



THE DEPARTMENT OF STATE BULLETIN

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The Department of State BULLETIN is a weekly publication issued by the Office of Media Services, Bureau of Public Affairs, provides the public and interested agencies of the government with information on developments in the field of U.S. foreign relations and on the work of the Department and the Foreign Service.

The BULLETIN includes selected press releases on foreign policy, issued by the White House and the Department, and statements, addresses and news conferences of the President and the Secretary of State and other officers of the Department, as well as special articles on various phases of international affairs and the functions of the Department. Information included concerning treaties and international agreements to which the United States is or may become party and on treaties of general international interest.

Publications of the Department of State, United Nations documents, and legislative material in the field of international relations are also listed.

President Ford Pledges Continuity in Foreign Policy

*Excerpt From an Address Before a Joint Session of the Congress*¹

The economy of our country is critically dependent on how we interact with the economies of other countries. It is little comfort that our inflation is only a part of a world-wide problem or that American families need less of their paychecks for groceries than most of our foreign friends.

As one of the building blocks of peace, we have taken the lead in working toward a more open and a more equitable world economic system. A new round of international trade negotiations started last September among 105 nations in Tokyo. The others are waiting for the U.S. Congress to grant the necessary authority to the executive branch to proceed.

With modifications, the trade reform bill passed by the House last year would do a good job. I understand good progress has been made in the Senate Committee on Finance. But I am optimistic, as always, that the Senate will pass an acceptable bill quickly as a key part of our joint prosperity campaign.

I am determined to expedite other international economic plans. We will be working together with other nations to find better ways to prevent shortages of food and fuel. We must not let last winter's energy crisis happen again. I will push Project Independence for our own good and the good of others. In that, too, I will need your help.

Successful foreign policy is an extension

of the hopes of the whole American people for a world of peace and orderly reform and orderly freedom. So I would say a few words to our distinguished guests from the governments of other nations, where, as at home, it is my determination to deal openly with allies and adversaries.

Over the past 5½ years in Congress and as Vice President, I have fully supported the outstanding foreign policy of President Nixon. This policy I intend to continue.

Throughout my public service, starting with wartime naval duty under the command of President Franklin D. Roosevelt, I have upheld all our Presidents when they spoke for my country to the world. I believe the Constitution commands this. I know that in this crucial area of international policy I can count on your firm support.

Now, let there be no doubt or any misunderstanding anywhere, and I emphasize anywhere: There are no opportunities to exploit, should anyone so desire. There will be no change of course, no relaxation of vigilance, no abandonment of the helm of our Ship of State as the watch changes.

We stand by our commitments and we will live up to our responsibilities—in our formal alliances, in our friendships, and in our improving relations with potential adversaries.

On this, Americans are united and strong. Under my term of leadership, I hope we will become more united. I am certain America will remain strong.

A strong defense is the surest way to peace. Strength makes détente attainable. Weakness invites war, as my generation—

¹ Made on Aug. 12 (for the complete text, see Weekly Compilation of Presidential Documents dated Aug. 26).

my generation knows from four very bitter experiences.

Just as America's will for peace is second to none, so will America's strength be second to none.

We cannot rely on the forbearance of others to protect this nation. The power and diversity of the Armed Forces—Active, Guard, and Reserve—the resolve of our fellow citizens, the flexibility in our command to navigate international waters that remain troubled, are all essential to our security.

I shall continue to insist on civilian control of our superb military establishment. The Constitution plainly requires the President to be Commander-in-Chief, and I will be.

Our job will not be easy. In promising continuity, I cannot promise simplicity. The problems and challenges of the world remain complex and difficult. But we have set out on a path of reason, of fairness, and we will continue on it. As guideposts on that path, I offer the following:

—To our allies of a generation in the Atlantic community and Japan, I pledge continuity in the loyal collaboration on our many mutual endeavors.

—To our friends and allies in this hemisphere, I pledge continuity in the deepening dialogue to define renewed relationships of equality and justice.

—To our allies and friends in Asia, I pledge a continuity in our support for their security, independence, and economic development. In Indochina we are determined to see the observance of the Paris agreement on Viet-Nam and the cease-fire and negotiated settlement in Laos. We hope to see an early compromise settlement in Cambodia.

—To the Soviet Union, I pledge continuity in our commitment to the course of the past three years. To our two peoples, and

to all mankind, we owe a continued effort to live and, where possible, to work together in peace; for in a thermonuclear age there can be no alternative to a positive and peaceful relationship between our nations.

—To the People's Republic of China, whose legendary hospitality I enjoyed, I pledge continuity in our commitment to the principles of the Shanghai communique. The new relationship built on those principles has demonstrated that it serves serious and objective mutual interests and has become an enduring feature of the world scene.

—To the nations in the Middle East, I pledge continuity in our vigorous efforts to advance the progress which has brought hopes of peace to that region after 25 years as a hotbed of war. We shall carry out our promise to promote continuing negotiations among all parties for a complete, just, and lasting settlement.

—To all nations, I pledge continuity in seeking a common global goal: a stable international structure of trade and finance which reflects the interdependence of all peoples.

—To the entire international community—to the United Nations, to the world's non-aligned nations, and to all others—I pledge continuity in our dedication to the humane goals which throughout our history have been so much of America's contribution to mankind.

So long as the peoples of the world have confidence in our purposes and faith in our word, the age-old vision of peace on earth will grow brighter.

I pledge myself unreservedly to that goal. I say to you in words that cannot be improved upon: "Let us never negotiate out of fear, but let us never fear to negotiate."

Department Reviews U.S. Relations With the Countries of the Arabian Peninsula-Persian Gulf Region

Statement by Alfred L. Atherton, Jr.

*Assistant Secretary for Near Eastern and South Asian Affairs*¹

I welcome the opportunity to appear before this subcommittee and continue the constructive dialogue we have had on three previous occasions over the past two years on our relations with the countries of the Arabian Peninsula and Persian Gulf and our political, military, and economic policies in that region. The records of the subcommittee hearings have helped to draw public and congressional attention to this important part of the world and to put in useful perspective our very important interests there.

Mr. Chairman, since the hearings last November, when our relations with Arab countries of the gulf were still being strongly tested by the strains arising out of the recent Arab-Israeli hostilities, several significant developments have occurred which have had an impact on our political and economic relationships in the gulf:

—There has been a significant improvement in the U.S. position in the Middle East as a whole. Secretary Kissinger's success in carrying out the President's policy of helping the parties reach agreement on disengagement along the Egyptian and Syrian fronts has created more stable conditions and a calmer political atmosphere for negotiations on the next stage of the process of peace-making in the Middle East. Consultations

with the parties concerned are going forward this month in preparation for the next stage of the negotiations.

—The elimination of the oil embargo on March 18 has contributed to restoring a political atmosphere conducive to the pursuit of our peace efforts and to the strengthening of the economic, commercial, and other ties between the United States and the countries of the gulf area.

—There has been a further significant rise in the price of oil. Production restrictions during the period of the oil embargo, coming on top of substantial growth in demand in recent years, permitted the oil producers meeting in Tehran last December to more than double then-existing prices. With the price of oil now four times what it was prior to the Middle East hostilities, this has posed a serious threat to the economic health of most oil consumer states. It has also led a number of consumer countries to seek to develop closer economic and other ties with oil producers in the gulf.

—There has been a growing interest among the states in the gulf in technical cooperation with the United States and other developed countries for industrialization and diversification of their economies. The Shah has stated he hopes to make Iran an industrialized nation comparable to France by the end of the century. Arab producers in the gulf are actively seeking to develop new industries based on flared gas and other petroleum-based resources.

—Most of the gulf states have suddenly

¹ Made before the Subcommittee on the Near East and South Asia of the House Committee on Foreign Affairs on Aug. 7. The complete transcript will be published by the committee and will be available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

become financial powers. In many cases, their economies are no longer able to absorb the enormous increase in oil revenues. Their growing financial power and control of energy resources give them a potential influence in world affairs far in excess of their population or military strength.

Mr. Chairman, the recent developments that I have just set forth, and particularly the explosive increase in oil revenues for use within the gulf region or for investment elsewhere, have further enhanced the gulf's political and economic importance. The states in the region have begun to take a more active role in world affairs. Thus, the interest which the United States has in the orderly development and stability of the area and in widening and deepening our relations with the countries of this region is stronger than ever. This is reflected in the President's visit to Saudi Arabia this June, which complements his earlier visit to Iran in 1972, as well as in the visits by Secretary Kissinger and Treasury Secretary Simon to this area, the increased number of congressional delegations visiting the Persian Gulf states, and the enormous number of requests we receive from U.S. businessmen for information or assistance with regard to commercial or industrial joint venture opportunities.

Even with this increased attention, the four broad policy objectives which we have been following consistently in the gulf for the past several years are still relevant. We remain committed to:

—Support of indigenous regional cooperative efforts and the collective security and orderly economic progress of the area;

—Encouragement of peaceful resolution of territorial and other disputes among states and widening channels of communication and consultation between them;

—Expanding our diplomatic, cultural, technical, commercial, and financial presence and activities; and

—Maintaining access to the area's oil supplies at reasonable prices.

There is now, however, an additional ob-

jective in light of the vast increase in oil revenues, and that is to assist and encourage the countries of the region to recycle their surplus revenues into the world economy in an orderly and nondisruptive manner.

Security and Regional Cooperation

With regard to our first policy objective, Iran and Saudi Arabia have continued to share the primary responsibility for stability in the gulf and in these endeavors have continued to turn to the United States for help in modernizing and strengthening their defensive capabilities. Both Iran and Saudi Arabia have for a quarter of a century had a military supply relationship with the United States. Our willingness to cooperate with them in what they consider an area of prime importance has enhanced the climate of cooperation in other areas.

In Saudi Arabia, we are continuing to help the Saudis in the modernization of their defense and internal security forces so that they can fulfill their national and regional defense responsibilities. We anticipate that the Joint Commission in this field, agreed to during Prince Fahd's visit to Washington this June, will facilitate mutual review of this ongoing cooperation in light of continuing assessments of the Saudi and regional security situation and of the progress being made by the Saudis in absorbing modern military arms and techniques.

So that there may be no misunderstandings, let me reaffirm at this point that the decision to establish the Joint Commission does not involve any commitment by the United States to assume new defense responsibilities in this area. Neither does it provide for specific new arms sales programs, which will continue to be dealt with on their merits as the need arises. It does mean, however, that we and the Saudis will henceforth consult even more closely at a high level both on the progress of existing military sales programs and on new requests which the Saudis may from time to time submit as they believe the security situation in the region requires.

In Iran, where our longstanding military

supply relationship shifted from aid to cash sales a number of years ago, we have continued a substantial program for the sale of defense materiel, particularly aircraft, both fixed wing and rotary. Equipment deliveries under these sales are underway and will continue over the next few years. The progress which Iran has made in modernizing its armed forces permits it to play a significant and active role in insuring the security of the vital oil routes from the Persian Gulf. It has announced its willingness to assist other gulf states in resisting outside threats or subversion and has demonstrated this by the aid it has sent to Oman in response to Sultan Qaboos' request.

In Kuwait, discussions have continued on equipment items of interest, especially in the fields of air defense and antitank weaponry, but there have as yet been no significant contracts signed. For the smaller states of the gulf, we continue to encourage them to look to friendly regional states for their security. Although these countries are eligible under the foreign military sales program, no major sales are under consideration at this time.

While it is not possible to say that a Middle East peace settlement will have no impact on the military requirements of the gulf countries, they remain concerned with threats they see which are not related to the Arab-Israeli problem. These center first on South Yemen, which continues to serve as a base of support for the insurgency in Oman's Dhofar Province, for terrorist activity in North Yemen, and for the radical Popular Front for the Liberation of Oman and the Arab Gulf, which is dedicated to the overthrow of moderate regimes in the small, vulnerable states of the lower gulf. They also focus on the Soviet Union's extensive military assistance to South Yemen and Iraq.

Nevertheless, the overall security situation has shown some signs of improvement because of growing regional cooperation. This is best illustrated in Oman, where in the past eight months assistance from Iran, Jordan, and the United Arab Emirates has enabled Oman to pursue its war against the Dhofar insurgents with greater effectiveness, with

Saudi Arabia providing aid for economic development. There is now a noticeable improvement in Oman's prospects for stability. North Yemen is also receiving growing economic assistance from Saudi Arabia and some small amounts of military training and aid from other friendly regional states.

With regard to our second objective, there has been some significant progress. Saudi Arabia and the United Arab Emirates appear to have resolved their long standing boundary dispute and plan to establish diplomatic relations. There have been no serious incidents similar to the Kuwait-Iraqi confrontation of March 1973, although a sizable clash between Iranian and Iraqi border troops in February 1974 was brought before the U.N. Security Council. As a result of a U.N. factfinding mission the two countries agreed on a phased program to reduce border tensions and to move toward negotiation on outstanding border issues. We continue to encourage peaceful settlement of outstanding boundary questions in the area by the parties concerned.

Growing Nexus of Our Relationships

Mr. Chairman, we and the subcommittee have recognized on previous occasions that while cooperation in the security field with these countries is an important element in our relations, the United States can and should do more to widen its economic, commercial, and cultural ties in the region. I would therefore like to review some of the specifics regarding our two other objectives by referring to the five action areas outlined last November 28 when Ambassador Davies [Rodger P. Davies, then Deputy Assistant Secretary for Near Eastern and South Asian Affairs] appeared before the committee: our diplomatic presence in the lower gulf, commercial programs among the gulf states, technical assistance programs, educational assistance, and finding constructive outlets for the area's surplus revenues. I would say that in virtually all these areas, there has been some tangible progress.

In the past few months, we have appointed

and sent Arabic-speaking resident Ambassadors to each of our Embassies in Bahrain, Qatar, the United Arab Emirates, and Oman. American personnel at these small gulf posts will total 36.

On the commercial side, our exports to countries in the gulf, which totaled \$1.6 billion in 1973, are expected to grow by at least 40 percent this year.

In the field of technical cooperation, the most significant accomplishment has been the decision, announced on June 8 during the visit to Washington of Prince Fahd, to establish a Saudi Arabian-United States Joint Commission on Economic Cooperation. The establishment of this Commission, which we view as a model for closer cooperation with other friendly governments in the Middle East, reflects the growing importance which both Saudi Arabia and we see in close consultation and cooperation in the areas of finance, economic development, science and technology, and human resources development. Joint working groups have been organized in the fields of industrialization, manpower and education, science and technology, and agriculture. The first two groups met in Saudi Arabia in July, with Treasury Secretary Simon inaugurating the first meeting. The others will meet shortly in preparation for convening the Joint Commission in Saudi Arabia this fall.

It is expected that as these consultations proceed, we will be able to develop a number of significant areas of cooperation; for example, in the field of fertilizer manufactured from Saudi Arabia's large quantities of flared gas, in which U.S. Government and private sector capabilities can be employed. In helping the Saudis to find a way to invest their large and growing financial reserves, we will give them added incentive to continue to produce oil in the quantities needed to meet world demands at stable and, hopefully, lower price levels.

As you know, the President has asked Secretary Simon to assume responsibility for the U.S. side of the Joint Economic Commission. The Department of State is also represented on the Joint Commission, while other U.S.

Government agencies, among them Commerce, Agriculture, Labor, the National Science Foundation, and the Agency for International Development, will also be involved in the activities of the Joint Commission and of its various working groups. We are presently developing within the executive branch administrative mechanisms to assure coordination between the U.S. agencies involved and to insure that the U.S. participation in the work of the Joint Commission remains fully responsive to our overall policy objectives.

As we stated in the June 8 statement establishing the Joint Commission, Secretary Kissinger will retain overall responsibility for coordination of our cooperative arrangements with Saudi Arabia while Second Deputy Prime Minister Prince Fahd will have a similar role on the Saudi side. The Secretary has indicated that he fully intends to give high priority to successful implementation of these arrangements.

At the same time, we are not neglecting other countries in the gulf. Through our new resident Ambassadors in the lower gulf, we are examining how we can be of greater assistance in meeting their technical assistance needs. In most cases we could do this through provision of technical services on a reimbursable basis, as we plan to do with Saudi Arabia under the provisions of a draft technical cooperation agreement currently under negotiation. In rare instances, e.g., with the island state of Bahrain that lacks the considerable oil wealth of its neighbors, some modest technical assistance or perhaps "topping off" of salaries for American technicians may be required. We will be examining very carefully the requirements for any technical assistance of a nonreimbursable nature and expect these to be very modest.

In relation to the other gulf states, Iran is rather a special case because of its much higher degree of development and industrialization. Its need for technical assistance in furthering its development is qualitatively different from that of most of its neighbors and, given its foreign exchange income, can best be supplied by private industry through joint ventures and other arrangements. We

are prepared to supply technical assistance on a reimbursable basis through governmental channels when private channels cannot fill the need. The basis for expanding cooperation exists in the close ties which we have developed over the years with the Iranian Government and business community.

In the field of educational exchange, the U.S. Information Agency, which has general responsibility for such programs, has added a new regional officer to work in the lower gulf. In Saudi Arabia, we expect that the Working Group for Manpower and Education will help to foster closer cooperation between Saudi Arabian universities and institutions and American counterparts. One by-product of such cooperation will, we hope, be the strengthening of Saudi educational institutions such as the College of Petroleum and Minerals in Dhahran so that they can come to serve a regional as well as a national need.

Finally, on the issue of encouraging oil producers in the gulf to make constructive use of their increasing revenues, we have discussed ways in which they could invest or deposit their surplus funds in beneficial ways that will, incidentally, help meet the world's growing capital requirements. However, the oil price increase last December has created an unprecedented situation.

Petrodollar Problem

Mr. Chairman, we now find a situation where a small group of countries in the gulf are well on their way to becoming financial giants, since the world must continue to depend on the oil resources of the region.

The value of oil coming from the gulf, at present prices, now approximates 15 percent of the value of free-world imports and, collectively, the gulf states are now amassing some \$3 billion each month in foreign exchange assets. Gulf governments' oil revenues may exceed \$62 billion in 1974. Yet imports of goods and services by these countries in 1974 are projected at \$23 billion, with foreign assistance possibly taking up to another \$7 billion during this period. The reflow of these remaining revenues through the

developed countries' financial centers presents new problems for oil consumers and the international payments system. For the producers, they face several issues: How much can their economies realistically absorb for domestic development, social services, and industrialization; how much of these resources should be allocated for aid and in what manner; and finally, what should they do with the remainder in terms of foreign investment?

As the attached tables indicate, the projected oil revenues and absorptive capacity of the gulf states vary considerably. Some countries, such as Bahrain and Oman, which have limited oil resources, can absorb the additional revenues. Iran, which almost overnight has changed from a debtor to a creditor nation, is able to absorb a large proportion of its new revenues by accelerating its already ambitious industrialization and defense plans and by increasing the scope of its social, educational, and health programs. For at least the next few years, however, Iran will have several billion dollars of excess funds for foreign assistance and investment. For still others, especially Saudi Arabia, Kuwait, Qatar, and the United Arab Emirates, oil income is likely to continue to exceed the absorptive capacities of their economies at least well into the next decade.

Oil producers in the gulf are reflecting an increasing awareness of their obligations to help less fortunate countries. Although Iran has not thus far provided grant aid, it has offered a variety of loans and credits, part on concessional terms, which exceed several billion dollars. Grant aid from Saudi Arabia during the past fiscal year probably amounted to \$1 billion, and bilateral loans and loan guarantees amounted to another half billion dollars. Kuwait is a leading donor with well-developed institutions for this purpose. In the past fiscal year, its foreign aid in grants and loans amounted to at least three-quarters of a billion dollars. Recently, the Kuwait Fund for Arab Economic Development increased its capital fivefold to \$3.4 billion and its charter was amended to extend credits out-

FINANCIAL POSITION OF KEY PERSIAN GULF NATIONS

(Rough estimates for 1974)

	Iran	Iraq	Saudi Arabia	Kuwait	United Arab Emirates
Gross national product (US\$ billions)	40	11	28	10	5.4
Population (millions)	32	11	5	1	0.23
Per capita GNP (US\$ thousands)	1.2	1	5.6	10	23.4
Rate of growth of GNP	50%	80%	200%	120%	260%
Oil production (millions of barrels per day)	6	1.8	8.6	2.6	1.6
Government oil revenue (US\$ billions)	18	6.4	23	7.3	4.5
Estimated oil reserves (billions of barrels)	55	36	157	75	22
Imports of goods and services	13	1	4	2	2
Total foreign exchange assets as year ends (US\$ billions)	9	7	22	10	4
1974 increase in foreign exchange assets (US\$ billions)	8	5	17	6	3

side the Arab world. Aid from the United Arab Emirates was nearly one-half billion dollars for the same period. The U.A.E. has recently established a development fund, and so has Iraq.

While much of this aid has been bilateral, there are signs of growing multilateralism. The gulf oil producers have, in addition, pledged over \$2 billion at commercial interest rates for a special IMF [International Monetary Fund] facility for drawdown by developing countries hurt by high oil prices; several have recently purchased World Bank securities; and pledges have been made to the Islamic Development Bank, the Arab Fund for Economic and Social Development, and a Special Arab Fund for Africa.

These developments are important and encouraging, but they have not been sufficient to offset the impact of high oil prices. Increased efforts are being made to more actively involve gulf oil producers in international financial institutions. Of course, we continue to believe that the best form of aid would be a reduction in the price of oil by the oil-exporting nations.

Up to the present time, most oil producers

in the gulf have not adjusted their financial policy to deal with their rapidly growing oil revenues. The reflow of surplus funds has been heavily concentrated in short-term deposits in a few large banks in New York, London, and in the Eurocurrency market. Eurocurrency deposits have provided them with security, liquidity, and a rate of return sufficient to maintain their real value against inflation. However, with the size of these flows now expanded enormously, this market is showing signs of substantial strain. Banks are finding it increasingly burdensome to intermediate between their rapidly growing short-term deposit liabilities and the longer term financial needs of oil importers. Their capital-liability ratios are being altered, and they are concerned about the implications for bank liquidity of potential withdrawal of a few large depositors.

Banks are responding to this pressure by discouraging short-term deposits, in part through lower interest rates, evaluating credit risks more carefully, and sometimes demanding a higher interest rate from borrowers to compensate for lending risks. At the same time, many oil-importing countries

OIL REVENUES OF PERSIAN GULF PRODUCING COUNTRIES

(In US\$ billions)

Country	1960	1965	1970	1971	1972	1973	1974 (Pro- jected) ¹
Saudi Arabia . . . . .	.35	.66	1.20	2.15	3.10	5.50	23.00
Iran . . . . .	.29	.52	1.14	1.95	2.38	4.50	18.00
Kuwait . . . . .	.47	.67	.90	1.40	1.66	1.94	7.30
Iraq . . . . .	.26	.37	.52	.84	.57	1.67	6.40
United Arab Emirates . .	(²)	.03	.29	.43	.55	1.10	4.50
Qatar . . . . .	.05	.07	.12	.20	.26	.42	1.75
Oman	(²)	(²)	.10	.15	.16	.30	.80
Bahrain . . . . .	.10	.10	.10	.10	.10	.20	.25
TOTAL	1.52	2.42	4.37	7.22	8.78	15.63	62.00

¹ Projected revenues are very preliminary and attempt to take into account lags in payment. However, there is very little precise information on the lag structures and these projections are subject to revision.

² Negligible.

now find their credit-worthiness strained, while their needs for external financing are increasing due to oil purchases. These banking trends reduce incentives to oil producers to concentrate their assets in short-term deposits while increasing the financial difficulties of oil importers.

These difficulties will be alleviated as the investment patterns of oil-producing states become more diversified. Present market trends would indicate that a sizable amount of these petroleum revenue funds should begin to flow into the United States, where they can be more easily absorbed by the large U.S. capital markets and recycled to other oil-

consuming countries. The recent removal of limited U.S. capital controls, temporarily instituted during the fixed-exchange-rate period of the 1960's for balance of payments purposes, should facilitate this recycling. As Arab governments increase their knowledge and sophistication in handling these growing funds and recognize the need to shift portions of their portfolio into longer term securities, pressure will be reduced on the international banking system. The Treasury Department has recently offered the sale of special Treasury securities to Saudi Arabia and Kuwait with a range of options and maturities.

Up to now, there has been relatively little

FOREIGN EXCHANGE ASSETS OF PRINCIPAL GULF COUNTRIES

(In US\$ billions)

Country	1970	1971	1972	1973	1974 (Pro- jected)
Saudi Arabia	0.9	1.7	2.9	4.6	22.0
Kuwait	1.9	2.5	3.5	4.5	10.0
Iran	0.2	0.6	1.0	1.3	9.0
Iraq	0.5	0.6	0.8	1.6	7.0
United Arab Emirates	n/a	n/a	0.5	1.3	4.0
Qatar	n/a	n/a	0.4	0.4	2.0

investment from gulf countries in the United States. What investments have occurred have been by private individuals operating through third parties or by established organizations such as the Kuwait Investment Company. Most of these investments have been in real estate, shopping complexes, and high-quality stocks. Unfortunately, no precise figures on investment in the United States by gulf states exist. The portfolio investment reporting requirements set by the Securities and Exchange Commission make no provision for differentiation by national origin. Even if they did, the practice of channeling investments through financial intermediaries makes it difficult in many cases to establish beneficial ownership accurately. The Commerce Department does attempt to compute figures for foreign direct investment according to national origin. However, the rule of confidentiality precludes publication of such data except in aggregated form.

While oil producers are reviewing their investment options, they are now seeking to develop their own financial institutions. Currently, there are proposals for setting up an Arab stock exchange, creating an Arab investment fund, and establishing a \$1 billion Arab Petroleum Investment Company. Various American banks and financial institutions are now placing more emphasis on providing investment rather than commercial banking services. In this way they hope to steer investment capital to the United States while helping these countries create their own financial institutions.

Mr. Chairman, the last year has made us more aware than ever before of the vital importance of the gulf region. The most recent Arab-Israeli war has underlined the inter-relationship between progress toward a just and lasting peace in the area and the strengthening of constructive relationships between the United States and the Arab oil producers in the gulf. Thus, progress toward a permanent settlement in the Middle East is a significant element in our present policy toward this area. However, the rise in oil prices combined with the rapidly growing

financial resources of the gulf countries has created a new complex problem without precedent in economic history.

What we are doing is to work with these countries in all three areas that I have just mentioned—internal development, encouraging them to expand their aid, and helping them find ways to invest surplus funds to avoid monetary dislocations. Given the size and variety of the U.S. capital market, we expect to attract substantial inflows from the gulf. At the same time we will continue our efforts to cooperate with oil-consuming countries as they seek to manage the economic dislocations they face in paying for their oil.

Annual Report on Trade Agreements Program Transmitted to the Congress

*Message From President Nixon*¹

To the Congress of the United States:

In accordance with section 402(a) of the Trade Expansion Act of 1962 (TEA), I transmit herewith the Eighteenth Annual Report of the President on the Trade Agreements Program. This report covers developments in the year ending December 31, 1973.

Last year was a particularly important one for United States and world trade, as this report demonstrates in detail. Unquestionably the highlight occurred last September in Tokyo, when the ministers of 105 sovereign nations joined to declare their support for a new round of multilateral trade negotiations, the seventh since the General Agreement on Tariffs and Trade (GATT) was signed in 1947. This round represents a major initiative of the United States, along with initiatives in the international monetary field, begun in the fall of 1971. The charter for these negotiations, as embodied in the Declaration of Tokyo, is the most ambitious yet.

¹ Transmitted on Aug. 8 (text from White House press release); also printed as H. Doc. 93-334, 93d Cong., 2d sess., which includes the text of the report.

The purpose of these talks is no less than to modernize a world trading system which, though it has well served the world's peoples and brought about the many benefits of a four-fold expansion of trade, is no longer capable of responding to the needs and realities of a rapidly changing and increasingly interdependent world economy.

First, these talks are aimed not only at the continuing need to facilitate trade by lowering tariffs, but at reducing today's most pervasive and restrictive export inhibitors, so-called non-tariff trade barriers (NTBs). Unless these can be effectively dealt with, no major exporting nation—especially the United States—can hope to remain competitive in today's and tomorrow's world markets. And loss of competitiveness abroad can threaten the viability of firms and lead to loss of markets at home.

Second, the inflationary pressure of increased costs has become a major international problem which must be dealt with multilaterally if we are to adequately deal with inflation domestically.

Third, the need to maintain access to vital raw materials, energy, and food requires negotiated assurances for such access to supplies as well as to markets.

Fourth, economic issues should be managed and negotiated in parallel with political and security issues, in order to make progress on all three fronts.

Finally, we must encourage sovereign governments to work within an acceptable international framework to deal with such problems as import safeguards and export subsidies. At the same time we must have the authority to defend our legitimate national interests and manage domestic concerns in the context of an up-to-date, responsive and responsible international system.

None of these objectives can be accomplished without the appropriate legislative authorization. This authority—carefully balanced with provisions for the most effective Congressional and public participation in our trade policy-making and negotiating since GATT was formed—is represented in the

Trade Reform Act, which I submitted to the Congress in April of 1973. This legislation, which passed the House by a margin of nearly two-to-one last December and is now pending in the Senate, is still urgently needed.

Time is now of the essence with regard to the trade bill. Our trading partners have demonstrated their willingness to use and improve multilateral channels for trade negotiation. Just this spring, the European Community negotiated a fair and equitable accord compensating us for tariff changes resulting from the enlargement of the European Common Market. Through the Organization for Economic Cooperation and Development (OECD), ministers of member countries have joined with the U.S. in renouncing trade restrictive measures as balance-of-payments correctives, at least until the basic problems caused by oil price increases can be addressed through improvements in the monetary system. Developing countries, particularly our partners in Latin America, have indicated their willingness to work with us toward trade expansion and reform. As I have noted before, our new approaches to the socialist countries, especially to the USSR and the People's Republic of China, hinge in large measure upon our ability to open up peaceful avenues of trade with them. Again, I have expressed my willingness to work with the Congress to find an acceptable formulation for this authority. In Geneva, the GATT Trade Negotiations Committee has announced a program of work for the fall to further prepare for the actual bargaining.

In short, the rest of the world is waiting for us at the trade negotiating table. The alternative is an indefinite period in which nations, including ours, will be forced to deal with increasingly complex and interdependent trade problems on an *ad hoc* basis. Experience has shown that this could lead to a proliferation of those problems and disputes over the best ways to resolve them. The adverse fallout from the resulting uncertainties and temptations of shortsighted unilateral actions could also seriously jeopardize

gains we have made in the diplomatic and security fields.

For all these reasons, I take this occasion once again to urge prompt and final action on the Trade Reform Act. It is essential that we move ahead to revitalize the global trading system through multilateral negotiations.

RICHARD NIXON.

THE WHITE HOUSE, August 8, 1974.

United States Supports Admission of Guinea-Bissau to the U.N.

Following is a statement made in the U.N. Security Council on August 12 by U.S. Deputy Representative William E. Schaufele, Jr.

USUN press release 105 dated August 12

This is a moment of profound satisfaction for the United States. My government warmly welcomes the agreement for the independence of Guinea-Bissau and strongly supports the admission of Guinea-Bissau to the United Nations.¹

In this connection, I would like to inform the Council that the following statement by President Ford was issued by the White House today:

The Government and the people of the United States welcome the agreement in principle reached on August 9 between the Portuguese Government and representatives of Guinea-Bissau. We extend our congratulations to the leaders of both governments. We look forward to a productive and friendly relationship with Guinea-Bissau.

I have instructed our representatives at the United Nations to support the application of Guinea-Bissau for membership in the United Nations.

The United States has fully supported the legitimate aspirations of the people of Guinea-Bissau for self-determination. We are pleased to have Guinea-Bissau take its rightful place among the sovereign and independ-

ent nations of the world community and assume full membership in the United Nations.

In the months and years ahead, the United States will do its utmost to strengthen and multiply the bonds of friendship, cooperation, and good will between the governments and people of our two countries. We look forward also to the constructive contribution that Guinea-Bissau will make to the important work of the United Nations.

My government also wishes to congratulate the leaders of Guinea-Bissau and Portugal for the statesmanship, fortitude, and clear vision which they have demonstrated in achieving this momentous agreement. We have particularly noted that the mutual good will and shared aims which have characterized their negotiations have led not only to independence but also to the promise of a smooth and orderly transition beneficial to all the peoples of the area. The new and constructive phase in the evolution of Portugal's relationship to the continent of Africa has already borne its first fruit.

Since the establishment of the United Nations hardly a generation ago, the founding members have been joined by some 85 new nations. Embracing more than half the population of the globe, these new states have achieved full status in the society of nations, as symbolized by United Nations membership. The United States is proud of the contribution it has made to the continuing process of self-determination that has produced this impressive achievement in less than 30 years. Perhaps nothing we, the United Nations, have achieved in carrying out the principles of our charter has had greater meaning than the fulfillment of the principle of self-determination. In keeping with its longstanding support for self-determination, the United States strongly hopes that the evolution marked by the Security Council's action today in respect of Guinea-Bissau will continue and that it will soon be reflected in additional achievements in the other African territories. The admission of Guinea-Bissau to the United Nations, and the process by which this gratifying moment in history has been reached, give us great encouragement for the future.

¹ The Council on Aug. 12 adopted unanimously a resolution (S/RES/356 (1974)) recommending to the General Assembly "that the Republic of Guinea-Bissau be admitted to membership in the United Nations."

**U.S. Policy Toward Governments of Brazil, 1824-Present:
Questions of Recognition and Diplomatic Relations**

A TABULAR SUMMARY

Foreword

This study examines changes of government in Brazil and incidents of serious friction involving the United States and Brazil which posed possible questions of recognition or of changes in the status of diplomatic relations. It is one of a series of similar tables on U.S. policy toward various Latin American countries which are being prepared at the request of the Assistant Secretary for Inter-American Affairs, Jack B. Kubisch.

The table is based almost entirely upon published sources for the period up to 1910 and upon published sources, the official files of the Department of State, and research memoranda of the Bureau of Intelligence and Research for the years from 1910 to the present. It represents a substantial revision and updating of this office's Research Project No. 151, "United States Recognition of Latin American Governments: A Tabular Summary of United States Recognition Action on Changes and Attempted Changes of Government and of Chief Executives; Part 1: Brazil, 1821-1950."

The research and drafting for the revised paper were done by Dr. Ronald D. Landa of the Division's Area Studies Branch (Dr. Mary P. Chapman, Chief).

The Historical Office would appreciate being informed of any inaccuracies.

EDWIN S. COSTRELL
Chief, Historical Studies Division
Historical Office
Bureau of Public Affairs

Research Project No. 1066 (Revised)
June 1974

NOTE: The paragraphs on the left represent developments in Brazil; the indented paragraphs represent U.S. responses to those developments.

Developments

U.S. Response

U.S. RECOGNITION OF THE INDEPENDENCE OF THE EMPIRE OF BRAZIL, 1824

Nov. 29, 1807. As a result of the Napoleonic invasion of Portugal, the court of Portugal left for Brazil, arriving in January 1808.

MAR. 7, 1809. Thomas Sumter, Jr., was appointed U.S. Minister to the Portuguese court in Rio de Janeiro.

APR. 24, 1821. King John VI returned to Lisbon after naming his son Dom Pedro regent with authority over Brazil.

JUNE 21. John Appleton, the U.S. Chargé d'Affaires ad interim in Brazil, was informed by the Department of State that the removal of the court from Rio de Janeiro terminated "all diplomatic relations with that place" and that he was permitted to return to the United States. Relations were suspended.

MAR. 26, 1822. Condé Raguet was named U.S. Consul at Rio de Janeiro.

MAY 7. Relations with Portugal were resumed with the appointment of Henry Dearborn as U.S. Minister at Lisbon.

SEPT. 7. The independence of Brazil was proclaimed.

DEC. 1. Dom Pedro was crowned Pedro I, Emperor of Brazil.

MAY 26, 1824. The Brazilian Chargé, José Rebello, was received by President James Monroe in spite of American opposition to monarchical government; full recognition was thereby accorded.

OCT. 29, 1825. Raguet, appointed the first Chargé d'Affaires to Brazil by President John Quincy Adams, presented his credentials in Rio de Janeiro.

SEVERANCE OF RELATIONS BY THE U.S. CHARGÉ DURING THE "SPARK" CONTROVERSY, 1827

MAR. 4, 1827. The privately owned U.S. brig *Spark*, suspected of being a privateer running the Brazilian blockade of Argentine ports, was seized by a vessel of the Brazilian Government and her crew treated almost as pirates.

APR. 7. On his own initiative, Raguet broke off relations. He was neither sustained nor censured by President Adams, but the Brazilian Chargé in Washington was advised on May 31 that there had been no interruption of relations at Washington and that none was desired.

U.S. RECOGNITION OF THE REGENCY GOVERNING ON BEHALF OF PEDRO II, 1831

APR. 7, 1831. The abdication of Pedro I resulted in the creation of a Regency of Three to act on behalf of his son, Pedro de Alcántara.

SEPT. 21. The presentation of new credentials by the U.S. Chargé, Ethan A. Brown, was regarded, as he indicated in a despatch of Oct. 2, as the "first formal recognition of the Government in the name of Dom Pedro II."

THE CORONATION OF PEDRO II, 1841

JULY 23, 1840. A bloodless coup occurred in which Congress abolished the Regency and declared Pedro of age to become Emperor.

JULY 18, 1841. Pedro II was crowned Emperor of Brazil.

Diplomatic relations remained unchanged.

U.S. RECOGNITION OF THE REPUBLIC OF BRAZIL, 1889-90

Nov. 15-17, 1889. A bloodless revolt, due to republican sentiment, ambitions of military groups, hostility toward Princess Isabel, disaffection of the clergy, and resentment of former slaveholders, overthrew the Empire. Pedro II was deposed and a republic proclaimed, with Manuel Deodoro da Fonseca as Chief of the Provisional Government.

Nov. 18. A new Brazilian Foreign Minister informed the U.S. Minister, Robert Adams, Jr., of the change of government and of the new government's intention to honor its international obligations.

Nov. 19. The Department of State instructed Adams to maintain diplomatic relations with the provisional government.

Nov. 20. Adams communicated to the Foreign Minister his instructions to maintain diplomatic relations. Adams apparently, but incorrectly, considered this an act of recognition.

Nov. 30. Adams was instructed to accord formal U.S. recognition to the new Republic as "soon as the majority of the people of Brazil shall have signified their assent to its establishment and maintenance."

NOVEMBER 1889-JANUARY 1890. A series of executive decrees set up a federative republic, the United States of Brazil.

JAN. 29, 1890. Formal recognition was extended to Brazilian representatives in Washington when President Benjamin Harrison accepted their new credentials.

FEB. 19. By a joint resolution, Congress congratulated the people of Brazil on "their just and peaceful assumption of the powers, duties, and responsibilities of self-government, based upon the free consent of the governed, and in their recent adoption of a republican form of government."

FEB. 21. A new commission was sent to Adams accrediting him to the new government.

SUCCESSION OF PEIXOTO TO THE PRESIDENCY FOLLOWING A NAVAL REVOLT, 1891

FEB. 24, 1891. A constitution was adopted by a Constituent Assembly which chose Deodoro as President.

NOV. 22. Navy leaders and civilians dissatisfied with Deodoro's despotic acts staged a revolt. Deodoro resigned under duress and was succeeded by Vice President Floriano Peixoto.

Diplomatic relations remained unchanged.

U.S. NON-RECOGNITION OF INSURGENTS DURING A NAVAL REVOLT, 1893-94

SEPT. 1, 1893. Civil war broke out when a revolt began among officers in the Navy. The Army and Congress supported President Peixoto.

OCT. 24. Admiral Custodio José de Mello, one of the leaders of the revolt, notified the U.S. Legation that a provisional government had been established at Desterro and requested U.S. recognition of the insurgents as belligerents.

OCT. 25. Secretary of State Walter Gresham advised Minister Thomas L. Thompson to assume "the attitude of an indifferent spectator" and to "espouse the cause of neither side." Gresham remarked that recognition of the insurgents as belligerents would be "an unfriendly act toward Brazil and a gratuitous demonstration of moral support to the rebellion. . . ."

JAN. 11, 1894. Gresham informed Thompson that the insurgents "have not been recognized as belligerents, and should they announce a blockade of the port of Rio the sole test of its validity will be their ability to make it effective."

JAN. 29. A U.S. Naval vessel exchanged fire with an insurgent ship which was interfering with U.S. merchant ships attempting to unload their cargo at Rio, after which there were no further incidents.

MAR. 13. The insurgents at Rio surrendered unconditionally.

VARGAS' ASSUMPTION OF THE PRESIDENCY, 1930

OCTOBER–DECEMBER 1930. Due largely to economic distress, exaggerated use of executive power by President Washington Luiz Pereira de Souza, and alleged irregularities in the election of a new President, Julio Prestes, a revolution centering in Rio Grande do Sul quickly spread to all states and won popular support.

OCT. 24, 1930. A military junta headed by General Tasso Fragoso overthrew the government of Washington Luiz.

OCT. 26. A new Foreign Minister informed Ambassador Edwin V. Morgan of the change of government and the intention of the government to honor its international obligations.

NOV. 3. Getúlio Dornelles Vargas became Chief of the Provisional Government with the support of the junta, thereby preventing the inauguration of President-elect Prestes. The Foreign Ministry informed Morgan of the change in executives and requested recognition of the new government.

NOV. 8. Upon instructions from the Department of State, which had determined that the new government's *de facto* control was sufficiently complete to warrant action similar to that in recent cases involving Argentina, Bolivia, and Peru, Morgan acknowledged the note of Nov. 3 and stated that the United States would "be happy to continue with the new Government the same friendly relations as with its predecessors."

EXPANSION OF PRESIDENT VARGAS' EXECUTIVE POWERS, 1937–38

NOV. 10, 1937. President Vargas issued orders canceling the impending presidential election and setting aside the 1934 Constitution. Through executive decree he issued a new constitution which established an authoritarian government with broad powers of Presidential intervention and limitations on the legislature.

JAN. 11, 1938. Ruling that diplomatic relations should not be interrupted, the Legal Adviser of the Department of State noted: "A formal act of recognition is not required where the existing government had executed a *coup d'état* displacing the Constitution by a new one or setting it aside. If that government has already been recognized by us it will continue to be so recognized by the mere continuance of our relations with it."

LINHARES' ASSUMPTION OF THE PRESIDENCY, 1945

OCT. 30, 1945. The President of the Supreme Court, José Linhares, assumed the Presidency upon the forced resignation of Vargas.

Nov. 2. After consulting with the other American Republics, Secretary of State James Byrnes announced that the question of recognition did not arise since established constitutional procedures had been followed in the succession.

THE CONTROVERSY FOLLOWING KUBITSCHKE'S ELECTION AS PRESIDENT, 1955

OCT. 3, 1955. By popular vote Juscelino Kubitschek was elected President and João Goulart Vice President. They were to take office January 31, 1956.

Nov. 5. After suffering a heart attack President João Café Filho, who had assumed the office after President Vargas committed suicide in August 1954, took sick leave and transferred power to Carlos Coimbra da Luz, Speaker of the Chamber of Deputies, who became Acting President.

Nov. 11. Fearing that the transfer of power to Luz was part of a civilian-military maneuver to prevent Kubitschek and Goulart from taking office, army troops staged a "preventive" coup and deposed Luz. Nereu Ramos, President of the Senate and a Kubitschek supporter, became Acting President until Kubitschek's inauguration.

Nov. 14. The Department of State notified the Embassy in Rio that the question of recognition did not arise.

Nov. 22. The Chamber of Deputies declared that Café, who now wanted to resume the Presidency, was disqualified for the office and confirmed Ramos as Acting President.

JAN. 31, 1956. Kubitschek was inaugurated President.

GOULART'S ASSUMPTION OF THE PRESIDENCY, 1961

AUG. 25, 1961. The resignation of President Jânio Quadros, who had been under fire for both his domestic and foreign policy, was promptly accepted by the Brazilian Congress. In the absence of Vice President João Goulart, then on a trade mission to the People's Republic of China, the President of the Chamber of Deputies, Ranieri Mazzilli, became Acting President.

SEPT. 2. With the country on the verge of civil war between supporters and opponents of Goulart, a compromise plan was enacted by Congress, replacing the presidential form of government with a parliamentary form. Goulart would become President, but most of the executive powers would be in the hands of a Prime Minister appointed by the President but approved by and responsible to the Chamber of Deputies.

SEPT. 7. Goulart was inaugurated President.

Diplomatic relations remained unchanged.

CASTELLO BRANCO'S ASSUMPTION OF THE PRESIDENCY, 1964

MAR. 31-APR. 2, 1964. A bloodless coup, initiated by the military but with civilian support, deposed Goulart, who fled into exile. The President of the Chamber of Deputies, Ranieri Mazzilli, assumed the title of Acting President, but the military's Supreme Revolutionary Command actually ruled.

APR. 2. President Lyndon B. Johnson, acting only 12 hours after Mazzilli took office, sent Mazzilli a message offering his "warmest good wishes on your installation as President."

APR. 3. Replying to questions at a news conference, Secretary of State Dean Rusk said: "I would think that recognition is basically a political act which normally, in the usual circumstances, applies where a government is in control of the country and accepts its international responsibilities, but this will vary from time to time because as a political act it needs to be taken alongside of the other interests of the United States in a particular situation, including our interest in moving jointly with others whenever possible in a concert of policy. Now in the case of Brazil, of course, this matter does not arise because the succession there occurred as foreseen by the Constitution and we would assume that recognition is not involved in that particular issue or point."

APR. 11. After constitutional requirements concerning eligibility for the Presidency had been set aside, Congress responded to demands from the heads of the three armed services and elected Marshal Humberto Castello Branco as President.

APR. 15. Castello Branco was inaugurated President.

Diplomatic relations remained unchanged.

MÉDICI'S ASSUMPTION OF THE PRESIDENCY, 1969

AUG. 31, 1969. The heads of the three armed services announced that they had assumed control of the Government after President Arthur da Costa e Silva was incapacitated by a stroke.

SEPT. 2. At a news briefing a Department of State spokesman said that the question of recognition apparently did not arise in the "current circumstances." It appeared, he explained, that there would be administrative continuity during the temporary incapacity of the President. It was also assumed that the President would resume full exercise of his function.

OCT. 7. The Armed Forces High Command announced that it had chosen General Emílio Garrastazú Médici as President to succeed Costa e Silva.

OCT. 9. When asked at a news briefing whether the United States intended to recognize the new government in Brazil, a Department of State spokesman replied that the question would not be decided until the new President took office.

OCT. 25. Congress elected Médici President.

OCT. 30. Médici was inaugurated President.

OCT. 30. President Richard Nixon sent a message to Médici extending his "most cordial good wishes" and expressing the hope for "a continuation of the close ties of friendship and mutual cooperation that have been characteristic of the relations between our countries for so many years."

TREATY INFORMATION

Current Actions

MULTILATERAL

Automotive Traffic

Convention concerning customs facilities for touring. Done at New York June 4, 1954. Entered into force September 11, 1957. TIAS 3879.
Accession deposited: Tunisia (with reservation), June 20, 1974.

Conservation

Convention on international trade in endangered species of wild fauna and flora, with appendices. Done at Washington March 3, 1973.¹
Ratification deposited: Tunisia, July 10, 1974.

Narcotic Drugs

Single convention on narcotic drugs, 1961. Done at New York March 30, 1961. Entered into force December 13, 1964; for the United States June 24, 1967. TIAS 6298.
Ratification deposited: Madagascar, June 20, 1974.
Protocol amending the single convention on narcotic drugs, 1961. Done at Geneva March 25, 1972.¹
Ratification deposited: Madagascar, June 20, 1974.

Racial Discrimination

International convention on the elimination of all forms of racial discrimination. Done at New York December 21, 1965. Entered into force January 4, 1969.²
Accession deposited: United Arab Emirates, June 20, 1974.

Wheat

Protocol modifying and extending the food aid convention (part of the international wheat agreement) 1971. Done at Washington April 2, 1974. Entered into force on June 19, 1974, with respect to certain provisions; July 1, 1974, with respect to other provisions.
Accession deposited: Federal Republic of Germany (with a statement), August 14, 1974.

BILATERAL

Jordan

Joint statement on United States-Jordan relations. Issued at Amman June 18, 1974. Entered into force June 18, 1974.

United Nations Relief and Works Agency

Agreement relating to the provision of elementary education to Palestinian refugees in the Middle East. Signed at Beirut July 12, 1974. Entered into force July 12, 1974.

¹ Not in force.

² Not in force for the United States.

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**Check List of Department of State
Press Releases: August 12-18**

Press releases may be obtained from the Office of Press Relations, Department of State, Washington, D.C. 20520.

No.	Date	Subject
*329	8/15	Secretary's Advisory Committee on Private International Law Study Group on Enforcement of Foreign Judgments, Cambridge, Mass., Sept. 15.

* Not printed.