat, the distaste of the Pearson Government for involvement with nuclear weaponry, and Canadian reluctance to be too closely associated with the United States combined to raise serious question whether the Government of Canada would be willing to continue the NORAD arrangement. In an effort to confine the negotiations as much as possible to the practical and technical problems involved, the United States deliberately chose the forum of

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the Permanent Joint Board on Defense (US-Canada) for the preliminary discussions regarding a renewal. When the moment was deemed propitious, a draft renewal agreement was then proposed to the Canadian Government through the normal diplomatic channels.^{3/}

Agreement was, thus, reached without great difficulty for a renewal for a period of five years, although the Canadian Government was careful to stipulate that the new agreement carried with it no commitment for participation in an active anti-ballistic missile system.^{4/}

c. Trade

During the Kennedy Round, Canada made concessions which covered about \$1.4 billion worth of imports from the United

^{3/} For the text of the draft proposal and a rationale of the United States position, see the Department of State's Airgram A-25 to Ottawa, August 19, 1967 (Secret).

^{4/} For the text of the exchange of notes see the Department of State's Press Release No. 61, March 30, 1968, (Department's Note of March 30, 1968, to the Canadian Ambassador in Washington, and the Ambassador's reply of the same date, both Unclassified).

States based on 1966 imports or almost 60% of dutiable imports from the United States. Major reductions affected machinery, chemicals and electrical apparatus, and duty-free treatment of other items was extended considerably. The long-range effect will be to give major impetus to the expansion of trade between Canada and the United States, already greater than trade between any other trading partners in the world.

In early 1965, the two governments entered into the US-Canada Automotive Agreement, a unique arrangement designed to encourage the development of the automotive industry in both countries on a continental basis by liberalizing trade in automotive products and permitting both greater specialization and longer production runs. By the end of 1967, automotive trade between the United States and Canada had quadrupled from \$730 million in 1964 to over \$3.5 billion. (See "h" below.)

Exports of Canadian petroleum to the United States were the subject of frequent consultation between the two governments during the period under review. Presidential Proclamation 3279 of March 10, 1959, as amended, had established the

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Mandatory Oil Import Program, which is the basis of the United States-Canadian relationship in oil. Under the Program, special treatment is accorded Canada in the form of an "overland exemption." The exemption strongly encouraged discovery and development of Canada's oil reserves by providing free Canadian access to the protected US market. Imports of Canadian crude soared, and the United States persuaded the Government of Canada voluntarily to limit sales of Canadian crude to an agreed share of the United States market and its growth. At issue, as the Johnson Administration drew to a close, was the serious question as to whether the Canadian Government would be willing and able to accept the responsibility of administering the necessary restraints on Canadian exports to the United States. Imposition of direct controls by the United States loomed as a genuine possibility. (See "i" below.)

d. Investment

Throughout the period under review, Canada remained heavily dependent upon the continued flow of substantial United States private investment, and conditions in Canada

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were such as to encourage the flow. At the same time, concern was increasingly voiced in Canada that the high degree of American ownership of Canadian industry and resources would lead to an erosion of Canadian sovereignty and independence. Concern along these lines was crystallized in a report prepared by a group of Canadian academicians under the aegis of Walter Gordon, President of the Privy Council and formerly Finance Minister under Prime Minister Pearson. The report, which was made public in late 1967, contained a number of recommendations designed to ensure continued Canadian policy control over the Canadian economy. The report, however, was widely criticized in Canada and, as the period under review drew to a close, it had not been adopted as Canadian Government policy.

As the study referred to above pointed out, there was widespread and vigorous objection in Canada to efforts by the United States to require compliance by United States subsidiary firms in Canada with United States laws, regulations, and policies designed to curb trade with Cuba and

Communist China. Ambassador Butterworth had repeatedly recommended a change in United States policy and regulations in order to remove this major irritant in US-Canadian relations and to forestall more drastic unilateral action by Canada to counteract United States controls. The matter was considered at an inter-agency meeting in 1968, but strong objectives were encountered from other agencies, notably the Departments of Treasury and Commerce. As the Johnson Administration drew to a close, the issue remained unresolved, although the United States remained ready to examine, on an ad hoc basis, exemptions from the regulations as specific cases arose. The Canadian Government's objections in principle, thus, were not met, but both governments managed to cooperate to keep the problem from becoming the subject of greater public controversy than necessary.

Canada continued to be confronted with the dilemma of need for massive in-flows of American capital for development and, on the other hand, of a desire to maintain a near-US standard of living. The Canadian Government sought, therefore, to maintain conditions which would encourage the flow

of capital. At the same time, policy statements by the Prime Minister and others singled out the fields of communications, banking, and transportation as sectors of the economy regarded as particularly sensitive, in which it would be the policy of the Canadian Government to discourage or prevent the entry of foreign influence.

Considerable public and Parliamentary attention was devoted in 1966 and 1967 to the controversy which arose following the purchase of a Dutch bank in Canada by the First National City Bank of New York. Subsequent to the purchase, the Canadian Government imposed statutory limitations upon the bank's expansion, although the Canadian Government asserted that the bank had been warned ahead of time of the possibility of such restrictions. In the view of the United States Government the Canadian action was retroactively discriminatory, and it was the subject of formal objection by the United States.^{5/} Legislation

^{5/} Department of State's Note to Canadian Embassy, November 11, 1966.

similarly discriminatory against two American publishing firms long established in Canada was under consideration as the period under review drew to a close, although the United States had formally set out its concern to the Government of Canada. ^{6/}

e. Balance of Payments

In the development of President Johnson's balance of payments program, first announced on January 1, 1968, the United States Government went to extraordinary lengths to consult the Canadian Government and to avoid harm to Canadian interests. In order to brief him in advance of the President's announcement, senior officials of the Departments of State and Commerce flew to Palm Beach on the morning of December 31, 1967, and met with Prime Minister Pearson, who was vacationing at Hobe Sound. At the Prime Minister's request, they flew that afternoon to Ottawa, where they met with Finance Minister Sharp, the Governor of the Bank of Canada, and other senior

^{6/} Department of State's Note to Canadian Embassy, November 22, 1967.

Canadian Government officials. The Canadian Government was the only foreign government so consulted and briefed prior to the President's announcement. Later, in the spring of 1968, the United States Government, in clear recognition of the unique intimacy of the Canadian and American economies, totally exempted Canada from the direct investment portions of the balance of payments program. The Canadian Government, in return, undertook to invest holdings of United States dollars in United States Government securities and to ensure that the exemption would not result in Canada being used as a "pass-through."^{7/}

f. Canada's Role in World Affairs

Throughout the period of the Johnson Administration, there was continual public and official questioning in Canada of the nature and mission of Canada's armed forces and their

^{7/} For text of understanding see exchange of letters between Secretary of the Treasury Fowler and Finance Minister Sharp as set forth in Treasury Department Press Release F-1186, March 7, 1968.

relation to the Canadian role in world affairs. Canada had earlier concluded it could not and should not attempt to play the role of a major power. Nevertheless, it contributed forces to NATO and to NORAD and also participated actively in every UN peacekeeping operation. Controversy over the mission of Canadian forces, budgetary pressures, rising costs, and growing obsolescence of equipment led to a drastic reorganization of the Canadian defense establishment in the closing years of the Pearson administration and to a unification of the three traditional armed services. With the advent of the Trudeau administration in the summer of 1968, the Canadian Government launched a further searching re-examination of its defense and foreign policies.

Canada played a role distinct from that of the United States in Southeast Asia by virtue of membership on the International Supervisory and Control Commissions in Laos, Cambodia, and Viet-Nam. Concern over the growing seriousness of the war in Viet-Nam, added to doubts as to the wisdom of US policy and reluctance to be associated directly with US

policy in Southeast Asia, led to occasional public statements by Canadian political leaders critical of US policy and strategy, engendering occasional expressions of concern from the United States Government at the lack of balance. Examples were a personal message from Secretary Rusk to the Canadian Secretary of State for External Affairs Martin in October 1966,^{8/} occasioned by public remarks by Mr. Martin in Boston, and instructions from the Secretary of State to the United States Embassy in Ottawa in May 1968 as a consequence of reports of public remarks in Edmonton by the new Prime Minister, Pierre Elliott Trudeau.^{9/}

g. Mechanics of US-Canadian Relations

President Johnson made three brief, informal visits to Canada and conferred each time with Prime Minister Pearson. The occasion for the first visit was a ceremony which took

^{8/} Department of State Telegram 71446, October 22, 1966 (Confidential/EXDIS).

^{9/} Ottawa's Telegram 1669, May 14, 1968 (Confidential).

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place at the Peace Arch at Vancouver on September 16, 1964. The second occurred when both leaders visited the Roosevelt-Campobello International Park in New Brunswick on August 20, 1966. The third took place on May 25, 1967, when the President spent a day in Canada on the occasion of the United States National Day at EXPO 67 in Montreal. The informality of the contact between the two leaders continued the tradition of easy, frank exchanges of close and friendly neighbors.

Nevertheless, both governments felt the need for improving the mechanism for conducting their bilateral relations. President Johnson and Prime Minister Pearson therefore appointed a two-man commission to draw up appropriate recommendations. The members of the commission, Livingston Merchant, twice formerly United States Ambassador in Ottawa, and Arnold Heeney, twice formerly Canadian Ambassador in Washington, submitted their report in 1965. Entitled "Principles for Partnership," it was a searching and balanced examination of the relations between two nations of disparate size and differing world responsibilities and made a number of specific recommendations for improvement of the mechanisms

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for the conduct of bilateral affairs.^{10/} A direct out-growth of their report was the establishment in 1966 of a new Office of Canadian Affairs in the Department of State.

h. The US-Canadian Automotive Products Agreement

On November 1, 1963, the Canadian Government extended to imports of motor vehicles and parts a duty rebate plan which had been put into effect on November 1, 1962, only for automobile transmissions and engines. Canadian manufacturers were able, under the plan, to earn duty rebates on imported parts and vehicles by increasing their exports from Canada. The rebate plan, which was intended to stimulate growth of the relatively small and inefficient Canadian automotive industry, appeared to be an indirect subsidy to Canadian exports and thus subject to the United States countervailing duty statute (Section 303 of the Tariff Act of 1930).^{11/}

^{10/} For the text of their report, see Department of State Bulletin, August 2, 1965.

^{11/} For a description of the plan, the Canadian justification for it, and the nature of the North American automotive industry in 1963-64, see Report on the Canadian Automotive Tariff Remission Scheme by the Interdepartmental Committee appointed to consult with Industry, April 30, 1964.

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Prior to and immediately after implementation of the rebate plan, Under Secretary of State Ball, our Embassy in Ottawa, and other officials expressed the US concern to Canadian officials regarding the artificial nature of the plan and its probable adverse consequences for US industry. Warnings were also conveyed that the Canadian remission of duties might be considered as tantamount to an export subsidy and thus it might be necessary to impose countervailing duties.^{12/}

In connection with the January 21-22, 1964, visit to Washington of Canadian Prime Minister Pearson, Under Secretary Ball recommended to the President that the Canadians again be informed of the serious problems presented by the duty rebate plan and the possibility of countervailing duties, and that a joint US-Canadian task force be proposed to study the plan and consider possible measures to rationalize North

^{12/} Letter to McGeorge Bundy, Special Assistant to the President, with attached memorandum for the President, from Under Secretary of State Ball, January 7, 1964.

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American automobile production.^{13/} During the visit Under Secretary Ball discussed the matter with External Affairs Minister Paul Martin, but received a non-committal response on the task force suggestion.^{14/}

On the basis of a recommendation by Secretary Rusk, concurred in by Secretary of Commerce Hodges and Secretary of the Treasury Dillon, President Johnson agreed that the US side at the April 29-30, 1964, meeting in Ottawa of the joint cabinet-level US-Canadian Committee on Trade and Economic Affairs should again propose a joint task force to examine the possibility of reducing tariffs in both countries to move toward an essentially free trade regime in automobiles. The Canadians were also informed that the Treasury had received a formal countervailing duty application and that it

^{13/} Ball Memorandum for the President, January 7, 1964 (concurrent in by Under Secretary of Commerce Roosevelt and Under Secretary of Treasury Fowler).

^{14/} Department of State Telegram 704 to Ottawa, February 14, 1964; Memorandum of Conversation between Roger Parlour, Canadian Embassy, and John F. Shaw, Trade Agreements Division, Department of State, January 29, 1964.

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would shortly issue a notice of investigation in the Federal Register.^{15/} The Canadians expressed general willingness to undertake joint exploration of the problem.^{16/}

In order to follow up the Ottawa discussions, on May 15 McGeorge Bundy, Special Assistant to the President, asked the Cabinet Subcommittee on Canada, chaired by Under Secretary Ball, to take responsibility for handling the Canadian auto parts tariff plan and suggested that an interdepartmental working group subordinate to the Committee be formed. The Economic Bureau of State was asked to convene such a

^{15/} Memorandum for the President, April 25, 1964, and Memorandum from the President to the Secretaries of State, Treasury, and Commerce, April 28, 1964; Position Paper on Canadian Automotive Duty Remission Plan for Ottawa meeting of joint cabinet-level committee, April 29-30, 1964 (CEC/D-4); Memorandum to Secretary Rusk from Deputy Assistant Secretary Trezise, April 23, 1964; Memorandum to Under Secretary Ball from Assistant Secretary Griffith Johnson, April 24, 1964; Memorandum of Conversation between George Kidd, Canadian Embassy, and Deputy Assistant Secretary Trezise, April 24, 1964.

^{16/} Record of US-Canadian Committee of Trade and Economic Affairs, Ottawa, April 29-30, 1964.

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group. ^{17/}

On June 12, 1964, the Canadian Embassy delivered a note expressing Canadian interest in early consultations with the United States on the automotive problem. On June 22, the Department replied in a note which welcomed the Canadian request for talks and suggested July 7 and 8. ^{18/} On June 25, the interdepartmental working group recommended to the Cabinet Subcommittee that an effort be made through negotiations with the Government of Canada to achieve substantial free trade between the two countries in motor vehicles and parts. ^{19/}

^{17/} Memorandum to Assistant Secretary Griffith Johnson from George Springsteen, Assistant to Under Secretary Ball, May 20, 1964, with attached Memorandum from McGeorge Bundy to Under Secretary Ball and others, May 15, 1964.

^{18/} Department of State Telegram 1213 to Ottawa, June 12, 1964; Memorandum of Conversation between George Kidd, Canadian Embassy, and Assistant Secretary Griffith Johnson, June 12, 1964; Department of State Note to Canadian Embassy, June 22, 1964.

^{19/} Report to Cabinet Subcommittee on Canada by Interdepartmental Working Group, June 26, 1964.

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The first two rounds of discussions took place in Ottawa on July 7 and August 17, 1964. A preliminary decision was taken at the first meeting to explore alternatives based on tariff reductions to the Canadian duty remission plan. At the second meeting there was general agreement on the desirability of a free trade regime, but the Canadians insisted on explicit provisions to guarantee Canada an increased percentage of the North American market. The meeting ended in an apparent impasse and no further sessions were scheduled. On September 13 Secretary Rusk indicated to External Affairs Minister Martin that time was running short in view of continuing pressures to apply countervailing duties, and on September 16, President Johnson reviewed the matter with Prime Minister Martin during a visit to British Columbia. A third meeting was scheduled for Ottawa on September 24-25. On September 18, in commenting on a September 15 memorandum from Treasury Secretary Dillon, Secretary Rusk recommended that the decision whether to apply countervailing duties should be deferred until the results of the September 24-25 meeting were known. In a memorandum

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to Secretary Dillon, McGeorge Bundy asked that the counter-vailing decision not be taken until early November and should be made in light of discussions with the Canadians. The talks resumed on September 24-25 and resulted in the first real glimpse of what finally emerged as the US-Canada Automotive Products Agreement.^{20/}

Following the September Ottawa meetings, in a joint memorandum to Under Secretary Ball and Secretary of Commerce Hodges, Deputy Assistant Secretary of State Trezise and Deputy Assistant Secretary of Commerce (Trade Policy) Robert McNeill recommended that the United States endeavor to negotiate an agreement with Canada providing for a free trade arrangement for automotive vehicles and parts. On October 7 the Cabinet Subcommittee on Canada approved the

^{20/} From Ottawa, Telegrams 29, July 8, 1964; 253, August 25, 1964; 306, September 4, 1964; 376, September 18, 1964; and 422, September 25, 1964; Department of State Telegrams to Ottawa 277, August 28, 1964, and 354, September 18, 1964; Memorandum to the Secretary from Deputy Assistant Secretary Trezise, September 11, 1964; Memorandum for the President from Secretary Rusk, September 11, 1964; Memoranda of Conversation, Ottawa meetings, August 17, and September 24-25, 1964.

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recommendation and Trezise was asked to represent the Department of State on the interagency group to coordinate and facilitate the negotiations. Further formal meetings during the exploratory phase were held on October 9 and 10, October 29-30, and November 12 and 13.^{21/}

On November 20, 1964, Trezise and McNeill reported to the Cabinet Subcommittee that a basis for negotiations existed and that they expected to produce an agreement. The Subcommittee considered and approved their recommendations on November 23. On December 7 and 8 a draft agreement was formulated on an ad referendum basis at a meeting in Montebello, Canada. The matter was again considered by the Cabinet Subcommittee on December 15, and the outline of the

^{21/} Report to Hodges and Ball by Trezise and McNeill, September 29, 1964; Ottawa Telegrams 453, September 30 and 631, November 13, 1964; Memorandum to Under Secretary Ball from Assistant Secretary Griffith Johnson, October 3, 1964; Memorandum of Conversation for meetings of October 9-10 (Washington), and November 12-13, 1964 (Ottawa); Memorandum to Trezise from Julius Katz, Office of International Trade, November 10, 1964.

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agreement approved. ^{22/}

On January 6, 1965 Under Secretary Ball recommended that the signing of the agreement take place during the President's forthcoming meeting with Prime Minister Pearson. The United States-Canada Automotive Products Agreement was signed at Johnson City, Texas, by President Johnson and Secretary of State Rusk for the United States, and Prime Minister Pearson and External Affairs Minister Martin for Canada on January 16, 1965. ^{23/}

The United States undertook in the Agreement to eliminate duties on Canadian cars, trucks, buses and parts and accessories for assembly; Canada did the same except that in

^{22/} Trezise-McNeill report to Cabinet Subcommittee on Canada, November 20, 1964; Memorandum to Under Secretary Ball from Trezise, November 20, 1964; Ottawa Telegrams 779, December 15 and 787, December 17, 1964; Memorandum to Acting Secretary Ball from Trezise, December 17, 1964; Memorandum of Conversation, Montebello meeting, December 7 and 8, 1964.

^{23/} Memorandum for President from Under Secretary Ball, January 6, 1965; Text of Agreement, Treaties and Other International Acts Series 6093, January 16, 1965, Department of State.

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recognition that costs and prices of cars in Canada would remain higher for a time, only manufacturers meeting certain criteria could import duty-free into Canada.

On March 31, 1965, President Johnson sent to Congress draft legislation to implement the Agreement. Following hearings before the Committees on Foreign Relations and Finance of the Senate and the Committee on Ways and Means of the House of Representatives, at which senior representatives of the Department of State testified, the Congress enacted the Automotive Products Trade Act of 1965 on October 21, 1965.^{24/}

Under the influence of the Agreement, automotive trade with Canada greatly expanded -- from a two-way flow of \$730 million in 1964 to over \$3.5 billion in 1967 and \$4.5 billion in 1968. Manufacturers moved rapidly to integrate their United States and Canadian production facilities.

A joint comprehensive review, required by the Agreement, began at a meeting in Washington on December 13, 1967, with

^{24/} P.L. 89-283, October 21, 1965.

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the US side chaired by Assistant Secretary of State Solomon. Other meetings were subsequently held to review various matters related to the Agreement and a report was made to Congress by the President on September , 1968.^{25/}

i. Canadian Petroleum

Background

Presidential Proclamation 3279 of March 10, 1959, as amended, established the Mandatory Oil Import Program which is the basis of US-Canadian relationship in oil. Under the Program, special treatment is accorded Canada under the "overland exemption." The exemption has strongly encouraged discovery and development of Canada's oil reserves, by providing free Canadian access to the protected US market. However, the overland exemption is not bilaterally agreed and is subject to our revision should Program objectives be endangered. The one threat to the Canadian element of the

^{25/} Memoranda of Conversations of review meetings on December 13, 1967 (Washington) and January 25, 1968 (Ottawa); Special report published as House of Representatives Document 379, September 4, 1968.

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Program, posed ever since the inception of the exemption in 1959 and a subject of discussions between the governments from 1961, was that the level of Canadian exports might be so great as to disrupt US markets or the broader objectives of the Program.

As indicated on the attached list of citations, restraint of Canadian oil export growth was a continuing topic of exchanges between the Canadians and the Departments of State and Interior before and during the Johnson Administration. In the first months of administration, President Johnson delegated to the Secretary of the Interior responsibility for direction of US oil policy. Close working relations between Interior and State on international problems were required and were successful.

In the years from 1961 to 1967, the voluntary restraints exercised by the Canadians consistently proved unequal to the task. Canadian growth in volume exceeded agreed targets. Canadian growth was at a 20 percent rate while total import licenses grew at a rate of slightly over 3 percent. Because

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of the limitation for total licensed imports from all sources, including Canada (12.2 percent of US production of crude oil and natural gas liquids), the rest of the world suppliers had little growth. Unchecked, Canadian growth in 1968 would be 200 percent (80,000 barrels a day) of the expected total increase in licensed imports (30,000 to 40,000 barrels a day). This would necessitate a reduction of licensed imports from countries such as Venezuela, Indonesia, Iran, Saudi Arabia and others.

Negotiations

By memorandum to the President in mid-February 1967, the Acting Secretary of State and the Secretary of the Interior set forth the problem and the intent to seek an agreed restraint program with the Canadians, and, failing this, a change in the Presidential Proclamation overland exemption provisions. ^{26/}

26/ Memorandum from Assistant Secretary Solomon to the Acting Secretary, with attached Memorandum to the President, February 13, 1967 (CONFIDENTIAL).

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President Johnson, in a letter dated August 8, 1967, to President Leoni of Venezuela, set forth a primary policy decision with respect to Canadian oil exports to the United States. He stated that the United States would "... initiate talks with Canada to seek an understanding on its future export growth to the United States whereby (1) the threatened cutback of offshore suppliers markets in the United States would be avoided, and (2) the position of Venezuela and other offshore suppliers would indirectly but steadily improve. President Johnson had made the same points to President Leoni at Punta del Este in the spring, upon recommendation of the Department of State and the Department of the Interior.

Negotiations with Canada continued through the summer of 1967. By mid-August^{27/} the arrangement was in near final form. The Canadian Government presented a Note on September 8, 1967, citing the terms of the Understanding.

27/ Memorandum from Assistant Secretary Solomon to the Secretary, with attached Memorandum to the President, August 11, 1967 (CONFIDENTIAL).

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Due to lack of oil transportation facilities from the Gulf Coast to the Great Lakes region in the first three quarters of 1968, Canadian oil was permitted expansion beyond the agreed limits.^{28/} By the fourth quarter, however, transportation facilities were completed, and the time for insistence on conformance by Canada had arrived. Our negotiating position with Canada had been generous, with no further flexibility possible under the 12.2 percent limit for imports. Were we to accept a significant departure from the agreed upon level in the fourth quarter, the understanding would have been discarded in fact.

The economic and political pressures against restraint generated by US companies receiving Canadian oil coupled with the intensity of difficulty facing the Canadian authorities under their national energy policy continued. The Canadian Government stated and reiterated its intent to

^{28/} US Notes, May 7 and August 7, 1968
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honor the Understanding. Nevertheless, administratively there was evidence in the summer of 1968 that Canadian levels were planned which would exceed the terms. The Department of State called attention to the Canadians to this^{29/} and received their assurance that the terms of the Understanding would be met. However, it appeared that conditions in 1969 would bring even greater pressure against Canadian compliance.

^{29/} Department of State Telegram 226232, August 23, 1968 (CONFIDENTIAL).

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NHJ 93-459

By 48, NARA, Date 2-22-94

3. France

a. De Gaulle and US-French Relations

Postwar policy of the United States has been to assure a friendly, prosperous, Western-oriented France. This same objective has governed our relations with all of Western Europe, and policy toward France has increasingly been formulated within the framework of regional policy toward Europe. With the advent of the government of General de Gaulle in 1958, there emerged a French viewpoint and policy that excluded close cooperation with the United States on major world problems.

By 1963, most of the main lines of Gaullist foreign policy were clearly established, and the strains in French relations with the United States had fully emerged. In January 1963, the French Government rejected British membership in the Common Market. At the same time, de Gaulle rejected the offer of President Kennedy to sell Polaris missiles to France, as well as the implied undertaking to move toward nuclear weapons cooperation with France within the integrated NATO framework.

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President Kennedy reiterated the offer of cooperation in seeking French adherence to the Limited Test Ban Treaty in July 1963, and the offer was again rejected by de Gaulle. Despite these developments, the two Presidents had agreed to another meeting, set for the early part of 1964 at Hyannis. It was prevented by Kennedy's assassination.

b. Johnson's Approach to France

President Johnson met with General de Gaulle on the night of the Kennedy funeral and came away with the impression that the General had confirmed his willingness to meet in the United States "early in the year."^{1/} De Gaulle subsequently made clear that he no longer felt bound to hold such a meeting.

This experience, together with France's recognition of Communist China early in 1964, and the series of important French public statements regarding the United States, led the President to make clear, in an unattributed interview published

^{1/} Excerpts from remarks of President Johnson to group of governors, New York Times, November 26, 1963.

in January 1964, exactly how he felt about General de Gaulle.

This article stated, in part:

President Johnson is declining to be disturbed, refusing to become excited, and foregoing all opportunities to "talk back" to France....Mr. Johnson does not submit to mere pressure when he believes that pressure to be wrong. The more it is put upon him the more he digs in his heels. If it were suggested to him that perhaps he has been snubbed by General de Gaulle he would simply look incredulous and slightly amused. He does not consider the Presidency of the United States to be a snubbable office; therefore, he is not and cannot be snubbed by General de Gaulle....He sees France as an important part, but only a part, of the Western Alliance....Easy and cordial...association will be open to France when and if General de Gaulle shows some sign of being prepared to re-enter the Western club to become a working part of the Western team -- in fact as well as in form....The outlook is for a fairly prolonged period -- only General de Gaulle can determine the duration -- of quietude between Washington and Paris. The President has not the smallest intention of becoming involved in any shouting match and even in any debate, across the Atlantic.^{2/}

^{2/} Interview with William S. White, Washington Evening Star, January 22, 1964.

The President again explained his attitude toward France in a televised interview nearly four years later, toward the end of 1967, when he stated that he was "determined to minimize our differences, and from my part, to do nothing to unjustly provoke the French Government."^{3/} This statement came in the midst of strongly adverse public opinion and Congressional reaction in the United States to de Gaulle's press conference statements of November 27, 1967 and to reports in the press regarding French attitudes during the sterling crisis. When the French subsequently confronted serious political difficulties of their own in the spring of 1968, President Johnson indicated where the United States interest lay when he told a press conference that "it is very important to the American people and the rest of the world that we have stability in France, and we deeply regret the problems that face the French people."^{4/} This statement together with the

3/ President's interview of December 19, 1967.

4/ President's press conference of May 30, 1968.

President's decision to choose Paris as the place for peace talks with North Viet-Nam, and subsequent US support for the French franc, appeared to underlie the moderation in French Government statements about the United States and its policies in the summer of 1968. There was no reason to believe, however, that de Gaulle had changed any of his basic postures or attitudes toward the United States and its foreign policy.

c. French Eviction of US Forces

After the withdrawal of French force commitments to NATO, the French request that US and Canadian forces and installations be withdrawn from France by April 1, 1967, and the statement by de Gaulle to President Johnson that France would remain a party to the North Atlantic unless there were a fundamental change in East-West relations,^{5/} the President in a confidential memorandum to the Secretaries of State and Defense stated:

I would be grateful if you would make it known that I wish the articulation of our position with respect to NATO to be in constructive terms. I see no benefit to ourselves

^{5/} Letter of President de Gaulle to President Johnson, March 7, 1966 (published March 24).

or to our allies in debating the position of the French Government. That Government has made known its position. Our task is to rebuild NATO outside of France as promptly, ^{6/} economically, and effectively as possible.

This policy statement was communicated to all military command levels in France and to the Embassy at Paris. The Embassy was later informally advised that the President at an NSC meeting in December 1966 had expressed great concern that we should avoid difficulties with the French in our military relocation as we approached the date of April 1, 1967, when our military operations in France were to end.

In the sequel, the transfer of equipment from facilities in France was completed, in agreement with the French Government, by May 1968. The transfer of equipment and removal of personnel was handled amicably in coordination with the French, in compliance with the President's policy.

The United States informed the French Government in 1966 that the French actions "in withdrawing from, abrogating or

^{6/} National Security Action Memorandum 345, May 4, 1966 ~~(Confidential)~~.

repudiating existing agreements, will entail financial problems and responsibility that must be taken into account in any discussion of these actions."^{7/} We later informed the French Foreign Minister that we would be bringing financial claims against France.^{8/} After extensive consultation with other NATO allies, a multilateral NATO claim was presented to France in February 1968, representing damages suffered through the loss of NATO infrastructure investment in military facilities in France. A US claim representing the loss of bilateral investment in US facilities in France was approved by President Johnson in August 1968,^{9/} and was presented to the French Government on September 12.

d. Re-entry Negotiations

In response to a stated French willingness to reach agreement regarding military facilities that might be available in

^{7/} US aide-memoire of April 12, 1966, Department of State press release No. 80.

^{8/} Department of State Telegram 10073 to Paris, July 18, 1966 (~~Secret/EXDIS~~).

^{9/} Memorandum from the Secretary of State to the President, August 21, 1968, on US Claims Against France (~~Confidential~~).

case of war, the United States held bilateral talks with the French during the second half of 1966. These were probably the most significant US exchanges with the French Government during the period 1963-68.

Instructions were prepared and approved by the President, authorizing Ambassador Bohlen to discuss with the French Government the future use of facilities in France. The purpose of the discussions was to reach agreement with the French that would allow the United States to exercise, in time of emergency and war, the rights it enjoyed prior to March 1966 under the terms of five existing bilateral agreements. It was made clear that the sine qua non of agreement was an ironclad French guarantee of the continuous flow of oil at all times through the pipeline, US ability to operate communications facilities upon a SACEUR request for an alert, and US ability to re-enter airfields and depots when SACEUR asked for an alter. ^{10/}

^{10/} Department of State Telegram 3766 to Paris, July 8, 1966 (~~Secret/EXDIS~~).

The instructions made clear that the United States would ask the French to discuss the reaffirmation of rights provided for in the original bilateral agreements in circumstances of emergency or war, as modified by any new agreement. If agreement was reached, it was contemplated that it might include release of US financial claims relating to loss of peacetime use of facilities. No concession was to be made on this point until agreement was clearly in prospect.

During several meetings with French Foreign Minister Couve de Murville, Ambassador Bohlen presented the requests set forth in his instructions and was informed by the French that there could be no reoccupancy or re-use of any base or facility by the United States until France had declared war. This position was unacceptable to the United States. It also became clear that France would not permit the retention, even under French control, of any US supplies in France. It was likewise clear that there would be no guarantee in regard to the wartime use of the pipeline. Ambassador Bohlen requested new instructions on whether the United States was willing to

enter into an agreement with the French covering the operation by the French of the pipeline, and possibly the communications network, during peacetime with no mention of wartime use. ^{11/}

During the bilateral talks at Washington on October 3, 1966, between Foreign Minister Couve de Murville and Secretary Rusk, the French expressed a willingness to enter into a new petroleum pipeline agreement, although no assurance could be given in advance regarding the use of the pipeline in wartime. ^{12/} This availability was nonetheless of sufficient interest to the Department of Defense that such an agreement was entered into on March 24, 1967.

Notwithstanding the history of the 1966 negotiations with France, General Lemnitzer, as CINCEUR, recommended to the Joint Chiefs of Staff and to the Secretary of Defense that the United States should enter into discussions with the French at the military level regarding the availability of certain

^{11/} Memorandum from Ambassador Bohlen to Assistant Secretary of State for European Affairs Leddy, September 27, 1966 (~~Secret~~).

^{12/} Department of State Circular Telegram 60427, October 5, 1966 (~~Secret~~).

facilities under conditions of French agreement in time of crisis or war. No dependence or reliance would be placed on the availability of such facilities in US planning, and logistic support for EUCOM forces would continue to be based on facilities independent of France. The use of any French facilities would therefore constitute a bonus. It was hoped that such discussions would even determine what US forces might re-enter France under conditions of French agreement, and might also help to maintain a useful bilateral military dialogue and cooperation.^{13/}

The Department of State did not agree to this proposal. It agreed that an in-house study should be made of facilities that we might wish to use in France in case of hostilities. It pointed out that as a practical matter, our choice would probably be limited to facilities that are active French facilities in peacetime, and which they might share with us in case of hostilities, or even in time of emergency should

^{13/} Letter of Secretary McNamara to Secretary Rusk, February 6, 1967 (~~Secret~~).

the French choose to cooperate. It recalled the US position during the 1966 negotiations, when we decided that unless we had an ironclad guarantee regarding the availability of facilities in an emergency or in the event of hostilities, it would be a waste of our time, effort, and money to consider any French proposal. It recalled that the purpose of the talks with the French about re-entry rights in 1966 had been to bring out clearly the implications of the French position. Should it seem politically sound at some future date to discuss with the French the possibility of advance agreement on facilities that we might like to use in case of hostilities, such discussions could be undertaken.^{14/}

The French position was further clarified in the course of a contretemps over the question of a report to the North Atlantic Council regarding the bilateral re-entry talks of 1966. The French drafts all included statements to the effect that France was prepared to conclude re-entry agreements for

^{14/} Letter of Secretary Rusk to Secretary McNamara, March 5, 1967 (~~Secret~~).

for the use of facilities "only in the case in which France and the US should find themselves both at war through the operation of Article 5 of the North Atlantic Treaty" and "the question of utilization in time of war is reserved, taking account of three possible hypotheses: participation of the two countries, neutrality of France, neutrality of the United States."^{15/}

It was apparent to us that the French Government not only wished to be in a position to exercise the option of neutrality in the event of hostilities in Europe -- as Couve de Murville put it, the presence of American military facilities in France in peacetime could automatically involve France in a conflict in which it might not wish to participate -- but also wished to suggest, in a report to the North Atlantic Council, that the United States might remain neutral in the event of a European war. This hypothesis was not acceptable to the United States and no agreement was reached on a joint

^{15/} From Paris, Telegram 8103, November 29, 1966
~~(Secret).~~

report to the North Atlantic Council. Instead, the French Government submitted its version of the report to the Council on December 7, and the United States report was submitted to the Defense Planning Committee on December 6, 1966.^{16/} Since the French report was submitted as an unclassified document, the United States memorandum was made available to the Congress, and was published as Appendix II of the Report of the Special Study Mission to Europe, 1966, filed with the House of Representatives by the Committee on Foreign Affairs, February 20, 1967. The memorandum was entitled, "Results of Recent Bilateral Discussions Between the United States and France."

e. Nuclear Policy Toward France

United States policy towards France has been the subject of special Presidential determination in the area of nuclear relations, and has taken into account the particular French aspirations in the nuclear field. No policy changes have been introduced since 1963. Existing policy was clarified in April 1964, in a memorandum reiterating that the United States

^{16/} NATO Documents C-R(66)65 pages 3-4, and DPC/R(66)8 pages 3-4.

would not contribute in any important or public way to the development of an independent nuclear strike force in another country. It stated that exchanges of information or technology, sale of equipment and research and development should be conducted so that such actions would not significantly affect the timing, quality or cost, or identify the United States as a major supplier or collaborator, of such an independent nuclear force. While this policy was set forth in a statement relating to France, it was intended as a general policy statement. Technical guidance to implement the policy was approved by the White House in March 1965.^{17/} The Secretary of State had earlier informed the Senate in executive hearings that it was US policy not to offer cooperation in connection with French nuclear testing underground as long as France did not adhere to the Limited Test Ban Treaty and continued testing in prohibited atmospheres.

f. Disagreements and Agreements with France

In general, the five years of the Johnson Administration coincided with a period of continuing policy differences with

^{17/} National Security Action Memorandum 294, April 20, 1964, and letter from McGeorge Bundy to Acting Deputy Under Secretary of State Thompson, March 9, 1965 (~~Secret~~).

France over such questions as the Near East, Quebec, gold, British entry into the Common Market, US investment in Europe, disarmament, the Non-Proliferation Treaty, NATO, and peace-keeping. These differences, for which the responsibility lay with de Gaulle, had little or limited support in France. Other differences, including those over Viet-Nam and over monetary policy in general, were widely supported by French public opinion. Divergencies over such questions as arms sales in Latin America and French nuclear policy antedated the de Gaulle regime.

US-French relations were not exclusively a record of disagreement, however. Amicable progress was registered in a number of important if more routine fields. For example, during this same period two treaties were signed with France, which brought up to date and modernized earlier agreements on these subjects:

- (a) a revised convention for the Avoidance of Double Taxation, which came into force in August 1968, and

- (b) a revised Consular Convention, replacing the Convention of 1853, which came into force in January 1968.

4. Italy

The foreign policy of all post-war Italian Governments has been based on the closest of relations between Italy and the United States. During the Johnson years the United States continued to receive a high degree of cooperation from Italy in political, economic, and defense matters and there were remarkably few difficulties between the two countries with respect to questions of major importance.

a. Italy and European Integration

The post-war period in which Italy with US assistance was rebuilt, restored to respectability, and protected from a Communist take-over, was a complete chapter by the 1960's. In the meantime, Italian policies had gradually become more individualistic, more nationalistic, and more "Europe oriented". For two decades, the prospect of a united Western Europe offered the Italians a framework for their long-term policies and gave Italy the possibility of aspiring to "European" identity. Italian leaders looked upon the future Atlantic world as an entity composed of two cooperating, interdependent,

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and compatible partners. Economic integration, in the form of the Common Market, has made considerable progress and has greatly benefitted Italy. However, political and defense integration has made little progress and the Italians have begun to view NATO, already weakened by French withdrawal, as a less reliable permanent factor with respect to Italian security. They also anticipate that the American presence in Europe and our participation in its affairs will diminish in the future. It is not therefore surprising that in his conversations with Italian leaders, including President Segni in 1964 (President Johnson's first state visitor), Prime Minister Moro in 1965, and President Saragat in 1967, President Johnson was obliged to stress and to reiterate our deep interest in Europe as well as the great importance we attach to our continued close cooperation with Italy. In this regard, Italy has been concerned about the war in Viet-Nam, not only because it raised the specter of another world war, but because it represented a diversion of American interest from Europe. Italy has also shown considerable concern lest the

Non-Proliferation Treaty adversely affect its security, obstruct European unity, or restrict peaceful uses of nuclear energy.

In the light of these concerns, Italy has looked to the United States to take the initiative in an up-dating of the Atlantic Alliance to promote East-West detente and to provide the framework for Italy's own efforts in this field.

b. Italian Interest in East-West Relations

Like France and West Germany, Italy has demonstrated little reticence in taking advantage of the economic aspects of detente. The single achievement of Italian efforts in this area was the signing, on May 4, 1966, of an agreement between the Fiat Company and the Soviet Union to build an automobile plant in Rome with an ultimate capacity of 2,000 cars per day. Aside from the obvious economic advantages accruing to Italy from the agreement, the Italians argued that the construction in the USSR of a large consumer-oriented production facility would play a most important role in promoting long-range detente. The Italians had hoped to obtain some US Export-

Import Bank financing for Fiat, largely to demonstrate American approbation of this "bridge-building" effort. They expressed obvious disappointment in the summer of 1968 when the US Congress opposed the Johnson Administration's efforts to permit the Bank to extend credit to Fiat for the purchase of Western-produced equipment.^{1/}

The impact in Italy of the Soviet invasion of Czechoslovakia in August 1968 was initially quite strong and it appeared that its effects would continue for some time. A special session of the Italian Parliament was called which strongly condemned the Soviet action. The signing of the Non-Proliferation Treaty (never enthusiastically received, at least in the Foreign Ministry) was postponed pending a pause for reflection, and the Italian Communist Party found itself in the embarrassing position of being officially at odds with the Communist Party of the Soviet Union. The minority government of Prime Minister Leone subsequently showed itself ready

^{1/} Memoranda for the President from the Secretary of State, June 22, 1966 and for the Acting Secretary of State from the White House (Mr. Bator), July 1, 1966. (~~SECRET~~)

to assume its share in strengthening NATO. The invasion of Czechoslovakia was a serious setback to those in Italy favoring detente. In addition, initial Italian hopes that the French might be more willing to consider steps leading toward greater European unity (including UK membership in the EC) have proved to be in vain.

c. Relations with the United States

During these years there has been no diminution in Italy's importance to the United States in terms of our political, economic, and defense policies in Europe and the Mediterranean. We have counted heavily on Italian support in various questions affecting the Atlantic Alliance. Moreover, our military presence and facilities in Italy, including ports for the US Sixth Fleet, have been given greater significance by the military withdrawal of France from NATO, the gradual British withdrawal from the Middle Eastern area, and an increased Soviet presence and naval penetration in the Mediterranean. In spite of serious misgivings about our Viet-Nam policy on the part of Italian public opinion, the Italian Government

has managed to maintain a relatively balanced point of view. Italian support in matters relating to problems of international monetary liquidity and Italy's forthcoming attitude with regard to our balance of payments program have been most helpful in the attainment of our objectives.

Although US-Italian relations during the Johnson years were largely concerned with problems of a multilateral nature, at least three major bilateral issues have also been dealt with.

(1) Civil Air Negotiations

Perhaps the most significant bilateral economic issue in US-Italian relations during these five years was in the field of civil aviation. In 1966, the Italian Government denounced the US-Italian Air Transport Agreement, effective as of June 1, 1967, because of extreme irritation over what the Italian Government and Italy's civil air carrier regarded as inequitable treatment in the allocation of routes by the United States. Following intensive discussions within the US Government with the US carriers in formal negotiations, the United

States offered Italy a round-the-world route and agreed to reduce the number of countries beyond Italy that US carriers would be permitted to serve through Italy. The Italians regarded this offer as inadequate and rejected it.^{2/}

In September 1967, President Saragat, while in Washington, mentioned to President Johnson Italy's concern over the state of civil air relations. The US position on routes was reviewed within the Government, and in December, Secretary of State Rusk wrote Italian Foreign Minister Fanfani to elaborate our previous position and to suggest informal diplomatic talks on a new agreement. These talks narrowed the differences over routes and led to Italian acceptance of operating principles which the United States could support. By the latter part of 1968 it appeared that formal negotiations might be resumed before the end of the year.

(2) International Monetary Matters

Italy has participated fully, both as a beneficiary and as a creditor, in support of the international monetary

^{2/} Department of State Circular Airgram CA-293, July 12, 1967. (~~LIMITED OFFICIAL USE~~)

system. During their 1963-1964 recession, the Italians received massive infusions of capital in support of their lira, including medium-term credits of \$450 million from the US Export-Import Bank and the Commodity Credit Corporation. As the Italian economy improved, Italy gave material support to the United States in its defense of the dollar through swaps and advance payment of post-war loans and credits. Following the devaluation of the pound in late 1967, however, the Bank of Italy became more cautious in maintenance of the gold-dollar ratio that existed before devaluation and caused some concern amongst monetary officials that it might be withdrawing de facto from the Gold Pool. These concerns were largely dispelled, however, and at the March 1968 Meeting of the Central Bankers in Washington, Italy was forthcoming in its support of the two tiered system of gold purchases.

(3) Nuclear Fuel Request

In an aide memoire of April 19, 1965, the Italians asked us to be allowed to purchase low-enriched uranium for use

in the construction and operation by the Italian Navy of a nuclear-powered auxiliary ship. In discussions in Washington on April 25, 1967, the Italians were informed by Assistant Secretary of State Leddy that under the US Atomic Energy Act the supply of nuclear fuel for this project would require a military nuclear agreement, and that some members of the Joint Committee on Atomic Energy and elements of the Executive (specifically, Admiral Rickover) were opposed to such an agreement. However, the United States would be willing to cooperate and could do so without further delay if the project could be placed essentially on a civilian rather than a military basis. The Italians were not hopeful that their project could be altered to this extent but agreed to review the matter on their return to Rome. Since no further response was received from Rome, it was assumed that the Italians had had no success in further "civilianizing" the project.

Subsequently, the Italians returned to the subject in connection with the Non-Proliferation Treaty discussions,

by requesting assurances that the NPT would not interfere with the possibility of obtaining a US supply of nuclear fuel for Italian naval ships. Secretary Rusk assured the Italian Government that we do not interpret the NPT in and of itself as prohibiting this type of transaction.^{3/} In July of 1968, in connection with the Italian Parliament's consideration of the NPT, the Italians again raised the subject of nuclear fuel. They contended that as the NPT does not prohibit the supply of such fuel for ship propulsion, the United States should adopt a more generous policy and approve the supply of fuel for the auxiliary project. Again it was necessary to discourage the Italians on the ground that there had been no change in the attitude of the Joint Committee on Atomic Energy with respect to military-type projects.

^{3/} See Memorandum Referring to Question 2 of the Italian Government on the Proposed Non-Proliferation Treaty which was an enclosure to the letter from the Secretary to the Italian Ambassador dated June 17, 1967; also Memorandum for the Secretary of State from Adrian S. Fisher, Acting Director, Arms Control and Disarmament Agency, June 13, 1967, "NPT Effect on the Provision of Fuel for the Propulsion of Warships" ~~(CONFIDENTIAL)~~.

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NJ 93-459

By , NARA, Date 8-22-94

6. Benelux

a. Harmony and Discords

Despite occasional differences of view, for the most part on trade and tariff matters, United States relations with the Benelux countries during 1963-1968 were generally marked by harmony and fruitful collaboration on a wide variety of issues, including NATO security questions, economic and monetary problems and foreign policy. Responsible Benelux leaders supported the American effort in Southeast Asia although domestic political pressures in those countries resulted in some erosion of their public postures in 1967 and 1968. With the advent of peace talks in spring of 1968, United States policy on Viet-Nam received increased support in the Benelux countries.

b. Belgium: Congolese Problems

The existing solid base of amity and cooperation in US-Belgium relations was skillfully exploited by the US

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Government in elaborating joint solutions to a host of difficult problems involving the Democratic Republic of the Congo. The most noteworthy achievement in this connection was the "Dragon Rouge" operation in November 1964.

By the time the last military units of the United Nations' peacekeeping force were withdrawn from the Congo on June 30, 1964, tribal fighting and rebellion against the central government were raging in several provinces. Prime Minister Adoula's mandate had also ended on that date and President Kasavubu turned to Moise Tshombe to head the Government. The rebellion increased in intensity and, on August 6 Secretary Rusk cabled to Belgian Foreign Minister Spaak that "...we must concert urgently on tangible, specific measures to save the Congo."^{1/} Subsequently, Governor Harriman went to Brussels, where he and Spaak agreed to increase substantially US and Belgian assistance to the Congolese Government.^{2/}

^{1/} To Brussels, Telegram 164, August 6, 1964. (SECRET)

^{2/} From Brussels, Telegram 200, August 8, 1964. (SECRET)

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On August 5, 1964, Stanleyville fell to the rebels and five American consular personnel became their hostages. Thereafter, as the Congolese Army, bolstered by European mercenaries and T-28 aircraft, began to register some success in containing the insurgency, the retreating rebels slaughtered hundreds of Congolese, and Europeans in rebel-controlled territory became virtual hostages. By November, their plight was extremely serious and, as it became increasingly evident that there was little chance of the Congolese authorities or diplomatic mediators securing their release, joint US-Belgian military plans were prepared for their rescue.

On November 24, Belgian paratroops, dropped on Stanleyville from US Air Force C-130 E's, rescued some 2000 hostages and turned the town over to the Congolese Army. An additional operation was carried out at Paulis, 225 miles northeast of Stanleyville, from where approximately 350 Europeans were evacuated. The two operations, which saved countless lives, were conducted at a cost of two Belgian soldiers killed and eleven wounded. There were no US Air

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Force casualties.

c. NATO's Move to Belgium

The abundant reservoir of Belgian good will was again tapped by the US Government in persuading the Belgians to offer new locations to most of the NATO civil and military facilities, many with large US elements, removed from France in 1966. As a result of patient diplomacy and Belgian hospitality, the North Atlantic Council and the Military Committee of NATO found new homes in Brussels. In addition, NATO's military headquarters, SHAPE, was installed at Casteau, 32 miles southwest of Brussels. The 400-acre site provides working and living space for approximately 3000 staff personnel and their families. This close US-Belgian cooperation provided strong and essential leadership for the Atlantic Alliance at a critical moment in its history.

The special role played by Belgian Foreign Minister Harmel in the study of the future of the Alliance conducted by the NATO governments is described in Section B-6, above.

d. The Netherlands

Often described as the United States' staunchest ally in Western Europe, the Netherlands has recognized its dependence on American friendship and protection, under the NATO umbrella. In line with this policy, the Dutch Government in 1966 acceded to the NATO request to relocate the headquarters of Allied Forces Central Europe, with its United States element, as Brunssum in the Netherlands.

The past five years have also been characterized by two persistent and insoluble problems in our bilateral relations with the Dutch: (1) their determination to acquire a nuclear submarine propulsion capability and (2) their request for additional civil air landing rights in the United States.

e. Dutch Nuclear Request

The first formal Dutch request for United States technical assistance in acquiring a nuclear attack submarine was made on April 6, 1959. This request was based on an offer made by Secretary Dulles at the December 1957 NATO

Ministerial Meeting in Paris to assist our NATO allies in their nuclear propulsion efforts, if the necessary legislation could be obtained. The Department of State on May 12, 1960 informed the Netherlands Embassy that the executive branch of the Government would be willing to provide the Dutch with nuclear attack submarine technology and assistance, but stressed that formal negotiations could not begin until the Joint Committee on Atomic Energy (JCAE) had completed hearings on the subject.^{3/} After strong opposition developed in the JCAE, the Department of State informed the Netherlands Embassy on September 21, 1960 that no early decision on the Dutch request could be made.^{4/}

Since that time, and especially since August 1964, the Dutch have repeatedly and strongly requested United States

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- ^{3/} To The Hague, Telegram 1628, May 12, 1960 ~~(SECRET)~~.
- ^{4/} Department of State Memorandum of Conversation, dated September 21, 1960, entitled "Dutch Nuclear Submarine" ~~(SECRET)~~.

assistance. The United States Government has consistently refused these requests on grounds of Congressional opposition and security considerations. The Secretary of Defense told the Dutch Minister of Defense in May, September and December 1965 and again in April and July 1966 that the United States could not make nuclear submarine technology available to the Dutch because of security reasons. In June 1966, Secretary McNamara explained the security problem to Prince Bernhard and told him that the United States would initiate discussions with the Dutch if conditions changed. When the Netherlands Foreign Minister raised the question with Vice President Humphrey in March 1967 and with Secretary Rusk in May 1967, he was told that security objections still prevailed, but that the United States would be willing to review the question regularly. This situation still prevails and, as of this moment, the Department of Defense is reviewing three outstanding Dutch requests: (1) to provide US technological assistance in building a nuclear attack submarine;

(2) to train Dutch naval officers aboard an American nuclear submarine and (3) to lend or sell a retired American nuclear submarine to the Dutch Navy.

f. Dutch - US Civil Air Issues

The civil aviation issue has been periodically raised by the Netherlands Government over the last ten years. Dissatisfied with the Netherlands - US Agreement on Air Transport Services, which was signed April 3, 1957, the Dutch Government has since been requesting additional landing points in the United States. Although they at first concentrated their efforts on obtaining additional landing rights in Los Angeles, by the mid-1960's the Dutch had shifted their sights to Chicago. Informal discussions with the Netherlands were held, at their request, in February 1967 and again in September 1968. At that time, the Netherlands Government appeared to have finally accepted US criteria for considering additional landing rights in the United States -- viz., that the present civil air business is so heavily weighted in their favor that they

must give up an amount of the US market equivalent to any new landing rights acquired in Chicago or another American city.

g. Luxembourg

United States-Luxembourg relations, traditionally harmonious, were marked during this period by substantial American investments in the Luxembourg economy. The implantation of US corporations, such as Monsanto, Goodyear and Dupont, represented an investment of over \$100 million and created more than 4000 new jobs, nearly ten percent of the Luxembourg industrial labor force.

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By isp, NARA, Date 9-6-96

7. Portugal

a. Portugal as a US Ally

United States-Portuguese relations during the Johnson years illustrated the difficulties caused by conflicting national policies within an alliance. From the United States viewpoint, Portugal was of importance as a friendly Western nation and a loyal member of NATO. Americans and Portuguese got on well together, and the United States benefitted from the use of Portugal's strategically situated Azores as a military base. At the same time, however, our policies were at cross-purposes in Africa, with respect to the postwar movement of decolonialization. This circumstance complicated our cooperation in the other spheres.

b. The Azores Question in 1963

At the point when President Johnson took office, the United States was continuing its peacetime use of the important military installations on the Azores on a provisional, de facto basis, following the expiration of the US-Portuguese Defense Agreement in December, 1962. Portugal's unwillingness to discuss a renewal of the

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Agreement was a reflection of its resentment over the U.S. policy of advocating self-determination for Portugal's African territories. The United States was awaiting Prime Minister Salazar's response to President Kennedy's proposal for a peaceful solution of the Portuguese African question which was discussion in Lisbon by Under Secretary Ball, August 29-30 and September 6-7, 1963.

c. The Issue of Portuguese Africa

On February 27, 1964, Prime Minister Salazar replied to Under Secretary Ball's letter and rejected the US arguments in favor of Portugal's acceptance of the principle of self-determination for its African territories.

On April 13, 1965, Admiral Anderson,^{1/} the United States Ambassador in Lisbon, asked the Department to reconsider a proposal submitted by the Embassy in September, 1963, which had suggested that the U.S. attempt to win Portuguese acceptance of self-determination on the basis of a definite timetable coupled with a suspension by African nationalists of anti-Portuguese activities during such a period. The plan was also to include carefully

1/ Telegram from Lisbon No. 652, April 13, 1965.

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tailored political assurances and specified economic inducements in order to forestall the inevitable argument that any timetable would be telescoped drastically. Such a proposal, the Ambassador hoped, could become the basis from which a constructive dialogue between reasonable African leaders and the Portuguese might develop.

While this proposal was under consideration in the Department of State, Secretary Rusk in a meeting with the Foreign Minister in Washington on June 18,^{2/} stated that, if the Portuguese could say that their system rested on strong popular support, Portugal would get much more support throughout the world and that Angola's security, for example, would be reinforced if there were an indication that the Angolans supported their government. He asked the Foreign Minister why Portugal did not pursue talks quietly with the Africans sympathetic to Portugal in an attempt to find a formula on common agreement. In sum, the Secretary asked Franco Nogueira why Portugal did not hoist a flag around which its friends could rally.

On instructions from the Department,^{3/} Ambassador

^{2/} Deptel to Lisbon No. 697, June 19, 1965.

^{3/} Dept's CA 2167, August 23, 1965.

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Anderson presented to the Foreign Minister in Lisbon on September 2^{4/} and to Prime Minister Salazar on October 22,^{5/} the US proposal for a peaceful solution to the Portuguese African territories, recalling in his conversation with the Foreign Minister the June 18 meeting in Washington and the Secretary's suggestion that Portugal "hoist a flag" that its friends could rally around. Portuguese Ambassador Garin was also informed of the proposal by Assistant Secretary Leddy on September 23.^{6/}

d. US Action at the United Nations

During the Security Council consideration of the situation in the Portuguese territories in November 1965, Ambassador Goldberg was instructed, in further support of the US proposal, to conduct informal and private consultations with Franco Nogueira and African representatives aimed primarily at bringing about a resumption of discussions between Portugal and the African states, under the aegis of the Secretary General. On November 22, the Tunisian

4/ From Lisbon, Telegram 93, September 13, 1965

5/ From Lisbon, Telegram 214, October 23, 1965

6/ To Lisbon, Telegram 121, September 24, 1965

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Representative, Mongi Slim, informed Goldberg on behalf of all the African nations that discussions could only begin if Portugal accepted the following conditions:

(1) that self-determination covered all possible choices ranging from immediate independence to remaining forever Portuguese provinces; (2) that the discussions be held with the representatives of the various nationalist organizations; (3) that discussions relate not only to the scope of the principle of self-determination but to the method, the means and the modalities of implementing this principle.

Notwithstanding this discouraging development, Ambassador Goldberg, in his explanation of the US abstention on the Security Council resolution,^{7/} reaffirmed that the most practical possibility for self-determination would be further discussions between representatives of Portugal and the African nations as called for by the Security Council in December, 1963.

Finally, on January 28, 1966, Franco Nogueira informed Ambassador Anderson in Lisbon that if Portugal

^{7/} To Lisbon, Telegram 968, October 25, 1965

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accepted the US proposal the territories would be, in their view, in chaos within six months; therefore, they were not prepared to accept it.

e. National Policy Paper on Portugal

On January 16, 1967, Secretary Rusk approved the "National Policy Paper on Portugal" -- the first NPP to be completed for a European country. The Paper reaffirmed the US policy objectives of: (a) keeping Portugal in NATO and the UN; (b) urging Portugal to adopt a policy of self-determination for its African territories (based on the proposal presented to the Portuguese by Ambassador Anderson in September, 1963; (c) continuing normal commercial and trade with Portugal and Portuguese Africa; (d) providing additional military assistance support to Portugal in order to enable continued US use of existing military facilities; (e) continuing to restrict the use of US military equipment, granted or sold to Portugal to the NATO Defense Area. The NPP directed the US Information Agency to formulate and implement a formal USIA program in Angola and Mozambique.

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f. Continued US Use of the Azores

Although Portugal maintained its unwillingness to enter into negotiations for a renewal of the expired US-Portuguese Defense Agreement, it permitted the US to continue its peacetime use of the military installations on the Azores, which the National Policy Paper of January 16, 1967, reaffirmed as one of the most important US bases in the world and for which, on purely geographical grounds, there is at present no acceptable substitute.

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8. Scandinavia

As in the past, the Scandinavians continued during the Johnson years to show diversity in their relations with the United States, though the basic ties are uniformly friendly. Relations with all five countries remained generally good, the only exception being that in Sweden increasingly sharp government criticism of the United States because of our Viet-Nam policy and actions led in March 1968 to the recall of our Ambassador for a period of consultation. In the other four countries the governments also disapproved of the US course but for the most part refrained from public criticism or actions which would offend the United States. Relations with Iceland, where we retained a key military base, improved from good to excellent during the same period.

Highlights of the period were a visit to the United States by the Norwegian King -- the first by a reigning Norwegian monarch -- and the crash of a US B-52 in Greenland while carrying a hydrogen bomb.

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a. Sweden

Our relations with Sweden remained good in all areas except the issue of Viet-Nam. Starting with the first US bombings of North Viet-Nam in 1965, high Swedish Government officials and information media became increasingly critical of our policy and actions in Southeast Asia. By March 1968 the Swedish Government was demanding the immediate cessation of US bombing of North Viet-Nam and was expressing the intention of eventually recognizing the North Viet-Nam Government.

In February 1968, Swedish Education Minister Olof Palme marched in an anti-US Viet-Nam policy parade with the North Viet-Nam Ambassador to Moscow who was visiting Sweden at the invitation of the Swedish Government. He addressed the subsequent rally at which the North Viet-Nam Ambassador also spoke. This led to a decision by Secretary Rusk to call Ambassador Heath home for consultation. Although it was never officially announced that he had been recalled because of US displeasure over official Swedish actions and statements, this inference was immediately drawn by the Swedish

public, press and government. Before leaving Stockholm the Ambassador made it clear to the Swedish Foreign Minister why he was being recalled.^{1/} Ambassador Heath remained in the United States from March 12 until mid-April and was authorized to return only when it was judged that maximum effect had been gained from his absence.

The subsequent peace talks between US and North Viet-Nam representatives in Paris met with general approval among the Swedes, who, however, continued to press for a complete cessation of US bombing of North Viet-Nam. Swedish officials' criticism of US Viet-Nam policy somewhat moderated after the talks began. The invasion of Czechoslovakia by the USSR and its Warsaw Pact allies was condemned by the Swedish Government and deplored by almost all of the Swedish population. Public opinion in regard to the United States rose, since the

1/ From Stockholm, Telegram 981, March 12, 1968, (LIMITED OFFICIAL USE), describing the Foreign Minister's statements to the press about Ambassador Heath's return to the United States; from Stockholm, Telegram 983, March 12, 1968, (LIMITED OFFICIAL USE), describing the reaction of the opposition right-wing parties and the Federation of Swedish Industry.

invasion shattered Swedish wishful thinking that the cold war was over.

Notwithstanding these differences over our policy, relations with Sweden at the non-governmental level remained good in the business, cultural, educational and even military sectors. Sweden continued to share many of the foreign policy objectives of the United States--for example, it increased its aid to less developed countries and cooperated with its Nordic neighbors in joint aid efforts. It made known its intention of signing the Non-Proliferation Treaty at an early date, although it considered that measures of great power disarmament were still urgently needed. It cooperated with the United States and other countries in the Kennedy Round and in measures to increase international liquidity. Its continued wish to enter the European Economic Community was in line with the interest of the United States in progress toward European integration, even though it remained the US position that entry must be on a basis of full membership accepting all of the obligations of the Treaty of Rome. Sweden

believes such full membership may not be consistent with its non-aligned status.

Sweden also gratified us by continuing to stand ready to provide troops for UN peacekeeping -- in Viet-Nam for example; and it was a Swede, Ambassador Gunnar Jarring, who as the UN Secretary General's special representative attempted to achieve something we were vitally interested in, a settlement of the situation arising out of the 1967 Arab-Israeli war.

b. Norway

With our NATO ally Norway a close and cordial relationship continued. The Norwegian non-Socialist coalition government which took office in 1965 maintained the close cooperation with the United States that had, for decades, been one of the basic foreign policy tenets of the Labor Government. Norway supported the United States on such international economic issues as the GATT, the Kennedy Round, and the creation of Special Drawing Rights. During this period, also, our two governments cooperated in constructing in Norway the first LASA (large aperture seismic array) outside

of the United States.

President Johnson appointed a woman career Foreign Service officer, Margaret J. Tibbetts, as Ambassador to Norway, who served with distinction from 1964 through the balance of his Administration.

In 1968 the Storting voted overwhelmingly in favor of continued Norwegian membership in NATO. In so doing, Norway underscored the high value which it placed on the NATO alliance, and, through NATO, on its link to the United States. In the defense field Norway also continued to work closely with the United States in conducting electronic surveillance operations in the Arctic.

The visit to the United States of King Olav in the spring of 1968, the first by a reigning Norwegian Monarch, served both to emphasize and to enhance the tradition of Norwegian-US amity.^{2/}

The invasion of Czechoslovakia by the Soviet Union and its allies in August 1968 tended to strengthen Norwegian

^{2/} Memorandum of Conversation, the King and Secretary Rusk, April 26, 1968 (LIMITED OFFICIAL USE).

adherence to NATO. A post-Czechoslovakia Gallup poll indicated that 65 percent of the Norwegian population thought that Norway's membership in NATO contributed to securing the nation from attack by a foreign power. The figure for the normally anti-NATO Socialist People's Party adherents was surprisingly high -- 39 percent. Following Czechoslovakia the Government pressed for even greater and more immediate increases in defense spending than the respectable 2.5 percent increase (in real terms) called for in the June 1968 five year defense plan.

c. Denmark

Our traditionally close relationship with another NATO ally, Denmark, was heightened during this period by the friendship between President Johnson and Prime Minister Krag. The Prime Minister visited the United States frequently during these years and saw the President often. Cooperation between the two countries was manifested both by the large number of international issues on which the two were in agreement and by a mutual determination amicably to resolve our occasional differences.

President Johnson appointed a woman Ambassador to Denmark, Katharine E. White, who served with distinction from 1964 through September 1968.

During the 1967 Arab-Israel War, Hans Tabor, later to become Denmark's Foreign Minister, was President of the UN Security Council. His skillful handling of the Security Council debate and his frequent informal contacts with US officials contributed to the safeguarding of our mutual security interests during this period. Cooperation between the two countries also showed itself in regard to such matters as the Kennedy Round and the negotiations attendant on the creation of Special Drawing Rights. Denmark supported the US balance of payments program in 1968 by putting a sizeable amount its its central bank reserves into US Treasury Securities.

During the later years of the Johnson Administration, as in Sweden, the Danish press and public showed serious misgivings about our policies in Viet-Nam. The Danish Government,

however, was more understanding of the US position. It was quick to express its approval of the President's March 31, 1968 speech and to point to the Paris talks as the most constructive approach to the problem of bringing peace to Viet-Nam.

Cooperation between the United States and Denmark was put to a test, however, by the January 21, 1968, crash of a nuclear-armed US bomber near Thule, Greenland. The new Danish Coalition Government, elected two days after the crash, was confronted with press and public demands for assurance that Greenland and its air space would be kept free of nuclear weapons. While the Danish Government expressed appreciation for the assurance, given confidentially by the US Government, that nuclear overflights of Greenland had been suspended and that there was no storage of nuclear weapons in Greenland, it nonetheless sought to supplement the US-Danish 1951 Agreement on the Defense of Greenland so as to bar any such storage and any overflights of Greenland by nuclear armed aircraft.^{3/}

^{3/} Diplomatic Note -- Ambassador Rønne-Secretary Rusk, (CONFIDENTIAL) -- delivered February 26, 1968.

We agreed to enter into discussion with the Danes on this question.^{4/}

After four months of negotiations, Denmark and the United States by an exchange of notes agreed to make any nuclear overflights or storage of nuclear arms in Greenland subject to their joint decision.^{5/} During the final stages of the negotiations, the US side orally pointed out the possibility of a sudden crisis that could necessitate nuclear overflights without allowing time for consultation.^{6/} The Danish Government took note of this possibility.^{7/} With the settlement of the Greenland question, the only serious obstacle to continued Danish-American cooperation was removed. The new Government subsequently gave every indication of

^{4/} Diplomatic Note -- Secretary Rusk-Ambassador Rønne, (CONFIDENTIAL) -- delivered March 11, 1968.

^{5/} Diplomatic Notes of May 31, 1968 -- Secretary Rusk-Ambassador Rønne (signed by Assistant Secretary Leddy for the Secretary of State) (SECRET); Ambassador Rønne-Secretary Rusk (SECRET).

^{6/} Department of State Telegram 162867, May 13, 1968 (SECRET-EXDIS).

^{7/} Department of State Telegram 166783, May 18, 1968 (SECRET-EXDIS).

intending to carry on the close relationship with the United States that its predecessors had established.

d. Iceland

With yet another Nordic ally, Iceland, our relations improved from good to excellent during the Johnson years. The NATO base at Keflavik, manned exclusively by American forces, gained increasing support from the Icelandic Government and public, measurably assisted by the outstanding behavior of the troops and the consequent lack of any significant incidents between the US forces and local citizens. Dr. Kristjan Eldjarn, elected to the largely symbolic Icelandic Presidency in 1968, in prior years had been critical of the United States military presence in Iceland and was anti-NATO. In his election campaign, however, Dr. Eldjarn retracted his previous criticism of NATO and conspicuously avoided any adverse reference to the American military forces on the island. These questions did not become significant electoral issues.

The first NATO Ministerial Meeting ever held in Iceland (spring 1968) served to highlight the importance of the base and of the alliance to Iceland. There remains opposition in Iceland to the NATO base and, to a lesser degree, membership in NATO, largely among the leftist political elements (particularly, of course, the Communist Party) and isolationist groups, but this opposition in the 1963-1968 period was probably less significant than at any time previously. The Soviet invasion of Czechoslovakia and the increasing activity of Warsaw Pact Naval operations in the vicinity of Iceland also served in 1968 to increase Icelandic awareness of the value of the alliance.

In 1967 and especially 1968, the Icelandic economy declined precipitately, due to decreasing fish catches and the contraction of traditional markets. At the request of the Icelandic Government, the United States Government undertook to assist the Icelanders in finding markets for certain types of fish products (e.g., stockfish, formerly a traditional staple of the Biafra section of Nigeria), and by the closing

days of the Johnson Administration, international charitable agencies had purchased limited amounts of stockfish from the Icelandic surplus which had been called to their attention by the Department of State.

The official visit to Washington in the summer of 1967 of Icelandic President Asgeirsson and the warm reception given him and his party by President and Mrs. Johnson undoubtedly increased the rapport and the understanding between the two nations.

e. Finland

The traditionally close and friendly US-Finnish ties likewise improved during these years. The warm statement of President Johnson on the occasion of the Fiftieth Anniversary of Finnish independence (1967), the issuance of a US postage stamp and the passage of a Joint Congressional Resolution commemorating the event all were received with appreciation in Finland.

Finnish support for the United Nations was strengthened during this period. Finland contributed troops to peacekeeping

forces in Cyprus, the Gaza Strip, and along the Suez Canal, assisted, on occasion by transportation facilities supplied by the United States. Finland has also made known its candidacy for a seat on the Security Council.

The United States has been particularly interested in securing closer Finnish cooperation with the Western nations and in lessening its dependence on the Soviet Union. Finland has worked closely with the other Nordic nations on GATT and the Kennedy Round; it has been helpful in its support of the Special Drawing Rights of the IMF; and it has joined the Asian Development Bank, and, most recently, the OECD.

Finland has also increased its assistance to the less developed nations of the world, instituting a youth corps similar to the American Peace Corps, and augmenting its technical and capital assistance programs.

The Finnish Government and public have been critical of the United States position on Viet-Nam, yet this criticism has never been allowed to exceed well-defined limits. Demonstrations hostile to the United States, for example, have been

closely contained and, in fact, have received little public support. The small size and subdued character of the occasional demonstrations against United States policies contrasted conspicuously with the large, spontaneous and violent demonstrations that occurred in Helsinki after the Warsaw Pact invasion of Czechoslovakia.

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9. Spain

During this period, as throughout most of the postwar years, United States relations with Spain have been concerned principally with the maintenance of correct diplomatic relations with a government whose basic ideology is significantly different from our own. These relations have been materially influenced by the continued need for the use of important joint US-Spanish defense installations. Additionally, we continued to be concerned over the future of our bilateral relations with Spain once Franco should disappear from the scene. His failure to make realistic provisions for an orderly transfer of power was a potential source of instability for any successor regime. Spain's geographic location and climate make her important in the Western European strategic picture. However, the authoritarian nature of the Franco regime and its historical association during the Spanish Civil War and World War II with the Axis powers have continued to color relations with the nations of Western Europe. The opposition to the Franco regime on the

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part of these nations accounted for the failure of Spain to become a member of NATO, and was part of the reason for the difficulties Spain encountered in her attempt to achieve some form of association with the Common Market (a tie to which the United States is opposed as long as it is limited to association and not full membership).

a. US-Spanish Defense Agreement

On September 26, 1963,^{1/} the United States and Spain renewed for five years the US-Spanish Defense Agreement of 1953 for the use by the US of military airfields and naval facilities in Spain.^{2/} The Agreement formed a part of the security arrangements for the Atlantic and Mediterranean areas. The future of the Agreement has been an issue. In a letter dated March 15, 1968,^{3/} Spanish Foreign Minister Castiella informed the Secretary of State that Spain desired to initiate formal negotiations for the Agreement's extension. In June 1968 a Spanish military mission to Washington^{4/}

^{1/} TIAS 5437, September 26, 1963 (UNCLASSIFIED).

^{2/} TIAS 2850, September 26, 1953 (UNCLASSIFIED).

^{3/} Letter to Secretary Rusk from the Spanish Foreign Minister, March 15, 1968 (UNCLASSIFIED).

^{4/} Telegram 202056Z, June 1968, from Joint Chief of Staff to Chief JUSMG Spain (CONFIDENTIAL).

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presented the U.S. with a "shopping list" of military equipment valued at approximately \$1.2 billion. On July 15 Spanish Foreign Minister Castiella, in a meeting with Secretary Rusk, reiterated the importance of military assistance to Spain and expressed a desire for a mutual security guarantee.^{5/}

Following this meeting, the US Defense Department conducted an exhaustive study of the Spanish requests; based on its survey of the maximum amount of military equipment and other assistance available for grant aid to Spain, Defense prepared an offer valued at \$100 million in grant aid and \$100 million in official credits for the purchase of military equipment, both over the 5-year renewal period.^{6/} This formed the basis of discussions with the Spaniards. Beginning September 16, a Spanish delegation headed by Foreign Minister Castiella met with Secretary Rusk and other

^{5/} Department of State Memoranda of Conversation dated July 15, 1968 -- Nos. 10441, 10442, 10443, 10444, 10445, 10446, 10454, 10455 (SECRET).

^{6/} Memorandum for the President dated September 10, 1968, S/S No. 12322 (SECRET).

US civilian and military officials.^{7/} During extensive discussions between Spanish and US military officials, the United States increased the grant assistance offer to approximately \$140 million, while the Spanish reduced their demands to about \$750 million.

On September 25, Foreign Minister Castiella informed Secretary Rusk that he had been instructed by the Spanish Council of Ministers to inform the United States that the US offer of military assistance was totally unacceptable, that the minimum Spanish demand which the DOD estimated would cost \$700 million was Spain's "rock bottom" request, that the gap between the Spanish demand and the US offer could not be bridged by a reduction of the US presence in Spain, and that he was invoking Article V of the Defense Agreement, thus initiating a consultation period of six months.^{8/} (The Agreement provided that if no agreement was reached by the end of six months, the one-year termination clause would begin to run.)

^{7/} Department of State Telegrams 246009, September 27, 1968 (SECRET); 247340, September 30, 1968 (SECRET); 247741, October 1, 1968 (LIMITED OFFICIAL USE).

^{8/} Memorandum for Walt W. Rostow, The White House, from Benjamin H. Read, October 4, 1968, on Status of Spanish Base Negotiations (SECRET).

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Following these discussions it appeared that there would be little likelihood of any concrete agreement before the inauguration of the new US Administration in January 1969. However, a meeting of Spanish Foreign Minister Castiella with Secretary Rusk at the former's request on October 17 effectively reopened the negotiations.^{8a/} At this meeting the following understandings were reached:

(1) It was agreed that, as a matter of national policy, the two countries desired to continue the defense relationship.

(2) Both sides agreed that military representatives of the two Governments should meet on or about November 15 for the purpose of studying and reaching some conclusion as to Spain's defense needs and role in the Mediterranean and Atlantic areas, and, on the basis of this

^{8a/} Department of State Telegram 257357, October 17, 1968.

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study, should review and discuss Spanish military assistance requirements.

(3) After agreement is reached on military assistance, a third phase of discussions would take place to consider other outstanding bilateral political matters. The Foreign Minister also stated that it would be extremely helpful if the Secretary could agree to issue the draft letter which had been worked out during the September negotiations concerning the effect of US direct investment controls on the Spanish economy. The letter was signed and given to the Spanish Government on October 24, 1968.

Following the November 1968 NATO meeting in Brussels, Secretary Rusk visited Madrid, November 16-18, and met with Foreign Minister Castiella and had a one-hour conversation with General Franco. Although the subject of the Bases Agreement was mentioned only briefly, General Franco did reiterate Spain's desire to continue the defense relationship with the additional comment that the agreements needed

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to be up-dated to correspond to the strategic situation prevailing today. 8b/

General Wheeler, Chairman of the Joint Chiefs of Staff, met with Spanish military officials in Madrid, November 18-30, to initiate strategic discussions on a joint assessment of the threat and on common strategy. 8c/

Another meeting between the US and Spanish military was held in Madrid on December 4, 1968, and additional meetings were scheduled for December 17-19 and January.

b. Other Defense Issues

During the past four years, US-Spanish cooperation in the exploration of outer space continued with the United States being permitted to operate important space-tracking facilities on mainland Spain as well as one on the Canary Islands. Towards the US position in South Viet-Nam, the

8b/ Department of State Telegram 274684, November 20, 1968.

8c/ Memorandum for the Secretary of Defense from Chairman, Joint Chiefs of Staff (CM 3782-68, dated November 21, 1968).

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Spanish Government has followed a policy of muted support and sent a Spanish Medical Mission for duty in South Vietnam in September 1966.

c. Palomares Accident

US-Spanish relations suffered a serious setback when an aircraft carrying nuclear devices crashed over Palomares on January 17, 1966. As a result of this accident, Spain requested we suspend all nuclear overflights. The accident caused considerable concern in the Spanish populace over the possible dangers to Spain of the presence of US air bases. Although the United States removed all of the contaminated topsoil and paid claims for crop damage totaling over \$500 thousand, the residue of concern remained.^{9/} In June 1968, the US announced a gift of a \$150,000 water desalting plant to the residents of the Palomares area as an expression of our appreciation for their assistance in the accident's aftermath.^{10/}

^{9/} From Madrid, Airgram A-748, May 12, 1966
(CONFIDENTIAL).

^{10/} From Madrid, Airgram A-741, June 27, 1968
(UNCLASSIFIED).

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d. Gibraltar Dispute

A troublesome issue in Spain's foreign relations continued to be its renewed efforts to regain Gibraltar from the British. US insistence on remaining completely non-involved in this dispute has had its adverse side-effects on our bilateral relations. We have been successful, however, in remaining non-involved without causing any significant deterioration in our relations, and thus far have avoided Spanish attempts to insert the Gibraltar dispute into the question of our continued use of the joint bases. The Spanish Foreign Minister in two meetings with Secretary Rusk (November 13, 1967 ^{11/} and July 15, 1968 ^{12/}) raised the Gibraltar question. On both occasions Secretary Rusk explained the US position and emphasized the firm US policy of non-involvement. During the negotiations of September 16-26, 1968, on the renewal of the Defense Agreement, the subject of Gibraltar was not raised.

^{11/} Department of State Memorandum of Conversation (Part 9) November 13, 1967, S/S No. 19685 (CONFIDENTIAL).

^{12/} Department of State Memorandum of Conversation (Part 6) July 15, 1968, S/S No. 10446 (CONFIDENTIAL).

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NEJ 93-459

By KE, NARA, Date 2-22-94

10. Austria

a. The US Interest

The US has a special interest in Austria because of its strategic location and its traditional role as a point of contact between East and West. Our concern has been demonstrated by 1) our strong advocacy of Austrian independence in the period immediately after World War II; 2) our position as one of the four signatories of the State Treaty of 1955, which restored independence to Austria and led to Austria's declaration of permanent neutrality; and 3) our massive post-war assistance in the reconstruction of Austria. During the past five years, US-Austrian relations have been cordial, and there have been no significant political issues separating the two countries, though there have been some minor economic problems between them.

b. Visit of the Chancellor

The close ties between the United States and Austria were manifested in April 1968 in an official visit to Washington

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by Austrian Chancellor Josef Klaus.^{1/} In making the visit, the Chancellor sought to reaffirm Austria's pro-Western orientation and to counter domestic Austrian criticism that he had paid too much attention to Austria's relations with Eastern Europe.

c. Mutual Economic Issues

Heavily dependent on trade and tourism, Austria in 1961 had applied for an association arrangement with the European Economic Community (EEC) in 1961, and it began negotiations on such an arrangement with the EEC Commission in 1965. Although the United States has opposed less than full EEC membership for developed countries, we have recognized that Austria is precluded from full membership by the Austrian State Treaty, and that Austria is a unique case.

1/ An invitation to Klaus to visit the US was contained in Department of State telegram 75631, November 28, 1967 (~~CONFIDENTIAL~~); In preparation for the President's meeting with the Chancellor, the Department prepared a scope paper dated March 12, 1967 (~~CONFIDENTIAL~~); A joint statement was issued on April 11, 1967 by the President and the Chancellor (UNCLASSIFIED).

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Accordingly, we have not opposed an Austrian-EEC association arrangement, provided the deviations from the General Agreement on Tariffs and Trade are kept to a minimum.^{2/} Our preference, however, would be for a most-favored-nation commercial arrangement between Austria and the EEC.

Following President Johnson's announcement on the US balance of payments problem on January 1, 1968, the Austrians expressed sympathetic concern for our efforts to reduce or eliminate our imbalance in international payments. Subsequent representations by the Austrians, however, revealed that they were deeply concerned over the effect of the proposed US restrictions on tourism. Austria has also complained over the past five years against certain US non-tariff barriers to trade. For our part, we have found it necessary

^{2/} Department of State Circular Airgram CA-8193, April 24, 1967 (~~CONFIDENTIAL~~); Memorandum of Conversation between Austrian Foreign Minister Toncic and Deputy Assistant Secretary of State Stoessel, November 8, 1966 (LIMITED OFFICIAL USE); Memorandum of Conversation between Toncic and Secretary Rusk, October 5, 1966 (~~CONFIDENTIAL~~).

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to protest against various Austrian quota restrictions and practices in government procurement.

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11. Ireland

Irish-American relations have traditionally been friendly, and during the Johnson Administration the same close and cordial relations were maintained with the Government of Prime Minister John Lynch, who took office in November 1966, as with that of his predecessor, Mr. Sean Lemass. The Prime Minister and the two leaders of the major opposition parties in Ireland met with President Johnson and Secretary Rusk in June 1968.

a. US Objectives

American policy toward Ireland has in recent years been motivated by our desire to see Ireland play a larger role in both the European and the international context. We have given discreet support to Irish entry into the European Communities. Ireland first applied to the EC in 1961, and it reactivated its application in May 1967. A decision on Irish membership must await the resolution of the British application. We also firmly supported Irish accession to the General Agreements on Tariffs and Trade, which became effective in

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January 1968.^{1/} We have consistently favored a more liberal trading policy for Ireland. Ireland has historically regulated its import trade by an extensive system of tariffs, quotas, and import prohibitions; we have tried to encourage Ireland to remove these restrictions whenever possible.^{2/}

In international affairs, the United States has been gratified to see Ireland play a significant role in UN peace-keeping operations. Irish men and officers have served in UN forces in the Near East, the Congo, and Cyprus. We have cooperated extensively with the Irish mission to the United Nations, especially on subjects in which the Irish themselves have shown initiative -- UN financing and non-proliferation. Irish activities in the UN have on the whole been beneficial to US interests.^{3/}

^{1/} Memorandum to the Secretary of State from the Assistant Secretary for Economic Affairs, "Accession of Ireland to the GATT," June 27, 1967; Department of State Telegram 218889 to US Mission, Geneva, June 29, 1967 (LIMITED OFFICIAL USE).

^{2/} TSC-D-40/67, September 28, 1967, US Position Paper, 24th Session of the GATT, Geneva, October 1967, (LIMITED OFFICIAL USE).

^{3/} From Dublin, Airgram A-56, September 15, 1966, "U.S. Policy Assessment," ~~(SECRET)~~.

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b. Atomic Energy Agreement

In July 1968 US and Irish representatives signed a ten-year extension of the bilateral Agreement for Cooperation concerning the Peaceful Uses of Atomic Energy.^{4/} This agreement provides for the transfer of equipment and/or nuclear material. While no transfers to Ireland have yet been made under this Agreement, there is a possibility that Ireland may be interested in acquiring a research reactor. We consider the extension of the Agreement another indication that we value the importance of continued American-Irish cooperation in a variety of fields.

c. Civil Aviation Issues

The one problem which continued to disturb the generally harmonious relations between Ireland and the United States was that of landing rights at Dublin for a US airline. We have consistently sought to equalize the rights of the Irish-US bilateral civil aviation agreement by having the Irish grant permission for an American carrier to land at

^{4/} TIAS 4453 (UNCLASSIFIED); Department of State Telegram 184671 to Embassy Dublin, June 17, 1968 (UNCLASSIFIED).

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Dublin airport. In 1965 we renewed our request and were again refused. The Irish feared that the establishment of Dublin as a second international airport in the country would jeopardize their investment in the Shannon Industrial Estate around Shannon Airport and would further harm the underdeveloped western part of the country. In 1967 Secretary Rusk wrote to the Irish Foreign Minister to request a revision of the bilateral air agreement to permit a US airline to serve Dublin. The Foreign Minister categorically rejected the US request.^{5/} The United States then had to consider its next move, which could involve the partial termination of the US-Irish Air Transport bilateral. We considered that such drastic action would be unwise at this time, and in 1968 we were still hopeful that the Irish would come around to the US view that increased air traffic to Dublin would bring increased economic benefit to all areas of the Irish economy.

^{5/} Letter from Secretary Rusk to Irish Foreign Minister Aiken, July 29, 1967 (EXDIS); letter from Minister Aiken to Secretary Rusk, September 7, 1967 (EXDIS).

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~~SECRET~~d. Ireland and European Unity

Ireland has traditionally followed a policy of non-involvement in political and military alliances. It remained neutral during World War II and decided against participation in NATO in 1949, a decision which was reconfirmed in 1957 by a coalition government. In the later 1960s we detected signs, however, that Ireland was less inclined to view political and military cooperation with the West with its former apprehension. Foreign Minister Aiken has said that, while Ireland feels it can make a larger contribution outside of NATO, it could bring itself to join the alliance if NATO membership were achieved in conjunction with Irish integration into Europe and entry into EC institutions.^{6/}

^{6/} From Dublin, Airgram A-203, April 4, 1967
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NLJ 93-459By ig, NARA, Date 2-22-9412. Switzerland

US-Swiss relations have traditionally been cordial and tranquil, and the Johnson years were no exception. Such difficulties as arose were principally in the fields of trade and commerce. The Swiss Government and its central bank have cooperated fully with the United States in international and monetary matters.

a. The Question of Watch Imports

The principal issue in US-Swiss relations of the postwar period has been the establishment in 1954 of US escape-clause rates on imports of watch movements. Even though the United States compensated the Swiss in 1957 for the impairment of a tariff concession, Switzerland continued to feel aggrieved over our action, largely because the Swiss watch industry employs up to ten percent of the indigenous work force and is widely scattered throughout the country. Moreover, the Swiss have been irritated by the fact that the escape-clause rates on watches, which were supposed to be temporary, took on a permanent character and ultimately

remained in existence longer (12 years) than any other similar rates.

In December 1963 the US Tariff Commission began an investigation into the probable effect on the US watch industry of modification of the escape-clause rates. In March 1965 it reported that a reduction of the rates would encourage imports and further shrink the domestic watch industry, but that the capital losses of the US firms would be offset by increased profits from their expanded overseas operations.^{1/}

On April 5, 1965, President Johnson asked the Office of Emergency Planning to investigate the importance of the US watch industry to national defense. Following extensive inter-agency consultations, the OEP reported on January 11, 1967, that revoking the escape-clause rates would cause no significant injury to US national security.^{2/}

With the Tariff Commission and OEP reports in hand, on January 11, 1967, President Johnson announced termination

^{1/} US Tariff Commission Report, TC Publication 150, March 1965.

^{2/} OEP Release PR 279, January 11, 1967.

of the escape-clause rates, a decision which the Department had strongly recommended in light of the available evidence and because of the importance of Switzerland in the international economic community.^{3/} The decision was hailed by all elements of Swiss opinion. Speaking to the press on January 13, 1967, Swiss Councillor of Political Economy Hans Schaffner paid tribute to President Johnson and noted that "so much persipacity and determination deserve the appreciation not only of the Swiss Government but also other members of the world trade community."^{4/}

b. Trade Liberalization

The more general question of trade also dominated US-Swiss relations during this period. Switzerland and the United States were in accord on the need to liberalize world trade and made generous offers in the Kennedy Round negotiations, and both favored negotiations on the liberalization

^{3/} Memorandum from Secretary of State Rusk to the President, December 21, 1966; Department of State Circular Telegram 116662, January 11, 1967.

^{4/} Enclosure to Bern's Airgram A-568, January 20, 1967.

or elimination of nontariff barriers to trade. Shortly after the Kennedy Round negotiations, upon request by Secretary Rusk, the Swiss Government liberalized restrictions on exports of poultry parts to Switzerland, and in the spring of 1968 allowed the establishment of a subsidy program to assist US poultry exports in meeting European competition.^{5/}

c. Differences over European Integration

Our interests have not been parallel, however, on European integration. Sceptical of the significance and feasibility of political integration, the Swiss favor European arrangements which would benefit them commercially without infringing Swiss neutrality. The United States, however, regards political integration as an essential element in over-all European integration and cannot accept the trade loss that European commercial arrangements entail unless a new gain to the West through political integration is also present. Until progress is made on the British application

^{5/} Department of State Telegram 67043, November 7, 1967; From Bern, Telegram 1463, November 28, 1967.

for the EEC, this issue will be dormant.^{6/}

Although not a member of the IMF, Switzerland has cooperated in efforts in defense of the dollar and to strengthen the international monetary system.

Political relations between the United States and Switzerland are remarkably cordial. Switzerland has represented US interests in Cuba since January 4, 1961, and in Algeria since June 1967. The latter representation was undertaken by the Swiss in response to a telephonic request made to the Swiss Ambassador at Washington on the afternoon of June 6, 1967, the first day of the Israeli-Arab war.

^{6/} See Memorandum of Conversation between Assistant Secretary Solomon and Swiss Ambassador Schnyder, July 30, 1968.

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13. Malta

Although a "ministate," Malta has a marked interest for the United States because of its strategic location in the central Mediterranean. We wish to maintain Malta's pro-Western orientation, ensure the availability of Malta's facilities to the United States and other NATO countries, and deny Soviet access to Malta. To this end we have shown a sympathetic interest in Malta's economic development, though we have avoided making any new economic commitments or giving Malta any expectation of US Government assistance. At the same time we have asked other NATO members to do what they can to help Malta. We have also provided food aid, instituted a US investment guarantee program for Malta, and increased Sixth Fleet visits to the country.

a. US Recognition

Malta obtained independence within the Commonwealth on September 21, 1964, after a century and a half as a British colony. As an independence gift to the Maltese people, the United States offered the services of an American professor for several years to assist in establishing a chair in

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industrial development economics at the Royal University of Malta. In addition, a food aid program was instituted under Public Law 480 Title III ("Food for Peace").

At the moment of independence, Mr. Harrison Lewis, the American Consul General in Valletta, was designated Charge d'Affaires ad interim. President Johnson later named Mr. George J. Feldman as the first American Ambassador to Malta; Ambassador Feldman assumed his duties in August 1965. He was succeeded by Dr. Hugh H. Smythe in December 1967.

In February 1967 Malta established an Embassy in Washington. Malta named Dr. Arvid Pardo as its first Ambassador to the United States. Dr. Pardo presented his credentials to President Johnson on February 7, 1967.

b. US Objectives

United States policy vis-a-vis Malta since it achieved independence has recognized the United Kingdom's primary responsibility for the defense of Malta and for providing economic assistance; the British commitments in these areas were formalized in the UK-Malta Defense and

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Assistance Agreements, which run from 1964 to 1974. Within this context, the main US policy objectives vis-a-vis Malta involved maintenance of the country's traditional Westward orientation and its close ties with Britain; prevention or at least limitation of any Soviet Bloc presence or influence in Malta; maintenance of the availability of Maltese harbors and airfields for use by ships and aircraft of the United States (Sixth Fleet ships call frequently at Valletta) and other NATO countries, and denial of these facilities to the Soviet Bloc; and helping to foster Malta's economic, social, and political development and stability.^{1/} The United States has also encouraged a closer Maltese relationship with NATO, which has a command headquarters (Commander Naval Forces South) on the island. In the summer of 1968, NATO established a "Malta Group" to carry out consultations with Malta

^{1/} Department of State Circular Airgram CA-7999, February 5, 1965 (CONFIDENTIAL); Valletta Airgram A-11, July 15, 1966 to the Department (SECRET); letter from Assistant Secretary of Defense Paul C. Warnke to Assistant Secretary of State John M. Leddy, September 25, 1967 (SECRET).

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through a "liaison agent" representing the Government of Malta in Brussels.

c. Bilateral Agreements

The first major initiative in the development of United States bilateral relations with independent Malta was the negotiation of an Investment Guaranty Agreement,^{2/} the purpose of which was to facilitate American private investment in Malta. Such investment was actively promoted by Ambassador Feldman throughout his tenure in Malta. The agreement was signed in Washington on November 16, 1966, and entered into force on January 26, 1967.

Negotiations for the establishment of a US Air Force tropospheric scatter communications station in Malta, initiated with the British Government prior to Malta's independence, were successfully concluded in an Exchange of Notes signed in Washington on November 17, 1966. The station was

^{2/} TIAS 6205, "Investment Guaranties," Agreement Between the United States and Malta, November 16, 1966.

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established in 1968.

The June 1967 Arab-Israeli war brought about a crisis situation in the Malta Drydocks, the country's key industry, which lost its primary business (tanker repairs) when the Suez Canal was closed. The Maltese Government requested United States assistance -- putting US Navy ships into the dockyard for repairs -- to help keep the yard operating. The American Embassy strongly recommended that such assistance be provided^{3/} and, following discussions between the State and Defense Departments, a decision was made to have two Military Sea Transportation Service ships undergo overhaul and repairs at the Drydocks.^{4/} This was done in the early fall of 1967. The US action contributed to an easing of the difficult

^{3/} From Valletta, Telegrams 575, June 21, 1967 (CONFIDENTIAL); 599, June 26, 1967 (CONFIDENTIAL); and 021, July 7, 1967 (CONFIDENTIAL).

^{4/} Letter from Deputy Under Secretary of State for Political Affairs Foy D. Kohler to Deputy Secretary of Defense Paul H. Nitze, July 15, 1967 (CONFIDENTIAL); letter from Mr. Nitze to Mr. Kohler, July 22, 1967, (CONFIDENTIAL); Department of State Telegram 12210 to Embassy Valletta, July 24, 1967 (CONFIDENTIAL).

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situation in the Drydocks, which had important political implications in Malta.

Maltese Prime Minister Borg Olivier visited the United States in November 1966, when he signed the Investment Guaranty Agreement. During his second visit (October 1967) he addressed the 22nd United Nations General Assembly and also met on October 4 with President Johnson in Washington.

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