

The original documents are located in Box C20, folder “Presidential Handwriting, 5/1/1975 (1)” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

5/1/75

THE WHITE HOUSE
WASHINGTON

Don R

Bill Semons
trip report, which
I have read.

I assume NSC
has copy. If not it
should go to them.

00923



THE SECRETARY OF THE TREASURY

WASHINGTON 20220

April 28, 1975

Dear Mr. President:

I thought you might find it helpful if I supplemented the few messages I sent to you during my three-week trip that ended today with some additional impressions and recommendations for the future.

I was particularly struck by the fact that on every stop we were greeted with genuine warmth and friendship. The foreign leaders that I met all wanted to convey to you their respect and best wishes. They were also willing to conduct our meetings candidly and honestly. Clearly there remains an enormous reservoir of good will toward the United States and its leadership.

Yet it was also apparent that this is a time of uncertainty in much of the world about the future role of the United States. Frankly, we are not thought to be as reliable as we once were and our image is suffering badly among the people in many countries. As a result, leaders such as Mrs. Gandhi find it politically expedient to take a hard line toward us in public while also maintaining a friendly posture in private. I could only conclude that we have a good deal of fence mending to do abroad and that we need to take a closer look at our economic and political relationships across the board.

Let me summarize for you some of the recommendations I would make based upon this trip:

-- It is important that during the next few months we act to assure other nations of our continuing commitment toward international economic cooperation and toward economic development for the poorer nations. We are perceived as being unsympathetic to the developing nations. That perception is essentially incorrect -- we have given a huge amount through both multi-lateral and bilateral institutions -- but we must work harder at ensuring that the developing world understands us and our policies. Your forthcoming visits and talks with foreign leaders should be especially helpful in this regard. I would also recommend that you devote at least one major speech to questions of international economic policy, giving a clear signal to nations abroad.

DECLASSIFIED

AUTHORITY Treasury Ltr 8/22/06
NSC/State Directives
BY NR NARA, DATE 8/23/12



-- In Europe, the finance ministers generally agreed that an economic upturn was likely in the second half of this year. Their concerns now are that we avoid overheating the economy with all the inflationary implications that would arise and that we avoid future capacity shortages -- two concerns which, as you know, I deeply share.

-- It is essential that we secure Congressional approval of the \$25 billion financial safety net agreed upon in Paris. Your strong public support at the time the legislation is submitted would be very helpful.

-- In light of events in South East Asia, it seems inappropriate to move immediately in seeking the modifications of the Trade Act which would help to straighten out our relations with the Soviets, but we should definitely have our legislative recommendations on the Hill no later than mid-year.

-- The Indians are incredibly irate about the lifting of the arms embargo against Pakistan. They said again and again that U.S.-India relations were just reaching an upward takeoff point and have now been badly set back. Mrs. Gandhi asked that I personally convey to you an urgent appeal that we find some way to offset the effects of the embargo decision.

-- Mrs. Bandaranaike of Sri Lanka appears to have mellowed in her attitudes toward the U.S. At the same time, she has gained influence in the non-aligned world because she will chair a conference of those nations in the summer of 1976. Thus she can be of critical help to us in her role as a spokesman for the non-aligned nations. We ought to explore ways of strengthening our relationship with her.

-- In the Philippines, I believe that President Marcos will eventually decide to maintain a close friendship with the U.S. But to shore up our relations, I urge that you consider a visit to Manila on your forthcoming trip to China.

-- On the way home, I was briefed by the base commander in Guam and by CINCPAC (Admiral Gaylor) in Hawaii. Their discussions generally centered on the need to maintain U.S. military strength in the Pacific and on the close, interlocking relationships between economic policy decisions and diplomatic and military strategy. They also stressed the need to develop firm plans for the Vietnam refugees as quickly as possible.



Neither Guam nor the Philippines are in a position to cope with a large influx of refugees on a long-term basis, and there is growing concern in the Pacific about their future.

-- A final issue that would be of concern to you arose when a senior member of the Taiwan delegation to the ADB confidentially informed a senior member of my staff that with the death of Chiang Kai-Shek, his son, Premier Chiang Ching-kuo, is likely to significantly moderate ROC claims and pretensions to the mainland and will emphasize Taiwan as a separate entity -- a move almost certain to engender an unfavorable reaction in Peking.

In many respects, this trip could not have been more fortunately timed. As it happened, I was the first Cabinet officer to visit the Soviet Union since our problems on the Trade Act, the first in India since the Pakistani arms embargo was lifted, the first in Sri Lanka since Dulles, and the first anywhere in Asia since the tragic unfolding of events in Indochina. My talks thus brought home forcefully an intense questioning and concern as to the future course of U.S. international policies, both economic and political. The questioning extends to the Administration's intentions as well as to those of the Congress and our people generally. The assurance that I was able to convey of your full recognition of our international interdependence and of your resolve to continue international cooperation as the only road to peace and economic advancement were received with gratitude. It is clear to me that in these circumstances your planned trips abroad and your additional meetings with officials here will be most beneficial.

* * * * *

What follows, Mr. President, is a more detailed country-by-country report on the trip:

In Paris in the meetings with the finance ministers of the industrial countries, particularly in the separate unannounced meeting of the Big Five, the questioning was no longer addressed to whether we are providing enough economic stimulus. A strong consensus exists on the likelihood of economic recovery in the second half of this year in all the industrialized nations. There is now a common concern on



how to avoid future capacity shortages and on how to abate the serious danger of resuming severe inflation next year, with consequent danger to continued recovery. All the ministers also expressed concern over the size of our budget deficit and its potential impact upon future inflation.

Even among these sophisticated officials, there was also a fear that the U.S. will attempt to withdraw generally from foreign engagements. This fear does seem so far to have had the beneficial effect of strengthening these finance ministers' efforts to resist the growing pressures within their governments and populaces for protectionist economic measures. Yet at the same time they are obviously questioning the value of attempting to enter into new agreements with us. In the case of Healey, the UK Chancellor of the Exchequer, we were treated to words practically asserting that he knows better than we in the Administration how to deal with the U.S. Congress. He pushed hard on the theme of perceived weakness in the Administration and his desire that European nations deal more directly with the Congress as opposed to the Executive Branch. His apparent purpose was to secure our acquiescence on issues over which we had disagreements. I dealt with this very strongly and found that Healey had little support among other ministers. The German minister Apel later confided his judgment that the Healey performance was disgraceful, though it was in many respects a repeat of his posturings in January.

Despite the private questionings, the meetings in Paris did publicly demonstrate solidarity by the official signing of the \$25 billion financial support fund agreement among the industrial countries, and the Big Five did reach several useful unannounced agreements: to support the U.S. proposal to use some of the IMF's gold for a trust fund for the most seriously affected poor countries, to try again for an agreement to limit government export credit competition, and to pursue a schedule of intensified work to try to prepare a package of international monetary agreements by our next scheduled meeting, which is set for Paris in the second week of June. (We shall try hard for such a package by June, but we don't want to get ourselves in a position where we have to have an agreement even on European terms, and in the end it may prove preferable to continue the negotiations beyond June, particularly in view of the fact that the interantional financial system does not appear to be subject to serious strains at the moment.)



In Moscow Brezhnev made quite a show of demonstrating his desire to talk with me, and when we met he was most friendly. He volunteered how much he was looking forward to his planned visit to talk with you. There was no tirade on "interference" in internal affairs. He did state that the USSR could, of course, get along without U.S. trade and credits and that other countries were offering large amounts of credit on favorable terms, but his stress was on his belief that it was right that the economic relations between the two greatest powers be put on the basis of planned, long-term large-scale cooperation. He welcomed the proposal which the foreign trade minister and I had worked out for a new 3-to-5 year trade target to be announced during the next summit meeting.

He showed great interest in our plans to try to undo the recent unfavorable legislation. When I explained that this month, in view of developments in Indo-China associated in the U.S. public mind with both China and the USSR, was not a favorable time for a new initiative, but that we hoped to put forward a proposal to the Congress by mid-year, he made no reference in reply to Indo-China but welcomed our intention to make a new effort. Throughout the conversation, while he at no time challenged our intentions, he seemed most anxious to have my direct reassurances of your intentions.

In India, as well as later in Sri Lanka and the Philippines, there was concern both about our economic policies and about our future general international orientation. The economic concern was the more easily disposed of. They felt the recession in the industrial world had already depressed their export earnings and were fearful of further deepening of the recession. For this reason they heard with obvious pleasure of the signs of incipient recovery in the U.S. and of the corresponding views of the other finance ministers in Paris. My speech in Bombay accentuating the things we have in common and the potential benefits of closer economic cooperation was well-received by the audience of businessmen and was widely acclaimed by the Indian press. Also the minister of finance, Subramaniam, and a close confidante of Prime Minister Gandhi, Governor Khan of the Madras area, went out of their way to express appreciation for its theme. They also thanked us for the recent expansion of P.L. 480 aid.



Yet the political atmosphere remained difficult. The Indian populace seems unbelievably pre-occupied with our lifting of the arms embargo against Pakistan (and India). When I held a press conference to talk about the economic outlook, over one-half of the questions related to arms for Pakistan. This pre-occupation is not being lessened by the behavior of the Indian Government, which seems to be trying to win the next election -- and also to maintain emergency powers -- by running against the United States. A few hours after I had a cordial meeting with Foreign Minister Chavan, with whom I had worked previously when he was finance minister, he told his parliament that relations with the U.S. and with the USSR could not be considered on the same basis, for in times of need the USSR had always stood by India. And the same day I met with the prime minister she spoke publicly of a possible naval threat to India in terms which could only lead the audience to assume she was referring to the United States.

Yet in my private meeting with Mrs. Gandhi she was extremely friendly. Speaking more in sorrow than in anger, she emphasized her great disappointment that the lifting of the arms embargo occurred just when relations seemed so clearly to be improving. Later in Manila, under specific instructions from the prime minister, the Indian finance minister sought a private meeting with me to ask that I convey directly to you from her an urgent appeal that we find some way to offset the effect of the lifting of the arms embargo on our relations. It was clear that her request was not for economic assistance but for some form of political re-assurance.

Meanwhile the Indian government continues to burden private enterprise, both domestic and foreign, with smothering controls, but over the past year there has been remarkable progress in bringing the inflation rate down from over 30% to the range of 6%.

At one point during the visit, the Secretary for North American Affairs at the Indian Foreign Ministry, Mr. Teja, told a senior member of my staff that he would be interested in knowing what the U.S. response would be if India offered to buy certain kinds of military items in the U.S. such as advanced military aircraft. Teja said he was often asked this question by senior Indian officials. He made it clear, however, that India would not be interested in foreign military sales credits. Teja further said he was reluctant to raise the question directly with the State Department at this time because of the likely reaction and the foreign policy implications.



At the end of the conversation Teja asked my staff assistant if he would be willing to discuss the matter with the number two man in the Indian Embassy in Washington and take informal soundings within the USG. My assistant agreed to meet with the Indian official upon request and advised both me and Ambassador Saxbe of the conversation.

In Sri Lanka, my visit with the prime minister, Madame Bandaranaike, proved to be a real pleasure. She expressed admiration for you; recalled her warm meeting with President Nixon a few years ago; and without specifically requesting further help, expressed great appreciation for U.S. assistance, both the expanded level of P.L. 480 and economic assistance this year and the prompt assistance given several years ago when she acted decisively against rural insurgency. I assured her that our policies would continue unchanged in the future.

She also talked at length of her hopes to lead in productive directions the summit conference of eighty non-aligned nations which she will chair in Colombo in the summer of 1976. In the past these conferences have concentrated on political matters, e.g. Israel, Vietnam, and the Portuguese colonies in Africa, but the present outlook is that the coming conference will emphasize economic matters.

In this next conference Madame Bandaranaike's influence as chairman will be enhanced by several facts: she is the first female prime minister, she is one of the few who has attended all of the previous non-aligned summits, and Sri Lanka may be the one nation most seriously affected by the changes in oil and other commodity prices over the past several years. Under the circumstances I would judge that we would be well advised to make continued special efforts over the next year to gain her understanding of our policies. She could be extremely helpful to us. One possible opportunity would be for you to meet with her informally -- not a state visit -- shortly before her summit conference in May or June of next year when she is expected to come to the U.S. to accept an honorary degree.

In the past she has been highly critical of the U.S. She ejected the Peace Corps and in the early 60s ended our aid program by expropriating some American companies without adequate compensation. She has also inflicted great damage on the Ceylonean economy by the politically expedient course of large scale attempts at price fixing and subsidization. She has criticized our consideration of expanding our naval



facilities at Diego Garcia in the Indian Ocean. Yet now she seems to have mellowed considerably. She didn't mention Diego Garcia to me, the first cabinet officer to visit the country since Dulles. She appears to recognize a need for foreign economic aid and cooperation for the Ceylonese economy. Probably she has some concerns about the possibility of Indian or communist imperialism. There appears to be an excellent opportunity here for an improvement of relations which could be particularly useful to us in the non-aligned world.

In the Philippines I arrived at a time when the newspapers were full of statements by President Marcos and other officials that the security and bases agreements with the United States must be reconsidered in the light of Indo-China, particularly in view of the fact that the agreements provide that our obligation to come to their assistance in case of attack is subject to our "constitutional processes." Considerable annoyance was also being expressed that your recent expression of intention to consult with Asian leaders in certain countries had not included the Philippines in the list of countries named. Yet Marcos was most friendly in his talks with me. So far his several years of martial law rule appear to have been conducted without serious civil rights violations, and he has certainly improved the functioning of the government and the economy. Foreign businessmen are also being treated somewhat better than in the past. The reassessment he is undertaking now appears to be an effort to calm the Philippine people. In the final analysis, I believe he will decide to maintain a close relationship with the U.S. I urge that you give consideration to a stop-off in Manila on your forthcoming trip. One topic likely to come up in such talks if not before then, incidentally, is the Philippine desire for the U.S. to begin paying rent for our military bases there. The Pentagon believes that in effect our military assistance meets any rent requirements and they are opposed to setting new precedents on formal rental payments.

At the Asian Development Bank meeting in Manila there was a lot of the new style rhetoric on the "obligation" of the developed countries to provide aid to the less developed countries and most of the Asian speakers urged that the People's Republic of China be invited to join the Bank. The PRC recommendation was backed most strongly by Pakistan, and we worked to defuse the issue by meeting privately with them and with other delegations. In the end, no one took any practical steps toward the expulsion of the Republic of China, which incidentally owes the Bank \$100 million.



While there I turned over to the Bank \$50 million recently appropriated for its special fund for concessional loans and a \$121 million subscription recently authorized for its ordinary equity, mostly in the form of callable capital. I reaffirmed our commitment to attempt to obtain Congressional appropriation for the \$50 million of concessional money already authorized as well as \$240 million of equity capital to match amounts largely provided already by the other shareholder nations, but I indicated that we are most unlikely to be able to undertake additional commitments in the coming fiscal year. Under the circumstances I urged the Bank's management to seek additional contributions from others unmatched by contemporaneous new commitments from the U.S. In my speech at the ADB meeting, after conferring with Secretary Kissinger, I also heavily emphasized America's continuing commitment to that region.

In Guam and Hawaii, as noted, I discussed the Vietnam refugee problem with leading U.S. military personnel. I might add that I certainly concur in Admiral Gaylor's strong feeling that U.S. military strength must continue to be visible in the region to reduce the risk of some governments succumbing to the temptation of seeking out new political affiliations.

In summary, while the trip took longer than I would have liked, it served many useful purposes and helped to maintain the kind of personal contact with foreign leaders that is so vitally necessary today. I certainly appreciate your personal support during this mission -- as well as the excellent support provided by Secretary Kissinger and State Department personnel -- and I look forward to the opportunity to discuss the trip with you personally.

Yours faithfully,



William E. Simon

cc: Secretary Kissinger



THE WHITE HOUSE

WASHINGTON

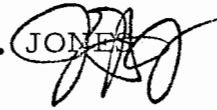
May 1, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

BRENT SCOWCROFT

FROM:

JERRY H. JONES 

The President has read the attached report and wanted to insure the NSC had a copy.

Please follow-up with the appropriate action.

Thank you.

cc: Don Rumsfeld