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By ing NARA, Date 3-1-97

F. BILATERAL RELATIONS AND SPECIAL PROBLEMS

1. Brazil

a. The Overthrow of Goulart

As President Johnson assumed office in November 1963, the Brazilian economy and internal political situation were deteriorating in an atmosphere of recurrent crises and growing social and labor unrest. Ultra-nationalists and extreme leftists were increasingly dominating government, labor, student and other sectors -- with the cooperation of President Joao Goulart. Private enterprise and foreign investment were being intimidated by threats of expropriation, apparently punitive limitations on profit remittances, and other harassments. Land reform was a demagogic slogan suggesting a purposeful threat to property rights rather than an orderly effort to correct inequities and increase agricultural productivity.

The United States was concerned over the leftward swing of the Goulart Government and its inability to cope with serious economic, social, and political problems. With Brazil in near-chaos, Goulart appeared to be unwilling to

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focus on any except the most narrowly political problems, leading many Brazilian observers to conclude that he intended to seize authoritarian power. The nature of his military and labor dispositivos -- "arrangements," or power structures -- strengthened these suspicions, as did Goulart's apparent resentment of two strong candidates for the next presidential elections. (He could not legally succeed himself and had made no attempt to produce an administration candidate.) Early 1964 saw big pro-Goulart demonstrations in the streets -- and much bigger anti-Goulart demonstrations. A violent denouement appeared close, and the United States could do little to influence it. Certainly US applause would have been little help to any group in a struggle with so many nationalistic aspects.

On March 31, 1964, the Brazilian Armed Forces, with wide public support, moved to oust the Goulart Government. The next day, April 1, Ambassador Gordon reported to Washington that Goulart's resignation or abandonment of the Presidency was imminent and that Federal Deputy Ranieri Mazzilli would

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become interim President, as provided by the Constitution. When Mazzilli was in fact sworn in as President on April 2, Gordon recommended that President Johnson send a congratulatory message, stressing the President's good wishes, the admiration of the American people for the resolute will of the Brazilian people to resolve their difficulties in a framework of democracy, and hopes for strengthening of US-Brazilian cooperation. ^{1/}

Under Secretary Ball replied to Ambassador Gordon that the Department was prepared to recommend to President Johnson that such a message be issued on the evening of April 2 if the Ambassador was satisfied that the step would not be premature or be interpreted as interference in Brazilian internal affairs. Gordon replied that since the country was completely pacified and in the hands of democratic forces, with support from the Brazilian Congress, such a message could not be construed as interference. He recommended that

^{1/} Teletype Conference record, April 2, 1964; 19:00Z (SECRET/EXDIS); Washington Participants: Under Secretary Ball, Mr. Adams, Mr. Burton, Mr. Sloan and Mr. Noland; Rio Participants: Ambassador Gordon and Mr. Gresham.

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the message be released as soon as possible, as a protracted delay might raise the question of whether we were "reacting" as in the case of Peru in 1962. The policy line that the United States should adopt was that there had been no break in constitutional continuity. Based on the Ambassador's recommendation, the message was released on the evening of April 2, and other Latin American posts were informed of the US view of events. ^{2/}

The telegram of congratulations from President Johnson helped establish close rapport with the new leaders of Brazil. All of the leaders believed that a profound revolution would be needed to pull the nation back from the brink of collapse and set it on a course of rapid development. The US policy of supporting moderate leaders was aimed at helping them to resist pressures against such institutions as Congress and a free press.

b. Subsequent Political Developments

On October 3, 1966, the National Congress elected

^{2/} Department of State Telegram 1836 to all ARA Diplomatic Posts, April 2, 1964.

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former Brazilian War Minister Marshal Arthur da Costa e Silva, the unopposed candidate of the pro-government ARENA Party, as President to serve a four-year term beginning March 15, 1967. Elections for the National Congress itself were held in November 1966, the ARENA Party winning two-thirds of the seats.

Prior to his inauguration, President-elect da Costa e Silva visited the United States and met with officials, including President Johnson, with whom he established a close personal relationship.

The Costa e Silva Government attempted to follow the basic lines of the Castello Branco administration in domestic affairs, but on foreign policy matters it has differed from US views more frequently than its predecessor. While generally in harmony with the United States on most foreign policy questions, Brazil has taken divergent positions on such issues as the nuclear non-proliferation treaty and soluble coffee.

Brazil's Foreign Minister Jose de Magalhaes Pinto has

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opposed the non-proliferation treaty and has spoken out against it at the United Nations. To head off further active and open opposition by Brazil to the treaty at the United Nations, Secretary of State Rusk invited the Brazilian Foreign Minister to come to Washington to discuss the matter. The Secretary, Director William C. Foster of the Arms Control and Disarmament Agency, and other officials stressed to him the long years of negotiation and compromise that had gone into drafting the treaty, and its importance for the future of world peace. They also pointed out to the Foreign Minister that the treaty guaranteed that non-nuclear countries would receive all the peaceful benefits of nuclear power as these were developed. ^{3/} While the arguments used by US officials did not change the Brazilian position on the matter, the Foreign Minister stated that Brazil would no longer actively oppose the commendation of the treaty by the United Nations. On the subsequent UN vote, Brazil abstained. During the

^{3/} Department of State Telegram 159224, May 7, 1968 (CONFIDENTIAL/LIMDIS).

remainder of 1968, the Brazilians gave no indication that they would change their position and sign the treaty.

On the issue of soluble coffee, the differences between Brazil and the United States seriously threatened for a time the renewal of the International Coffee Agreement. The issue grew out of the Brazilian system of levying heavy taxes on exports of coffee beans but not on exports of soluble coffee -- a system that gave Brazilian producers of soluble coffee a significant competitive advantage over US and other foreign manufacturers of instant coffee, who had access only to the heavily taxed export coffee beans. As a result of this situation, US coffee producers threatened to withhold support for renewal of the International Coffee Agreement. After lengthy negotiations, however, Brazil agreed in February 1968 to provisions in the new International Coffee Agreement whereby comparable treatment would be applied to exports of coffee beans and soluble coffee. ^{4/}

^{4/} Department of State Telegrams 117104 and 117312, February 17, 1968; Embassy London Telegram 6574, February 20, 1968.

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The middle-of-the-road Costa e Silva administration came under increasing criticism toward the end of 1968 for its lack of dynamic leadership. Rumblings of discontent began to emanate from the military establishment as a result of government inaction in the face of challenges from elements of the Catholic Church, the students, urban labor and the opposition. When the Brazilian Congress rejected a military-backed request by President Costa e Silva to waive the parliamentary immunity of a radical opposition congressman so that he could be tried for criticizing the Armed Forces, military leaders pressed the President to take matters into his own hands. Succumbing to this pressure, Costa e Silva issued on December 13 a broad "Institutional Act" which suspended numerous constitutional rights and gave the government almost unlimited power to rule by decree. Armed with these new arbitrary powers, the government recessed Congress for an indefinite period and imposed tight press and media censorship. The government arrested about 200 critics

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(some were later released) and cancelled the political rights of 13 opposition leaders. There has been little sign of support for the "Institutional Act," except from some elements of the business community, but neither have there been demonstrations of wide public opposition.

This policy of repression, forced on the government by the Brazilian military on December 13, presented the United States with some complex decisions. The Brazilian events were a blow to the objectives of the Alliance for Progress and to democracy in the hemisphere. Because of the strongly negative reaction of US opinion, it became apparent that the repressive acts of the Brazilian Government would worsen our bilateral relations along a broad front. On the other hand, Brazil is a significant country on the world scene and the dominant country of South America. Relations with Brazil are therefore important to the United States in many ways.

The United States attempted to balance its policy toward Brazil to achieve as many of its overall foreign policy objectives as possible without exacerbating current problems. The Department stated that US economic assistance programs

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in Brazil had gone under review and that the United States was concerned with human rights and the maintenance of the rhythm of development in Brazil. At the same time, the Voice of America transmitted criticism in the US press of the Brazilian military's action. The United States, however, avoided the kind of official censure which might be interpreted as "intervention" in Brazil's domestic affairs. We wanted to avoid giving Brazilian leaders a pretext for further repression and harmful ultra-nationalism.

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c. Economic Developments

The new Brazilian Government adopted a broad program of economic stabilization, growth, and reform, mounting a serious attack on the problem of inflation, which had reached an annual rate of increase of 140 percent in early 1964. The United States, called upon for critical support, responded quickly. The Department of State recommended, and was successful in obtaining funds for, a substantially increased assistance effort, both in capital loans and in technical assistance, particularly in the agricultural sector. Major balance of payments support through program loans was furnished to support the Brazilian economic reform by providing scarce foreign exchange for the importation of necessary raw materials and other essential goods, such as machinery and equipment, from the United States. From 1965 to mid-1968 the United States made four program loans, totalling \$475 million, to Brazil. Special incentive devices incorporated in these loans stimulated substantial additions to US exports. The US share of Brazil's total import market rose from 31 to 39 percent with equivalent increases in the

share of non-AID financed imports. The local currencies generated by these loans in part helped to reduce the inflationary pressure from the government deficit and in part were allocated to special accounts which provided Brazilian private enterprise with agricultural, industrial and housing credit. The program loans also provided important leverage to encourage sound performance by the Brazilian Government on such macroeconomic issues as public investment levels and fiscal, monetary and foreign exchange policies.

In the educational sector, however, the Brazilian Government's efforts were sluggish, inadequate, and unimaginative. Since 1964, the Department urged that emphasis be placed on the most pressing needs in certain selected areas, principally those of improving overall educational planning and implementation, and on the one sub-sector which presents a bottleneck which was crippling the entire system -- secondary education. The United States has chosen to attack this latter problem by means of another innovative technique, the sector loan. The recently authorized \$32 million education sector loan will not only permit the construction of

over 300 junior high schools in four key Brazilian states; it will also and more importantly, serve as the mechanism to obtain significant self-help commitments from the Brazilian Government in the financing of secondary education programs.

d. Operation Topsy

There was, however, an upsurge of Brazilian nationalism and anti-Americanism in 1967 and 1968, taking the form of attacks on US AID agreements in the field of higher education, accusations that there were American designs to take over Brazil's undeveloped Amazon area, charges that American missionaries were carrying on a program to sterilize Brazilian women and keep Brazil an underpopulated, weak nation, and attacks on the role of US capital in Brazilian industry.

As a result of such trends, Ambassador John W. Tuthill reached certain important conclusions regarding the US presence in Brazil and launched a program in September 1967 to reduce US personnel and programs in that country.^{5/}

^{5/} From Rio de Janeiro, Telegram 598, July 22, 1967 (~~CONFIDENTIAL/LIMDIS~~); Department of State Telegram 252259, July 25, 1967 (~~CONFIDENTIAL/LIMDIS~~); From Rio de Janeiro, Airgrams A-200, August 30, 1967 (~~CONFIDENTIAL~~) and A-343, November 21, 1967 (~~CONFIDENTIAL~~).

"Operation Topsy," as the program came to be called, was based on Ambassador Tuthill's conclusion that a substantial reduction in US Government personnel should be accomplished in order to reduce the danger of adverse reactions to our large-scale presence in Brazil, improve the efficiency of managing our programs, and cut dollar costs of maintaining large numbers of Americans in the country. The proposal received quick approval by the Secretary of State. The Ambassador then requested the heads of all US Government agencies in Brazil to submit plans for the elimination or curtailment of programs in order to achieve a 50 percent reduction in personnel. After this step was accomplished, the Department of State organized an inter-agency Task Force to study the results of the plan, assess their validity, and adjust the recommendations to make certain no damage would be done to US priority objectives in Brazil. As a result of the Task Force study, revised recommendations were made that would result in an approximate 33 percent reduction in personnel by June 30, 1969 without weakening or jeopardizing essential

US programs in Brazil. These recommendations were further reviewed by individual Washington agencies. In a few cases, recommendations for individual cuts were withdrawn where new facts were presented to reinforce the priority of the functions. Otherwise, agencies agreed to implement the reductions, and the process was under way during 1968. "Operation Topsy," proved to be a successful exercise and also one that could usefully be applied elsewhere in US foreign relations, as shown by President Johnson's directive of January 18, 1968, calling for a broad reduction in US overseas personnel.

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2. Chile

a. Background of Democratic Elections

Throughout its history, Chile has been one of the most stable Latin American countries. Despite complex economic problems - endemic inflation, stagnant agriculture - its deep democratic tradition, relatively progressive social system and comparatively well-educated population have been favorable for the development of a truly reformist political movement.

Six months before the Johnson Administration took office in the United States, Chile held its municipal elections, in which the decline of the traditional parties and the growing success of the Christian Democrats were highlighted. The Christian Democratic Party's program of profound economic and social reform, to be implemented within the democratic process, was consistent with the principles of the Alliance for Progress which had been endorsed by President Johnson. Thus the program was seen by the Department of State to be a significant and encouraging

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development, not just for Chile but also as an example for all of Latin America.^{1/}

b. Election of Frei: the US View

The Christian Democratic candidate, Eduardo Frei, won the Presidency in the elections of September 1964 with an unprecedented 55 percent of the popular vote. His only serious opponent, the Marxist coalition's Salvador Allende, ran on a platform which included many anti-US political and economic positions.^{2/} Thus, the United States welcomed Frei's victory as a re-affirmation of the Chilean democratic tradition and of support for the goals of the Alliance.^{3/}

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- 1/ Department of State, Bureau of Intelligence and Research, Research Memorandum RAR-19, May 1, 1964, "Pressures for Change Dominate Chilean Presidential Campaign" (~~SECRET/NOFORN~~).
- 2/ From Santiago, Airgram A-755, April 10, 1964, "Popular Action Front (FRAP) Campaign Platform" (UNCLASSIFIED); Memorandum, April 28, 1964, William T. Dentzer, Jr., ARA/LA/BC, to Thomas C. Mann, ARA, "Implications of the Possible Election of Salvador Allende as President of Chile". (SECRET).
- 3/ President Johnson's statement to the press, September 5, 1964.

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At the same time, the Department of State had maintained, throughout the campaign, the official position that the elections were the internal affair of Chile, so as not to offend nationalistic Chilean sensibilities and thereby improve Allende's chances of being chosen.^{4/}

c. US Assistance Objectives

Impressive as was Frei's victory, however, the 39 percent of the total vote obtained by the Marxist candidate served as a reminder that a significant portion of Chilean voters were sufficiently impatient for reform to support a candidate whose commitment to democratic principles was open to serious question. The absence of a serious contender from the right, and the poor showing of the candidate from the traditional center party, in the 1964 elections, was evidence of Chile's strong leftist trend.^{5/}

^{4/} Memorandum, W.L. Williams to W. Dentzer, Jr., ARA/BC, April 3, 1964, "Chile Pre-Election Strategy", (~~SECRET~~); Statement prepared for the Noon Press Briefing (if-asked-only basis), September 3, 1964 (Press Guidance for Chilean Presidential Election, September 3, 1964, ~~CONFIDENTIAL~~).

^{5/} Bureau of Intelligence and Research, Research Memorandum RAR-35, October 9, 1964, "The Incoming Administration of the Christian Democrats in Chile, (~~CONFIDENTIAL~~)".

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In this context, our attitude from 1964 was one of being as forthcoming as possible in support of the reform administration of President Frei.

The State Department's priority objectives have been to assist the Chilean Government in the development of "new initiatives" programs in education and agriculture, as well as to aid in lowering the inflation rate. The Department has also supported the initiation of health programs to encourage family planning.^{6/}

Specific US support for the Chilean education program consisted of two sector loans totalling over \$26 million. The Department and AID have under consideration additional loans to cover imports of educational materials from the United States and to finance a portion of the Chilean Ministry of Education investment program using domestic

^{6/} Interdepartmental Regional Group for Inter-American Affairs, "Country Analysis & Strategy Paper - Chile", for 1967 and 1968, respectively approved June 14, 1967, and August 1, 1968, (both ~~SECRET~~).

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currency. Efforts toward the first objective of the Chilean educational reform -- an increase in school enrollment -- have been notably successful. In addition, the seventh and eighth grades were shifted to the primary school, thus expanding the educational opportunities available to all students. US assistance has also been given to the Chilean program of curricula modernization at both primary and secondary levels, scheduled for completion by 1971.^{7/}

We have likewise contributed in a number of ways to the Frei Administration's attempts to increase agricultural production - the most significant being a \$23 million agriculture sector loan, approved in October 1967, to finance imports from the United States such as fertilizers, cattle, pesticides and machinery. Since 1964 a high priority goal in agriculture has been that of raising agricultural prices,

^{7/} Department of State Agency for International Development, "Capital Assistance Paper - Chile, Education Sector Loan", AID-DLC/P,562 -- Revised May 17, 1967. "Sector Loan Paper - Chile, Education, Sector Loan", AID-DLC/P-722, June 14, 1968, (~~CONFIDENTIAL~~).

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which had gradually declined in the face of steady increases in the general price index. From 1964 to 1966 farm prices increased by 20 percent in real terms - the highest level ever recorded. The Department has also been sympathetic to the Frei Administration's programs of agrarian reform, re-organization and improved coordination of the programs of the public agricultural agencies, increased organization and training of landless workers and small and medium-sized land holders, and increased farm credit.^{8/}

d. Use of Program Loans

The Department and AID have used the program loan technique extensively to promote monetary stabilization in Chile. Loans of \$35 million and \$55 million, two of \$80 million, and another of \$15 million were approved in 1963, 1964, 1965, 1966 and 1967, respectively, to provide general

^{8/} Department of State Agency for International Development, "Capital Assistance Paper - Chile, Agriculture Sector Loan", AID-DLC/P-627 - Revised, October 9, 1967, (~~CONFIDENTIAL~~)

support for government investment programs and to replace inflationary means of financing central government expenditures.^{9/}

e. Family Planning

The Department and AID have assisted Chile to become a leader in Latin America in the development of population and family planning programs. The Chilean Government has officially recognized the desirability of family planning, and various local and international organizations have developed research and operational programs in Chile. The main thrust of the Chilean program has been to lower the very high abortion and infant mortality rates without affecting the rate of population growth, which has steadily declined in recent years.^{10/}

^{9/} Department of State Agency for International Development, "Program Memorandum, FY 1969-Chile", September 1967. "Program Assistance Paper - Chile, Program Loan" AID-DLC/P-633, September 1, 1967, (BOTH ~~CONFIDENTIAL~~).

^{10/} See the Program Memorandum cited in Footnote 9/.

~~SECRET~~f. Scientific Cooperation

In addition to economic cooperation, there has also been extensive joint US and Chilean scientific research. The most significant endeavor of this kind grew out of the Punta del Este Conference in April 1967, when Presidents Frei and Johnson agreed to build for the Inter-American Observatory at Cerro Tololo a 150-inch reflector telescope, the largest in the Southern Hemisphere, costing \$10 million. ^{11/}

Two smaller-scale programs of scientific cooperation have been the establishment of the Longovilo earth station, giving Chile the first long-distance satellite communications system in Latin America, ^{12/} and Chile's support of the research

^{11/} Servicio Informativo y Cultural de la Embajada de los Estados Unidos de America, "El Observatorio Internacional de Cerro Tololo"; National Science Foundation, "Scientific Institutions in Latin America", manuscript, September 1968, pp. 775-6.

^{12/} From Santiago, Airgram A-825, August 28, 1968, "Market for Telecommunications Equipment in Chile" (UNCLASSIFIED).

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program of the National Science Foundation in Antarctica.^{13/}

g. Operation Camelot

One research program which was not successful was a proposed unclassified study sponsored by the Department of the Army known as Operation Camelot, which would have involved world-wide research on social change as it affects a society's inclination toward insurgency and political violence. Chile was not intended to be included in the project; however, discussions of it by one of its consultants with a number of Chilean officials and academicians were publicized by the Chilean leftist press, and the research was widely interpreted as being US intervention in Chilean internal affairs.^{14/} As a result of this episode, a move was made to strengthen

^{13/} Letters from Mr. Henry S. Francis, Jr., National Science Foundation, to Vice Admiral Claudio Vio Valdivieso, Secretary General of the Chilean Antarctic Institute, August 13, 1968, and to Mr. J. Norbury of the US Embassy in Santiago, August 16, 1968.

^{14/} To Santiago, Telegram 1275, June 30, 1965, "Project Camelot" (~~CONFIDENTIAL~~); From Santiago, Airgram A-552, December 20, 1965 (UNCLASSIFIED).

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inter-agency coordination of social science research through creation of a Foreign Affairs Research Council within the Department of State, so as to ensure that all foreign area research conducted or contracted by the Federal Government will take appropriate account of the political considerations involved.

h. Johnson-Frei Meeting

To supplement the already close working-relationship between Chile and the United States, President Johnson invited President Frei to visit the United States. The visit was scheduled for February 1-3, 1967. However, in a surprise move, the Chilean Senate denied Frei the constitutionally-required permission to leave the country. This action, which essentially represented a protest by the extremes of right and left against the Government's program,^{15/} did not prevent the meeting of the two Presidents in April

^{15/} From Santiago, Airgram A-489, February 11, 1968, "Some Reflections on the Senate Rejection of President Frei's Proposed Trip to the US." (LIMITED OFFICIAL USE).

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of that year at the Conference of American Presidents in Punta del Este. Presidents Frei and Johnson there began a warm friendship which continued, after the Summit, in their correspondence.^{16/}

16/ Material for report to the President on the Summit, "Chile-Private Comments of President Frei on Summit", April 21, 1967 (~~CONFIDENTIAL~~), From Santiago, Telegram 3733, April 20, 1967, "Reactions to Summit Conference", (~~CONFIDENTIAL~~).

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3. Colombia

a. Progress and Problems

With its rapidly-growing, relatively homogenous population and large geographic area, and the commitment of the National Front Government to resolving the problems of under-development within a democratic framework, Colombia has steadily taken a leading place - particularly among the Andean countries. If it could achieve a continuing success in solving its many problems, a strong impetus would be given the Alliance for Progress -- a much-needed demonstration effort, important to US policy in this Hemisphere.

Although Colombia's record for democratic government has been relatively good, electoral absenteeism is heavy and the understanding of democracy and of the advantages of a pluralistic society is limited among large sections of the population. Unless significant progress is made toward realizing the political, economic and social aspirations of the people, there is danger of their turning to extremist solutions. Thus the US interest has been at stake in Colombia's efforts to carry out its difficult development task.

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At the end of the Kennedy Administration, Colombia's efforts in this direction were still encouraging hopes that it might become a showcase for the Alliance. Colombia had been the first Latin American country to draft an Economic Development Plan after the Alliance was launched. It also supported an array of transitional institutions for social and economic reform that had been initiated previously: a low-cost housing institute (ICT), a National Planning Board, a National Apprenticeship Service (SENA) for vocational training, an institute for funding specialized training abroad (ICETEX), Corporaciones Financieras to mobilize Colombian capital, regional development corporations, municipal power companies, a geographic institute to survey basic resources, and the agrarian reform institute (INCORA) created in December 1961.

While Colombia's self-help efforts were impressive, success in meeting its development goals was in large measure linked to and hindered by a declining international market for coffee exports, on which Colombia depended for 60-70 percent of its export earnings. At the same time, there remained still a serious problem of public violence, which threatened internal security and caused a drain on domestic resources.

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Just at the time when the Johnson Administration took office, in November 1963, Colombian apprehensions concerning internal security were increased by the discovery of a large cache of Cuban arms in neighboring Venezuela. While the problem of violence in Colombia had begun as warfare between the two traditional political parties, Liberals and Conservatives, it had degenerated into banditry and gangsterism, and a large number of the gangs being led by communist elements.

It was, therefore, against a background that included Colombian self-help efforts, a severe balance of payments problem curtailing essential imports, and a serious security problem with hemispheric implications, that the Johnson Administration decided to make substantial financial assistance available to Colombia.^{1/} To ease the financial crisis in 1964, the United States approved two loans for essential imports -- \$15 million in March and \$35 million in July.

^{1/} Department of State, "National Policy Paper - Colombia", approved by L.A. Policy Commission, June 17, 1964 (~~SECRET~~).

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During the same year five project loans totalling \$16 million were approved, the largest being \$10 million for a Private Investment Fund and \$4 million to the mainly private Livestock Bank. Technical assistance accompanied their implementation.

c. Objectives of US AID

The major objectives of our AID program in Colombia have been: (1) to overcome the severe balance of payments constraint on growth by diversification of exports, improved fiscal and monetary policies, and improved planning for development; (2) to strengthen and diversify agricultural production - particularly, to lessen dependence on coffee for export earnings (60-70%) but also for improved nutrition and import substitution; (3) to modernize the educational system -- more than one-third of those over seven years old can neither read nor write simple instructions -- and to make education more relevant to the development needs of the country; and (4) to mobilize public and private resources through fiscal and institutional reforms for programs which meet growing social pressures.

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The means for pursuing these objectives have been varied. Capital assistance has included non-project or program loans, sector loans, and loans for technical assistance. In addition, during 1964-68, three P.L. 480 sales agreements, mainly for wheat, were signed. Grant assistance has included the training of selected Colombian personnel and the supply of military equipment to assist in combatting insurgency.

The program's lending process has involved "tranching" or release of only a predetermined portion of the loan at a time and after a review of the progress made under it with respect to Colombian policy commitments.^{2/}

d. Family Planning

President Lleras (1966-70) has tacitly approved an AID initiative to assist family planning in Colombia

^{2/} From Bogota, "Reviews of Performance under Program Loans", Airgrams A-543, March 26, 1966; A-735, June 19, 1966; A-121, August 31, 1967; A-189, September 1967; A-422, December 29, 1967; and A-625, March 15, 1968 (CONFIDENTIAL).

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indirectly through grants to the Pan American Health Organization, the Population Council, and the International Planned Parenthood Federation. Through their separate programs, technical assistance, training, and material support will reach the Ministry of Health, the Association of Colombian Medical Schools, and private organizations.

e. Agriculture

Colombian agricultural growth has barely kept pace with the population growth of 3.2 percent. This sector has not yet developed momentum toward lessening Colombia's economic dependence on coffee, despite numerous gains. For example, since 1964, AID technical assistance has helped identify basic resources and develop a Colombian institutional capacity to collect data on soils, forestry, and hydrologic problems and backstop other planning agencies. A second loan of \$8.5 million to the Agrarian Reform Institute, INCORA, in March 1966, following one for \$10 million in June 1963, contributed to INCORA's expansion of its supervised agricultural credit program and extension service for small farmers.

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f. Education

A National Education Planning Study initiated in 1963 and funded by AID resulted in a general plan for educational reform which set priorities for action plans now under way. Sector plans have been completed for secondary education, agricultural education, industrial education, education statistics, and teacher education; and these are guiding current education policies. Of particular importance is the plan to construct 19 comprehensive high schools throughout the country. Colombia's request for an IBRD construction loan for half the cost of the first 10 schools was approved in July 1968. AID has worked closely with the IBRD and UNESCO in support of Colombia's plan, and it commenced training secondary education administrators in 1967, under a contract with the University of Mexico. AID will also assist five selected teacher-training colleges to improve curricula and teaching methods as well as advise on the initiation of the schools, the first of which is scheduled to open in 1970. Peace Corps cooperation in teaching new mathematics, basic sciences and English, and UNESCO aid to teacher college administration, will also support the project.

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Colombia's Ministry of Education has hired 44 additional technicians for the project, which it considers essential for the meeting of manpower needs and expanding of educational opportunity. An AID-funded contract with the University of California has provided assistance to the Colombian Association of Universities in completing a study of higher education and manpower needs.^{3/}

3/ AID Program Memorandum-FY 1969, Colombia, ~~(CONFIDENTIAL)~~; IBRD Report No. P-623, July 18, 1968, (RESTRICTED); Country Analysis and Strategy Paper for Colombia - 1968 (~~SECRET~~).

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4. Mexico

a. General Trend of US Relations

Our relations with Mexico have improved rather steadily since 1958. The improvement has resulted from continued US initiatives as well as a more responsive attitude in the last two Mexican administrations. Improvement is important not only because Mexico is vital to our security and in our Latin American policy, but also for a number of more domestic reasons. Mexico is sizable and contiguous. We are principal trading partners. Four million of our citizens live on the 1,946-mile boundary, and there are 200 million boundary crossings along it every year. Mexico depends on American tourists for a major part of its dollar earnings. A large number of American citizens look upon Mexico as their mother country. We share the waters of two major rivers. In these circumstances each Government has come generally to desire to resolve common problems and cooperate in achieving common goals.

Mexico, however, firmly self-reliant and with a stable government, growing economy, and political stance somewhat left of center, tends to be wary, while the United States

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is usually willing and eager. In the Alliance for Progress, Mexico is less a leader than a stalwart support. When fundamental issues are at stake, we can expect to find the Mexican Government understanding and constructive. President Kennedy had successfully begun work on a number of the common problems. President Johnson, convinced that all of them could be resolved, earnestly turned to complete this work and advance our cooperative endeavors.^{1/}

b. Special Political Relationship

(1) Presidential Visits

Desiring to cultivate personal relationships with world leaders, and especially with the heads of state of our closest neighbors, President Johnson initiated almost at once an official visit with President Lopez Mateos of Mexico, whom he had known since the 1950s. They met in February and again in September 1964. In the same year,

^{1/} Remarks of the President, Los Angeles, February 22, 1964 (State Department Bulletin, Vol. L, No. 1290, March 16, 1964, p. 402).

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even before Gustavo Diaz Ordaz took office, President Johnson invited the Mexican President-elect to the LBJ Ranch to get acquainted. They met formally in Mexico City in April 1966, at the presentation of a statue of Lincoln to the people of Mexico, and again in December for an inspection of Amistad Dam, which the two Governments were jointly constructing on the Rio Grande. In April 1967, when they attended the Summit Conference at Punta del Este, President Johnson invited the Mexican President to visit Washington in the fall. President and Mrs. Diaz Ordaz arrived on October 26 for the first Mexican state visit to the United States since President Lopez Mateos visited President and Mrs. Eisenhower in October 1959.

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At most of their meetings, on the basis of extensive briefing papers prepared in the Department,^{2/} the Presidents reviewed all pending matters of concern and announced specific programs of action to serve as a guidance for their Governments until they might meet again. At some meetings new programs were agreed upon and new organizational

2/ Briefing Books for Visits of February 21-22, 1964; April 12, 1966; and October 26-27, 1967 (SECRET).

President Johnson had the following meetings with the Mexican Presidents during his administration:

President Lopez Mateos

Feb. 21-22, 1964	Palm Springs and Los Angeles, Calif.
Sept. 25, 1964	El Paso, Texas

President-elect Diaz Ordaz

Nov. 12, 1964	LBJ Ranch, Johnson City, Texas
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President Diaz Ordaz

Apr. 12, 1966	Mexico City
Dec. 3, 1966	Amistad Dam, Del Rio, Texas and Cd. Acuna, Coahuila
Apr. 11, 1967	Punta del Este, Uruguay
Oct. 26-27, 1967	Washington, D.C.
Oct. 28, 1967	El Paso and Cd. Juarez, Chihuahua
Dec. 13, 1968	El Paso

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arrangements made. Their conversations never failed to reflect progress being made, and a search for untried means for the resolution of residual difficulties. By 1967 there remained no problem serious enough to detract from an atmosphere of complete cordiality.

(2) Mexico and Cuba

In the 1950s, Castro prepared in Mexico for his invasion of Cuba, and the Mexican Government had repeatedly showed its sympathy for him, hoping that he would seek solution to Cuba's problems within the Organization of American States rather than in the Sino-Soviet Bloc.^{3/} By 1962, however, Mexico had proof of Castro Cuba's intervention in Mexico's internal affairs and seemed less well disposed. At Punta del Este in January 1962 Mexico took the initiative in advancing the proposition that the

^{3/} Memorandum of Conversation, November 12, 1964, President Johnson with President-elect Diaz Ordaz (~~CONFIDENTIAL~~).

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Marxist-Leninist regime in Cuba was incompatible with the inter-American system. The Mexican Government gradually became willing to help control Cuban activities, instituting travel and trade controls, but its cooperation with us was so sensitive politically in Mexico that the United States chose to avoid any public recognition of this help.^{4/}

Mexico alone in the Organization of American States maintains diplomatic and consular relations with Cuba, despite the mandatory sanctions imposed by the Ninth Meeting of Foreign Ministers. By publicly challenging in 1964 the juridical basis for sanctions, President Lopez Mateos made it difficult for his successor to consider a break. Understanding the Mexican Government's domestic political difficulty, the Department of State did not ask President Johnson

^{4/} Memorandum for the President from Secretary Rusk, February 18, 1964, enclosure, Talking Points Paper for President Johnson, February 15, 1964, "United States-Mexico Cooperation on Cuba", and attachment (SECRET).

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to press for a change in Mexico's public attitude.^{5/}
Moreover, the existence of Mexican-Cuban relations has on occasion been advantageous to us. At the personal suggestion of Secretary Rusk, Mexico arranged for the repatriation of American citizens from Cuba.^{6/} Mexico responded readily to our suggestion in mid-1968 that it approach Castro at a propitious time to seek Cuban cooperation in efforts to discourage hijacking of our planes to Cuba.^{7/}

(3) Claims Settlement

As of 1963 a considerable backlog of US claims existed against the Government of Mexico for the taking of property of US nationals contrary to international law. All except the "Pious Fund Claim" (dating from 1848)

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- ^{5/} Background Paper for President Johnson, November 5, 1964, "Mexico and Relations with Cuba", (CONFIDENTIAL).
 - ^{6/} Memorandum of Conversation (Part 6) of meeting between Presidents Johnson and Diaz Ordaz, December 3, 1966 (CONFIDENTIAL).
 - ^{7/} Department of State Telegram 205994, July 20, 1968, (SECRET); Mexico City Telegram 6405, August 8, 1968 (SECRET).

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had arisen subsequent to November 7, 1941, the date of the last claims settlement. Mexico had not made its payments on the "Pious Fund" annuity since 1912. Repeated efforts at settlement of all these claims had been unsuccessful.

After 1963 the Department of State made numerous and vigorous representations on the individual claims. The Department successfully resisted various concessions long insisted upon by the Government of Mexico, including the acceptance of a greatly reduced payment, waiver of certain claims, and a recognition of certain legal principles which we did not accept.^{8/} The Department finally obtained settlements approved and accepted by all the claimants involved.

The Department also urged the Mexican Government to resume annual payments on, or make a lump-sum settlement of, the historic Pious Fund, which had been twice adjudicated in our favor. On August 1, 1967, the Governments exchanged notes providing for the full and final settlement of the claim for \$719,546.

8/ From Mexico City, Telegrams 1261, December 15, (LIMITED OFFICIAL USE) and 1270, December 16, 1965 (LIMITED OFFICIAL USE).

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Finally, twenty agrarian claims arising since 1941 were settled for \$1,257,534.25 by an exchange of notes dated November 16, 1967.

(4) Narcotics Control and Cooperation

Mexico is the principal source of the marijuana and a limited source of the heroin brought illegally into the United States.

An AID "Cooperative Program for International Control of Narcotics" was initiated on June 26, 1961, of which the United States has financed \$627,021.65 and Mexico \$130,000. Through July 31, 1968, on the Department's recommendations,^{9/} AID has procured helicopters, other aircraft, jeeps, flame throwers, and related equipment, backstopping arrangements between the Bureau of Narcotics and the Mexican Attorney General to search out and eliminate plantings of poppy and marijuana.

Mexican and United States narcotic control officials also cooperate closely to reduce smuggling into the United States. At the Department's suggestion and following

^{9/} General Talking Points Paper for President Johnson, April 12, 1966 (~~CONFIDENTIAL~~).

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discussions between Presidents Johnson and Diaz Ordaz, officials of both Governments have met twice and have agreed to meet on a regular basis to discuss narcotics control cooperation. ^{10/}

c. Special Economic Relationship

(1) Alliance for Progress

In 1961 the AID program in Mexico was re-oriented from technical assistance to a loan program in three major problem areas: agricultural productivity, low-cost housing, and higher education. A third-country training program was also extended.

The actual implementation of the supervised agricultural credit program began in 1964. As a result of extensive conferences in the Department of State and with Mexican officials,

^{10/} Memorandum for the President from Secretary Rusk, February 18, 1964, enclosure (SECRET); Background Paper for President Johnson, November 6, 1964, on "US-Mexican Cooperation in Control of the Narcotics Problem", (LIMITED OFFICIAL USE).

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the program was devised to work in a unique way through the Mexican private banking system, increasing the amount of capital available to farmers. AID made a second loan of \$21.5 million for the same purpose in August 1965.

In late 1963 and during the first nine months of 1964, representatives of the Department, AID, the Inter-American Development Bank, the Ford and Rockefeller Foundations, and United Nations Technical Assistance, together with Mexican officials, designed a project to upgrade the agricultural University of Chapingo.^{11/} The latter became the major graduate center in agriculture and principal training center for badly-needed extension workers.

In February 1964 the Department concluded an AID Low-Cost Housing Agreement with Mexico. Its emphasis caused the Mexican Government to pass legislation making it

^{11/} Background Paper for President Johnson, April 12, 1966, "The Chapingo National Agricultural College", (UNCLASSIFIED).

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mandatory for the private banks to use up to 50 percent of new deposits for low-cost housing loans.

With the Department's encouragement,^{12/} Mexico provided training opportunities for students from other Latin American countries, and numerous countries are trying the new strains of hybrid corn and wheat developed during twenty years of research in Mexico.

(2) Trade and Investment

Mexico is the best Latin American customer of the United States and fifth or sixth best on a world-wide basis.

Our desire has been to maintain and expand the level of access of each country to the other's market.^{13/} We regarded consultations on trade matters as highly desirable and recommended creation of a permanent mechanism by which

12/ Memorandum for the President from Secretary Rusk, February 18, 1964, enclosure (~~SECRET~~).

13/ Memorandum for the President from Secretary Rusk, February 18, 1964, enclosure (~~SECRET~~).

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problems affecting such important trade could be analyzed.^{14/}
Since Mexico is not a signatory of the General Agreement on
Tariffs and Trade, and we do not have a bilateral agreement
to govern trade relations, the Department proposed the estab-
lishment of a US-Mexico Trade Committee.^{15/} The first meeting
took place in October 1965. Between annual meetings, a
follow-up system through the embassies in each country offers
constant attention on a year-around basis.

Where practical, the Department favors extending
assistance to Mexico in commercial matters, as in the
exceptional arrangement for the overland importation of
Mexico's crude oil.^{16/} In 1967, at the

^{14/} Talking Points Paper for President Johnson, February 14, 1964 on "Trade Relations and Commodity Problems", (~~CONFIDENTIAL~~).

^{15/} From Mexico City, Telegrams 2280, March 31, 1965 (UNCLASSIFIED) and 2429, April 13, 1965, (LIMITED OFFICIAL USE); Department of State Telegrams 1975, April 5, 1965, (LIMITED OFFICIAL USE) and 2409, June 4, 1965, (LIMITED OFFICIAL USE).

^{16/} Talking Points for President Johnson, February 14, 1964, on "Trade Relations and Commodity Problems", (~~CONFIDENTIAL~~).

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urging of the Department of State and our Embassy in Mexico City,^{17/} the United States signed a textile agreement under which Mexican imports of cotton yarn and textiles come under specified import ceilings. This agreement is designed to regularize cotton textile imports from Mexico, allow for normal growth during each year of its four-year term, and establish an umbrella for the orderly development of such trade.

(3) The US-Mexico Fishery Agreement

The United States and Mexico have long disputed the extent of Mexico's offshore jurisdiction, Mexico claiming a 9-mile territorial sea while we recognize only 3 miles. Mexico has seized many US fishing vessels in the Gulf, where the United States conducts its most valuable

^{17/} Department of State Telegram 165424, March 30, 1967 (~~CONFIDENTIAL~~); Mexico City Telegram 6197, May 9, 1967 (LIMITED OFFICIAL USE); Memorandum of Conversation, May 11, 1967, Foreign Secretary Carrillo Flores with Henry Dearborn, Charge d' affaires, a.i., Mexico City (~~CONFIDENTIAL~~); Department of State Telegram 193489, May 17, 1967 (LIMITED OFFICIAL USE).

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shrimp fishery. In 1966 the United States added a 9-mile exclusive fishing zone to its own 3-mile territorial sea. Mexico followed, adding a 3-mile exclusive fishing zone to its claimed 9-mile territorial sea. Each Government was prepared to recognize the historic rights of foreign countries within the exclusive fishing zones.

The Department had repeatedly sought to reach an accommodation with Mexico.^{18/} US and Mexican delegations succeeded in concluding an agreement in September 1967 which protects the US fishery, within Mexico's 3-mile fishing zone, at least for a period of five years, and provides for a joint conservation program.

(4) US-Mexico Air Transport Services Agreement

The development of civil air traffic with Mexico was hampered for almost twenty years by a fundamental difference in philosophy on the regulation of competition. We have favored open competition, while Mexico, like some other governments with weak lines, has supported a division

^{18/} Background Paper for President Johnson, November 5, 1964, "Proposed Bilateral Fisheries Agreement", (LIMITED OFFICIAL USE).

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of traffic. Even under the standard 1960 Air Transport Agreement, the Mexican Government tried to divert traffic to Mexican airlines by limiting US airline services.

Finally, in 1965, under the aegis of the Department of State,^{19/} a compromise was worked out for five years.^{20/} Although each Government agreed not to impose any unilateral restrictions on an airline or airlines of the other party, the United States accepted a confidential understanding protecting Mexican airlines for a transition period, giving them time to obtain new equipment and prepare themselves for normal competition.^{21/} A number of other long-standing civil aviation problems were also resolved in this understanding.

^{19/} Background Paper for President Johnson, November 5, 1964, "Bilateral Aviation Agreement", (LIMITED OFFICIAL USE).

^{20/} Exchange of notes, August 4, 1965, TIAS 5897.

^{21/} Letter from the Ambassador In Mexico (Freeman) to the Mexican Secretary of Communications and Transport, August 4, 1965, (CONFIDENTIAL).

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d. Border Development

(1) International Boundary and Water Commission,
United States and Mexico

President Johnson's deep interest in improving our relations with Mexico, and in the development and beautification of the border area, was nowhere better reflected than in the activity of the International Boundary and Water Commission. The US Section of this international body functions under the policy guidance of the Department of State in handling a segment of our relations with Mexico. Meeting at Palm Springs in February 1964, and with the Department's encouragement,^{22/} President Johnson joined with President Lopez Mateos in committing both Governments to the completion of the three great undertakings then before the Commission: solution of the Colorado River salinity problem, implementation of the Chamizal settlement, and construction of the international Amistad Dam. The Commission performed these tasks in good order (see below). The huge dam began to store floodwaters on May 31, 1968, and the Department,

22/ Memorandum for the President from Secretary Rusk, February 18, 1964, with enclosure ~~(SECRET)~~.

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with the Department of the Interior, worked with Mexican officials in planning extensive international recreation development at its reservoir, the eleventh largest man-made lake on the North American Continent.

The Commission also completed plans for an international flood control project on the Tijuana River for the protection of San Diego and Imperial Beach in the United States and Tijuana in Mexico. Dealing with a number of sanitation problems, the Commission provided an alternative disposal arrangement for the emergency use of Tijuana, and enlarged international plants for the adjoining communities of the two Nogales and of Douglas and Agua Prieta on the Arizona border, as well as interceded for construction by Mexico of a disposal system for Mexicali near the California border. The Department assisted the US Section of the Commission in drafting and supporting the enactment of legislation for many of these and other Commission projects.

Hurricane "Beulah" struck the Rio Grande Valley on September 20, 1967. The Department immediately made informal arrangements for an open border, so that measures and materials

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for relief could be handled across the boundary without obstruction or delay.^{23/} The Commission's international flood control system withstood the record onslaught everywhere except at Harlingen, Texas, and Camargo, Tamaulipas. At the request of the two Presidents, the Commission recommended modifications to contain an even larger flood with an adequate margin of safety, and the Department pressed for the necessary appropriations, so that our responsibility to Mexico could be adequately fulfilled.^{24/}

^{23/} Department of State Memorandum of September 21, 1967, to Mr. Bowdler, the White House, (UNCLASSIFIED); Department's Telegram to the Embassy in Mexico, 42941, September 23, 1967 (LIMITED OFFICIAL USE); Letter, President Diaz Ordaz to President Johnson, September 25, 1967.

^{24/} Letter, Department of State to the Bureau of the Budget, September 16, 1968, ~~(CONFIDENTIAL)~~.

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As the Chamizal border settlement progressed (see below), the Department joined with the Mexican Foreign Office in committing the Governments to seek a solution to other boundary disputes. On August 22, 1968, after extensive surveys and studies, the Department authorized the US Commissioner to open a negotiation and propose a project for a single treaty to settle all pending territorial problems.^{25/}

25/ Memorandum for the President from Secretary Rusk, February 18, 1964, enclosure (~~SECRET~~); Joint Communique, February 22, 1964, Department of State Bulletin, Vol. L, No. 1290 (March 16, 1964), p. 398; Presidents' Action Program, October 27, 1967, Department of State Bulletin, Vol. LVII, No. 1482 (Nov. 20, 1967), p. 682; Memorandum of August 19, 1968, approved by Acting Assistant Secretary Vaky August 22, 1968, (~~CONFIDENTIAL~~); Technical Report, "The Ojinaga Tracts and other Boundary Location Problems between the United States and Mexico", submitted by U.S. Commissioner on International Boundary and Water Commission (Friedkin), August 1968 (~~CONFIDENTIAL~~).

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~~SECRET~~(2) Lower Colorado River Salinity Problem

When President Johnson took office, the most serious problem with Mexico was the high salinity of the Colorado River waters delivered by the United States to Mexico under the 1944 Water Treaty.^{26/} The introduction of highly saline water from a pump drainage system in the Wellton-Mohawk District of Arizona made the water so salty in November 1961 that Mexico formally protested that it was unacceptable under the Treaty and contaminated contrary to international law. The Department contended that the United States was complying with the Treaty, but urged the Department of the Interior and Commissioner Friedkin to engage in intensive study, separately and jointly with Mexico,^{27/} looking toward a mutually acceptable solution.

26/ Memorandum of Conversation, February 21, 1964, Secretary Rusk with Mexican Foreign Secretary (M. Tello), Mexican Ambassador (Carrillo Flores), Special Assistant to the President (Ralph Dungan), et. al. (~~CONFIDENTIAL~~).

27/ Note, Secretary of State to Mexican Ambassador, January 16, 1962.

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In March and June 1962, President Kennedy and President Lopez Mateos agreed on the urgency in finding a mutually satisfactory solution. On the Department's recommendation,^{28/} President Johnson agreed with President Lopez Mateos, at their meeting in February 1964, to re-affirm this commitment. At the Department's request, and at a cost to the United States of more than five million dollars, provisional measures were taken so that Mexico's water did not again reach the 1961 salinity. Panels of US and Mexican scientists conceived a complex solution under which we would construct an extension to the Wellton-Mohawk District's drainage channel to permit discharge of the highly saline drainage below the Mexican diversion point at Morelos Dam. The two Governments, through the International Boundary and Water Commission, adopted this basis for a solution on March 22, 1965.

^{28/} Memorandum for the President from Secretary Rusk, February 18, 1964, enclosure, (~~SECRET~~)

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The Department undertook an implicit understanding that the quality of Mexico's water would continue to improve.^{29/} Both Governments reserved all legal rights. The extension channel was completed, at a cost of \$2,501,131, on November 16, 1965, the date from which the agreement was to run for five years.

The proposed solution functioned essentially as anticipated by the United States. The quality of Mexico's water gradually improved; the Wellton-Mohawk District was able to drain its lands satisfactorily. In August 1966 the Department arranged with the Department of the Interior to make an unprecedented loan to Mexico of 40,535 acre-feet of water to relieve a critical shortage, water which Mexico repaid in 1967. When a flood in the first year interfered with the Wellton-Mohawk drainage operation, the Department and the US Section of the Commission, through the Corps of Engineers and the Bureau of Reclamation, persuaded Congress to modify

^{29/} US Commissioner, IBWC (Friedkin), to Director of Mexican Affairs (Leonhardy), January 16, 1965.
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an already authorized flood control project to prevent, at an additional cost of \$1.5 million, a similar interference in the future.^{30/} In September 1968 the Department and the Department of the Interior again assisted Mexico by waiving two specific requirements of the 1944 Treaty and shifting delivery of a part of Mexico's water from September to December.

(3) Underground Waters

Directly related to but apart from the salinity problem, the Mexican Government became concerned that pumps being installed below the Wellton-Mohawk area near the border in Arizona, for salvage of water lost underground, would increase the salinity of its water, as well as

^{30/} Acting Secretary of State (Katzenbach) to US Secretary of the Army, December 15, 1967, (UNCLASSIFIED); US Commissioner, IBWC (Friedkin) to the Director of Mexican Affairs (Chaplin), June 29, 1968, (UNCLASSIFIED); Report of the Senate Committee on Public Works, Report No. 1342, 90th Congress, 2nd Session, June 28, 1968.

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intercept underground flows on which Mexico depended. At the Department's recommendation^{31/} President Johnson joined with President Diaz Ordaz April 16, 1966, in issuing a statement "regarding the need for mutual consultation before proceeding to carry out work which in the future might create problems of a nature similar [to the salinity problem]" The US Commissioner and the Department persuaded the Bureau of Reclamation to revise its plans so as to reduce the number of wells and to locate them where they would have least effect on Mexico, in effect reducing the amount of salvage to essential drainage.^{32/} By November 1966 the

31/ General Talking Points Paper for President Johnson, April 12, 1966, (~~CONFIDENTIAL~~); Secretary Rusk to the Secretary of the Interior (Udall), April 12, 1966, (~~CONFIDENTIAL~~).

32/ Department of State (R.M.Sayre) letter to the Department of the Interior (K.Holum), December 8, 1965, (~~CONFIDENTIAL~~).

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United States was able to assure Mexico that these wells would have no significant adverse effect on Mexico.

(4) Rio Grande Salinity Problem

Unrelated but inevitably associated with the Colorado River salinity problem was a salinity problem on the lower Rio Grande. The physical circumstances were somewhat reversed. The Mexican Morillo drain emptied drainage waters into the Rio Grande which are frequently much more saline than the Wellton-Mohawk drainage. The Department raised the problem again and again. The Mexican Government did not question its responsibility, and took interim measures to prevent serious injury to US interests.^{33/} As soon as the Colorado River problem was alleviated, the Commission initiated intensive discussions, concluding an agreement on November 30, 1965. With the two Governments sharing the

33/ Memorandum of Conversation, February 21, 1964, Secretary Rusk with Mexican Foreign Secretary (Tello), Mexican Ambassador (Carrillo Flores), US Ambassador to Mexico Mann, et al. (~~CONFIDENTIAL~~).

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costs equally, Mexico constructed a canal through Mexican territory to convey practically all Morillo drainage directly to the Gulf of Mexico.

(5) The Chamizal Settlement

The Chamizal is an area on the Rio Grande in El Paso, Texas (some 600 acres), that erosion after 1853 shifted from the southern to the northern side of the river. An International Arbitral Commission in 1911 awarded an indefinite part of it to Mexico. The US Government rejected the award on several grounds but sought a diplomatic settlement. ^{34/} Not until 1963 were we successful.

Ambassador Thomas C. Mann had consulted regularly with Vice President Johnson in the negotiation of the settlement, because of the latter's special interest in this Texas problem. President Johnson quickly urged ratification of the treaty and , later, the swift enactment of enabling legislation recommended by the Department. At a total cost to the United States of some \$43.6 million, the US Section

^{34/} Convention signed at Mexico City, August 29, 1963, TIAS 5515.

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of the Commission acquired the lands to be transferred to Mexico or otherwise required, relocated three railroads and constructed two railroad bridges, assisted in the construction of three new official inspection facilities, and (jointly with Mexican Section) constructed three international highway bridges and a concrete-lined channel for the Rio Grande to mark the new international boundary. Secretary Rusk and the Mexican Secretary of Foreign Relations signed on October 27, 1967, a document completing the transfer of lands under the settlement.

In considering the settlement, both the Department and Congressional Committees wanted to avoid any unnecessary injury to the people of El Paso. The city proposed a four-point program to assist it in accommodating itself to the settlement: (1) special compensation to avoid financial loss to occupants of the lands, (2) relocation of an irrigation canal running through the city, (3) creation of a Federal Memorial Park, and (4) construction of a broad highway along the relocated channel. The Department incorporated special compensation in the enabling legislation and

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recommended to President Johnson approval of the other three elements in somewhat modified form, all of which were authorized by the Congress.

(6) US-Mexico Commission for Border Development and Friendship

This body was created at the Department's suggestion at the April 1966 meeting of Presidents Johnson and Diaz Ordaz.^{35/} They agreed to create a joint commission "to improve the relations between the frontier cities of both countries, and to elevate the life of those who live in the border region . . . from a social and cultural as well as a material point of view." The Commission was formally established by an Exchange of Notes in December 1966. The President appointed Ambassador Raymond L. Telles Chairman of the US Section.

The Commission held its first joint meeting in Mexico City October 19 and 20, 1967. It set up joint working groups to initiate cooperative plans for both long and short term economic, social, and cultural development projects.

^{35/} General Talking Points Paper for President Johnson, April 12, 1966, ~~(CONFIDENTIAL)~~.

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At the second joint meeting in Washington, May 1-3, 1968, it reviewed the proposals of the Joint Working Groups and adopted a set of resolutions for the future guidance of the working groups. One working group arranged for an exchange of notes establishing a permanent Joint Committee on Emergency Planning and Disaster Assistance, providing a mechanism for planning for cooperative action on the border in case of future natural disasters. The US Section of the Commission also makes proposals to domestic agencies for unilateral projects to improve the US side of the border.

(7) Migration

Recent policy and operations relating to entry of migrant labor from Mexico involve three types of workers:

a) Braceros (legal entrants to perform agricultural labor)

In 1952, 445,000 braceros entered the United States. The number had dwindled to 180,000 in 1964, when the authorizing Public Law No. 78 (82nd Congress) was

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permitted to expire. Thereafter, by agreement with Mexico, certification of employers by the US Secretary of Labor was required for employment of braceros. In 1967 he certified entry of only 9,110 braceros, and 6,127 were actually admitted. None were certified for entry in 1968.

The Mexican Government never contended that the United States was obligated to admit braceros. It took the position, however, that if we wanted braceros, we should admit them on an orderly basis and protect them while they were here. The Department of State concurred, but other Federal agencies were not always able to anticipate the need and ensure an orderly program. The Department and the Mexican Government frequently had to resort after 1964 to ad hoc arrangements. These changes, together with an increase in minimum wages, led in the United States to increased mechanization and higher domestic wage rates, with consequent greater employment for domestic workers. For Mexico, while the Department hoped that the certification procedure would help Mexico

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in phasing out the program,^{36/} its termination inevitably resulted in a serious loss of foreign exchange and loss of income to the braceros and their families. The Department anticipated that the new Border Development Commission might be able to assist Mexico in handling the residual difficulties of this border problem.^{37/}

b) Illegal Entrants ("Wetbacks")

With the termination of the bracero program in 1964, the number of illegal entrants increased. Furthermore, in 1965 the United States began to issue border crossing cards in lieu of non-immigrant visas for Mexicans. The cards, valid for 4 years, allow the bearer to visit the border area for periods up to 72 hours. A small percentage

^{36/} Talking Points Paper for President Johnson, February 17, 1964, "The Mexican Migrant Labor Programs", and attachment ~~(SECRET)~~; Memorandum for the President from Secretary Rusk, November 9, 1964 on "Your Meeting with President-elect Diaz Ordaz", ~~(CONFIDENTIAL)~~.

^{37/} General Talking Points Paper for President Johnson, April 12, 1966, ~~(CONFIDENTIAL)~~.

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of Mexican card carriers have entered the United States for illegal employment. The Department initiated a meeting of US and Mexican immigration officials for the purpose of organizing closer cooperation in the control of all illegal entrants.^{38/}

c) Commuter Aliens ("Green Card" Workers)

Over 40,000 Mexican nationals with US immigration visas have chosen to reside in Mexican border communities from which they commute daily to jobs in the United States. Labor unions have objected to the practice and sought administrative or legislative relief. In court proceedings and Congressional hearings the Department has described the adverse effects any restrictions would have on our own border cities, and mentioned the objection of Mexico to any alteration in the status quo.^{39/} The problem remains for resolution.

^{38/} From Mexico City, Telegram 2699, December 21, 1967, (LIMITED OFFICIAL USE).

^{39/} Statement by Assistant Secretary of State C.T. Oliver to the Senate Subcommittee on Immigration, September 25, 1967.

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~~SECRET~~d) Western Hemisphere Immigration Quota

The Immigration and Nationality Act was amended in 1965, establishing for the first time a quota for the hemisphere of 120,000. Since no country is entitled to more than 40,000, and Mexico ordinarily contributes the largest number from Latin America, Mexico will be the hardest hit of the Latin American countries. The Department regretted the adverse psychological reaction that the country limitation was likely to have, but did not oppose enactment on this ground.^{40/}

(8) Gulf of California Desalting Study

Recognizing the need to provide other sources of water for the parched western border area and with the encouragement of the Department of State,^{41/} the two Governments, together with the International Atomic Energy Agency, signed an agreement on October 7, 1965, to establish a Study Group to assess the technical and economic practicality of a nuclear-powered plant which would convert sea water and produce

^{40/} Memorandum to Assistant Secretary Oliver, from ARA Mr. Cartwright, February 15, 1968, "Select Commission on Western Hemisphere Immigration", (UNCLASSIFIED).

^{41/} Memorandum to ARA - Mr. Vaughn, from the Country Director for Mexico (T.G. Leonhardy), June 28, 1965, (UNCLASSIFIED).

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electricity for the arid regions of California, Arizona, Sonora and Baja California. With the decision of the Congress in Public Law 90-537 (approved September 30, 1968) to make the supply of Colorado River water to Mexico under the Mexican Water Treaty a national obligation, this study may prove to be the most important single initiative of the Johnson Administration in relations with Mexico. A maximum capacity, desalination project drawing on the Gulf of California now appears to be the most economical means of satisfying that limited obligation. The Joint Study Group concluded in October 1968 that such a project would be feasible, and is now considering how it compares in cost with other potential sources of additional water.

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5. Special Problems With Other Latin American Countries

a. Oil Problems

US oil policy had significant economic and political consequences in three countries of Latin America: Argentina, Peru and Venezuela.

(1) Argentina

When the month-old government of President Illia annulled oil contracts of seven US companies in Argentina, we countered by not granting any new AID loans, not initiating new projects, and not disbursing funds on several loans that had been signed.^{1/} After months of negotiations, agreement was reached with five of the seven companies, and the two largest claims were in the process of settlement. Following the June 1966 coup, the new government, contrary to the policy of its predecessor, encouraged foreign oil investments. It settled the two largest claims in December 1966.

1/ Memorandum to the Secretary of State from Assistant Secretary Thomas C. Mann, "Oil Contract Problem in Argentina," November 25, 1964, (~~CONFIDENTIAL~~)

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(2) Peru

The long-standing dispute between the Peruvian Government and the International Petroleum Company was used by the military in late 1968 as the chief pretext for deposing President Belaunde and assuming power. The Belaunde Government had previously reached what appeared to be a final and successful solution to the dispute. The settlement, however, evoked strongly negative reactions in Peru and culminated in the coup d'etat of October 3. The Military Government subsequently announced the expropriation of the Company's industrial complex in Northern Peru and indicated that there would be no effective compensation.

The US Government immediately took steps to make it clear to the Peruvian military regime that both aid assistance and the sugar quota would be in great jeopardy unless just and prompt action were taken to compensate the Company for the expropriated property. By late October, however, there was no indication that the new Peruvian Government intended to reverse its position. The prospect of increasing tensions between the United States and Peru seemed likely.

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In 1965, President Leoni wrote President Johnson complaining that the US oil quota coupled with the overland exemption given to Canada was resulting in Canada's getting a progressively larger share of the US oil market at Venezuela's expense.^{2/} At Punta del Este, the President promised Leoni "to initiate talks with Canada to seek an understanding on its future export growth in the United States."^{3/} The President also agreed to see what could be done about the sulphur content in Venezuelan oil which was being attacked as a source of growing air pollution in the United States. Following successful negotiations, Canada's oil export expansion in the United States was restrained and Venezuela agreed to provide incentives to private oil

2/ Leoni/Johnson Letter of March 13, 1965; Johnson/Leoni Letter of April 1, 1965; Leoni/Johnson Letter of January 17, 1966; Memorandum from Assistant Secretary Vaughn to Under Secretary Mann, January 19, 1966, (~~CONFIDENTIAL~~); Department of State Telegram 585 to Caracas, January 24, 1966, (~~CONFIDENTIAL~~); Leoni/Johnson Letters of April 4 and July 25, 1967.

3/ Memorandum of Conversation, Johnson/Leoni, Punta del Este, April 11, 1967, (~~CONFIDENTIAL~~); Johnson/Leoni Letter of August 8, 1967; Department of State Telegram 38840, September 16, 1967, (~~CONFIDENTIAL~~).

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companies to build desulphurization plants in Venezuela.^{4/}

b. Fisheries Dispute with Peru and Ecuador

In 1952, Ecuador joined with Chile and Peru in the Declaration of Santiago which, inter alia, asserted that the three countries had jurisdiction over the continental shelf off their respective shores and over the seas outward to 200 nautical miles. In the late 1950s Peru tacitly allowed US tuna vessels to go about their business, but by 1963 this arrangement was no longer being observed. From August 1963 until April 1966 a secret modus vivendi between the United States and Ecuador permitted US tuna boats to fish in the greater part of the 200-mile zone unmolested. This arrangement was denounced by the Government of Ecuador in 1966 and in that year Ecuador resumed its practice of seizing US tuna vessels.

In early 1967, after both Ecuador and Peru had spurned^{5/} US offers to submit the problem to arbitration or adjudication,

^{4/} Leoni/Johnson Letter of November 1, 1967 and Johnson/Leoni Letter of November 21, 1967.

^{5/} Department of State Telegram 145983, February 28, 1967, (CONFIDENTIAL).

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the United States decided to try to set the juridical question aside and to seek a solution to the practical question of fisheries. The United States proposed in February 1967 that a six-nation conference (Peru, Ecuador, Chile, Canada, the United States and Japan) meet to discuss the possibility of establishing by treaty a regime of international regulation dealing with all aspects of the fisheries problem.^{6/}

The proposal was rejected by Chile, Ecuador and Peru on the grounds that such a conference would imply the negotiability of their territorial claims. However, they indicated they would be prepared to enter into technical-level discussions with the United States concerning scientific and conservation matters of fisheries. The United States pursued this lead by dispatching a delegation to the three countries, to determine whether such technical-level discussions might be expanded so as to include a possible arrangement whereby US tuna boats

^{6/} Department of State Telegrams 127486, January 28, 1967 and 16756, August 5, 1967, (both ~~CONFIDENTIAL~~).

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might be able to fish off Ecuador and Peru. Finding the three countries receptive, the United States proposed holding preliminary and exploratory discussions.

These talks were held in Santiago, Chile, in April 1968, and at that time the US delegates informally proposed a cooperative fisheries conservation, development and exploitation arrangement. In July 1968 the United States formally proposed convocation of a conference on October 7, 1968.^{7/} This particular proposal was not accepted, but the three governments did plan to discuss the suggestion for a conference at a meeting scheduled to be held in Lima in December 1968.

The US tuna industry and Congress understandably became increasingly disturbed over the constant harassment to US flag vessels in what the United States considered to be international waters. They frequently demanded that the

^{7/} Department of State Telegram 198751, July 9, 1968, (~~CONFIDENTIAL~~) and Weekly Report of ARA to Under Secretary Katzenbach, July 25, 1968, (~~CONFIDENTIAL~~)

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United States take retaliatory action to force Ecuador and Peru to terminate the seizures. We declined to do so, believing that such a step would only produce a nationalistic reaction in Ecuador and Peru and make those countries more intransigent. In addition, retaliatory action on the fisheries issue could have jeopardized other important policy interests of the United States. Nevertheless, in August 1968 the Congress amended the Fisherman's Protective Act to require the Government to deduct, from the economic assistance planned for any country which seizes a US vessel, the amount of unreimbursed funds expended by the US Government in connection with the seizure.^{8/}

c. Swan Islands

The United States and Honduras have long disputed the sovereignty of the Swan Islands, which are under US control and located in the Caribbean about 100 miles off the Honduran coast. Renewed efforts by Honduras to have the United States recognize Honduran sovereignty began in the early 1960s, and in 1962 President Kennedy agreed with the President of Honduras to seek a solution. Subsequent

^{8/} Public Law 90-482

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discussions, however, were interrupted because of domestic difficulties in Honduras.

The Honduras representative to the United Nations reopened the issue in an October 1966 speech, in which he attacked the US claim. In order to prevent exacerbation of US-Honduran relations, we advised the Government of Honduras in November 1966 that we were prepared to resume discussions. ^{9/}

In April 1967 the President authorized the Department of State to negotiate with Honduras, following Congressional consultation, on the following basis: 1) to first seek a condominium arrangement; 2) abandonment of the US claim to sovereignty in return for a long-term agreement permitting the United States to maintain such facilities as we have or may need in the future; and 3) adjudication of the conflicting

^{9/} From Tegucigalpa, Telegram 781, November 19, 1966, (LIMITED OFFICIAL USE).

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claims by the International Court of Justice. ^{10/} A proposal for a condominium was presented to Honduras in September 1967. ^{11/} In January 1968, Honduras suggested certain modifications of the US proposal. Honduras was informed of the US reaction to its suggestions in March. ^{12/} In October, Honduras recommended the signing of agreements in which the United States would recognize Honduras' complete sovereignty over the islands in return for a lease allowing the United States use of the islands. ^{13/} At the end of 1968 the new Honduran approach was still under consideration in the Department.

- ^{10/} Memorandum from the Secretary for the President, "Position to be taken in impending discussion with the Government of Honduras over the Swan Islands", April 5, 1967, (~~CONFIDENTIAL~~ with SECRET attachment).
- ^{11/} Department of State Telegram 67628, November 10, 1967, (~~CONFIDENTIAL~~).
- ^{12/} Department of State Circular Airgram CA-6567, March 15, 1968, (~~CONFIDENTIAL~~).
- ^{13/} From USUN, Airgram A-2488, October 16, 1968, (~~CONFIDENTIAL~~).

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d. Mediation of the British-Guatemalan Dispute

In September 1965 the United States agreed to mediate the dispute between the United Kingdom and Guatemala over British Honduras, an internally self-governing British Colony claimed by both countries.^{14/} President Johnson appointed Bethuel M. Webster, a distinguished New York attorney, to serve as the US mediator. During the next two and a half years, Ambassador Webster attempted, through meetings with representatives of Guatemala, the United Kingdom and British Honduras, to identify common interests and terms of agreement which might provide the basis for a settlement.

In April 1968, the United States presented to the Governments of Guatemala and the United Kingdom a draft treaty embodying the results of the mediation discussions. Under its terms, British Honduras would become independent and would cooperate with Guatemala in economic, defense and foreign affairs; Guatemala would have free-port access to

^{14/} Department of State Telegram 130 to Guatemala City, September 24, 1965, (~~CONFIDENTIAL~~).

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the Caribbean through British Honduras; and Guatemala would support the entry of British Honduras into the Central American Common Market and the OAS.

The British Honduras legislature rejected this treaty on the grounds that its provisions would limit the territory's freedom of action as a sovereign state and the right of its people to achieve full independence.^{15/} The British Government subsequently informed the United States that it could not accept the treaty because of its rejection by British Honduras.^{16/} In August 1968 the Guatemalan Government also informed us that it did not consider that the treaty represented an acceptable basis for settlement, although it might serve as grounds for further discussion.^{17/} Both parties voiced the hope that other peaceful means would be found to resolve the dispute.

^{15/} From Belize, Telegram 410, May 8, 1968,
(~~CONFIDENTIAL~~)

^{16/} Department of State Circular Airgram CA-9590,
July 23, 1968, (~~CONFIDENTIAL~~)

^{17/} Note of August 14, 1968 from the Guatemalan
Ambassador in Washington to Secretary Rusk,
(Department has treated as ~~CONFIDENTIAL~~)

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In identical notes of September 20 to the Guatemalan and British Ambassadors, the Department of State informed the respective governments that the United States considered that its role as mediator had terminated. Our note also expressed the hope that the parties themselves, perhaps drawing on the mediation discussion, would be successful in achieving a settlement. ^{18/}

e. The Leftist Threat in Guyana

^{19/}
United States Strategy with respect to Guyana has had the basic aim of helping to get the moderate, pro-Western Government which took office in Guyana in December 1964 re-elected over the opposition party led by communist-oriented Cheddi Jagan.

18/ Department of State Telegram 236943 to Guatemala, London and Belize, September 12, 1968, (~~CONFIDENTIAL~~).

19/ Action Memorandum, December 7, 1964, to the AID Administrator from the Deputy US Coordinator, Alliance for Progress, on planning aid to British Guiana, (~~SECRET~~).

Jagan's record clearly demonstrated that he was beyond influencing by the western world, and that if he were to attain power his regime would move towards the establishment of a communist-type state allied with the communist bloc. The next election was required by March 1969, at the latest; it promised to be close, because the East Indians who largely supported Japan for ethnic reasons, were increasing more rapidly than other groups and currently made up nearly 50 percent of the voting population.

The US strategy had been to help the existing government, headed by Prime Minister Forbes Burnham, to make a record of sound accomplishment and progress. To this end an AID program was reactivated in the then British Guiana on an expanded basis in FY 1965. Prior to Burnham's election, US aid had been very modest, and this assistance was suspended entirely in FY 1964, except for activities going directly to the people. Total US aid amounted to some \$10 million per year from 1965, including grants and loans for capital projects,

grant technical assistance programs, PL 480 Food for Freedom grants, and housing guaranties. Sound economic development projects were selected for AID assistance, with an eye, however, for visibility and impact that might have an influence on the elections.

A heavy accent on transportation and other infrastructure projects marked the initial period of the reactivated AID program in Guyana (FY 1965-67). This later gave way to a major concentration on agriculture, and especially the rice industry. Introduction of a new rice variety was strongly opposed by Jagan's Peoples Progressive Party on political grounds; Jagan was obviously afraid that, if the East Indian rice farmers benefitted from programs of the present government, he would lose votes in the next election.

f. Haiti and US Policy

There has been no basic change in our policy towards the Republic of Haiti since November 1963. Its aim continues to be the maintenance of correct but not particularly cordial relations with Haitian officials of the Duvalier regime.

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We maintain a small diplomatic mission in Port-au-Prince (including USIS and an Army Attache) in order to try to maintain some degree of contact with ordinary Haitians, to report on events in Haiti and to be prepared to play as active a role as possible when Duvalier falls and a successor regime is being formed.^{20/}

Two innovations were made during the Johnson Administration in our very limited AID Program carried over from the Kennedy Administration. In November 1965, Dr. Edgar Berman, an AID consultant on population matters and the physician of Vice President Humphrey, visited Haiti with the Department's encouragement to explore the possibilities of establishing a population control project experimentally, as a

^{20/} Department of State Country Analysis and Strategy Paper for Haiti, approved March 22, 1968, (~~SECRET~~).

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part of a community development program in selected communities in Haiti. Dr. Berman obtained verbal agreement from President Duvalier and Dr. Carlo Boulos, an acquaintance of Dr. Berman whom Duvalier designated to head the program. Dr. Berman persuaded CARE to operate the program under a contract with AID. Encouraged by this program, the Pan-American Health Organization began to project a nation-wide family planning program to be financed by one or more international assistance agencies.

The second innovation was the establishment of a technical assistance program staffed largely by Latin Americans instead of US citizens and operated under the Organization of American States.^{21/} US policy is to maintain and increase Latin American presence in Haiti so that the OAS will be in a better position to take appropriate action after Duvalier leaves the scene.

^{21/} OAS/CIAP Report: OAS Technical Assistance Mission to Haiti, 1967, August 21, 1967, (UNCLASSIFIED).

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In July 1967 Ecuador broke relations with Haiti and urged other Latin American governments to do the same, because Haiti had denounced four political-asylum conventions. In line with our policy, we countered the Ecuadoran move by successfully urging our embassies to use their influence with Latin governments to prevent the closing of the nine Latin embassies that remained in Port-au-Prince.^{22/}

In May 1968 a small group of armed men in three aircraft bombed and then invaded Haiti. They were quickly dispersed. However, Haiti took the matter to the UN Security

^{22/} Department of State Telegram 13562, July 27, 1967, (~~CONFIDENTIAL~~)

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Council, charging US involvement. ^{23/} We considered it unfortunate that Haiti did not present its evidence directly to the United States or to the OAS. We expressed a willingness to examine the evidence and prosecute anyone who might have violated US laws in connection with the incident. In late 1968 some prosecutions were expected.

23/ UN Security Council Document S.PV.1427, May 27, 1968, Preliminary Verbatim Record of the UNSC Session of May 27, 1968; Department of State Current Foreign Relations, No. 23, June 5, 1968, pages 21-24, "Haiti Charges US Involvement in Invasion", (~~CONFIDENTIAL~~).

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