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K. BURMA

As a large new nation directly bordering on Communist China, Burma has understandably been an important concern of US foreign policy. Owing in part to Burmese internal political developments, our relations have been difficult, but during the Johnson Administration a marked improvement came about.

1. Background to 1963

At the beginning of this period, Burma was already under the rule of the Union Revolutionary Council led by General Ne Win. Most well-known civilian political leaders who had governed the country since Burma attained independence in January 1948 had been imprisoned. The regime had set rigid limitations on all kinds of political

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activity and embarked on an economic program of governmental operation of most commercial and industrial activities which was labeled the "Burmese Way to Socialism." The country's foreign policy was one of strict neutrality based on the cultivation of friendly relations with Communist China and careful avoidance of close relations with other foreign countries or blocs. Its attitude toward foreigners was xenophobic. Nevertheless the primary aim of General Ne Win's government was clearly that of keeping "Burma for the Burmese", and of preventing the takeover of any aspect of Burma's internal affairs by any foreign country including Communist China.

In the face of this situation, the United States pursued a policy of full respect for Burma's sovereignty and neutral course.^{1/} Ambassador Henry A. Byroade, who began his tour of

^{1/} Department of State, Guidelines for Policy and Operations: Burma, February 1963 ~~(SECRET)~~.

duty in Rangoon in September 1963 and remained at this post until July 1968, consistently maintained this posture throughout that period, while cultivating friendly personal relations with Burma's leaders and showing willingness to establish or maintain such limited contacts as the Burmese themselves desired.

2. Expulsion of Foreigners and Nationalization of Foreign Activities in Burma

During most of the period, the Government of Burma continued to restrict foreign-controlled activities and in some cases to expel the foreigners involved. Industry and trade, even including small-scale retail trade, were almost completely nationalized in 1963 and 1964. Private schools supported by missionaries and by the overseas Chinese community were nationalized in 1965. Foreign missionaries were expelled in 1966.

In this context several US Government programs were also restricted or discontinued. Beginning in 1963, the USIS in Rangoon was obliged to submit all of its printed materials and

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films to the Ministry of Information for censorship prior to distribution. In 1964 exhibitions of all kinds by foreign governments or agencies were prohibited. All USIS libraries in Rangoon, Mandalay, and Moulmein, and the Rangoon Bi-National Center were suspended in 1964 and were officially closed early in 1965. No new US agreements for aid to Burma were entered into after 1962, and a project for construction of an improved highway from Rangoon to Mandalay was terminated at the request of the Burmese Government in May 1964. Under these restrictions and cancellations, the roster of US official personnel in Burma was reduced to a minimum. With the termination of the highway project, US aid activities were confined to completing programs that had already been agreed upon. These consisted of projects for construction of a new Intermediate College Campus, to be completed in 1971; a modern teak mill planned for completion in 1972; rehabilitation of the Rangoon Water and Sewage systems, to be phased out in 1970; and construction and equipping of a new out-patient clinic for the

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Rangoon General Hospital, to be opened in 1969. A policy of restraint, involving concentration on completing prior commitments as effectively as conditions permitted, while studiously avoiding any actions that might be construed as attempts to increase US influence over Burma's domestic policies, soon began to pay off in terms of more relaxed -- though still distant -- relations with the Burmese Government.

3. Continuation of Small Military Sales Program

Because other contacts had been cut to such a low level, the continuation of a small military sales program under an agreement which had been signed in 1958 and revised in 1961, before General Ne Win assumed power, came to have special significance. Under this agreement, replacement parts and small amounts of new equipment continued to be supplied to the Burmese Government. Consequently American military officers serving on the Military Equipment Delivery Team enjoyed the privileged position of being the only foreign military representatives having direct working contacts with Burmese Defense

Forces. Though this program was due to expire at the end of 1968 with the fulfillment of the agreements of 1958 and 1961 and the exhaustion of funds provided thereunder, we viewed it as mutually advantageous and as meriting prolongation if the Government of Burma should request its continuation.^{2/}

4. Ne Win's US Visit, 1966

In the light of Burma's generally xenophobic attitude, it was a major development in US-Burmese relations when General Ne Win accepted President Johnson's invitation to pay a state visit to the United States in September 1966. The visit contributed significantly to increasing Ne Win's confidence in the sincerity and friendship of the United States, and was regarded as a turning point in the relations between the two countries.^{3/} While our relations continued to be

2/ From Rangoon, Airgram A-187, Burma - US Policy Assessment, March 30, 1968 ~~(CONFIDENTIAL)~~.

3/ Joint Communique by President Johnson and General Ne Win, September 9, 1966; Department of State Telegrams 43910 and 44830 to Rangoon ~~(CONFIDENTIAL)~~.

strictly "correct," with Burma's neutrality policy still in effect, the former Burmese coolness and suspicion was markedly reduced.

5. Anti-Chinese Riots and Aftermath

The anti-Chinese riots in Rangoon in June 1967, which resulted from an extension of the fanaticism of the "Red Guard" movement into overseas Chinese circles in Burma and to the Chinese Communist Embassy in Rangoon, posed the possibility that the United States might soon be confronted with important questions of policy. Foremost was the threat of Chinese Communist assistance to rebel groups in Burma, including the "White Flag" Communist Party of Burma and the rebel "Kachin Independence Army." In February and March 1968, a Special National Intelligence Estimate was made at the request of the State Department which concluded that this threat, while potentially serious, was not yet an immediate reality because of the disunity of the various rebel groups and the anti-Communist,

or anti-Chinese, attitudes of some elements among them.^{4/}

Another question which was posed by these events and by Burma's continued economic decline was the possibility that the Burmese Government might request some form of US economic aid. Upon review of the problem at the end of 1967, the consensus in the State Department was that economic aid would be of little use to Burma until its own domestic economic policies were set in order, and that it should not be encouraged to seek our aid. International sources were considered more suitable, both as a source of possible economic advice and financial assistance.^{5/}

Burma did not officially raise the question during this period, however, although its economy continued to decline.

^{4/} Special National Intelligence Estimate No. 51-68, Insurgency in Burma, March 14, 1968 ~~(SECRET)~~.

^{5/} Department of State Memoranda on Aid to Burma:
EA-Mr. Berger to Mr. Bundy, December 13, 1967;
S/P-Mr. Clough to EA-Mr. Berger, December 22, 1967;
IO/UNP-Mr. Gleysteen to EA-Mr. Berger, December 20, 1967; AID/AA/EA-Mr. Bullitt to EA-Mr. Berger, December 14, 1967. ~~(SECRET)~~.

Most notable evidence of the economic downturn was the decline in rice exports, Burma's chief source of foreign exchange, from about 1.5 million tons per year, before General Ne Win took power, to an estimated 300,000 tons in 1968. Despite this trend, there was no clear indication of an intention to change the economic policies of the so-called "Burmese Way to Socialism".

6. Balance-Sheet of US Relations

In the light of the xenophobic policies of the Government of Burma, and of its neutrality or tendency to lean toward Communist China during most of the period, it was a major achievement for US diplomacy that General Ne Win had greater confidence in US intentions toward Burma in 1968 than he had in 1963. The change was brought about by careful US adherence to the role of a friendly but disinterested bystander, willing to be helpful if called upon but not interested in imposing our aid or our advice.

Probably an important element in Burma's calculations was the strong policy followed by the United States in South-east Asia. Though its neutral course prevented Burma from

endorsing US actions, General Ne Win refused to join Communist China in denouncing the US policy in Viet-Nam or the Government of South Viet-Nam. Burma's ability to stand up to Chinese Communist pressures on this issue both before and after the anti-Chinese riots in mid-1967 was undoubtedly, to an important degree, a consequence of US firmness in Southeast Asia generally.

In September 1968 Ne Win made important policy declarations in speeches to his Commanding Officers Conference and to the Burma Socialist Program Party Seminar, which seemed to open the door to civilianization of his regime and possible changes in other basic policies at some time in the future. Thus, though the intentions of Ne Win's government still remained relatively unclear, during the fall of 1968 there was an increasing atmosphere of hope for the future among politically-minded Burmese in Rangoon.^{6/}

^{6/} From Rangoon, Telegram 4355, September 26, 1968
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L. INDONESIA

1. Background: The Pre-1965 Slide Toward Communism

Indonesia's transition from a nation moving steadily toward Communist control to a responsible member of the free community is one of the major success stories of recent years. In 1962 the United States had been instrumental in helping the Indonesians and Dutch resolve their long standing dispute over the status of West New Guinea (West Irian). With the direct assistance of Ambassador Ellsworth Bunker, representatives of the two nations agreed on a phased transfer of control over the disputed territory to Indonesia. With the solution of this problem, many observers hoped that Indonesia's President Sukarno would turn his attention inward and concentrate on improving his nation's shattered economy. This, however, was not to be the case.

Sukarno, having learned the benefits of having a "foreign enemy" to divert his people from their daily difficulties, searched immediately for a new diversion once he gained control over West Irian. Thumbing his nose at the economic stabilization

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program which had been carefully put together by major Western powers and international financial institutions, the Indonesian President in 1963 embarked on his ill-fated "confrontation" against Malaysia. He thereby set his nation on a course which seemed destined to produce an inevitable break with the West.

On September 16, 1963, a government-inspired mob smashed windows in the Malaysian and British Embassies in Djakarta to protest the formation of an independent Malaysia. Two days later the mob burned the British Embassy, forcibly ejected British personnel from their residences and destroyed their personal possessions. At the same time Sukarno accelerated his anti-Western propaganda, accusing the "imperialists" (i.e., the British and Americans) of attempting to surround Indonesia, destroy the Indonesian revolution, and disrupt the unitary state. In a series of speeches during the next several months, Sukarno stressed that US policy had failed in Viet-Nam, Korea, Laos, and Cambodia. Cuba, he said, was the "focus of the Latin America revolution" just as Indonesia was the center of the militant Asian march against imperialism. The Viet Cong, as additional spearheads of this movement, would soon

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achieve victory, Sukarno asserted.

Sukarno's simplistic foreign cosmology divided the World into two competitive forces: The "New Emerging Forces" (NEFOS) composed of the Communist states, newly independent nations and "progressive forces within the Capitalist states" (Communists in some European countries and minority groups in the United States) were pitted irrevocably against economic and political dominance by the "Old Established Forces" (OLDFOS). The United States, of course, was the predominant member of the latter group. In this struggle, according to Sukarno, there was to be no "peaceful coexistence." Militant confrontation was to continue until Western European and US influence was ended and "puppet organizations" such as the United Nations were destroyed. Indonesia was to be the "lighthouse" for other NEFOS to follow in eliminating capitalism and building a new world based on "socialism." Internally, Sukarno's ideology stressed NASAKOM, a merger of nationalist, religious and Communist elements within the nation into a single national movement based on the Communist mold. In effect, Communism was to be given the major place in the power

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structure and anti-Communism was considered subversive. This, then, was the situation which faced the United States at the outset of President Johnson's Administration.

2. The Kennedy Mission - An Effort to Defuse "Confrontation"

In order to explore whether "confrontation" could be brought to a negotiated solution, President Johnson requested Attorney General Robert Kennedy to meet Sukarno in Tokyo in January 1964. Subsequent meetings were held in Djakarta. These meetings had a twofold purpose. First, they were designed to make clear to Sukarno the consequences for US-Indonesian relations if Sukarno continued his policies toward Malaysia. Secondly, they were intended to further the overall United States objective of getting Indonesians, Malaysians and Filipinos to sit down together for talks looking toward an "Asian solution" to their differences. The Attorney General was asked by the President to urge on Sukarno an end to military confrontation and creation of an atmosphere in which a negotiated settlement might be possible.^{1/}

^{1/} Department of State Telegram 05572, January 13, 1964
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In his first talk with the Attorney General, President Sukarno promised to halt paramilitary activities against Sabah and Sarawak preparatory to a Malaysian-Indonesian-Philippine meeting, provided that Tunku Abdul Rahman accepted this proposal and that the British also agreed to halt hostilities. However, the official Indonesian radio struck a disturbing note in its first account of the talks by playing these as a triumph for Indonesian diplomacy. Attorney General Kennedy was quoted as "admitting the appropriateness of Indonesia's confrontation." These broadcasts made no reference to termination of para-military activities, suggesting that any cessation of hostilities, if this should indeed occur, was strictly a generous gesture by Djakarta. These broadcasts, which were not in tune with Sukarno's private assurances, aggravated suspicions in Kuala Lumpur and London regarding the sincerity of Indonesia's intentions.

At a noon press conference in Djakarta on January 23, Robert Kennedy announced that he had found "complete agreement" in Manila, Kuala Lumpur and Djakarta that "the difficulties which have arisen should be solved at the conference table

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rather than in the jungle." Mr. Kennedy added that there was also agreement that a meeting of principals should be held soon, "beginning with their representatives at the ministerial level." He concluded, "Meanwhile, in order to create the proper atmosphere for consultations, it is essential that the military activities, which have been going on along the border in Borneo, should cease as quickly as possible. On the basis of my discussions I am confident that these military activities will cease, paving the way for peaceful negotiations." ^{2/} Later that day, in Bangkok, the Attorney General announced that at the request of the three parties he had "requested Thailand, through the Foreign Minister, to assume the function of investigating any incidents that might occur during the cessation of military activities and report back to the parties." ^{3/}

Tripartite Foreign Ministers meetings were subsequently

^{2/} From Djakarta, Telegram 1505, January 23, 1964
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^{3/} From Bangkok, Telegram 1140, January 23, 1964
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held in Bangkok under Thai good offices, in February and again in March 1964, but these meetings failed to produce a settlement. Tentative preliminary arrangements reached ad referendum were never accepted by Sukarno. A later Filipino initiative resulted in a Summit Conference in June 1964, but this meeting collapsed amid mutual recriminations. In August 1964 "confrontation" took a highly dangerous turn when Indonesia began airborne and seaborne landings on Malaysia itself. These landings nearly provoked direct Malaysian-British military retaliation. This dangerous situation was put before the UN Security Council in the fall of 1964, and only a Soviet veto prevented the passage of a resolution which would, at the very least, have taken note of the Indonesian landings.

3. The USA - Enemy Number One

Meanwhile, under Sukarno's influence, Indonesia's relations with the United States had continued to deteriorate. In December 1963, Communist Party (PKI) Chairman Aidit charged that the United States had replaced the Netherlands as Indonesia's "number one enemy." Sukarno gave this charge his blessing

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later the same month by attacking US motives for sending units of the 7th Fleet into the Indonesia (Indian) ocean. In March 1964 in a meeting at which US Ambassador Jones was present, Sukarno made his famous "to hell with your aid" speech, a diatribe which had been evoked by the Gruening Amendment in the US Senate. In May 1964 the Communist Party first called for the ouster of Ambassador Jones, and Sukarno's National Day speech on August 17 carried the attack several steps further. On September 25 the Indonesian Parliament took the unprecedented step of officially denouncing US policies and calling on other nations firmly to oppose American "imperialism."

The Indonesian words were matched with deeds. In May 1964 a "Committee to Boycott American and British Imperialist Films" was formed under the leadership of the wife of Air Marshal Suryadharma. In September an official notification signed by Foreign Minister Subandrio prohibited any Indonesian from studying in the United States under a program sponsored or financed by the US Government. US business firms were harassed by trade unions and Communist "mass organizations." The USIS Library in Jogjakarta was smashed by several thousand

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demonstrators on August 14 and subsequently taken over "for protection" by local authorities. A formal Embassy Note of protest regarding this attack was never answered.

On September 9, 1964, our Consulate in Surabaya was attacked by several thousand demonstrators who desecrated the American flag and painted hostile slogans on the building while the local police stood idly by. The USIS Cultural Center in Djakarta was seriously damaged on December 4, while that in Surabaya was forcibly closed three days later following an attack during which a quarter of all the books were destroyed. On December 15, Surabaya authorities "took charge" of the library for its "protection." Embassy Notes protesting these attacks went unanswered, and local and central officials were totally unresponsive to oral representations.

Other harassments included the refusal by postal unions to deliver mail to USIS and the American Embassy, threatening phone calls and letters sent to American employees and dependents and the severance by Communist labor unions of all public utilities serving the staff quarters of the Embassy. Airport workers refused to service the Embassy aircraft, and in

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December 1964 demonstrators entered the Embassy compound demanding that the plane be removed. In April the Indonesian-American Association was forced to close, and the Ford Foundation terminated its activities. US business firms, long subject to official and private harassment, were "taken over" in 1965, with a "supervisory team" being placed in each firm to direct its management. The Indonesian Government was careful to point out that actual ownership still rested with the American firm; the question of compensation was thus obscured.

Of the 29 official protest Notes forwarded by the Embassy to the Indonesian Department of Foreign Affairs during this period, only two received replies -- one only a brief acknowledgment of receipt and the other an unequivocal rejection of the protest. For all practical purposes we had ceased to have meaningful contact with top government authorities.

4. The "Low Profile"

The frequent demonstrations before and attacks on US installations not only made it impossible for these offices to function effectively but, more seriously, they posed the real possibility that an American employee or dependent might,

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intentionally or accidentally, be injured; moreover, continued US acceptance of these attacks lowered our prestige with friends in Indonesia and abroad. Some observers believed we should maintain the entire establishment intact since to remove part of it would perhaps signal to friends and foes alike that we were on the run. Others believed we should seize the initiative, sever diplomatic relations and leave Indonesia with our dignity intact.

Both extremes were unacceptable for obvious reasons, although there was general agreement that we should reduce the targets available for Sukarno and the Communists to attack while at the same time maintaining a presence in Indonesia, so as to encourage our friends and preserve an operational base for use if it should be possible in the future to resume some activities. Since it was unable to function effectively, the United States Information Service ceased operations in Indonesia on March 5, 1965, and all USIS personnel were withdrawn. Most AID personnel were similarly pulled out owing to their inability to function constructively in a hostile political

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environment;^{4/} left behind were a handful of AID personnel responsible for closing out operations, finishing a harbor improvement program then nearing completion and monitoring a university contract program which was the last remaining AID activity.

5. The Bunker Mission: A Last Try

In an effort to determine whether continuing deterioration in US-Indonesian relations could possibly be ended, President Johnson dispatched Ambassador Ellsworth Bunker to Djakarta as his personal envoy on March 31, 1965. During a two-week stay, Ambassador Bunker observed the situation firsthand and held talks with top Indonesian Government leaders, including Sukarno, Cabinet Ministers and Military Chiefs, as well as with US officials in Djakarta. On April 15 Bunker and Sukarno issued a joint communique emphasizing the fact that "friendly relations between Indonesia and the United States are of the greatest importance to the people of both

^{4/} Department of State Telegram AIDTO 1055, March 5, 1965 ~~(SECRET/LIMDIS)~~.

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countries" and that those differences which exist in the field of foreign policy "should not be allowed to affect unduly the general pattern of friendship which has existed for so many years between them." In the communique the United States noted its willingness to continue its program of technical assistance to Indonesian universities; President Sukarno "assured Ambassador Bunker that this program was welcome to and had the full support of the GOI." At the same time, Bunker and Sukarno agreed "in light of the current situation" that the Peace Corps should cease operations in Indonesia and that all volunteers should be withdrawn in an orderly fashion.

Although Bunker succeeded in getting Sukarno publicly to affirm the importance of good relations between the two nations, it was soon apparent that no lasting change had taken place. Our Embassy in Djakarta reported that the absence of any important Indonesian officials at the airport to say farewell to Ambassador Bunker was an ominous sign. The Embassy concluded, "The most that can be said at the moment is that the Bunker mission and the joint communique are likely to ease pressures on the US establishment here for the time being.

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How long this will last depends solely on Sukarno."^{5/}

In his report to President Johnson of April 23, 1965, Ambassador Bunker made the following major points: (a) "Where aspects of our presence in Indonesia provide targets easily exploitable by the PKI, they should be quietly moved;" (b) "Our major efforts should be directed toward influencing long-range developments in Indonesia;" and (c) "We should continue to avoid direct involvement in both the military and diplomatic aspects of the Malaysian problem." Specifically, Ambassador Bunker recommended a temporary freeze on the travel of dependents and newly assigned personnel to Djakarta, US completion of a military communications project then underway, continuation of the university contracts and of the harbor construction project and maintenance of a skeleton AID staff which would not, however, undertake any additional activities.

Despite these efforts Indonesia's internal situation and its relations with the United States continued to worsen. When our newly-appointed Ambassador, Marshall Green, presented his

^{5/} From Djakarta, Telegram 2239, April 15, 1965
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credentials to Sukarno in July 1965, Sukarno delivered an unprecedented undiplomatic diatribe against the United States and its policies. The newly-installed Ambassador returned to his official residence following the ceremony to face a government-approved demonstration, insulting him personally as well as the US Government. On Indonesia's Independence Day, August 17, in an atmosphere of intense anti-Americanism, Sukarno reemphasized Indonesia's solidarity with the Communist world and stressed the value of armed struggle over that of negotiation as the preferred stance toward the West. He officially proclaimed the formation of the "Djakarta-Peking-Pyongyang-Hanoi-Phnom Penh axis."

6. US Counter-Moves

Meanwhile severe attacks continued against US installations. Following a series of serious demonstrations against our Consulate in Surabaya, which at one point made it impossible for Consulate personnel to leave the building for 24 hours, Secretary of State Rusk summoned Indonesian Ambassador Palar on September 10, 1965, to impress on him the importance which we attached to fundamental rights of Legation. The

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Secretary emphasized that the highest levels of the Indonesian Government must understand that if Indonesia wanted relations with the United States it must respect these rights and correct a situation which had become dangerous. If present trends continued, the Secretary said, we would have to examine the position of Indonesia's installations in the US.^{6/} During subsequent demonstrations on September 13 our Consulates at Medan and Surabaya were given full police protection and extra guards were assigned to protect our Embassy in Djakarta. Meanwhile, however, the anti-American campaign continued, and it was apparent that the respite was only temporary.

7. Continuance of Communist Gains

Non-Communist elements within Indonesia were having an even more difficult time than American representatives. In December 1964 the last organized effort to turn Sukarno to a more moderate path (the "Body to Protect Sukarnoism") was crushed. In February the following year the few non-Communist

^{6/} Department of State Telegram 05798, September 10, 1965 ~~(CONFIDENTIAL/LINDIS)~~

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newspapers which did not already parrot the Communist line were banned, and from then on no organized voice was raised against Sukarno and the PKI. During 1965 the Communists, with Sukarno's blessing, pressed ahead on three important fronts to enhance their position in the power structure. First, they agitated for a NASAKOM Cabinet which would bring the Communists into positions of direct power (those Communists in the Cabinet at that time were without portfolio). Second, in a move to undermine the opposition of the Army, they pressed for the appointment of political commissars within the Armed Forces. Finally, they recommended that five million workers and peasants be armed as a sort of People's Militia -- a recommendation obviously also designed to neutralize the Army. Sukarno admitted that the idea for the last-named proposal had originated with Chou En-lai during a visit of the Chinese Communist leader to Djakarta earlier that year.

It became known subsequently that the Communists, again with Sukarno's approval, also had plans during 1965 to eliminate the top Army leadership, the only group standing in their way. Apparently the original timetable called for this

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putsch to take place in 1966, but Sukarno became seriously ill in August 1965 and the PKI apparently decided, with his agreement, that it should move earlier in order that it might solidify its position in power while Sukarno was still on hand to give the Communists his seal of approval.

8. The Communists Strike -- Out

In the early morning hours of October 1, 1965, Communist-led squads of military men and civilians took six of the Army's top leaders into custody. All six were subsequently killed. General Nasution, the Army's top officer who was then Minister of Defense, escaped, but his six-year old daughter was killed by the Communist terrorists. A little known Army General named Suharto pulled the shattered Army command together and during the first few days of October 1965 took control of the Indonesian Government. Owing to the grave uncertainties existing at that time, US dependents were evacuated from Djakarta (they returned in late December and January). Popular reaction against the Communist effort to get power, and particularly against the murder of the Generals, was immediate and intense. Throughout Indonesia, but particularly in Java,

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Moslem elements and the military began a wholesale roundup and slaughter of Communist Party members. The exact number killed will never be known, but the total was almost certainly more than 100,000. Most of the top PKI leaders were killed or captured, and Indonesia's Communist Party, once the largest outside of Communist China and the USSR, was forced underground as a small, covert apparatus.

While the Indonesian upheaval was sparked by purely internal factors, and decimation of the PKI was a direct response to the murder of the Generals, the US presence in Southeast Asia enabled Indonesia's non-Communists to attack the PKI without fear of intervention by Communist China. The fact that we stood in Viet-Nam between Indonesia and China gave Indonesia's new leadership greater flexibility in responding to the PKI bid for power. The fact that we had maintained our official presence in Indonesia, although on a greatly reduced scale, meant that we were able promptly to have contact with Indonesia's new leaders and give them encouragement.

US relations with Indonesia were complicated for six

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months by the fact that during this period it had, in effect, two governments: one led by Suharto and the other by Sukarno. The totally unreconstructed Sukarno continued his pro-Communist, anti-Western policies, and on several occasions Leftist elements attacked the US Embassy in a desperate effort to drive us out of Indonesia and to embarrass Suharto and his colleagues. On February 23, 1966, Communist hoodlums invaded the compound of the American Embassy but were dispersed by police before they could do any significant damage. A few days later the Embassy's guards were changed, and when a larger group attacked the Embassy on March 8, the Indonesian guards refused to act. During this attack Molotov cocktails were thrown at the Embassy, most windows on the front of the building were broken, and about twenty cars were burned or seriously damaged. This, however, proved to be a dying gasp of the Communist group, for on March 11 Suharto forced Sukarno to transfer major authority to him. A year later Suharto became Acting President, and in March 1968 he succeeded as full President for a five-year term.

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9. Indonesia's New Order

Despite his limited formal training, Suharto proved to be a leader with sound instincts and one truly dedicated to improving the position of his people. The task, however, was formidable. Indonesia's economic infrastructure was shattered, its already limited industries operated at a fraction of capacity, and the nation faced a \$2.5 billion national debt accumulated by Sukarno. Meanwhile, popular expectations among students, who had been important in the anti-Sukarno struggle, and among others, were growing.

To meet this situation, Suharto pulled together a group of highly skilled, largely Western-trained economists and charged them with developing plans to get the economy moving upwards. As his Foreign Minister he selected dynamic and articulate Adam Malik. Under Suharto's guidance, Malik was largely responsible for reorienting Indonesia's foreign policies. Sukarno's abortive "confrontation" against Malaysia was officially ended on August 11, 1966, and the following month Indonesia formally returned to the United Nations, from which Sukarno had withdrawn Indonesia's membership on January 1,

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1965. Indonesia's "New Order," composed of problem solvers rather than the problem creators who clustered around Sukarno, has set that troubled nation on the slow road toward modernization.

10. Multilateral Aid

On August 4, 1966, a meeting of the US National Security Council presided over by President Johnson authorized US assistance for Indonesia's stabilization effort. A paper approved at that meeting provided for initiation of a PL 480 Title I program for Indonesia to provide needed foodstuffs and cotton. It also recommended a Presidential Determination that aid to Indonesia was in the national interest of the United States.^{7/} Such a Presidential Determination was approved September 1, 1966.

The US Government decided, however, to adopt a multilateral approach in its aid to Indonesia in order to avoid a "client relationship" and a situation in which it would be the United States alone that would be exerting pressure on Indonesia

^{7/} NSC Preparatory Paper dated July 30, 1966 (SECRET).

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to make necessary reforms. At the urging and with the full cooperation of the US Government, an Inter-Government Group (IGG) on Indonesia was formed to review Indonesia's economic progress and consider appropriate forms and amounts of assistance. Participants included Indonesia, Australia, Belgium, France, the Federal Republic of Germany, Italy, Japan, the Netherlands, the United Kingdom and the United States in addition to the IMF and the IBRD. Observers included Canada, New Zealand, Switzerland, the ADB, the OECD and the UNDP. The first formal meeting of the IGG was held in Amsterdam February 23-24, 1967; the second at Scheveningen June 19-21, 1967; the third at Amsterdam November 20-22, 1967; and the fourth in Scheveningen October 20-23, 1968. In addition, several informal meetings of the IGG were held on the ambassadorial level in the Netherlands.

The IGG proved a successful instrument for putting life into the multilateral aid framework espoused by President Johnson in 1966. The United States took the lead in all of the IGG meetings and, in an effort to induce other aid donors to do a fair share, pledged during 1967-68 to meet one-third

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of Indonesia's aid requirements if other nations covered the remainder.

11. US Role in Debt Rescheduling

In similar fashion to its espousal of multilateral foreign assistance for Indonesia, the United States has also encouraged creditor countries to engage in a multilateral long-term rescheduling of Indonesia's massive foreign debt. This US position emerged as early as May 1966, just seven months after the defeat of the coup attempt. With our full backing, representatives of Indonesia and its creditor nations met in Tokyo on July 19, 1966, for an informal conference on the debt problems. They agreed at that time that a multilateral approach and the resumption of normal trade were necessary. It was accordingly decided to hold a formal multilateral conference in Tokyo under the chairmanship of the Japanese. As a result, the creditor nations met in Tokyo September 19-20, 1966, and agreed in principle to a re-scheduling of payments already in arrears as well as those falling due in the period from July 1, 1966, to December 31,

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1967, on certain categories of loans and export credits contracted before July 1, 1966.

The next formal meeting was held in Paris December 19-20, 1966, under the chairmanship of the French. At this meeting the representatives of the Federal Republic of Germany, the United States, France, Italy, Japan, the Netherlands, and the United Kingdom agreed to recommend to their governments granting of financial relief to Indonesia by providing 100 percent relief from debt service on principal and interest on the maturities described above. Repayments were not to begin until after January 1, 1971. At Paris, on October 17-18, 1967, the representatives of the same creditor nations agreed to recommend rescheduling of debt service falling due in 1968 for contracts entered into prior to July 1, 1966, in accordance with the 1966 Paris Minute. Again, in Paris on October 17-18, 1968, the creditor nations agreed to similar rescheduling for debts falling due in 1969. An additional agreement was reached to appoint an appropriate "Agent" to prepare an overall appraisal of the implications of Indonesian debt servicing over the long term.

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The delegations agreed that the report of this Agent would be presented no later than June 30, 1969.

In 1966 the US Government also revised a small Military Assistance Program limited to support of civic action projects and training for Indonesia's Armed Forces. Informational and cultural programs were also begun. In resuming these programs, however, the United States faced two inter-related problems: in our own interests we could not let Indonesia's "New Order" fail, but at the same time we must not become so active as to conflict with the Indonesians' cultural heritage or substitute our initiative for hers. Previous experience in Indonesia had shown that the injection of our assistance into the Indonesian economy did not necessarily provide a directly corresponding stimulus to growth but was often rejected or deflected by basic features of the Indonesian social structure. Our problem, thus, was to choose, from among the priority needs of Indonesia, US programs which were compatible with the Indonesian social structure and yet would serve as active stimulants toward modernization.

Faced with this situation, the US Government decided that

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its aid should, to the greatest extent possible, be multi-lateral in nature, while at the same time we recognized that certain types of bilateral aid would best serve our own interests as well as those of Indonesia. It was decided also that the size of the American Mission in Indonesia should be kept as small as possible in order to avoid an unduly large American presence which would run counter to Indonesia's cultural traits and sensitivities.

In August 1967 the National Security Council, during a meeting at which President Johnson presided, approved these guidelines and concluded that the United States and the Free World should not fail to support those Indonesians working with such dedication to put their nation on the road toward development.^{8/}

12. Vice President Humphrey's Visit

In order to demonstrate our support for the Suharto Government, Vice President Hubert Humphrey visited Indonesia November 6-7, 1967. During his visit the Vice President held

^{8/} NSC Paper dated August 1967 (SECRET).

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several substantive talks with President Suharto and met with many key officials and private citizens. In a joint communique issued at the end of the visit the Vice President "commended the policies and the efforts that are being pursued by Indonesia to create economic stability, to promote economic rehabilitation and free the economy from excessive controls..." In this context, Vice President Humphrey reaffirmed the readiness of the Government of the United States of America to continue together with other countries to cooperate with the Indonesian Government in its endeavor to achieve this objective. In his private discussions the Vice President also succeeded in convincing Acting President Suharto that it was preferable to do business through regular channels (the US Embassy) rather than sending special emissaries to Washington. In his report on the visit, Ambassador Green reported that Vice President Humphrey had succeeded in establishing personal rapport with Suharto both in his own and in President Johnson's name and had given Suharto's economists a healthy assist through his frequent emphasis on a free economy, minimum controls and encouragement of individual initiative.^{9/}

^{9/} From Djakarta, Telegram 2651, November 7, 1967
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In short, during the period following 1965 the United States developed a policy toward, and program for, Indonesia composed of the following: a multilateral approach, a carefully tailored economic aid program, a modest Military Assistance Program, a low-keyed informational and cultural effort, a moderate-sized American staff and a good measure of personal diplomacy. Our influence during the years 1966-1968 was significant and sometimes crucial for Indonesia's well-being. The United States found, however, that this influence was greatest when applied in such dosages, at such times and in such a manner as to stimulate rather than replace local initiative. It is for this reason that the style of our diplomacy in Indonesia during this crucial period was as important as its content.

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M. THE PHILIPPINES

During the decade of the 1960s, two major trends dominated US relations with the Philippines: the development of Philippine national identity as an Asian nation, and the evolution of the Philippines' special relationship with the United States into the less close, but still friendly, relations normal between two sovereign states. The Johnson Administration witnessed important developments in both of these respects.

1. Growing Philippine Role in Asia

As the only Catholic country in Asia, with a culture deeply permeated by Spanish and American influences, the Philippines has had no close identification with other Asian countries. It has based its foreign policy firmly

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on its ties with the United States, and during its first decade of independence looked to US leadership on foreign policy issues. President Macapagal (1961-1965) was the first Philippine president to expand Philippine ties with Asian and African countries. He aimed at an independent Philippine role in Asian affairs as a bridge between East and West, and specifically as a bridge between the neutralist, anti-colonialist regime of President Sukarno in Indonesia and the United States. Unfortunately, the constructive aims of Macapagal's policy were submerged in the controversies aroused by the intransigent Sukarno. Macapagal's pursuit of the long-forgotten Philippine claim to Sabah, although by peaceful means, also proved disruptive to Philippine relations with Malaysia, and to early moves toward regional cooperation through the Association of Southeast Asia.

2. The Sabah Issue - Nationalism vs. Regional Interests

Sabah, formerly North Borneo, was at one time part of the domain of the Sultan of Sulu, whose other territories lay in

the southern islands of the Philippines. In the latter half of the 19th century, the Sultan signed a number of conflicting treaties and agreements affecting his territories. However, both Spain, and its successor as sovereign power in the Philippine Islands, the United States, recognized British control of North Borneo. The Philippines did not formally raise a claim to North Borneo until 1962, by which time plans for incorporating the British protectorates in Borneo into the proposed Federation of Malaysia were well-advanced. Neither Britain nor Malaya was willing to risk delaying or upsetting the plans for the new Federation by agreeing to adjudication of the Philippine claim to one of the protectorates involved.

Frustrated in his attempt to win a court hearing on the Sabah claim, Macapagal joined Sukarno in opposing the formation of Malaysia in 1963. For three years thereafter, the tensions created by Sukarno's policy of "confrontation" with Malaysia prevented the normalization of relations between

the three Malay neighbors. During this period, the Philippines was often in conflict with US policy, which supported the formation of Malaysia and tried to encourage efforts to restore peace and stability to the area. However, Macapagal's talk with President Johnson when in Washington for Kennedy's funeral in 1963 proved useful in clearing up potential misunderstandings, and relations between the two countries remained friendly.

After the fall of Sukarno and a change of administration following the 1965 elections in the Philippines, the way was clear for the Philippines to recognize Malaysia, which it did in June 1966. The new President, Ferdinand E. Marcos, also set about to improve Philippine relations with other states in Asia, and joined enthusiastically in organizations and projects promoting cooperation in the region. The Philippines became the headquarters for the Asian Development Bank, formed in 1966. It also became an active member of the Asian and Pacific Council (ASPAC) in 1966, and the Association of South-east Asian Nations (ASEAN), which replaced the Association

of Southeast Asia in 1967. These positive steps toward cooperation in regional activities were encouraged by the United States.

In 1968, the unsettled Philippine claim to Sabah arose again to disturb relations with Malaysia. Bilateral talks held in July ended in complete deadlock, and relations between the two countries deteriorated even further in September after President Marcos signed into a law a bill referring to Sabah as a territory under Philippines "domination and sovereignty." Malaysia responded by suspending diplomatic relations and terminating the bilateral anti-smuggling pact. As tension rose between the two principals, they turned to their allies, especially to the United Kingdom and the United States, for diplomatic support and reaffirmation of their defense commitments. In this atmosphere, a statement by the United States that it had recognized Malaysia, although it was impartial on the Sabah dispute in line with its traditional policy of taking no position on territorial disputes of this type, was widely interpreted in the Philippines as a rejection

of our ally and former dependency. The emotional response triggered by this misinterpretation further inflamed nationalist sentiments on the issue.

Efforts by friendly neighboring states, especially Indonesia and Thailand, to persuade the Philippines and Malaysia to moderate the dispute were not immediately successful. The issue seemed likely to continue as a source of tension and a disturbing element, both in regional affairs and in Philippine-US relations.

3. Evolution of Our Special Relationship

Despite its increasingly active role in Asia, the Philippines has continued to look to the United States as the principal guarantor of its national security, as a major source of development capital and assistance, and as its main trading partner. The rise of Philippine nationalism, however, has created pressures for putting the relationship on a more equal basis. It was the policy of the Johnson Administration not only to accept but to encourage moves toward such a re-adjustment. During this period, agreements were concluded

or formalized, or preliminary negotiations begun, on amendments of the three basic treaties governing bilateral relations between the United States and the Philippines: the Military Bases Agreement of 1947, the Mutual Defense Treaty of 1951, and the Laurel-Langley Trade Agreement of 1954.

a. Military Bases Agreement and Mutual Defense Treaty

For some years, both governments have recognized the need for renegotiating several key articles of the Military Bases Agreement of 1947 to bring it in line with Philippine sensitivity on matters of sovereignty, and with US practice in other countries where we maintain military bases. Several memoranda of agreement were signed in 1959 which, in effect, set out interim understandings to be incorporated into the Military Bases Agreement when it was finally renegotiated. The 1959 memoranda included agreements providing for:

- (1) relinquishment of large portions of land reserved for the bases but no longer needed for military operations;
- (2) prior consultation with the Philippine Government before the stationing of long-range missiles on the bases or the

use of the bases for military combat operations outside the scope of the Mutual Defense Treaty or SEATO; (3) shortening the duration of the Military Bases Agreement from 99 to 25 years; (4) reaffirming the policy of the United States regarding its commitment for the defense of the Philippines under the Mutual Defense Treaty.

After further negotiations failed to reach agreement on other aspects of the Military Bases Agreement, the discussions were suspended until 1965. A new Criminal Jurisdiction Agreement^{1/} extending the types of cases in which the Philippines could exercise primary jurisdiction was concluded in August 1965. During the course of the 1965 negotiations, the Philippine Government requested that the 1959 memoranda of agreement be formalized, and this was done through the

^{1/} Agreement between the United States of America and the Republic of the Philippines concerning military bases, amendment of August 10, 1965; TIAS 5851.

Rusk-Ramos Agreement, ^{2/} an exchange of notes which took place during the state visit of President Marcos in September 1966. In May 1968 an agreement was concluded governing conditions of employment for Filipino labor employed on the US bases in the Philippines, ^{3/} and negotiations were scheduled for November 1968 on a labor agreement governing with certain exceptions Filipinos employed by the US Government in the Pacific area.

b. Laurel-Langley Trade Agreement

The Laurel-Langley Trade Agreement between the United States and the Philippines was to expire in 1974. Recognizing increasing Philippine discontent with Article VI of the Agreement, the US Government in 1965 publicly stated

^{2/} Agreement between the United States of America and the Republic of the Philippines concerning military bases, amendment of September 16, 1966; TIAS 6084.

^{3/} Agreement between the United States of America and the Republic of the Philippines relating to the employment of Philippine nationals in the United States military bases in the Philippines; TIAS 6542.

that an extension of the term of this article, dealing with the so-called "parity rights," would not be sought. Anticipating the important adjustments that might have to be made, the two governments agreed during President Marcos' state visit in 1966 to set up a joint preparatory committee to discuss an agreement to succeed the Laurel-Langley. The joint preparatory committee held its first meeting at Baguio in November 1967, and a second round of talks was held in Washington the following October. The position of the two governments at the opening of these discussions is set forth in the report of the Baguio meeting.^{4/}

c. Philippine Role in Viet-Nam

The Philippines supported the US position and war effort in Viet-Nam in three ways: by public statements and support of US initiatives in the international forum; by

^{4/} Department of State Press Release No. 3, January 6, 1968, "Discussions on Future US-Philippines Economic Relations."

cooperating in the use of US military bases in the Philippines in support of the Viet-Nam war; and by providing engineers and medical personnel to assist the Republic of Viet-Nam.

The Philippines maintained a small team (less than 100) of medical personnel and civic action officers from the Philippine Armed Forces in South Viet-Nam from 1964 to 1966. Late in 1964, President Macapagal agreed to a US proposal that the Philippines increase its assistance to South Viet-Nam. Although Macapagal was unable to win congressional approval of the proposed increase during the remaining year of his administration, his successor, President Marcos, followed through on the commitment. In September 1966 the small Philippine contingent was replaced by a 2,050-man Civic Action Group (PHILCAG) composed of an Army Engineer task force with its own security force. The PHILCAG was assigned to civic action and construction projects in Tay Ninh province, where it performed very creditably.

To assist the Philippines to bear the additional expenses of PHILCAG, the United States paid the overseas allowances and provided logistical support for the contingent. In addition, it provided the equipment for three engineer construction battalions for use in the Philippines.

Late in September 1966, after consulting with President Park of Korea and Prime Minister Thanom of Thailand, President Marcos invited the Chiefs of State or Government of the Viet-Nam allies to a summit meeting in Manila. The Manila Summit Conference in October brought together for the first time the leaders of all of the seven troop-contributing nations for comprehensive discussions on goals and acceptable terms for settlement of the conflict.

In 1967 President Johnson asked President Marcos to increase the Philippine contribution in Viet-Nam. The request was refused, with the explanation that the Philippines could not afford to augment its forces in Viet-Nam, in view of its own development needs. In 1968 the Philippine Congress failed

to pass legislation renewing the appropriation for the PHILCAG unit. Although the Philippine Government arranged to fund the unit from savings from other items in its defense budget, Marcos ordered the unit reduced to 1,500 men, and announced that it would have to be withdrawn when the current funds were exhausted.

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N. AUSTRALIA-NEW ZEALAND

1. Our Policy Aims

The central US policy objective in Australia and New Zealand was to maintain, and if possible further strengthen, the bonds of friendship and cooperation forged during and after the War. Our means were:

(1) urging Australia and New Zealand to increase their influence in and identity with the Asian and Pacific areas, as British involvement there faded, through diplomatic activities, participation in regional organizations such as ASPAC and the Asian Development Bank, defense co-operation and expanded programs of economic and technical assistance; (2) inducing Australia and New Zealand to develop increased military capabilities to fill the gap which would be left by the British withdrawal East of

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Suez in 1971; (3) assisting Australia and New Zealand to achieve greater compatibility between their armed forces and ours (the United States promoted and partially financed sales of US military equipment to Australia -- \$780 million since 1963 -- and to New Zealand -- \$80 million in the same period)^{1/}; and (4) expanding cooperation in programs of military and scientific research, in fields such as communications, space tracking, and nuclear detection. (Dr. Hornig, President Johnson's Science Advisor, visited Australia in October 1968, to discuss in detail and conclude an agreement on cooperative research in the fields of oceanography, meteorology and arid zone research).

The United States, Australia and New Zealand came ever closer together during the 1963-68 period. The relations

^{1/} From Canberra, Airgram 657, July 26, 1967, with enclosures (SECRET); Background Paper, "New Zealand-US Defense Purchases" (Prepared for the visit of Prime Minister Holyoake, October 9-10, 1968), drafted by Cdr. Kuhn - DOD/ISA (LIMITED OFFICIAL USE).

were symbolized by the unusually close personal friendship which developed between President Johnson and Prime Minister Harold Holt of Australia. A substantial part of US-Australian diplomatic correspondence during these years consisted of letters between these two leaders.

It was clear that the United States had a special, candid relationship with both Australia and New Zealand. We maintained close liaison with them in pursuing not only our East Asian but also our global foreign policy, the objectives of which have been shared and supported by the two Down Under countries in nearly all particulars.

2. The ANZUS Treaty

When the ANZUS Treaty was signed September 1, 1951, Australia and New Zealand viewed it chiefly as insurance against a revival of Japanese militarism. During the more recent period, on the other hand, they have come increasingly to see ANZUS more broadly as the cornerstone of their security policies. The United States has now largely replaced Britain

as their external security guarantor.

During Indonesia's confrontation of Malaysia in 1963-66, Australia and New Zealand maintained military forces on Malaysian territory and in action against Indonesian invaders. Because of that involvement they sought US assurance that ANZUS would be invoked in the event of an Indonesian attack on their forces. The Kennedy-Barwick understanding of October 17, 1963, provided an assurance of sorts. It was limited to an overt attack. In it we took great pains to describe the range of possible US responses, and did not commit ourselves automatically to armed intervention. The understanding also pledged Australia to close consultation with the United States before making any changes in the size or operational nature of its commitment to Malaysia.

The United States has continued to regard the defense of Malaysia and Singapore as primarily a Commonwealth obligation, since the United States has been in no position to expand its

Asian commitment. ^{2/} We have consistently emphasized the political and psychological significance of an Australia/New Zealand presence in Malaysia/Singapore and have urged our ANZUS partners to keep forces there at least in enough strength to maintain British bases in operational status after 1971. ^{3/} The United States pressed its ANZUS partners to assume a leading role in the five-power talks on the security of Malaysia/Singapore held in June 1968.

Despite the Kennedy-Barwick understanding, Australia and New Zealand off and on pressed the United States to be more explicit about the exact nature of its commitments to the ANZUS partners in Malaysia/Singapore. At the ANZUS meeting

^{2/} Briefing Paper AZS/G-1, July 10, 1964 (SECRET); ANZUS Council Meeting, April 5, 1968 (SECRET).

^{3/} Memorandum of Conversation, President Johnson-Prime Minister Gorton, May 27, 1968 (SECRET); Letter to Sir Keith Waller, Ambassador of Australia, from Samuel Berger, Deputy Assistant Secretary of State for East Asian and Pacific Affairs, January 17, 1968 (SECRET).

in April 1968, Secretary Rusk rebuffed these pressures, saying that, "The Treaty is what it is, and says what it says," and that "this is not a good time to raise questions with us about the possible applicability of the Treaty in hypothetical situations."^{4/}

Resurgence of the Australia/New Zealand desire for a clearer definition of US commitment arose from the British announcement in early 1968 that Britain would withdraw from Malaysia and Singapore by 1971. The British withdrawal posed crucial decisions for Australia and New Zealand -- particularly Australia, which must take the lead. They have three basic alternatives: (1) reliance upon defense of home territory only, with no involvement in regional security; (2) involvement only to the extent that the United States shares the commitment; and (3) involvement within the region in their own interest, independent of the US presence.^{5/} The United States,

^{4/} ANZUS Council Meeting, April 5, 1968 (SECRET).

^{5/} Department of State Policy Planning Council, "Australian Strategies in Southeast Asia," July 30, 1967 (SECRET); Canberra Telegram 6036 (UNCLASSIFIED).

as noted above, has urged Australia and New Zealand to maintain forces in Malaysia and Singapore, but neither partner wanted to do this without more explicit assurance that they could count on US help should those forces become involved in armed engagements beyond their capability to sustain. It was Australia, primarily, that pressed this issue, but the Australian Government in May 1968 disclaimed any present need for further formal commitments from the US under ANZUS.^{6/}

3. Australia/New Zealand Cooperation in Viet-Nam

Throughout the Johnson Administration, the United States found Australia and New Zealand receptive to its efforts to persuade them to accept a wider involvement in the Viet-Nam war,^{7/} on the grounds that Viet-Nam was both a "forward area" of their own defenses and a crucial test of the concept of collective security. President Johnson gave heavy emphasis

^{6/} Conversation of President Johnson and Prime Minister Gorton, May 27, 1968 (SECRET) - see above.

^{7/} ANZUS Council Meeting, July 17, 1964 (SECRET).

to these themes during his 1966 visit to New Zealand and Australia; he noted that the aggressor would get to Australia ^{8/} long before he got to San Francisco.

As of October 1968 Australia had nearly 8,000 combat troops in Viet-Nam. Additionally, it had committed 100 advisors and an air force logistical unit comprising six aircraft and 73 officers and men to the war effort. In civilian aid, Australia had given \$10.5 million during 1964-67 and provided 50 civilian technicians, including specialists in public health, civil engineering, and livestock and dairying. Australian commodity assistance had included foodstuffs, medicines, building materials, communications equipment and textbooks. About 150 Vietnamese students were recipients of scholarships to study in Australia.

New Zealand committed 550 men in two infantry companies and an artillery battery, plus a 25-man engineer detachment.

8/ Meeting of the Ministers of the Australian Cabinet with the President of the United States, October 21, 1966 (SECRET).

From 1963, New Zealand contributed an average of \$347,500 per year in direct economic assistance to Viet-Nam and supplied foodstuffs and educational materials for several civic action projects. Eighty South Vietnamese students have been granted scholarships to study in New Zealand.

Close consultation with Australia and New Zealand on Viet-Nam developments was a foundation stone of US policy. The allies were regularly briefed on US strategy and policy. President Johnson made it a point to express his personal appreciation to Australia/New Zealand leaders for their nations' contributions to the war effort.^{9/}

By mid-1968, Australia and New Zealand had apparently decided not to commit additional forces in Viet-Nam, although both governments remained unswerving in their commitment to the defense of South Viet Nam.^{10/} Prime Minister Gorton told

^{9/} Letter from President Johnson to Prime Minister Harold Holt, October 25, 1967 (SECRET).

^{10/} From Wellington, Airgram 431 (with enclosure), August 1, 1968 (SECRET); from Canberra, Airgram 367, February 16, 1968 (CONFIDENTIAL).

the press on February 2 that "Australia won't increase its military commitment to Viet-Nam," and said that this was a "permanent situation" so far as he was concerned. Likewise Prime Minister Holyoake stated privately that New Zealand could not increase its commitment without introducing conscription -- which, he said, would mean the fall of his government, with the likely result of no further Viet-Nam aid. Australia and New Zealand welcomed the initiation of the Paris peace talks in 1968, but Australia, in particular, expressed the hope that the United States would not depart from the principle of preserving South Viet-Nam's integrity in the negotiations.

4. Asian and Pacific Council

Both Australia and New Zealand are members of the Asian and Pacific Council (ASPAC), formed in Seoul in 1966. The United States, hopeful that the organization would succeed, encouraged the two English-speaking countries to play leading roles. Australia, in particular, has done so, and has undertaken

to inform us confidentially of ASPAC activities. Foreign Minister Hasluck, for example, penned a personal message to Secretary Rusk after the third ASPAC ministerial conference in Canberra, outlining the positions taken by ASPAC members on questions relating to the Viet-Nam war, Communist China and North Korea, and expressing the opinion that there was a growing "sense of community" among the ASPAC members.^{11/}

5. US Economic Policies

The only significant problems in US bilateral relations with these two countries are economic.

a. Trade Relations

Because Australia and New Zealand depend upon foreign sources for military equipment, their balance of payments position has even more serious ramifications than it might

^{11/} Message for the Honorable Dean Rusk, Secretary of State from the Australian Minister for External Affairs, dated August 2, 1968 (SECRET).

otherwise. ^{12/} As the two countries have turned increasingly to us as a source, the United States has tried to ease the problem of financing military expenditures by extending credits and making offsetting purchases; but in the area of commodity trade difficult issues exist that are yet to be resolved to the satisfaction of all parties.

The Australian and New Zealand governments frequently criticize the United States for its "protectionist policies" which restrict the entry into the US of primary products such as wool, meat and dairy products, although Prime Minister Holt took frequent occasion to thank President Johnson for his efforts to keep within bounds protectionist legislation in Congress. ^{13/}

^{12/} Letter to President Johnson from Prime Minister Holt, August 3, 1967 (SECRET).

^{13/} From Canberra, Airgram 166, October 20, 1967 (CONFIDENTIAL); Letters from Prime Minister Holt to President Johnson, July 3, August 3 and December 5, 1967 (SECRET).

Australia and New Zealand became greatly concerned, for example, over US restrictions on meat imports, which are a major part of their US trade, supplying 75 percent of our imported beef and veal. In September 1968 we asked them, as we had done on previous occasions, voluntarily to restrain^{14/} their meat shipments so to avoid oversupplying our market. They complied promptly but did so under their standing protest against US meat import controls, which they claim make it difficult for them to sell competitively in the US market and maintain a reasonable balance of trade with us.

In part to meet Australian concern over the payments deficit with the United States, in 1961 Australia was for the first time given part of the US sugar quota, and in 1965 Congress raised the Australian quota to a point where it was twice as large as that of any Eastern hemisphere nation except

^{14/} Department of State Telegram 245729, September 26, 1968, to Canberra and Wellington (LIMITED OFFICIAL USE).

the Philippines. Australia is now our sixth largest supplier of sugar.

Both Australia and New Zealand have been critical of the US dairy import quota system. Although Australia holds 85 percent of the US quota for butterfat mixes, and Australia and New Zealand rank one and two, respectively, as our suppliers of cheddar and American-type cheeses, both nations feel strongly that we are too restrictive in our import policies on these. Despite their awareness of US domestic political pressures in this area,^{15/} leaders of both nations take pains to point out their displeasure with the dairy quota system at every available opportunity.

The dairy trade issue became acute with New Zealand in 1968, when the NZ Government made high level representations against US trade and investment restrictions in general, and, in particular, against our alleged failure to allow New Zealand

^{15/} Letter from President Johnson to Prime Minister Holt, July 11, 1967 (SECRET).

to compete fairly in the US dairy market. This topic was a major theme of conversations between President Johnson and Prime Minister Holyoake during the official visit of the latter to Washington in October 1968.^{16/} It was not possible definitively to dispose of New Zealand's concern on that occasion, but the President was able to offer an increase in the NZ quotas for dairy products, as well as US good offices to facilitate private American investment in New Zealand, willingness to consider Eximbank loan arrangements for New Zealand's economic development, and assurance that New Zealand would have every possible opportunity to compete for contracts to supply US Defense Department needs abroad.

On our own side, there are US objections to certain Australian and NZ trade policies. Both countries restrict imports of US export items and discriminate against some US

^{16/} Memorandum of Conversation, Under Secretary of State Eugene V. Rostow with NZ Ambassador Corner, June 25, 1968 (CONFIDENTIAL); Joint Statement, President Johnson and Prime Minister Holyoake, October 10, 1968 (UNCLASSIFIED).

products. In addition, Australia subsidizes certain exports which thus compete unfairly, we believe, with US goods.

6. US Balance of Payments Measures

Both Australia and New Zealand, but particularly the former, were worried about the effects of the US balance of payments program initiated in early 1968, especially in its possible effect on US foreign investment and lending. Australia sought exemption from provisions of the US Interest Equalization Tax. The United States refused but provided credit through the Eximbank outside the provisions of the Interest Equalization Tax,^{17/} and is currently discussing with New Zealand the latter's request for a similar arrangement.

The United States has also attempted to soften the foreign exchange effects of increased Australia/New Zealand defense expenditures, particularly those related to the Viet-Nam war.

^{17/} Export-Import Bank, "Memorandum to the Board of Directors," June 14, 1967 (CONFIDENTIAL); Letters from Prime Minister Holt to President Johnson July 3, August 3 and December 5, 1967 (SECRET).

The US Department of Defense established a procurement office in Australia in order to give Australian firms a better opportunity to compete for DOD orders. The office also serves New Zealand. In addition, Defense has bought sugar and ammunition from Australia and lamb from New Zealand and Australia outside commercial channels. Both countries continue to seek expanded US Defense procurement, however, since our purchases have been relatively small.

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O. THE PACIFIC ISLANDS1. US Policy

US policy towards the Pacific Islands, which has begun to take more coherent, comprehensive form in recent years, shows three major trends. (1) We believe in the need for cooperation among the administering powers (the United States, the United Kingdom, Australia, New Zealand and France), so that there will be mutual understanding and/or coordination of their security and developmental policies. (2) There is a general US antipathy to the idea of complete independence as opposed to local self-government for non-viable island territories. The United States has opposed the emergence of numerous "ministates" in the Pacific, both for reasons of security and because such a development would threaten the workability of the UN system if these tiny countries were to

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seek UN membership. (3) The United States has sought to develop its own territories economically and politically, while minimizing its economic and political involvement in non-US territories; and, conversely, has sought to encourage the other administering powers to become more deeply involved in the South Pacific area. Continuing association between a territory and its administering state is seen by the United States as being, in most cases, the best means of assuring development and maintaining regional stability, as well as of preventing communist penetration.

2. The 1967 Discussions

A milestone in the development of US policy in the Pacific was the informal and exploratory discussions on the Pacific Islands territories which took place in Canberra April 5-7, 1967, among British, Australian, New Zealand and US officials. (France was invited but chose not to attend.)

The United States found the other administering powers in general agreement with its attitudes toward the Pacific area. All agreed with the United States that it was desirable to avoid the fragmentation of the area into a series of

unattached and non-viable communities. They likewise accepted the US position that the ideal status for most of the Pacific territories was, where possible, full self-government combined with constitutional association with a metropolitan power. The US position of opposing Visiting Missions from the "Committee of 24" (as distinct from the Trusteeship Council) to certain dependent Pacific territories gained support from the other powers, and all parties agreed to support each other in their resistance to such visits.^{1/}

It was agreed that the four governments should maintain close consultation with one another concerning developments in their respective territories. Toward this end, informal,

^{1/} "Pacific Island Territories - Highlights of Discussions, April 8, 1967" (SECRET). Background papers, talking points, and scope papers for the Pacific territories discussions may be found in a single volume, classified SECRET, on file in the office of the Country Director for Australia, New Zealand and Pacific Islands Affairs. Title of the volume is "Pacific Islands Talks" and it was prepared by and for Samuel D. Berger, Deputy Assistant Secretary of State for East Asian and Pacific Affairs, April 1967.

ad hoc discussions are held regularly among the powers through their diplomatic representations in Canberra.

3. The South Pacific Commission

The South Pacific Commission, a body designed to further the social and economic development of the Pacific territories, had been formed in 1948 through the Canberra Agreement. The United States, Australia, New Zealand, Britain, France and the Netherlands were the original members. Support of the SPC has remained a cornerstone of US Pacific policy. In 1964, the agreement forming the Commission was amended to provide for the deletion of the Netherlands from membership, and for the addition of the first independent Polynesian state, Western Samoa, to membership status. Nauru, which gained independence January 31, 1968, also applied for Commission membership. The US accepted the independence of Western Samoa and Nauru while urging their continued association with New Zealand and Australia, respectively, and concurred in their becoming full members of the SPC.

In 1966, the British proposed a reorganization of the SPC which would have admitted all dependent territories to full voting membership in the Commission, and would substantially have expanded the scope of Commission activities. The United States, while noting its support for increased participation by the island inhabitants, had strong reservations about provisions in the British scheme which would have converted the SPC into the central institution for social and economic development in the area, and one which would assume an increasingly political role.^{2/}

A fundamental policy question raised by the British proposals was whether the United States should look to a regional institution to provide the framework for economic and political development and the maintenance of US influence in these territories, and, in the process, accept some of our allies' responsibilities in the South Pacific area.

^{2/} Report of Senior Commissioner (US) on SPC, January 3, 1967 ~~(CONFIDENTIAL)~~

Though such an organization might siphon off pressures in the territories for independence and full UN membership, and also block contacts between the territories and unfriendly powers, the United States believed these goals could be pursued equally well by strengthening present relationships between the territories and their respective associated powers. At the same time, however, we acknowledged that, as the SPC further demonstrated its competence, larger financial inputs could be channelled through it by the administering powers, and a larger role could be assumed by the island inhabitants in the decisions affecting the development of their lands.

4. The Trust Territory of the Pacific Islands

The Trust Territory of the Pacific Islands (popularly known as the TTPI or as Micronesia) became an administrative responsibility of the United States on July 18, 1947, through a trusteeship agreement between the UN Security Council and the United States. The President, by executive order, vested

executive authority and responsibility in the Secretary of the Interior, who exercises this authority through his appointee, the High Commissioner for the Trust Territory of the Pacific Islands, the Chief Justice of the High Court, and since 1964, the popularly-elected Congress of Micronesia.

It has been United States policy in the TTPI since 1947 to foster social and economic development. Heavy doses of economic aid, expanded public services and political modernization have been signs of growing US concern for the TTPI.^{3/} In recent years the United States has begun to plan for the ultimate destiny of the TTPI.^{4/}

US security requirements dictate that the association between the United States and the TTPI continue and be made permanent. As a means of accomplishing this, in August 1967 the President recommended to the Congress the establishment

^{3/} Department of State, Background Paper prepared for Baguio Chiefs of Mission Conference, January, 1967 (CONFIDENTIAL).

^{4/} Department of State, Draft Memorandum for the President (drafted by IO/UNP), February 15, 1966 (SECRET).

of a joint Executive/Legislative commission which would, in cooperation with the Micronesians (who have been granted steadily increasing powers of internal self government), develop plans for the transition from trusteeship status to some form of permanent association.

The Senate passed this proposal but the House has not yet acted on it. The Administration has repeatedly urged House action, since pressures for independence will probably increase with time.^{5/} The Administration has also reminded the Congress that termination of trusteeship status for the TTPI should be in conformity with our obligations under the UN trusteeship agreement, which looks to a genuine act of self determination by the people of the TTPI.^{6/}

^{5/} Statement by Secretary of the Interior Udall, for himself and for the Departments of State and Defense, given before the House Subcommittee on Territorial and Insular Affairs, July 18, 1968 (SECRET).

^{6/} Statement of Under Secretary of State Katzenbach before the House Subcommittee on Territorial and Insular Affairs, July 17, 1968 (SECRET).