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ETHIOPIA
AND SOMALIA

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THE HORN: ETHIOPIA AND SOMALIA

BACKGROUND

Ethiopia is at present in a highly volatile state. Early this year popular frustration over economic hardships and the slow pace of modernization erupted in strikes and demonstrations by labor, students, and the military. The result has been a new civilian government, dominated by the military, both committed to a program of constitutional, political, economic and social reforms which has already greatly reduced the power of Emperor Haile Selassie and the country's dominant aristocracy.

While these developments have so far not been accompanied by any bloodshed it is possible that the existing frictions within Ethiopian society and the vindictiveness being shown in some circles could lead to violence endangering the 3,500 Americans in the country. Internal security in the northern province of Eritrea is further impaired by an insurrection which has been going on since the early 1960s. The separatist Eritrean Liberation Front (ELF), which wants to make the province a separate state and has received support from Libya and Somalia, is currently holding hostage one Canadian and three American employees of Tenneco, who were seized over five months ago while prospecting for oil in northern Ethiopia. Our Embassies in Addis Ababa and Khartoum are working closely with Tenneco to procure their release, which we have reason to believe is imminent.

Another internal problem which the Ethiopian Government faces is a severe drought which has affected large parts of the country, causing an estimated 100,000 deaths, and for which large amounts of foreign assistance have been required.

Internationally Ethiopia's biggest problem has been with its neighbor, the Somali Democratic Republic. The present boundaries, drawn up during the colonial era, place a large proportion (750,000 out of a total of 3,500,000) of the Moslem Somali people outside of the Republic's borders. Somali nationalists have called for the union of all Somali people under one flag. The Somali Government accordingly claims certain parts of Ethiopia and Kenya as well as all the French Territory of the Afars and Issas (French Somaliland). A significant buildup in Soviet military aid to Somalia since 1972 now gives Somalia an edge over Ethiopia in certain major categories of weapons, such as tanks and aircraft. This upgrading of Somali military capability is a matter of profound concern to the Ethiopian Government.

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E.O. 12958, Sec. 3.5
State Dept. Guidelines
By dal, NARA, Date 12/17/03

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The sudden increase in the Somali arsenal led the IEG early in 1973 to ask for a drastic increase in the arms supplies which the United States had been providing Ethiopia for years under the Military Assistance Program (MAP). The United States responded to this appeal during the first half of this year by granting additional credits for the purchase of U.S. arms and agreeing to the Ethiopians' purchasing additional equipment with their own money. They are disappointed with this response believing that it is insufficient to meet the Somali threat.

U.S. STRATEGY

The primary U.S. interest in the Horn is to prevent control of this strategic area from passing to unfriendly powers, a development which would result in the outflanking of our interests in the Arabian Peninsula. The principal instrument of our strategy has been Ethiopia, the only non-Arab country along the Red Sea and the second most populous country in black Africa (population 27 million).

Ethiopia has had a long tradition of friendship and cooperation with the United States. U.S. ships and military aircraft have had ready access to Ethiopian ports (Massawa and Assab) and airfields (Addis Ababa and Asmara). This access is especially important at a time when the number of ports in the general area that are open to U.S. naval vessels is limited. For many years we operated an important naval communications facility at Kagnew which is now being phased down. Finally, Ethiopia's western-oriented non-alignment, moderation on international issues, and friendship for the United States have frequently been supportive of our interests in regional and world councils.

Were a government unfriendly to the U.S. to come to power in Ethiopia or were Ethiopia to turn to unfriendly powers for military assistance, our interests would be jeopardized. In the light of the above factors we believe that it is in our interest to assist Ethiopia to remain an independent, cohesive, moderately inclined, and responsible nation. It was for this reason that the United States recently responded positively to the Ethiopian request for increased arms aid. Although we disagreed with the Ethiopian estimate that a Somali attack is imminent, we believed that a significant U.S. response was needed to the Somali-Soviet build-up. At the very least this action would bolster Ethiopia's confidence in its ability to defend itself and in the United States as a reliable associate.

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The credits we have extended and the cash purchases we have agreed to, combined with our ongoing Military Assistance Program (MAP), if accepted by Ethiopia, would enable Ethiopia to acquire in the fiscal years 1974 and 1975, assuming Congressional approval of the funds requested for FY 75, about $100 million in U.S. arms and equipment as against an average of about $10 million per year in the immediately preceding years. The Ethiopian dissatisfaction with this offer pertains particularly to the slow delivery times on some items and the high proportion (over 50%) of cash purchases in the total package. The Defense Department has done its best to arrange prompt deliveries. As for the high proportion of cash purchases we have no alternative given Congressional ceilings on grant and credit totals for each world region.

THE SITUATION NOW

It is not evident where the "creeping revolution" in Ethiopia will lead. The military's leadership in the political field, the Armed Forces Coordinating Committee (AFCC), remains an unknown factor with a constantly changing membership. There is still a fair prospect that the Ethiopian military will remain united and hold to its proclaimed policy of compelling the civilian government to effect needed reforms without instituting a military regime. The possibility that politically radical elements could gain the upper hand, abolish the monarchy, and reject the traditional Ethiopian ties with the United States cannot be excluded. Still another possibility is that the military, faced with the actual difficulty of Ethiopia's problems and unable to bring about simple solutions or quick progress, might turn in frustration to demagoguery, recklessness in foreign and domestic affairs, or military adventurism. The vindictiveness being shown toward former high officials and the harsh attacks on the Emperor appearing in the press are evidence of such a future possibility. Public threats to change the traditional ties with the United States and private warnings to us that Ethiopia may go to the Soviets for military aid also testify to the new leadership's unpredictability.

The future course of the Somali-Ethiopian territorial dispute is also uncertain. The dispute is presently under the scrutiny of a "good offices" committee of the Organization of African Unity (OAU) headed by General Gowon, President of Nigeria. Somalia is publicly pledged to seeking a solution

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by diplomatic means and the election of President Siad of Somalia as OAU President for the year 1973-1974 has, in the estimation of many observers, including some Ethiopians, lessened the chances that Somalia would turn to military pressure to pursue its claims to Ethiopian territories. Nevertheless, public Somali statements eschewing the use of force are matched by editorials in the semi-official press calling for the recovery of Somali-populated territory at all costs, by military means if need be, and it is the official Ethiopian view that Somalia has already made a decision to attack in order to occupy the Ogaden area of eastern Ethiopia (see attached map). Some military officials claim this attack may occur before October 1974.

ISSUES AND CHOICES

Do we continue to grant and sell arms to a regime whose future is so uncertain? As long as there exists a possibility that the Ethiopian regime will wish to retain its close ties with the West, we should continue to carry out our program of military aid and sales as agreed. Suspension of these shipments would only strengthen the hands of the radical elements among the military and further frustrate the moderates, perhaps leading them to concur in more radical initiatives.

What more can we do to influence the situation favorably? As the amount of military assistance we can extend is severely limited, we believe we should continue to encourage appropriate third countries, namely Iran and Saudi Arabia, to provide any assistance they can to Ethiopia in acquiring the arms it considers necessary to face the Somali threat. The most appropriate means at this time would be financial assistance so that Ethiopia would not have to go into its own monetary reserves to acquire military hardware. Some Congressmen may be reluctant to continue to vote funds for development assistance or drought relief for Ethiopia if the Ethiopian Government spends large amounts of its own money on arms.

What action if any should we take in response to recent reports that the Ethiopians are considering loosening their close ties with the United States and accepting Soviet arms? We do not take seriously the report that the Soviets have offered to supply the arms that we have refused to supply. For one thing, the Soviets are unlikely to jeopardize their position in Somalia which they have gone to great lengths to establish. Moreover, it is out of character for the Soviets to move in so quickly to provide military equipment on the scale we are talking about. It is possible, however, that the Soviets

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might offer token aid. We do not think we should react to this possibility by offering more military equipment as we are already stretching our statutory authority to the limit with out present offer. We are instructing our Charge to find out more from the Foreign Minister about this alleged offer but not otherwise react to it.

NEXT STEPS

A better reading on where the situation in Ethiopia may be heading is needed. We are thinking of a direct overt approach to the AFCC, which presently holds ultimate authority but has so far refused governmental responsibility. At present we are dealing with the AFCC through the relatively weak intermediary of the civilian government. We believe this may blur our perception of what the AFCC stands for, its composition, and what it is capable of doing. A direct meeting with the AFCC leaders, cleared in advance with the civilian government, for the purpose of a wide ranging review of Ethiopia's future and of its ties with the U.S., might help clear the air and greatly increase our understanding of the situation and its potentialities.

We are also considering an approach on the subject of the Horn to the USSR, whose military supplies to Somalia are largely responsible for our problems there. An instruction is under preparation to our Embassy in Moscow to take up the subject with the Soviets, urging them to restrain any Somali tendencies to use military means or pressure to pursue territorial claims and proposing that we and the Soviets may have a mutual interest in working toward a cessation of military escalation in the Horn. At the very least this approach would help us in our relations with the Ethiopians.

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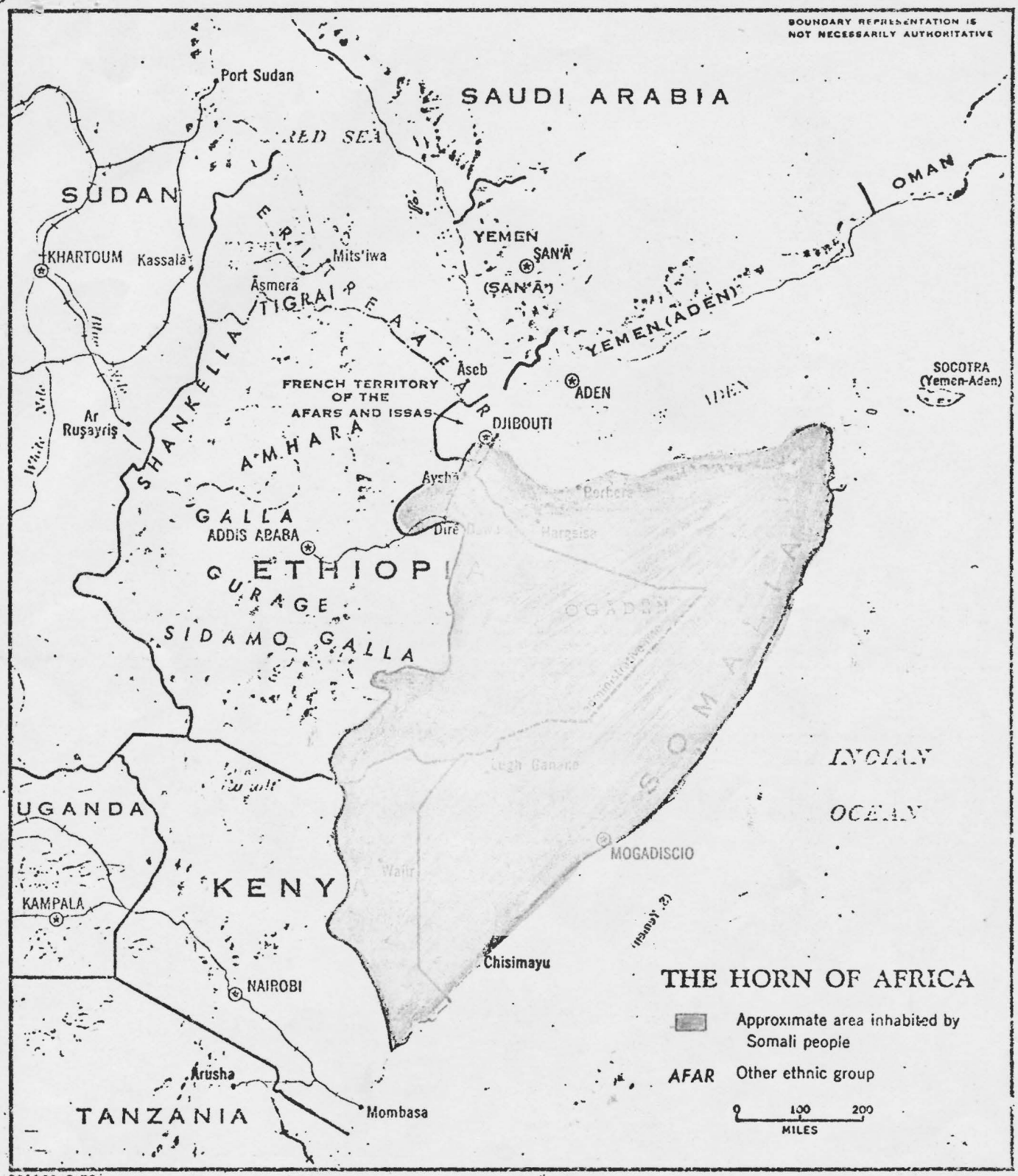

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SOUTH ASIA

BACKGROUND

Measured in terms of population or problems, South Asia looms large in the global perspective. It is also an important locus for strategic rivalry between the Soviets and the Chinese. Nonetheless, vital U. S. interests are not directly involved. Nearly devoid of internationally traded natural resources and with economies staggering under the weight of abysmal poverty, the nations of South Asia are unable to project significant political or military power beyond their immediate neighbors. Thus they can only indirectly and negatively affect the pursuit of our larger foreign policy goals. An example is the Indian nuclear program which has limited military significance but complicates our overall non-proliferation policy.

There is a chronic instability in the region which closely parallels in some respects the Arab-Israeli conflict, particularly in its origins in a hastily conceived and still-contested partition. With Kashmir the original bone of contention, India and Pakistan have fought three wars since 1947 and have repeatedly turned to outside powers for political support and armaments. Accordingly, the recurrent conflicts have threatened great power confrontation. The most dangerous of these was the 1971 Indo-Pak War which resulted in the dismemberment of Pakistan, the emergence of an independent Bangladesh, and the confirmation of Indian pre-eminence in the region.

The conflict over the disposition of East Pakistan also resulted in a closer Indo-Soviet relationship symbolized by the signing of a Treaty of Friendship and Cooperation. In the period since 1971, the Chinese, viewing India as a Soviet satellite, have been slow to respond to Indian feelers for improved relations. For our part, we have been concerned by the destabilizing effect on South Asia of the world economic crisis, by the potential regional ambitions of a Soviet Union

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seeking a predominant power position in the area, and by the urgent need for regional reconciliation as a pre-requisite to an effective attack on poverty.

In a bilateral context, our relations with Pakistan are excellent, though the Pakistanis are increasingly frustrated by continuation of our restrictive military supply policy. Relations with India have markedly improved as a result of conscious efforts on both our parts, including our restraint on arms shipments to Pakistan. Bangladesh, floundering economically and dependent on outside assistance, has learned not to bite the hand that feeds it. With the smaller nations of South Asia, relations are good with no serious problems in sight.

U. S. INTERESTS AND STRATEGY

The basic assumptions underlying our policy toward South Asia since 1971 have been that (1) maximum responsibility for political reconciliation and economic development belongs with the regional parties themselves and (2) the current South Asian power balance, i.e., Indian pre-eminence, is not inimical to U. S. interests. U. S. interests would not justify major commitments of resources or diplomacy either to spur regional reconciliation or to alter the power balance. Furthermore, outside efforts in the past have diminished the incentive for the parties themselves to take responsibility for the peacemaking process.

In these circumstances, our strategy has been to:

-- encourage the evolution of regional cooperation through direct negotiations between India and Pakistan (the so-called "Simla process" begun when Prime Ministers Gandhi and Bhutto reached agreement at Simla in June 1972 to resolve their differences peacefully);

-- build a more mature, if less intimate, relationship with India that recognizes the reality of its regional pre-eminence and lessens its dependence on the Soviets;

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-- preserve a sufficiently warm relationship with Pakistan to persuade the Chinese we view their South Asian interests seriously and to enable Pakistan to contribute to political stability in the area.

-- help an impoverished Bangladesh from becoming a new source of South Asian instability.

THE SITUATION NOW

All governments in the region are hard-pressed by growing domestic problems, including a shared inability to cushion the effects of world-wide inflation on their import-dependent economies. Mrs. Gandhi seems to be edging toward more authoritarian rule and clings tenaciously to power through short-term manipulation at the expense of a fundamental attack on India's accumulating economic and political disorder. Pakistan's Prime Minister Bhutto is a political look-alike who is increasingly resorting to extra-legal methods to control simmering ethnic unrest in the frontier areas and factional fighting within his own party.

Despite serious internal pressure, however, India and Pakistan have approached their bilateral problems since 1971 with impressive statesmanship. With our warm encouragement, Mrs. Gandhi and Bhutto formally accepted the principle that regional problems should be settled without recourse to outside influence in their initial face-to-face meeting. A good deal of progress has been achieved in a series of subsequent bilateral talks: a mutual troop withdrawal was negotiated on the western front, several hundred thousand POW's and civilians were exchanged, Bangladesh abandoned its insistence on POW war crimes trials, and Pakistan has formally recognized Bangladesh.

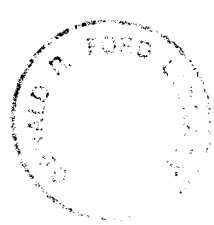
The "Simla process" was interrupted, however, by the shock administered to an already insecure Pakistan by India's explosion on May 18 of a nuclear device. The regional power balance was not materially altered, but the Pakistan Government has felt compelled to seek

renewed assurances both of India's peaceful intentions and of the willingness of Pakistan's friends to protect it in the event of what it termed the risk of Indian "nuclear blackmail." Having received some degree of reassurance (but no new commitments) from both China and the U. S., the Pakistanis went back to the conference table in September and an agreement was signed for restoration of postal, telecommunications and some travel links.

On Pakistan's second political front, the border with Afghanistan, no similar dialogue has emerged. Tension has in fact been increasing since the fall of the ineffectual Afghan monarchy and return to power one year ago of Afghan President Mohammed Daoud. Daoud is publicly identified both with close Afghan-Soviet cooperation and long-standing advocacy of "self determination" for Pakistan's Pushtun and Baluch minorities. Bhutto has accused the Afghans of supporting subversion among tribal dissidents in Pakistan's frontier areas, but there is no evidence that Daoud has done much more than step up the propaganda on this issue. Faced with internal political problems, including a minor but drawn-out insurgency in Baluchistan, Bhutto has not been in a conciliatory mood. Our role has been limited to private counseling of restraint in both capitals. At the same time, we welcome a recent Iranian initiative to help defuse Pak-Afghan tensions.

We have accepted India's emergence as a nuclear state without recrimination, but we need in the months ahead to begin a serious dialogue with India on nuclear issues. While a review of our broader non-proliferation strategy is not complete, our preliminary goals in South Asia are to slow down the pace of Indian testing and to postpone developing of a nuclear weapons and delivery system; to enlist Indian cooperation in observance of international controls on nuclear exports; and to discourage Pakistani acquisition of a nuclear weapons potential, in part through more credible Indian assurances.

In the context of the current global economic crisis, our larger international responsibilities require us to take account of South Asia's urgent problems. The extreme



poverty of South Asia provides little margin for belt-tightening in the face of rapid price inflation of basic fuel and food commodities and industrial goods. With approximately one-fourth of the world's population they have a claim on world resources which cannot be ignored. Food is the immediate issue. The summer monsoon has been weak in some areas and has brought disastrous floods to others. Bangladesh has been the most seriously affected by flooding and has appealed for 500,000 tons of foodgrain to make up for lost crops. India, after purchasing 3 million tons in the open market, has now also come to us for P. L. 480 assistance.

ISSUES AND CHOICES

-- Maintaining the momentum of improving relations with India. India's nuclear status makes this even more important. However, our flexibility may be eroded because of substantial Congressional criticism of India. The IDA replenishment bill already directs the American delegate on the IDA Board to vote against loans for India. We will continue to try to get anti-Indian amendments removed from the aid bill. Subject to crop availabilities, we may also be able to provide some P. L. 480 food and we are participating in a multilateral debt rescheduling. More importantly, we plan to continue to develop our political dialogue with India and to give our relationship a formal framework through the establishment of a Joint Commission.

-- Responding to Pakistan's requests for a change in our arms policy. (We now sell on a cash basis only spare parts, non-lethal end-items and some ammunition.) With Chinese support, Pakistan's requests for a relaxation in our lethal arms embargo have become increasingly urgent in the wake of the Indian nuclear test. We have told the Pakistanis that we will review our policy. For the short run, we prefer to defer a decision on any change until our relations with India have strengthened somewhat and we are confident that Indo-Pak negotiations are again on the track. For the longer term, while we want to avoid becoming a major arms supplier to South

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Asia (which could encourage closer Indo-Soviet relations and trigger Congressional opposition), there may be modifications in policy we should take that will provide a measure of reassurance to both the Pakistanis and the Chinese. Any change, however, would complicate our efforts to improve relations with India.

-- Helping the South Asian countries cope with the problems of the "fuel, food and fertilizer" crisis. All are seriously affected and look to us for assistance. We are pressing for an expanded P. L. 480 food program and encouraging capital flows to South Asia from neighboring oil producers. The most urgent problem is Bangladesh which is faced with a foreign exchange crisis aggravated by the current floods. We are participating in the formation of a Bangladesh consortium, including oil producers, under the World Bank to share the assistance burden. The principal area in which the U. S. can provide assistance is food and we are under some pressure from Congress to respond on humanitarian grounds. Bangladesh has already received a first quarter P. L. 480 allocation of 150,000 tons of grain and we have promised another 100,000 tons shortly. We are also considering what we can do to meet Indian and Pakistani foodgrain needs.

NEXT STEPS

In support of the strategy outlined above, I will visit New Delhi, Dacca, Islamabad and Kabul at the end of this month. The trip will provide an opportunity to confirm our support for Pakistan, sign a Joint Commission agreement with India, and initiate a realistic dialogue with India and Pakistan on nuclear questions. Following this visit, we will be in a better position to review the future of our military supply policy toward Pakistan.

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CAMBODIA

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12/14/74

~~SECRET~~/NODIS

CAMBODIA

Background

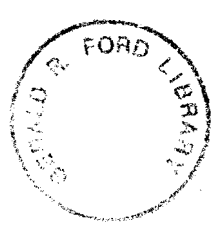
On March 18, 1970, Prince Norodom Sihanouk, Chief of State of the Kingdom of Cambodia, was deposed by the unanimous vote of the two houses of the Cambodian legislature. Power was assumed by the then Prime Minister, Lt. General Lon Nol, who has since been elected President of the new Khmer Republic and given the title of Marshal. Despite the war, the political situation has evolved to the point where Cambodia is now a republic, a new constitution has been written, elections held where possible, a unicameral legislature functions and a relatively free press is permitted.

As soon as Prince Sihanouk was deposed, North Vietnamese Army/Viet Cong (NVA/VC) military forces began to move into Cambodia away from their sanctuaries along the South Vietnamese border. The new government's insistence that the NVA/VC leave Cambodia was met by force. Since then, the war has evolved into a foreign-supported civil war, as a result of the NVA/VC training of sufficient Khmer Communists (KC) to replace them in combat. The latter move occurred at about the time of the Paris Accords in 1973.

Sihanouk has set up a government in exile in Peking but does not have full control of the communist forces inside Cambodia. Other, more militant communist leaders there are in a position to challenge his authority. The Chinese provide some support to Sihanouk and also ship substantial materiel to the communist forces fighting in Cambodia. The Soviets have a more detached attitude toward the Cambodian situation but provide some equipment to the Khmer communists. Both the Chinese and the Russians appear to feel that the communist side has the upper hand and ultimately will win out.

U.S. military and economic assistance began in 1970 with a total program of less than $266 million in 1971, which has risen to almost $700 million. Direct U.S. military involvement has been limited to the US/SVN incursion of April 7, 1970, which lasted 60 days, and combat air support which was terminated on August 15, 1973.

GDS dad 12/17/03



U.S. Strategy

Our broad strategy in Cambodia is part of our policy toward Indochina and is intimately related to South Vietnam. We seek to:

-- Bolster the Cambodian Government through adequate economic and military assistance and diplomatic support to enable it to deal with its opponents from as strong a position as possible.

-- Make possible a military and political outcome that will ensure a relatively stable situation in Cambodia and prevent outside powers, notably North Vietnam, China and the Soviet Union, from exerting undue influence or possibly seeking a confrontation with the U.S.

-- Enable the government and people of Indochina to determine their own future freely without foreign interference or pressure.

Our immediate objectives in Cambodia are to:

-- Prevent the military and political collapse of the Government of the Khmer Republic, which would also worsen the security situation in South Vietnam and greatly enhance communist strength throughout Indochina, including Laos.

-- Help achieve a stable military balance against the communist forces so that a negotiated settlement will be more likely.

-- Support GKR efforts to maintain its international diplomatic position and its seat in the U.N. and to open negotiations with the communist side.

-- Keep to a minimum interference by the Chinese or the Soviets and explore ways of enlisting their support for a negotiated settlement.

The Situation Now

The present situation in Cambodia is characterized by a virtual military stalemate and the continued refusal of the KC to negotiate.

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Militarily, the fortunes of war swing in a precarious balance from the Khmer government to the KC and back with the latter frequently retaining the initiative. There are substantial North Vietnamese forces in Cambodia, especially along the border of South Vietnam.

Politically, the Khmer Republic is relatively stable despite internal bickering for power and social tensions caused by the war.

Economically, the situation has deteriorated steadily. Over the past year inflation has risen by about 300 percent. Agricultural production, commerce and industry are at a virtual standstill. The country is sustained largely by U.S. assistance plus some small contributions from Japan, the UK, Thailand, Malaysia and Australia.

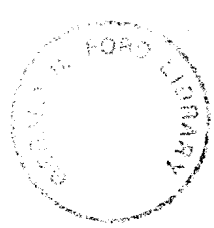
Diplomatically, the position of the GKR eroded in the past year but supporters of the Sihanouk regime were unable to oust the GKR during the UNGA in late November.

Issues and Choices

Resources to implement U.S. policy. The provision of sufficient resources is absolutely vital to the survival of the Khmer Republic and to the prospects for negotiations. However, our program is in serious trouble in Congress.

Severe cuts in our aid could well lead to an early collapse of the Khmer government. This in turn would have a very serious impact on our entire Indochina policy. Even if the Khmer government survives for a while, it is obvious the Khmer Communists and their supporters will not, and believe they need not, come to the bargaining table, if they feel they can count on the collapse of the Khmer government due to lack of U.S. support.

Khmer credentials in the U.N. The GKR, supported by its Asian neighbors plus the assistance of most European, Latin American nations, ourselves and some Arab states, beat back a determined communist/Afro-Arab



coalition led by China and Algeria to replace it with a Cambodian communist regime. Instead, a friendly resolution calling for negotiations and the good offices of the UN Secretary General was passed. Defeat at the UN would have been a severe shock to the GKR and would have made our situation in Congress in the context of aid to Indochina more parlous.

Ceasefire and negotiations. Attainment of a ceasefire is our major immediate goal in Cambodia and is urgent because of Congressional sentiment for an end to our involvement in the area and because we are not certain that the Khmer government can survive another year, even with continued U.S. support.

Both the Khmer Communists in Cambodia, and Sihanouk in Peking, have adamantly rejected the Khmer government's recent offer of unconditional negotiations, most recently in the wake of the UN resolution successfully passed supporting the GKR. We are not wedded to any particular government in Phnom Penh, nor to any individual in the present government. We would not object if a constructive role for Sihanouk in Phnom Penh were to emerge from discussions with the PRC or with others.

Next Steps

With regard to our aid to Cambodia, we will have to consider immediately how to obtain approval for adequate assistance programs and, if these are not forthcoming, what measures we can take in an effort to fill the gaps.

Decisions will have to be taken as soon as possible on ways in which the U.S. can encourage a ceasefire and negotiations.

In any event, we have under active study how an early compromise settlement in Cambodia might be brought about.

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DEPARTMENT OF STATE

BRIEFING PAPER

CAMBODIA

The Problem

The immediate problem facing us is the survival of the Government of the Khmer Republic, until a ceasefire and a negotiated settlement is achieved. This problem has two facets: (a) US congressional action affecting the military and economic assistance necessary to implement our policy; and (b) the attainment of a ceasefire and negotiations.

U.S. Interests

US interest in the Cambodian situation lies not in Cambodia, itself, but in our larger policy for Indochina and all of Southeast Asia, which includes the establishment of a peaceful area free from Great Power confrontation and local warfare. The linkage between the security situations in Cambodia and in Vietnam also makes Cambodia very important for US policies toward the GVN.

U.S. Strategy

The provision of sufficient resources is absolutely vital to the survival of the Khmer Republic and to the prospects for negotiations. However, our program is in serious trouble in Congress. Briefly, the SFRC and HFAC have authorized a total aid ceiling for Cambodia -- military, economic, PL-480, etc. -- of $377 million as against a request of some $600 million. The request is in Conference Committee as of December 12.

Unless the Conference Committee augments funds for Cambodia by providing authority to drawdown DOD stocks, these severe cuts could well lead to the collapse of the Khmer Government within a few months. Even if the Khmer Government survives for a while, it is obvious the Khmer Communists and their supporters would not, and would believe they need not, come to the bargaining table, if they feel they can count on the collapse of the Khmer Government due to lack of US support. Thus, we believe the Administration should continue its all-out effort to obtain adequate assistance programs, especially for Cambodia.

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GDS dat 12/17/03

Attainment of a ceasefire and negotiations is urgent because of Congressional sentiment for an end to our involvement in the area and because we are not certain that the Khmer Government can survive another year, even with continued US support.

Both the Khmer Communists in Cambodia, and Sihanouk in Peking, have thus far adamantly rejected the Khmer Government's recent offer of unconditional negotiations. The Chinese and Soviets also show no sign of willingness to assist in finding a solution at present. In any event, we have under active study how an early compromise settlement in Cambodia might be brought about. We are not wedded to any individual in the present government in Phnom Penh, nor to any individual in the present government. We would not object if a constructive role for Sihanouk in Phnom Penh were to emerge from discussions with the PRC or with others.

Department of State
December 1974

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LATIN AMERICAN
RELATIONS

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12/16/74

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ISSUES IN U.S.-LATIN AMERICAN RELATIONS

I. Background

A number of developments over the past several years have significantly altered the objective setting for our Latin American policy. The external security threat to the Hemisphere has diminished. Some of the larger Latin American states have become more affluent and regionally more influential. U.S. investment and particularly aid play a relatively smaller role than they did a decade ago. Several of the larger Latin American countries are increasing their role in world affairs. These trends portend substantial changes in the relationship of Latin America to the United States.

To help us assess Latin American problems and aspirations and so set a realistic course for our own policy, we initiated in late 1973 a "New Dialogue" with the Latin American nations. The first exchange of views took place in Mexico City in February, 1974.

We are now at a rather awkward transitional stage in this process. Except for some of the smaller states, most Latin American countries have reached a stage of development which prompts them to re-define their own identities, their relationships to each other, and particularly their historic dependence on the U.S. While they wish to retain good relations with the U.S., they also seek to pursue an independent course internally and internationally. In this effort, they want our support (particularly economic), but not our "interference."

II. The Third World Versus Inter-American Solidarity

While a sense of inter-American solidarity was achieved during and after World War II in the face of a common external threat, such conditions no longer exist. Moreover, Latin America has long regarded itself as a developing region unfairly deprived of the full benefits of industrial prosperity. With a perceived decline in the external threat, many Latin American states tend to see themselves as more naturally allied with other "deprived" states in the Third World. This has given rise to increasing discussion in Latin America about regional organizations, largely economic

GDS dec 12/17/03

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in nature, which would exclude the U.S. President Perez of Venezuela pursued this theme actively at a recent meeting of Latin American Chiefs of State in Lima. The Latin Americans, however, are so far not talking about abandoning the Organization of American States -- the historical and juridical entity we and they have put together over the years -- although its failure to agree on Cuban sanctions has diminished its cohesion. Most of the smaller Latin American states see the OAS -- and U.S. presence in it -- as an essential part of their security from possible aggression from their neighbors. And all the Latin American states want to preserve a regional forum in which they can maintain a dialogue with the U.S.

III. Issues

A. Corporate and Political Challenges to National Authority

Revelations about clandestine CIA activities in Latin America and the fact that they appear to have been supported in principle by the highest levels of the U.S. Government have adversely affected the climate for the new dialogue with Latin America. Because many Latin Americans also perceive the activities of U.S. corporations as representing a generalized threat of intervention in their domestic affairs, there is a growing tendency to consider joint CIA-corporate intervention as a general problem -- and occasionally as a convenient scapegoat for domestic difficulties. In response to these concerns, some of the more advanced host countries are now demonstrating their ability to negotiate advantageously with foreign companies to limit their activities, e.g. U.S. extractive industries in Venezuela and bauxite in Jamaica. Nevertheless, the economic weight of U.S. corporations in Latin America will continue to pose a challenge to the national authority of host countries -- and a potential irritant in our political relations with Latin America -- for many years to come. We expect that deteriorating economic conditions will aggravate the problem.

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The Latin Americans also feel that they have not received sufficient technological benefit from the activities of U.S. corporations operating within their territories. To meet this problem, we have been participating with them (under the aegis of the New Dialogue) in two inter-governmental Working Groups on Multinational Corporations and Science and Technology Transfer. These Working Groups are tasked with reporting to the next Foreign Ministers Meeting in Buenos Aires on possible principles and programs in this field.

Our Cuba policy falls within this general issue of intervention. U.S. legislative sanctions against third countries trading with or shipping to Cuba are regarded as an attempt to prevent those Latin American countries who wish to do so from pursuing an independent foreign policy. Even U.S. neutrality on the matter of OAS sanctions at the Quito meeting was regarded by many as continued pressure on those countries which were wavering not to vote in favor of lifting the sanctions.

B. Trade Relations

The major problems here are the terms of trade and access to U.S. markets. We are the most important and the most open market for Latin America. As the economic situation worsens, however, we will be under increasing pressure from U.S. producers to limit imports, e.g. meat. We will be able to include some products of Latin American interest for general preferential treatment as a result of the Trade Reform Bill, but the impact will be quite selective, and restrictions currently attached to the bill will, if included in the law, substantially negate the political impact of the legislation. Latin America will benefit in the long run from liberalized access for certain of their export products emerging from Multilateral Trade Negotiations but it is difficult to translate global arrangements into regional political benefits.

IV. The Future of the New Dialogue

The United States began the New Dialogue as a means of establishing a sense of common purpose which could motivate us and the Latin Americans to cooperate in the task

of meeting the great problems on the global agenda. The Latin American response has been to view the New Dialogue differently -- and more narrowly -- as a means of influencing U.S. policy toward the Hemisphere. There are things they would have us do for them and things they want us to stop doing to them. Some of the larger states see the dialogue, and the periodic meetings of Foreign Ministers, largely as a means of confronting us with their collective grievances and aspirations. Given their perception of existing asymmetries in power and affluence between "us" and "them," they are reluctant to assume much responsibility for making the dialogue work. They probably see the process as a net plus -- in terms of engagement of high-level U.S. interest in the Hemisphere-- but are becoming increasingly skeptical about whether the dialogue will come anywhere near fulfilling their original expectations in terms of concrete benefits.

For our part, we must nonetheless persist in our efforts despite the ambivalent and somewhat negative attitude the Latin Americans have generally displayed. We need as much support as we can get in the uphill struggle to create a climate of global cooperation in the face of global problems. Given our traditional ties with, and access to, Latin American states -- and the fact that these governments themselves are taking a much more active role internationally -- this Hemisphere potentially offers a promising base of support for our efforts to achieve a more stable and cooperative world order. If Latin Americans do not see it this way now, we must attempt to maintain with them the kind of helpful and supportive relationship which will promote over time a predisposition to cooperation in a larger framework.

V. Next Steps

Most of these issues will surface at the Meeting of Foreign Ministers (MFM) in Buenos Aires next March. The MFM will be a crucial one and an acid test for the New Dialogue. Unfairly or not, we will be held responsible for the success or failure of the meeting. We will be expected to produce some concrete evidence of our interest in the Hemisphere and in the realization of Latin American goals. Only then can we expect recipro-

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cal consideration from our partners in the dialogue.

LATIN AMERICA:

Cuba and Panama

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LATIN AMERICA

Cuba and Panama: Recent Developments

BACKGROUND

Panama on August 20 announced that it was resuming relations with Cuba. On August 21, a Panamanian delegation signed a communique formalizing the decision in Havana.

IMPLICATIONS

The Panamanian decision has these implications for our Cuba policy and Canal negotiations:

1. While we cannot predict precisely what the reaction in the Congress will be, it could greatly complicate negotiations and Senate ratification of the treaty. Senators hostile to the treaty can now argue that if Panama does not honor its obligations under the Rio Treaty why should it be counted on to honor its commitments under a new Canal treaty.

2. In the OAS context, we expect the unilateral Panamanian action to stimulate pressure for OAS reconsideration of sanctions against Cuba. The three countries (Costa Rica, Colombia, Venezuela) with which we had reached tentative agreement to hold off any substantive OAS action until late in the year are now likely to advance the timetable. Two weeks ago in discussing Panama's prospective unilateral action with our Ambassadors, the President of Colombia and the Foreign Minister of Venezuela foresaw the need to move in the OAS earlier than anticipated.

DECLASSIFIED
E.O. 12958, Sec. 3.5
State Dept. Guidelines
By dac , NARA, Date 12/17/03

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August 15, 1974

LATIN AMERICA

Cuba Policy

BACKGROUND

United States policy toward Cuba is enmeshed in the workings of the inter-American system and has broad implications for our relations throughout Latin America and the Caribbean.

The essence of that policy, the diplomatic and economic isolation of Cuba, is written into the sanctions adopted ten years ago by the Organization of American States (OAS) acting under the provisions of the Inter-American Treaty of Reciprocal Assistance (Rio Treaty). The policy is also codified in a complex and thorough body of U.S. executive and legislative prohibitions.

OAS sanctions are binding treaty obligations for its member states and have constituted the foundation of our policy over the years. They are now under heavy assault.

A majority of countries has now concluded that the cost of maintaining sanctions outweighs their benefits. The range of reasons indicates that the dimensions of the "Cuba problem" are far wider than Cuba's limited influence in the Hemisphere:

-- For those countries where left-wing nationalism or third-world identification is dominant (Argentina, Mexico and Peru among others) the sanctions symbolize U.S. hegemony in the Hemisphere. They are pressing to dismantle the policy in order to signal a new era of more equal relations between the U.S. and Latin America. The effort to include Cuba in next March's meeting of Foreign Ministers is part of their strategy and will be difficult to resist.

-- Several former strong supporters of sanctions (including notably Colombia and Venezuela) now see the policy as a relic overtaken by detente and the

GDS dal 12/17/03

fading of the Cuban threat, as well as a bar to greater Latin American unity.

-- Some of the smaller nations (such as Costa Rica and Ecuador) fear that the erosion of the policy is undermining their own security which they see as linked to the integrity of the Rio Treaty. They want Cuba's situation in the Hemisphere "regularized" to preserve the treaty as a viable instrument for collective action.

-- Only Bolivia, Paraguay, Chile and perhaps Brazil continue to resist any change in the status quo without pressure from the United States.

Fidel Castro still perceives Latin American rejection of United States leadership as the ultimate guarantee of his revolution. Since 1968 he has pursued that objective primarily through selective diplomacy directed at establishing state-to-state relations rather than by the promotion of continental revolution. His strategy now seeks relations and trade with "independent" governments as a means of legitimizing his revolution, while diminishing U.S. influence and weakening the OAS.

The Soviet Union has brought Castro along during these last six years to an acceptance of the necessity to institutionalize the Cuban revolution, to integrate it further into the Soviet system and to follow the Soviet lead in discarding revolutionary adventurism as a policy for Latin America. The USSR evidently hopes Cuba's growing acceptance by other Latin American countries will help legitimize the Soviet role in Cuba and through expanded trade (particularly in Venezuelan petroleum) might relieve some of the economic burden it now carries.

From our own standpoint maintenance of the sanctions has been increasingly complicated by their effect on the third-country operations of American corporations. Our controls on trade with Cuba involving U.S. subsidiaries is regarded in a number of Latin American countries as a direct challenge to national sovereignty. Opposition to the policy has also been growing in the Congress and among opinion makers in this country.

U.S. STRATEGY

The U.S. has two basic interests: to limit Castro's influence in the Hemisphere and to prevent the Cuban issue from disrupting our effort to build a new and more cooperative relationship with Latin America. The policy of isolation has served the first of these well but now poses a threat in terms of the second. We have followed a dual track of protecting the policy within the OAS while seeking to separate the issue from the new dialogue. We have succeeded so far in postponing the issue and by a few careful concessions (notably licenses for automobile exports from Argentina) keeping it within the multilateral framework. Our strategy at this point is to control the timing of OAS consideration of the Cuban problem so as to be able finally to shape the process by which it is resolved.

THE SITUATION NOW

Cuba's isolation in the Hemisphere is rapidly coming to an end. Seven countries now have full ties with Cuba (Mexico, Argentina, Peru and the English-speaking states of the Caribbean). Panama, urged on by Castro's call to demonstrate its independence, could follow suit in the next few days or weeks. Costa Rica has been pressing for an OAS committee of inquiry to establish whether a basis still exists for sanctions. Colombia and Venezuela are insisting on OAS action this year. We have reached tentative agreement with the last three countries to hold off any substantive OAS action until late in the year, but with Panama's defection could well be forced to accept a committee of inquiry at an earlier date.

We can probably no longer prevent some kind of OAS action to modify or lift the sanctions. When the OAS meeting on Cuba is convoked we will be faced with a majority against continuance of the sanctions. It may be possible to keep together a blocking third to prevent formal lifting of the sanctions under the treaty, but the registration of majority sentiment would make the sanctions unsustainable as an OAS obligation. The OAS itself as an organization has neither mandate nor machinery to enforce the sanctions.

ISSUES AND CHOICES

In developing a strategy to deal with the Cuban issue as it is evolving we keep in mind that the procedural choices we make now within the OAS will go a long way toward determining how much influence we ultimately have on the outcome. The options in the OAS context are roughly as follow:

-- To try to maintain the sanctions in the formal sense by insisting that a two-thirds vote is required to lift them. We might possibly succeed with the juridical argument and could probably put together a blocking third. This course would continue to offer some justification for maintaining our current policy. The cost would be very high in terms of the OAS as an institution, of the new dialogue and even perhaps of our bilateral relations with Venezuela and Colombia among others. We would probably be forced in any case to relax trade controls as they apply to U.S. subsidiaries in third countries.

-- To structure a form of optional sanctions in which each member state would decide whether to continue its own sanctions. This would meet the minimal requirements of Mexico, Peru and the other "progressives". It would also maintain a possible residual bargaining chip for later use with Castro in the bilateral context. Unless we modified our own sanctions as they apply to third parties, however, we would still face mounting conflicts. In addition, optional sanctions would give Castro a free hand to pick and choose among the Latin American states -- to pursue his objective of a Latin American bloc outside the inter-American system. This course would leave the U.S. with little influence over how Castro fitted himself into the Latin American scene.

-- To acquiesce in lifting the sanctions entirely. This response would terminate the issue in all its hemispheric manifestations and reduce Castro's leverage somewhat. It would also end his isolation and, in time, unravel the legislative and administrative controls we have imposed to that purpose -- controls which continue to hurt the Cuban economy badly.

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In some measure the choice we make among these alternatives depends on our calculation of the possibility for an eventually acceptable bilateral arrangement with Cuba. The intelligence reporting indicates that Castro hopes for a rapprochement with the United States that would at least give him access to spare parts and other supplies from this country. His regime is now sufficiently self-confident to contemplate a reconciliation on a businesslike basis. However, we would foresee no substantial Cuban concessions, political or otherwise.

NEXT STEPS

We will want to examine in depth over the coming month the implications of these choices and prepare a new strategy in the light of recent developments both in Latin America and the United States. An important step in the process will be the Secretary's consultations with the Brazilian Foreign Minister at the UNGA with whom we are committed to keep in touch on this issue. In the shorter term if our agreement to hold off until toward the end of the year comes unstuck we must be prepared to deal with the Costa Rican proposal for a committee of inquiry. That device does have the attraction of permitting a delay in addressing the substantive issue for several months while we develop our strategy.

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World Food Conference
Follow-Up

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WORLD FOOD CONFERENCE FOLLOW-UP

BACKGROUND

At the World Food Conference (WFC) in November, the United States proposed a five-part program to deal with the three basic aspects of the world food problem--increased food production, food transfers from surplus to deficit areas, and food security. The United States took the initiative in calling for formation of:

-- an Exporters Planning Group to stimulate policy planning for maximum production by food exporters;

-- a Consultative Group on Food Production and Investment to accelerate production in developing countries by evaluating needs, channeling investment flows from old and new donors, providing technical support and inducing production-oriented policies among recipients;

-- a food aid subcommittee of the Consultative Group to involve new donors in financing food transfers under a concept of forward planning of food aid;

-- consideration by the new IBRD-IMF Development Committee of mechanisms to resolve the long-term problem of transferring resources for both investment in production and financing food deficits;

-- a Reserves Coordinating Group of major grain exporters and importers to develop an international system of national grain reserves to provide reasonable assurance of the availability of adequate supplies of grains.

Additionally, the United States made commitments and offered proposals for improving agricultural research and nutrition levels, especially of vulnerable population groups.

The WFC responded well to the US initiative. It adopted twenty resolutions, some of which are hortatory, but which incorporate most--although not all--of our five core proposals. Specifically, the WFC sanctioned

GDS dal 12/17/03

collaboration among the major grain exporters and importers to develop an effective reserves arrangement; it called upon the IBRD, FAO and UNDP to establish the Consultative Group; it did not explicitly provide for a food aid subcommittee, but we believe doing so can be among the Group's first business; it requested the IBRD-IMF Development Committee to consider means to achieve needed resource transfers. But the WFC did not act on endorsing a mechanism for cooperation among food exporters alone, although this lack of an endorsement is not a barrier to establishing a framework for cooperation.

US STRATEGY FOR FOLLOW-UP

United States' initiatives are designed to construct an institutional framework for long-term international cooperation on the food problem. The WFC laid a better basis for cooperation by calling attention to the food problem as one which cannot be resolved by the US alone or by the developed countries together--but only through sustained global action. Our strategy is concerned with the three interrelated elements of food production, financing and security.

Production. We believe that cooperation among the principle exporters can contribute to sustaining high levels of production without creating market depressing surpluses. Structuring their cooperation also will enhance the ability of exporters to deal more effectively with importer demands for grain supplies both on commercial and concessional terms.

Development Financing. The main exporters, who number only five (US, EC, Australia, Argentina and Canada), cannot alone expect to meet the needs of a world population that will nearly double by the end of this century. Increased investment along with important (and potentially unpopular) policy shifts in food deficit developing countries are essential to securing an adequate level of world food production. Securing these elements requires cooperation among the technologically advanced traditional donors, the developing countries with significant production potential, and new donors--the oil exporters. A multilateral mechanism (the Consultative Group on Food Production and Investment) offers the best hope for inducing the necessary investment and encouraging production oriented policies in developing countries by the way in which investment flows are directed.

Food Aid Financing. We conceive of food aid as being of two distinct types. One type is emergency relief, e.g., Honduras or Cambodia. The other type is a form of balance of payments support particularly suited to the interests of the recipient or of the donor or of both. Through existing international structures and a food aid subcommittee of the Consultative Group, we will work to increase the food aid financing contributions of others, while increasing our production to meet both concessional and commercial demand.

Food Security. Crop shortfalls since 1972 combined with rising demand for food have virtually exhausted the world's reserve cushion against future food emergencies. Record high food prices are one manifestation of the consequences of a tight supply situation; another is the competition for available United States export supplies.

We have taken a major initiative in proposing negotiation of a reserves arrangement that builds upon the FAO-sponsored concept of a system of national reserves held under internationally agreed principles. Our design differs from earlier efforts to conclude commodity agreements, which had price stabilization as the main objective, by focusing instead upon assuring a quantity of grain adequate to provide reasonable security of supply. In this concept, moderation of extreme fluctations in price would be an important side effect, but changes in price would continue to be the main regulator of production. We are proposing that the major grain exporters and importers--a group of about 20 countries--negotiate such an arrangement.

These initiatives each involve establishing a new multilateral mechanism. Each deals with an important part of an overall solution to the food problem. Taken together they would include the major international actors--the grain exporters and traditional aid donors, the USSR in the food security system, the oil exporters as new sources of finance, and the developing countries as investment and food aid recipients.

The food problem is an important aspect of global interdependence. The strategy we are pursuing reflects this fact in the institutions we are proposing to deal with the problem.

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ISSUES/NEXT STEPS

Securing the cooperation of other grain exporters in a structure for cooperation--an Exporters Planning Group-- requires overcoming their suspicions about both our economic and political objectives. We intend to convene an initial exporters consultation early next year at which we will lay out practical steps toward formation of this Group and the objectives it would serve.

Participation of the oil exporters in arrangements for funding agricultural development and food aid is important. Again, this will be difficult to achieve. These newly rich countries do not necessarily accord high priority to these objectives and they are resistant to multilateral guidance--such as we hope will be provided by the Consultative Group on Food Production and Investment. However, there are possible trade-offs between increased financing of food aid by traditional donors and funding from the oil exporters for capital investment, including agricultural development. It also will be possible to use the proposed Consultative Group on Food Production and investment as a source of technical support for project funding done bilaterally. The IBRD is taking the lead in establishing the Consultative Group, and we expect initial consultations to be held in January.

Both the existing multilateral Food Aid Convention and Consultative Group food aid sub-committee we favor, give donors control of the allocation of food aid. We have responded to the interests of the LDCs in accepting the principle of forward planning for food aid and a 10 million ton annual target, but they also hope to channel more food aid through the UN's World Food Program where they can influence allocation. We will evolve tactics for dealing with this issue in collaboration with the other donors over the coming months.

The other principal prospective members of a grain reserves system have agreed to meet with us early next year to set objectives for negotiations, but there are two important exceptions--the Soviet Union and the PRC. The Soviets maintain cautious interest but without commiting themselves. Soviet participation is important and we have informed them that non-participants will not enjoy the same benefits as members. The PRC formally

refrained from endorsing the Food Conference call for a reserves arrangement and probably will not participate. While desirable, we do not view PRC participation as essential.

We can hold initial meetings without US decisions on: a) trade objectives (the degree of access to markets we will seek and the relationship of a reserves agreement to the MTN), or b) the role of the US Government in holding or guaranteeing the US share of reserves. But decisions on these issues will be needed when actual negotiations begin.