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THE WHITE HOUSE
WASHINGTON

August 29, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JACK MARSH
FROM: JIM CONNOR

The attached article was received in the President's outbox with the following notation:

"Distribute to Leaders and House"

Please follow-up with appropriate action.

cc: Don Rumsfeld
Max Friedersdorf

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT WANTED
THIS TO GO TO JACK MARSH
RIGHT AWAY WITH A COPY TO
MAX FRIEDERSDORF.

HE WANTS MARSH TO DISTRIBUTE
IT TO THE LEADERS AND HOUSE.

4.

Jack Marshall
Dimitri
to Leaders of
Africa

REVIEW & OUTLOOK

What About the Third World?

A report comes to us, admittedly third hand, that during the recent State Department negotiations in the Middle East, the Egyptians asked how the U.S. proposed to "pay" for a peace settlement. Our chaps replied: "In the usual way, of course," by which was meant some sort of foreign-aid grant, denominated in megabucks.

The Egyptians squirmed and said they weren't crazy about that idea. They explained that their experience with foreign aid has been that it inevitably disappears without a trace into the maw of government bureaucracy, and there never seems to be anything to show for it. They said they'd rather have a few U.S. multinational corporations set up in Egypt.

We hope the story is true, for it would indicate that beneath all the nasty Third World rhetoric about U.S. economic imperialism there is stirring some enlightened self-interest. Don't expect to get a glimmer of this at next week's meetings of the United Nations and International Monetary Fund, however. The UN and IMF diplomats read and rant from stylized diplomatic scripts that bear little relationship to the private calculations of governments in the Third World.

The script continues to require poor country bureaucrats to denounce the United States for being rich and for exploiting the Third World, followed by vague demands for a "New Economic Order," a global redistribution of wealth, commodity agreements and free gifts of IMF gold. The international economic "experts" of the Brookings Institution, by the way, yesterday recommended that the U.S. government pretty much give the Third World everything it wants.

The State Department, which is the bureaucratic arm of Brookings in matters economic, would no doubt go along with it if it didn't have Congress and U.S. taxpayers to contend with. Henry Kissinger will have to restrain himself next week as he outlines his "new approaches" to foreign aid. Even so, and not knowing what these new approaches will be, we can confidently join the Third World in advance in dismissing the Kissinger ideas.

The Wall Street Journal stands shoulder to shoulder with the Third World perhaps without its realizing the fact, in that we dismiss the idea that the engine of development can be put together with rubber bands and baling wire. In this category we

put commodity pacts, AID missions, soft-loan windows, free gold, law of the sea conventions and other variants of the international soup kitchen.

Our prescription for Third World development is exactly the same as our prescription for the less developed, unemployed and underemployed within the United States: Noninflationary growth. Capital formation. Free Trade. Equal job opportunities. An expansion of the world money supply that does not exceed the expansion in world output.

More than a year ago, during the great boom in commodity prices, the Third World suppliers of raw materials believed they had come into their own, that the worm had turned, only to discover that the high nominal dollar prices they were getting were yielding low purchasing power as a result of inflation. Then, with the world recession, they were exporting lower volumes of raw material in exchange for inflated dollars. No wonder they believe they were ripped off. But so was everyone else. The whole world, including the United States, is poorer for the experience.

The developing nations now complain that they can't pay their debts because they are running balance of trade deficits; the industrial world isn't buying enough from them. The solution, in our mind, is not a debt moratorium, but a renewal of growth in the industrial world that brings with it an expansion of buying in the Third World. A reduction in the taxes on capital in the world's biggest market, the U.S., is the surest way of bringing this about. The Third World thus should be leaning on its friends at Brookings, who oppose lower taxes on U.S. capital, to get them to change their minds. At the same time, the Third World should be beating on the industrial world to reform the international monetary system, so the Third World won't be whipsawed by inflation again.

Once this is accomplished, the developing countries can concentrate on making themselves more hospitable to foreign capital, multinationals and industrial markets instead of huffing and puffing about exploitation and expropriation. Granted, no matter how nasty they get, they can always get alms from the World Bank. But the only way they'll ever get out of the Third World and into the First is to get out of the soup kitchen.

How Liberals

By EDWARD JAY EPSTEIN

The House of Representatives may have inadvertently altered the balance of power in the Middle East and critically diminished Israel's chances for survival when, in a fit of moral indignation inspired by a handful of Congressmen, it voted last month to continue the suspension of military aid for Turkey. In direct response to this vote, Turkey denied the U.S. control over more than 20 "common defense" installations in its territory which electronically monitored, among other things, shipments of military equipment, aircraft, and industrial goods to Middle East nations.

The strategic implications of the House coup proceed from Turkey's unique position in the geography of the Middle East. This NATO ally straddles Europe and Asia and physically separates the Soviet Union from the Arab states which depend on it for arms and ammunition. To reach the Mediterranean from their ports in the Black Sea, Soviet ships must pass through the narrow Turkish Dardanelles.

Before the congressional action, their cargoes could be surreptitiously analyzed by U.S. equipment at bases along the shores. To reach Syria and Iraq, Soviet aircraft must either overfly Turkish territory, where they can be "counted" or interdicted in a crisis, or be diverted several thousand miles over Bulgaria, Greece and the Mediterranean. Thus the main flow of Soviet arms traffic to the Middle East is vulnerable either to being "counted" or ultimately cut off because Turkey remains—for the moment at least—a NATO ally (which, not incidentally, maintains both diplomatic and economic ties with Israel).

A 'Window' on Russia

To be sure, the strategic importance of Turkey extends well beyond the security of Israel and the Middle East. Because it has a 1,000-mile border with the Soviet Union along the Black Sea, it provides an irreplaceable window on military and missile activity within the Soviet heartland. The monitoring equipment at U.S.-built bases along the Turkish Black Sea coast could detect the movement of Soviet planes, ships, submarines and tanks, as well as the heat generated by the preparation of Soviet missiles.

Over-the-horizon radar provided an integral link in the early warning system used by NATO and the U.S. and monitored the progress of Soviet missile technology. The American "machinery" was even sensitive enough to intercept walkie-talkie, ground-to-air and microwave telephone messages between military units (which meant in effect that any major military alert or troop movements would probably be monitored).

Aside from the intelligence facilities, Turkey also provided the U.S. bases for nuclear-armed fighters capable of penetrating Soviet defenses over the depression of the Black Sea. These "Quick Alert" bombers, parked on the edge of Turkish airfields with motors running, were by tacit agreement with the Soviets not counted as strategic bombers under the limitations of the SALT treaty, thus they served as an important counterbalance to the apparent Soviet missile superiority. If Turkey were to prohibit American use of these airbases, as it well could do, the entire SALT "balance of terror" would be tilted against the United States.

In more conventional terms, Turkey, with its 500,000-man army, secures the

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