

## THE WHITE HOUSE

WASHINGTON

SECRET-- PERSONAL

December 23, 1968

## PERSONAL MEMORANDUM TO HENRY KISSINGER

These should be understood, Henry, as wholly personal notes and reflections.

I. Set out below are some critical issues that will require decision in the weeks and months ahead. But I should perhaps begin by saying simply that if the new Administration is patient and steady, the following are objectives within its grasp, looking ahead over the next 12-18 months.

- A stable settlement in Southeast Asia.
- Rapid progress in building the regional institutions of a new Asia.
- Beginnings of normalizing our relations with Communist China.
- A Middle East settlement.
- The beginnings of concerted regional work in the Middle East centering on the refugee problem, in particular, the region's economic and social progress in general.
- A surge toward unity in Western Europe, including UK entry into the Common Market and a European consolidation of the UK and French nuclear capabilities within the NATO structure.
- Acceptance of the NPT by Japan, Israel, Germany, Italy, Brazil, Argentina, and -- perhaps -- India.
- Progress in missile talks with the Soviet Union.
- Forward movement in Latin American integration.
- A consolidation of the world monetary system in forms which would provide monetary stability, on the one hand, and a foundation for relatively liberal trade policies, on the other.

II. The Vietnam settlement. Here are things to watch:

-- An early reaffirmation by President Nixon of President Johnson's instruction to General Abrams is required. President Johnson gave an instruction to go with the ARVN absolutely flat out in a pacification offensive. Without momentum inside South Vietnam, our leverage for a settlement in Paris or elsewhere is minimal. Vague talk of "de-escalation" could easily take the heart out of the ARVN and, indeed, adversely affect the morale of U. S. forces.

-- Clarity about the general shape of a political settlement inside SVN. Only those who have lived with a succession of SVN governments can understand how precious the present government is, notably with its constitutional basis rooted in the election process. The understanding with Thieu-Ky is that they will have to face a popular front party running against them at some time. That is why they are working to build a big national political party.\* That is why at Honolulu Thieu said that those who give up violence can "run for office as well as vote." There are all sorts of complexities that lie ahead in negotiating this outcome; but, if we continue to extend population control on the ground at something like the present 3% a month rate and chew away at the infrastructure, such a settlement is, I believe, within our grasp. We achieved a reasonably good understanding with Thieu at Honolulu. One of the most essential first tasks of the new Administration will be to reaffirm this basic understanding so that the struggle in Paris and elsewhere will not pull us apart and set in motion a disintegration of the political process in Saigon. Although we must leave the details of the negotiations to the South Vietnamese, a fundamental understanding on where we both wish to come out inside South Vietnam is essential.

-- Keep your eye on Laos. It is almost certain that Hanoi will try to negotiate its position on the ground in Laos to the maximum. There must be a contingency plan if they try to extend their situation in Laos down to the Mekong. (You should know that the only rational military riposte that any of us can think of is to seize some ground north of the 17th parallel and hold it until they get out of Laos -- if they, in fact, should play this card.) In any case, a Vietnam settlement without a Laos settlement would bring no peace to Southeast Asia. Another anxiety is the road building by Communist China in Northern Laos. Some of us have feared for years that the Chinese might make a land grab in Northern Laos in the context of a Vietnam settlement. The truth is we do not have a good feel for Communist Chinese intentions toward a Vietnam settlement. I suspect there will be a test of will over Laos before we're finished. The Russians may be helpful, if they are sure we'll be tough.

-- Monitoring the settlement. You should bear in mind that the only new policy made in Paris was on the first day when Harriman was instructed that in a Vietnam settlement the governments of Southeast Asia should play a part, in monitoring terms. We have stimulated the Thais, Japanese, Indonesians, and others to think about their role in a settlement. Specifically, some of us feel we need an Asian force (using the new sensors, helicopters, etc.) to monitor against renewed infiltration. We would like to get the Japanese and Indonesians into this role since, unlike the Indians, Canadians, and Poles, they

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\*See me.

would have an abiding interest in the stability of a settlement. The optimum is to bring the Japanese out of the islands into a security role in Asia as part of a multilateral peacekeeping exercise.

-- U. S. troop withdrawals. Don't be too surprised at some stage if Hanoi and Moscow indicate they do not want total U. S. troop withdrawals from SVN. There is some body of intelligence which suggests they may want a U. S. military presence in South Vietnam (as well as elsewhere in Southeast Asia) as a counter to Chinese Communist pressure on Hanoi.

III. Asia. Here are some of the forthcoming key issues in the rest of Asia.

-- Aid post-Vietnam. War expenditures have generated throughout Southeast Asia a major boom. It is essential to our interests and we keep that momentum as war expenditures slacken off. The Special Fund of the Asian Development Bank should be put through Congress promptly and we should begin talking to the Japanese, Australians, and others about the post-Vietnam aid picture -- including orders of magnitude to be generated on a multilateral basis. At some stage, an Asian and Pacific meeting on this subject -- going beyond the troop contributing countries and bringing in the Japanese -- will be in order. In the meanwhile, make sure Indonesia gets enough aid and continues to pull out of the swamp.

-- Group and consolidate the regional institutions. As you know, we have ASPAC on the political side and ASEAN. We also have a series of ad hoc functional groups working in education, communications, banking, etc. The Asian leadership should consolidate these on a political-economic basis -- perhaps like the OAS or OAU in Africa. Australia and New Zealand should be wholly in. We need not be in; but we should encourage Asian thought and leadership in this direction. We must lead, however, on the security side. One of the most subtle and challenging tasks in the time ahead is to develop post-Vietnam an Asian security system without adding to the number of U. S. treaties: an Asian security structure which would put Asian military forces in mutual support, notably with respect to ground forces. Our existing treaty commitments, if maintained, are a sufficient base for our participation. Planning work on this problem -- already under way -- should proceed vigorously.

-- Mainland China. Finally, starting on 20 February there is the intriguing task of finding out if mainland China is about ready to come to terms for a while with the rest of Asia and the U. S. and concentrate on its domestic development.

IV. Europe.

-- The French are evidently thinking about a new nuclear relationship with the U.S. and are suggesting various concessions to us on the NATO security side. There is no suggestion that de Gaulle has softened on UK entry into the Common Market. That remains, however, the key to a stable Europe that will be able to relieve us of disproportionate anxieties and burdens. Properly played, however, I believe that the Germans and ourselves have enough leverage vis-a-vis the French to bring UK entry into the Common Market, if we play our hand patiently and if the British also play their hand well.

-- The consolidation of the French and UK nuclear capabilities into some kind of European force, linked to us via NATO, will raise the extremely sensitive issue of the German relationship of that force. We will be up against the old problem of the "loose" European nuclear entity. It will take some managing; but I believe it can be managed.

-- Urgent and fundamental for the stability of NATO is a long-term offset agreement with the Germans, for which we have laid the ground. With the Czechoslovak invasion as a memory, I believe we can hold the U.S. role of NATO in the Congress -- if -- but only if -- we get a satisfactory long-term offset agreement with Germany.

V. Latin America.

-- The central task of Latin America in the years ahead is to move on with economic and physical integration; laying the basis thereby to handle productively more advanced industries, needed at the present stage of growth; that is, metalworking, chemicals, electronics, etc. In this connection, we have an opportunity to encourage Latin American businessmen in the private sector to begin to form big units on a continental basis which would damp down the danger that U.S. firms would dominate a Latin American Common Market. Special attention should be given to this possibility which centers -- at the moment -- on a Mexican industrialist, Bruno Pagliai. We want to avoid a Latin American Servan-Schreiber, if possible.

-- If, as we hope, we see a new phase of European consolidation, we should work to bring Europe closer to Latin America and begin to give substance to the old idea of a South Atlantic triangle. This could be accelerated if Europe were willing to give their aid to Latin America via a European development institution rather than bilaterally, on a country-by-country basis.

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VI. Middle East. The Middle East is, of course, urgent and right at the top of the list. For what it is worth, here are my reflections.

-- The Israelis will make important concessions to the extent that the end of the road looks more like a peace treaty and less like the 1957 "chewing-gum-and-string" truce.

-- We simply do not know about Nasser's political situation inside Egypt. We do not know if and when the UAR will be in a position or a mood for a firm settlement. But a maximum effort should be made to get an Israeli settlement with Jordan in which the Jordanians, essentially, grant a peace treaty while the Israelis make further concessions on Jerusalem and drop the Allon plan for the West Bank.

-- The Israelis are obviously putting themselves in a position to have a nuclear option. This is just about as dangerous to them and to us as anything could be. I have a feeling, however, that they may be bargaining with the USSR and the US on the signing of the NPT. I do not see clearly the end of the road here. I doubt that there is a Congressional base for a bilateral security arrangement with Israel. But it may be that some form of Congressional resolution -- stronger than anything we now have -- backing a Middle East settlement, plus Israeli signing of the NPT -- might be helpful at some stage.

-- We are nursing along the relationship between Iran and Saudi Arabia -- not merely because of its implications for the Persian Gulf, but also because of its latent possibility as the core of a regional Middle East grouping which might eventually pull Turkey and Iran into the area to balance the disproportionate and disruptive influence of the UAR. In any case, President Nixon should -- in my view, at an early stage -- hold up the vision of a Middle East regional organization for economic and social development. The Middle East is the only major region in the non-Communist world that is not so organized. That regional framework is not only the proper basis for a long-term refugee settlement, but the foundation for a structure that might prove resistant to Soviet and other outside disrupting pressures for the long pull. As Hussein and I once agreed, it is the only viable basis for the Arabs finding a role of dignity in the world.

VII. U.S. and USSR. The NPT and the missile talks are critical here -- and obvious. In addition, we may find some interesting possibilities for parallelism in Soviet policy in Southeast Asia as we already have in South Asia -- Tashkent, etc.

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VIII. Development Policy. I won't go into the foreign aid picture in general, but, putting aside the special case of India, the development business is not in bad shape at all if we can keep the momentum and encourage the key countries to get at the population problem. Much to our surprise, we have bought some very important time by the surge in agricultural production.

IX. Domestic Policy. The critical unsolved problem in the U.S., so far as foreign policy is concerned, remains the problem of reconciling a high rate of growth with a steady price level. I happen to believe that we must find a way to educate our society -- and other democratic societies -- to wage guidelines geared to productivity. You will find that most economists disagree and will argue either for slowing down the rate of growth or accepting a "tolerable" degree of inflation. In any case, this is a domestic issue with the greatest significance for our foreign policy since a lack of wage-price discipline is more likely to erode our world position than any other single factor.

X. Final observation. I am assuming that the new Administration will wish to pick up and further develop the theme with which I closed my Texas A&M speech; namely, that the U.S. is looking not to isolationism but to partnership and fair shares. The President-elect and the Republican platform are in that mood.

W. W. Rostow

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23 December 1968

MEMORANDUM

SUBJECT: Potential Foreign Policy Problems for the US over the Next Few Months

1. Expansion of Arab/Israeli Conflict Involving USSR: Although the Soviets are anxious to keep tensions at a controlled level, the danger of their involvement, through overly aggressive action by either the Israelis (e.g. a raid against Aswan) or the Egyptians (e.g. a raid across the canal inducing retaliation against Port Said and Soviet anchorage) remains. By Spring, the Soviet Mediterranean squadron will return to a high of about 50 ships; this could be a dangerous period.

2. Crises in France: De Gaulle's government is scarred by last Spring's disorders and by weakness of the franc. Difficulties could come again from any one of a number of quarters or in combination. It would not be uncharacteristic for the General to displace his troubles by making dramatic moves which would involve other nations (e.g. a drastic devaluation forcing reciprocal action elsewhere or possibly an international conference). West German interest in exploiting any decline of French status and prestige will be an important factor in Europe. If the French crisis was severe, powerful reverberations would be experienced in the Common Market.

3. Soviet Military Pressures on Rumania and Yugoslavia: Rumania appears to have agreed to hold a Warsaw Pact exercise on Rumanian soil in the Spring of 1969, but will attempt to prevent the permanent stationing of Soviet troops in Rumania. Such a Soviet move could result in a direct military confrontation. Less likely would be direct military pressure on Yugoslavia; dangers would increase if the Pact exercise were held near the Yugoslav border.

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Given the latent unrest flowing from the Czech crisis any of these events would generate further instability. Soviet failure to use restraint could force NATO and the US to define more sharply the meaning of the recent statement of warning to the USSR.

4. Request by Yugoslavia for Economic Assistance:  
An issue related to the preceding item flows from Soviet pressure on Yugoslavia to induce it to moderate its criticism of the Russian occupation of Czechoslovakia. Also, the Russians have failed to renew orders for Yugoslav ships and railroad cars. If this economic pressure becomes more severe, the Yugoslavs may well ask for economic assistance from the United States.

5. East German and Soviet Pressure on West Berlin: The West Germans intend to hold their Presidential election in West Berlin on 5 March 1969. The Communists have already begun a strong propaganda campaign against this. The East Germans will probably urge Moscow to let them do something more than talk. Interference with access and other forms of harassment stopping well short of military action are possible. How hot the situation is allowed to become will depend on Moscow's view of the wider picture of East-West relations at the time.

6. UK Role in NATO: Questions about Britain's will and ability to maintain its military commitments, particularly to NATO, could arise in the wake of a new sterling crisis. The ingredients are familiar but the military and financial aspects of the problem have not arisen simultaneously before, at least not with any intensity. The problem might be further complicated by French financial problems.

7. Korea: The situation in Korea is brittle. If the North Koreans manage to conduct additional raids like the latest one, the South Koreans might be provoked into retaliating with large-scale hit-and-run raids of their own. Tension on both sides would increase and the chances of escalation into more open hostilities would grow. Although South Korea has reportedly shelved retaliatory plans until Spring, it could be easily provoked into dusting

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them off again. At the least Seoul will continue to press the US hard for additional funds and hardware to strengthen its capability to deal with North Korean harassments. The estimated MAP level for FY1969, \$139 million compared to \$165.8 million in FY1968 and \$149.7 million in FY1967, will go almost entirely to support existing forces. Seoul, however, is receiving \$100 million in additional new equipment to cope with the armed North Korean subversive threat.

8. Chinese Communist Missile Developments: The Chinese Communists in the first half of 1969 may be able to demonstrate new strategic missile capabilities. They will have completed modifications to their initial facility for the launch of large boosters. They might be able to orbit a small payload and announce or otherwise demonstrate the initial flight test of a long-range missile.

9. Pressures from Japan: Prime Minister Sato plans to initiate preliminary soundings with the new US administration early in 1969, with emphasis on devising a formula which would return Okinawa to Japan two or three years after the security treaty hurdle is passed in 1970. The Japanese may also seek to impose further limitations on the use and number of US bases in Japan, so as to steal thunder from the left which is already campaigning against the Japan-US security treaty and the presence of 145 US bases in Japan.

10. Persistent Pressure on Laos: Of the three countries on the periphery of Vietnam, Laos offers the most potential for a serious crisis over the next several months. Despite the recent government victory at Thateng, we still estimate that the North Vietnamese, if they are willing to expend the effort, can take just about anything they want to in Laos. With little or no advanced warning, for example, the North Vietnamese could cut across the narrow Laotian Panhandle and take one, if not more, of the Mekong border towns. Although our best guess is that Hanoi will not risk such actions until they have played out their game in South Vietnam, we do

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believe that a Communist military offensive, well short of a march to the Mekong, but one that may give Vientiane some bad moments, is not at all unlikely in the next few months.

11. Cambodia--Support for Viet Cong: The problem of Cambodia's role in supporting the Communist effort in South Vietnam is also likely to get worse before it gets better. Accumulating evidence that Cambodia has become a major source of arms and ammunition for Communist forces in southern South Vietnam will increase pressures for the extension of the war to Cambodian territory.

12. Thailand Insurgency: The government is getting a bloody nose in the north and north-central regions at the hands of Communist-led tribal insurgents. This may cause Bangkok to ask the US for additional material assistance, particularly aircraft, helicopters, and M-16 rifles. Bangkok is likely to press hard for conclusion of a Status of Forces Agreement, which has been under sometimes acrimonious negotiation for a year. The Thai may also push for a bilateral defense pact with the US, or at least a restatement of the 1962 Rusk-Thanat accord. Much will depend on how the Paris talks go, which Bangkok is watching with a close and wary eye.

13. Australia--Assurances on US-Asian Commitments: Prime Minister Gorton has expressed a desire for talks with President-elect Nixon at the latter's convenience but hopefully in March or April. His particular interest will be to ascertain the scope and duration of US military commitments in Southeast Asia. Australia is reviewing its own defense policy and troop deployment in the light of Britain's planned withdrawal from the area in 1971. Australia apparently intends to retain some forces in Malaysia and Singapore in the post-1971 period.

14. Foreign and US Aid to Indonesia: The Intergovernmental Group (IGG), a consortium of Western donor nations led by the United States and Japan, is scheduled to meet again in the Netherlands on 28-30 April to make pledges of economic assistance to Indonesia for 1969. The Indonesian Government has requested US \$500 million but it seems unlikely the

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agreed total will reach this amount. A figure closer to the approximately US \$325 million which was pledged last year seems more realistic. For the past two years, the US has provided one third of the total assistance.

15. The Possible Fall of King Husayn: The little King has been in a perilous position for some time and could suddenly be deposed by Fedayeen maneuvers, possibly with Iraqi complicity. He could be in great peril if the Israelis made any further territorial acquisitions on the West Bank. Husayn's disappearance would eliminate a key friend of the US in the Middle East.

16. India-Pakistan: There has been little normalization since the 1965 war; Kashmir remains an intransigent problem. Border incidents, which could escalate rapidly, are always possible. Any major new arms aid deal to either country with the USSR (and in the case of Pakistan with China) would have immediate implications for US military assistance policies.

17. Cyprus Communal Hostility: The US is backing current intercommunal talks, but these are making little progress. If they fail, another major intervention or threat of intervention could come quickly. Even quite small sparks could upset the present tranquillity at any time.

18. Biafra: The most immediate problem in the stalemated war is the food shortage in Biafra. It almost certainly will get worse during the next three or four months as the Ojukwu government tries to cope with a population swollen by a large influx of refugees since May 1968. Available information, although incomplete, implies that the average caloric intake could drop by as much as one third when the region's normal "hungry period" occurs during February-May 1969. The United States will have to decide whether it will provide substantial food deliveries to Biafra, perhaps 600 tons per day.

19. Peru: In October 1968, the new military government of Peru seized the refinery of International Petroleum Company (a subsidiary of Standard Oil of

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New Jersey), and has taken no positive steps to compensate the company. The generals in charge show no sign that they are considering such steps. Under the terms of the Hickenlooper amendment and a similar amendment to the Sugar Act, the United States is obliged to cut off all economic assistance to Peru and to cease importing Peruvian sugar unless it is satisfied that Peru will make prompt and adequate compensation for the expropriated property. A decision whether to invoke these amendments will have to be made during the first several months of 1969.

20. Brazil: Outright military dictatorship has suddenly been imposed on Brazil, traditionally the strongest and closest US ally in Latin America. This will probably create serious frictions in US-Brazilian relations in the months to come, not only because the Brazilian leadership crisis is not yet resolved but also because many of the most influential new leaders are men of narrowly nationalistic views. If the US does not enthusiastically accept the new moves--for example, if we reduce aid or fail to provide requested military equipment--they are likely to exhibit hurt bewilderment followed by open antagonism.

21. Guatemala: In Guatemala, any one of several possible developments, or a combination of them, could have serious implications for the US. These include the assassination of the new US Ambassador or of a high ranking Guatemalan official such as President Mendez, or a new outbreak of Communist insurgency which could prompt a rightist-military coup.

22. Congressional Restrictions on Arms Sales: Present legislation restricts sales of US-manufactured military equipment, especially "sophisticated" weapons such as jet aircraft, submarines, and missiles. The legislation also imposes sanctions, including cuts in US aid programs, if foreign countries purchase arms from other than US sources. The major Latin American nations are currently involved in replacing worn out or obsolete military hardware, and these restrictions, if applied, could cause a serious deterioration in relations between our major Latin allies and the US.

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23. Panama: New friction over the Canal Zone could develop. The National Guard leadership seems well established under commander Colonel Torrijos and his chief of Staff Colonel Martinez against any effort by ex-president Arnulfo Arias to regain his position. Strains in the relationship between Torrijos and Martinez could develop, however, and a power struggle between the two might conceivably carry nationalist appeals relating to the Panama Canal; it is always possible that such a struggle would spill over and impact on the Zone.

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