

THE V. P. HAS SEEN

OFFICE OF THE VICE PRESIDENT
WASHINGTON~~SECRET/SENSITIVE/XGDS~~

INFORMATION

Memo No. 1056-77
June 2, 1977

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift 

SUBJECT: Brief Review of Foreign Policy Developments

Southern Africa

On Thursday afternoon, June 2, Tony Lake will chair a meeting to begin the priority development of recommended next steps by the U.S. on Southern Africa (Tab A).

Following the latest Rhodesian military actions in Mozambique, we have put considerable behind the scenes pressure on the South Africans which has led to the announcement of the return of the troops to Rhodesia. Foreign Secretary Owen again forced the pace on this exercise, announcing that Great Britain and the United States would take the issue to the UN Security Council. With the withdrawal of Rhodesian forces, there is presently no need for Security Council action.

A cable reporting the reaction in Lesotho to your talks with Vorster is at Tab B.

Yugoslavia

Embassy Belgrade's report on the very positive Yugoslavian reaction to your visit is at Tab C.

Panama

Secretary Vance's report to the President on the Panama Canal negotiations is at Tab D.

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NWTC-07-026
per 6/5/07 State/HR
BY CA NARA DATE 6/12/07

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US-USSR Relations

Marshall Shulman has informed me that Secretary Vance wants him to come to State full time and that he will be recommending to the President that Shulman be nominated for the rank of Ambassador at Large to deal with Soviet affairs. Shulman does not believe the President knows him, and he said he would be most appreciative if you would tell the President that his nomination has your support. I have included this issue in the talking points for your luncheon with the President.

Jay Katzen's Next Assignment

Following up on our conversation of last week, I have informed Dick Moose that you would be pleased if Jay Katzen were to be assigned to State's African Bureau. If you have not done so, I think you might still wish to get in touch with Secretary Vance personally on Jay's next assignment.

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DEPARTMENT OF STATE

Washington, D.C. 20520

UNCLASSIFIED
(WITH SECRET ATTACHMENT)

June 1, 1977

MEMORANDUM

TO: Participants in Meeting on Next Steps
in Southern Africa

FROM: S/P - Anthony Lake *TL*

SUBJECT: Agenda

Attached is a proposed agenda for the meeting in my office at 2:00, Thursday, June 2, to consider the next steps on southern Africa.

Also attached is a list of participants.

If you wish to make any changes in the agenda, please contact Marianne Spiegel, S/P, 632-3029.

Attachments:

1. Participants
2. Agenda

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PARTICIPANTS

Meeting on Next Steps on Southern Africa

Thursday, June 2 - 2:00 p.m.

M - Dick Moose

AF - Bill Edmondson
- Don Petterson

IO - Bill Maynes
- Gerald Helman

NSC - David Aaron
- Henry Richardson

UN - Ann Holloway

P - George Moose

S/P - Tony Lake
- Marianne Spiegel

VP - Jay Katzen

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NEXT STEPS ON SOUTHERN AFRICA -- PROPOSED AGENDA

RHODESIA

1. UK/US Proposals on Constitutional Principles

A. Timetable

- June 3: Graham and Low in London.
- June__: Low in Washington - Provides rough outline of British ideas on constitutional principles.
- June__: US-UK agreement on constitutional principles: how coordinated?
- June 8-16: British Commonwealth Conference. UK discusses constitutional principles with African leaders.

B. Key issues: franchise; human rights; representation for whites; blocking mechanisms on constitutional amendments.

C. Next steps after Commonwealth Conference?

D. What do we do if we cannot achieve agreement by all parties to the basic principles?

2. Additional Pressures on Rhodesia

A. Agenda for working group meeting with British on additional pressures on Rhodesia, South Africa and Namibia.

B. Strategy for working with British -- analysis of their position.

C. Status of US efforts to strengthen sanctions: Rhodesian Information Office; mercenaries; transshipment; tourist promotion; certification requirements on steel containing chrome; subsidiaries.

D. South African willingness to apply pressure.

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3. Special Requirements Fund - Assistance to Front Line States, BLS and Zaire

A. Congressional action -- Administration role in preventing restrictions, defending appropriation.

B. Allocation of security assistance and other assistance possibilities.

C. Refugee assistance.

4. Zimbabwe Development Fund

A. Development of US view on how it should be used.

B. Study of fund for whites desired by British -- pension guarantees, guarantee of payment for property.

5. Rhodesian Attacks on Neighboring Countries

A. Are there means other than protests to persuade the Rhodesians to cease these attacks?

B. Botswana's request for military assistance from the United States.

C. Zambia's seeking military assistance from anyone.

D. Mozambique's reaction to current raids -- possibility for increased outside military assistance.

6. Preparation for Failure

A. Should the negotiations fail, what position do we want to be in vis-à-vis the Africans, Smith, South Africa?

B. Approaches to various aspects of the negotiations that will maintain our credibility with the nationalists and African leaders -- constitutional principles, transition arrangements, attitude toward the conflict, pressure on Smith, impartiality.

NAMIBIA

1. Nature of Central Administrative Authority.

1a. Contact group counter-proposal to Turnhalle.

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-3-

2. Release of political prisoners.
 - A. Discussion with Tanzania and Zambia.
 - B. Composition of commission of jurists.
3. Nature of UN involvement.
 - A. Role in the negotiations.
 - B. Supervision and control of elections.
 - C. Range of activities -- civil administration, police, peacekeeping.
4. Timing and nature of South African withdrawal from Namibia.
5. Repeal of discriminatory laws and regulations.
6. Conduct of and participants in future negotiations.
7. Security Council Debate on Namibia - June 16.
 - A. Resolutions likely to be introduced.
 - B. US position on resolutions -- including Chapter VII arms embargo. Coordination with other Five.

SOUTH AFRICA

1. Need for a study of steps the US could take to apply pressure on South Africa for change and to implement a policy of restraint in USG relations with SAG.
2. Areas of US-South African relations that could be studied:
 - A. Trade and Investment
 - Arms embargo: tightening US embargo; position on UN mandatory embargo.
 - Ex-Im Bank facilities.
 - Commercial attache and trade promotion.

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-4-

- Trade policy: restrictions in certain categories; discouragement of trade; economic embargo; support for UN sanctions.
- Investment policy: tax credits; discouragement of investments; employment policies of US firms; prohibition against new investment; Chapter VI or VII action against new investments.

B. Other USG ties to South Africa

- Study of all USG agency contracts, understandings and contacts (underway).
- Military attaches.
- Intelligence liaison.
- Nuclear cooperation -- supply of enriched uranium.
- Appointment of black DCM and relations with black leaders.
- Size of mission.
- ERDA-SASOL.

C. Public posture

- Public response to bannings, detentions, police brutality.
- Posture in UN: vetoes, abstentions, initiatives.
- Sports exchanges.

3. Timing

A. Should all possible steps be studied now -- or should we concentrate on a few of the most immediately possible?

B. In what order should the steps be taken?

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-5-

C. How should actions taken on new South Africa policy be coordinated with Namibia and Zimbabwe negotiations?

D. Should one step be taken fairly soon to demonstrate to South Africa that we are serious about our new policy?

4. Coordination with other interested countries -- particularly the UK.

AFRICA POLICY SPEECH

1. Who and when?
2. Contents.

DRAFTED: S/P:MaSpiegel:gMcP
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Department of State

Lesotho/S. Africa VP
INCOMING
TELEGRAM

PAGE 01 GABORO 01208 272314Z
ACTION AF-10

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GABORO 01208 272314Z

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
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USIA-06 DHA-02 AID-05 10-13 ACOA-07 OMB-01 TRSE-00
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AMEMBASSY MBABANE
AMEMBASSY MAPUTO
AMEMBASSY PRETORIA

CONFIDENTIAL GABORONE 1208

CAPE TOWN FOR EMBASSY

E.O. 11652: GDS

TAGS: PFOR SF US LT

SUBJ: BASOTHO REACTIONS TO MONDALE-VORSTER TALKS

1. SUMMARY: LESOTHO IS A UNIQUE LISTENING POST ON SOUTH AFRICA, ITS UNIQUENESS STEMMING FROM BEING A COUNTRY ENTIRELY SURROUNDED BY SOUTH AFRICA. THE DIMENSIONS OF THE RESULTING CONTACTS CAN BE BEST UNDERSTOOD BY THE FACT THAT EVERY COMMUNICATION TO OR FROM LESOTHO, AS WELL AS EVERY IMPORT AND EXPORT, MUST PASS THROUGH SOUTH AFRICA. IN A BRIEF RETURN VISIT TO LESOTHO MAY 24-26, I FOUND GOL OFFICIALS AND NON-OFFICIALS ALIKE HEARTENED AND ENCOURAGED BEYOND THEIR FONDEST EXPECTATIONS BY THE NEW U.S. POLICY TOWARD SOUTH AFRICA, ESPECIALLY AS REVEALED BY VICE PRESIDENT MONDALE'S PRESS CONFERENCE. END SUMMARY.

2. THE LESOTHO GOVERNMENT IS A LISTENING POST ON SOUTH AFRICA, FINELY TUNED BY YEARS OF LIVING AND DEALING WITH THEIR NEIGHBOR. IN THE COURSE OF A BRIEF RETURN VISIT, I WAS STRUCK BY (A) THE KEEN AWARENESS OF GOL OFFICIALS AND PRIVATE PERSONS OF THE CHANGE IN U.S. POLICY TOWARD SOUTH AFRICA; (B) THE WIDESPREAD UNDERSTANDING OF THE POLICY AND ITS IMPLICATIONS; (C) THE CONVICTION THAT THE U.S. IS SERIOUS AND THAT THE POLICY IS CREDIBLE; (D) KEEN APPROVAL OF THE NEW POLICY TOWARD SAG WHICH IS VIRTUALLY UNANIMOUS, AND (E) AGREEMENT THAT SOUTH AFRICA HAS BEEN SURPRISED TO THE POINT OF DISBELIEF BY THE U.S. MOVES. AMONG THE WORDS USED BY GOL OFFICIALS TO DESCRIBE SOUTH AFRICAN REACTION WERE: "SHOCK...HURT...TAKEN ABACK".

3. THESE REACTIONS HAVE COME TO THE EMBASSY STAFF AND MYSELF, OFTEN UNSOLICITED, FROM A WIDE RANGE OF GOL OFFICIALS INCLUDING THE ACTING FOREIGN MINISTER, SPEAKER OF THE PARLIAMENT, AND SEVERAL LEADING UNIVERSITY OFFICIALS. IN A CALL ON ACTING FOMIN LEROTHOLI, AN INTIMATE OF PRIME MINISTER JONATHAN, FOR EXAMPLE, I FOUND HIM BARELY ABLE TO SUPPRESS HIS DELIGHT WITH THE NEW U.S. POLICY WHICH HE DESCRIBED AS A "LONG-DELAYED U.S. DECLARATION OF INCOMPATIBILITY OF APARTHEID WITH FREE WORLD LEADERSHIP". LEROTHOLI WAS PARTICULARLY PLEASED WITH THE STATEMENT THAT CONTINUATION OF APARTHEID AND DENIAL OF FULL PARTICIPATION OF BLACKS IN GOVERNMENT WOULD "IMPAIR DIPLOMATIC, ECONOMIC AND OTHER RELATIONS". HE NOTED THE IMPORTANCE TACTICALLY OF NOT APPEARING TO BE "TELLING THE SAG WHAT IT MUST DO". THEY ARE A "PROUD AND ARROGANT PEOPLE", HE COMMENTED, AND ANY "GLOATING IN PUBLIC" WOULD RISK DRIVING THEM INTO THE "LAAGER".

4. SPEAKER OF THE PARLIAMENT AND ALSO MINISTER OF PUBLIC WORKS MAPATHE SAID SAG HAD BEEN "HURT" AND IS NOW EXPERIENCING "SHOCK OF DISBELIEF. THEY NEVER THOUGHT

YOU WOULD DO IT." THEY SAID THE REASON WAS THE SAG BELIEF THAT THE STRATEGIC IMPORTANCE OF THE CAPE ROUTE WOULD BE DECISIVE IN U.S. POLICY COUNCILS "AS IN THE PAST". WORKS MINISTER STRESSED THAT THE NEW U.S. POLICY WAS NECESSARY TO SAVE SOUTHERN AFRICA, INCLUDING SAG ITSELF, FROM THE COMMUNISM IT FEARS AND DETESTS. APARTHEID AND DENIAL OF POLITICAL PARTICIPATION, HE SAID, WERE DRIVING PEOPLE OF SOUTH AFRICA, INCLUDING SOME BASOTHO, TO EMBRACE COMMUNISM BECAUSE OF ITS PROMISE OF ARMS AND ACCOMPANYING IDEOLOGY OF LIBERATION BY ARMS STRUGGLE.

5. LOOKING AHEAD, GOL OFFICIALS WERE UNANIMOUS IN THEIR BELIEF THAT IT WILL TAKE TIME FOR THE INITIAL SHOCK OF THE U.S. POLICY CHANGE TO SINK IN, THAT "DEPENDING ON HOW IT IS TREATED IN PUBLIC" THE POLICY MAY PROVOKE A "DEFENSIVE REACTION AND TURNING INWARD, ESPECIALLY BY THE LOWLAND FARMERS", IN THE WORDS OF ONE SENIOR GOL OFFICIAL. ONCE THE SHOCK HAS PASSED AND THE REALITY IS FACED, GOL OFFICIALS EXPECT SAG TO COME TO TERMS WITH THE HARD REALITY, I.E., THAT THE U.S., THEIR LAST HOPE, IS NOT WITH THEM. "IT WILL TAKE TIME", WAS THE GENERAL COMMENT, BUT THE SAG HAS NO OPTION BUT TO MAKE CHANGES. MINISTER LEROTHOLI THOUGHT "LIBERAL OPINION" IN SOUTH AFRICA WAS ALREADY STRONGER THAN IS GENERALLY REALIZED. HE SAW SIGNIFICANCE EVEN IN RECENT CHANGES, E.G., THE RESIGNATION OF MINISTER HERZOG AND SAG TRIAL BALLOONS ABOUT POSSIBLE POLITICAL PARTICIPATION FOR BLACKS OUTSIDE HOMELANDS. (IT SHOULD BE NOTED THAT SAME UNANIMITY OF GOL OPINION DOES NOT EXIST REGARDING RHODESIA WHERE GOL IS SPLIT BETWEEN THOSE FAVORING RELIANCE ON ARMS STRUGGLE AND THOSE FAVORING EMPHASIS ON PEACEFUL SOLUTION THROUGH NEGOTIATION (MASERU 726)).

6. COMMENT: THE NEW U.S. POLICY TOWARD SOUTH AFRICA, AND THE STEPS TAKEN THUS FAR TO IMPLEMENT IT, HAVE BEEN GREETED WITH SCARCELY CONCEALED ENTHUSIASM IN LESOTHO, DESPITE THE GOL'S APPRECIATION OF THE RISKS, DIFFICULTIES AND TENSIONS THAT LIE AHEAD. IT IS THE POLICY THAT LEADING GOL OFFICIALS SAY THEY HAVE PROPOSED FOR YEARS. DESPITE THE DELAY, THEY ARE GRATEFUL THAT THE U.S. HAS TAKEN THE STEP WHICH THEY FEEL WAS INEVITABLE GIVEN OUR HISTORY AND TRADITIONS.

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Yugoslavia

PAGE 01 BELGRA 03337 01 OF 02 251354Z
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INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
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C O N F I D E N T I A L SECTION I OF 2 BELGRADE 3337

E.O. 11652: XGDS

TAGS: PFOR, YO, OYIP (WALTER MONDALE)

SUBJECT: VICE PRESIDENT'S VISIT TO YUGOSLAVIA

1. SUMMARY: VICE PRESIDENT'S VISIT TO BELGRADE, MAY 20-22, PROVIDED FIRST, AND EXTREMELY USEFUL HIGH LEVEL CONTACT BETWEEN NEW ADMINISTRATION AND YUGOSLAV LEADERSHIP. YUGOSLAV OFFICIALS HAVE BEEN LAVISHING EXTRAORDINARY AMOUNT OF PRAISE BOTH ON VICE PRESIDENT PERSONALLY AND ON SUCCESS OF VISIT. SOME ADDED, HOWEVER, THAT THE ATMOSPHERE CREATED BY THE TALKS WILL HAVE TO BE SUSTAINED BY SUBSEQUENT CONCRETE US ACTIONS. END SUMMARY.

2. PROGRAM INCLUDED ALMOST TWO-HOUR MEETING WITH TITO FOLLOWED BY JOINT PRESS APPEARANCE AND TITO-HOSTED LUNCHEON, WORKING BREAKFAST WITH FEDERAL ASSEMBLY PRESIDENT GLIGOROV AND DINNER HOSTED BY VICE PRESIDENT DORONJSKI, WHO ALSO ACTED AS HOST FOR ENTIRE VISIT. KARDELJ TOOK ACTIVE PART IN MEETING WITH TITO AND PRIMIN DJURANOVIC AND FONMIN MINIC WERE PRESENT FOR BOTH TITO MEETING AND DINNER.

3. TITO, WHO TERMED OUR BILATERAL RELATIONS AS GOOD, PREFERRED TO DEVOTE NEARLY ALL OF HIS TIME WITH VICE PRESIDENT TO REVIEW OF WORLD SITUATION WITH EMPHASIS ON SOUTHERN AFRICA AND MIDDLE EAST, CONSIDERED BY TITO TO BE "HOT SPOTS OF CONFLICT." TITO EXPRESSED INTEREST IN VICE PRESIDENT'S ACCOUNT OF HIS MEETING WITH SOUTH AFRICAN PRIMIN VORSTER AND AT VP MONDALE'S REQUEST, TITO OFFERED GOY VIEW OF UPCOMING CSCE FOLLOWUP MEETING AND YUGOSLAV PERFORMANCE IN BASKET III AREAS.

4. SUBSEQUENT TO MEETING, TITO AND VP MONDALE MADE STATEMENTS TO PRESS DURING WHICH VICE PRESIDENT ANNOUNCED INTER ALIA THAT KARDELJ HAD ACCEPTED INVITATION TO VISIT US LATER THIS YEAR AND THAT FOLLOWING SUCCESSFUL US-YUGOSLAV TALKS, US HAS AGREED TO LICENSE EQUIPMENT FOR KRSKO NUCLEAR POWER PLANT. SEVERAL FOREIGN DIPS WHO WATCHED TV CLIPS OF MEETING WITH PRESS AND NOTICED TITO'S SMILE ON EXITING MEETING WITH VICE PRESIDENT, ASKED EMBOFFS WHAT HAD US GIVEN TO MAKE TITO APPEAR TO SATISFIED.

5. YUGOSLAWS EXTENDED LARGE AMOUNT OF PROMINENT PRESS COVERAGE IN UNUSUALLY FAVORABLE VIEIN FOR VICE PRESIDENT'S STAY HERE.

6. YUGOSLAV OFFICIALS HAVE BEEN EFFUSIVE IN PRAISE OF

SUCCESS OF VISIT AND OF VICE PRESIDENT PERSONALLY. FSFA ASST SECY BERNARDIC TOLD CHARGE THAT VISIT BY THAT WONDERFUL MAN CAME AT A VERY GOOD TIME AND WITH FULL SUCCESS. STATED MONDALE LEFT AN EXCELLENT IMPRESSION IN BELGRADE. (AND NORTH AMERICAN DESK DEPUTY KOSTIC TOLD US THAT EVEN TITO HAD SAID HE WAS IMPRESSED.) BERNARDIC STATED THAT MONDALE WAS NOT AN "ORDINARY VICE PRESIDENT BUT A POLITICIAN OF HIGH CALIBER."

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PAGE 01 BELGRA 03337 02 OF 02 251407Z
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BELGRA 03337 02 OF 02 251407Z

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
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C O N F I D E N T I A L SECTION 2 OF 2 BELGRADE 3337

7. BERNARDIC SAID "DOOR IS NOW OPEN TO COOPERATION IN ALL FIELDS. WE KNOW EACH OTHER BETTER. WE ARE NOW MOBILIZING OURSELVES TO MAKE EVERYTHING POSSIBLE TO IMPROVE THIS WONDERFUL SPIRIT AND MAKE AN ADEQUATE PROGRAM FOR THE FUTURE". ONLY DISCORD COULD COME, HE SAID, "FROM OUR PRESS OR YOUR PRESS OR THROUGH DECLARATIONS BY PEOPLE WE CANNOT CONTROL" BUT ALL WOULD BE AWARE, HE SAID, THIS WOULD NOT BE USG OR GOY POLICY.

8. CHARGE CONFIRMED TO BERNARDIC THAT MEMBERS OF PARTY ENJOYED THE VISIT AND BELIEVED IT ACHIEVED ITS PRINCIPAL OBJECTIVES -- TO ESTABLISH CONTACT AT A HIGH LEVEL AND TO EXPRESS US SUPPORT FOR YUGOSLAVIA'S INDEPENDENCE, TERRITORIAL INTEGRITY AND UNITY.

9. IN SEPARATE CONVERSATION, TITO'S FOREIGN POLICY ADVISOR, ANDELJKO BLAZEVIC, TOLD CHARGE THAT TITO IS VERY MUCH INCLINED TO BELIEVE VICE PRESIDENT. TITO BELIEVES THERE HAS BEEN A SHIFT OF US POLICY TOWARDS SUPPORT ON NON-ALIGNED. ACCORDING TO BLAZEVIC, FONMIN MINIC HOWEVER IS SKEPTICAL. SAYS NOTHING HAS BEEN CHANGED BUT WORDS AND THAT "KISSINGER'S POLICY OF TRYING TO SPLIT THE NON-ALIGNED IS STILL OPERATIVE". BLAZEVIC CAUTIONED THAT IT WAS VERY IMPORTANT FOR ADMINISTRATION'S WORDS TO BE FOLLOWED BY ACTIONS, THAT US CONCRETELY DEMONSTRATE IT IS PREPARED TO GIVE UP ITS ATTEMPT TO "EXPLOIT DIFFERENCES AMONG NON-ALIGNED."

10. CHARGE RESPONDED THAT BLAZEVIC WAS NOT ENTIRELY ACCURATE IN DESCRIPTION OF KISSINGER'S POLICIES, BUT INsofar AS NEW ADMINISTRATION IS CONCERNED, THE VICE PRESIDENT IS ENTIRELY SINCERE. HE NOTED THAT THERE HAS ALREADY BEEN VERY SHARP SHIFT IN US POLICY IN SOUTHERN AFRICA AND THAT MONDALE WAS SINCERE IN STATING THAT THE US WILL FOLLOW A HANDS-OFF POLICY. BUT SUCCESS OF NEW POLICY WILL DEPEND ON SOVIET/CUBAN ACTIONS AND ON WHETHER NON-ALIGNED THEMSELVES ARE PREPARED TO ACT IN EVEN-HANDED FASHION. IN THIS RESPECT, YUGOSLAVIA'S LEADERSHIP ROLE IS KEY. NEW ADMINISTRATION RESPECTS NAM AND REGARDS IT AS IMPORTANT. QUESTION IS WHAT NA RESPONSE WILL BE.

11. OTHER FSFA OFFICIALS HAVE DESCRIBED VISIT TO US AND TO OTHER DIPLOMATS IN ESSENTIALLY SAME GLOWING TERMS AS BERNARDIC. INDIAN AMB, HOWEVER, NOTED THAT HE WAS (ALSO) TOLD CONCRETE POLICY ACTIONS MUST SUCCEED THE WORDS EXPRESSED DURING THE VISIT.

12. COMMENT: VICE PRESIDENT'S VISIT HAS BEEN CAPSTONE TO SERIES OF DEVELOPMENTS WHICH HAVE PLACED US-YUGOSLAV RELATIONS IN ANOTHER OF THEIR CYCLICAL ERAS OF GOOD FEELING. WHAT BLAZEVIC AND OTHERS ARE SAYING IS THAT THIS STATE CAN CONTINUE AS LONG AS FUTURE US POLICY ACTIONS IN AREAS OF THEIR DIRECT CONCERN MEET GOY SATISFACTION. IN THIS WE EXPECT THEY MEAN A FAVORABLE OUTCOME TO THE NEXT ROUND OF KRsko TALKS, POSITIVE MOVEMENT IN THE AREA OF MILITARY SALES, AND CONTINUED US ACTIVITY TOWARD SATISFACTORY SOLUTIONS IN SOUTHERN AFRICA AND THE MIDDLE EAST. FOR OUR PART, WE INTEND REMINDING THE YUGOSLAVS AS NECESSARY THAT THEY MUST PLAY SUPPORTIVE ROLES WHERE THEY ARE ABLE (INSTEAD OF GRAND-STANDING) IN WORKING FOR ACHIEVEMENT OF GOALS WE BOTH MAY BE SEEKING.

13. AS A SIDEBAR TO VISIT AND CURRENT STATE OF RELATIONS, US ARMED FORCES DAY RECEPTION AT DATT'S HOME MAY 22 DREW UNUSUALLY LARGE NUMBER OF YUGOSLAV MILITARY OFFICERS HEADED BY COS POTOVAR AND CHIEF OF GROUND FORCES PEKIC. YORK

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per 6/5/07 State JF
BY CA NABADATE 6/12/07

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THE SECRETARY OF STATE
WASHINGTON

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May 28, 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: Cyrus Vance ✓

1. PANAMA - You requested a review of the status of our negotiations. The current round of negotiations with Panama which began May 9 continued this week and will resume in Washington May 31.

All agreements reached so far in the round of negotiations are tentative and contingent upon reaching overall agreement on all outstanding issues.

As a result of agreements reached prior to this round as well as during the discussions during the past three weeks, the two sides have reached tentative agreement on the following issues:

Canal Zone and Canal Zone Government

The Canal Zone and the Canal Zone Government will cease to exist at the beginning of a new treaty. During the first three years of the treaty, all jurisdiction over the Zone will pass to Panama. In turn, Panama will grant use rights to the U. S. to operate and defend the Canal. The jobs of the Americans (and Panamanians) who work for the Zone Government will be phased out over the first three years of the treaty.

Neutrality

The two countries shall jointly guarantee the permanent neutrality of this canal (or any other canal to be constructed in Panama in which the U.S. is a participant). Neutrality guarantees

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non-discriminatory access and tolls to merchant and warships of all nations -- even nations that may be at war with the United States or Panama. We have told the Panamanians that we shall interpret the treaty as giving us the freedom to take whatever steps are necessary to meet any threat to the neutrality of the Canal.

Defense

During the life of the new treaty the United States will have all the necessary rights to defend the Canal with growing Panamanian participation in defense arrangements.

The United States will turn over to Panama by the end of the treaty all military bases in Panama. Some bases will probably be turned over in the early years of the treaty, others will be retained until the end.

Life of the Treaty

The treaty will last until December 31, 1999.

Agency to Run Canal

The Canal will continue to be operated by a U. S. Government agency. The agency will hire more Panamanians (75% of employees are currently Panamanian) at all levels (but the jobs of U. S. citizen employees will be secure). The agency will be run by a policy level board of 4 Americans and 3 Panamanians. (Appointed by the U.S.) The Administrator of the Agency will be American until 1990 and after that Panamanian.

Lands and Waters

Well over half of the land of the Canal Zone will be turned back to Panama. A joint Panamanian-American public authority will be set up to operate the ports and the railroad.

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The U. S. Government agency that operates the Canal will administer housing of its U. S. citizen employees.

Although several details remain to be concluded on some of the above issues, the last major issue -- payments to Panama for the Canal (called economic benefits) -- will be the major subject of next week's discussions. We currently pay \$2.3 million a year. We will probably offer \$35 to \$40 million per year. They will probably ask for much more. These payments are to come from the Canal tolls. The need for some increase in tolls is anticipated.

If the Panamanians are realistic on the economic benefits, conceptual agreement on all outstanding issues is possible within the next three weeks and before the OAS General Assembly. Thereafter treaty drafting will be undertaken based on the agreements reached. The American and Panamanian negotiators, by mutual agreement, are refraining from disclosing any details of agreements reached during this round of talks.

2. CHILE - We have pursued this week with the Chileans the serious state of human rights in their country. Warren Christopher received the Ambassador and singled out Chile's state of siege, lack of due process, and repressive intelligence agencies. He emphasized our readiness to continue a constructive dialogue with the Chilean Government and work toward improvement of their human rights situation.

Warren also met Allende's Foreign Minister Almeyda on Friday. Almeyda denied any improvement of human rights in Chile, nor could he envisage such without a basic change in the political system. Warren reminded him that, while we would not intervene in Chile's domestic affairs, we would not be deterred in our pursuit of improved human rights.

Fritz's meeting with Frei and Warren's meetings have attracted heavy press play here. The meetings demonstrate our

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willingness to communicate with all segments of Chile's body politic. Despite their unhappiness with the pressure we are bringing to bear, the Chilean Government has nevertheless authorized us to explore the prisoner exchange with the Soviets.

3. KOREA - Phil Habib and General Brown have already been asked to testify on Korea before the Senate Foreign Relations Committee and House International Relations Committee. We have told the Committees no dates will be set until after Habib and Brown have reported to you.

4. Soviet Trade - I wish to make a recommendation to you in connection with the visit of Soviet Minister of Foreign Trade Nikolai Patolichev to Washington during the week of June 6-10 for the Sixth Session of the US-USSR Commercial Commission:

I believe it would be extremely useful for you to meet with Patolichev, however briefly. It is presently planned that he should see the Vice President, but it is my belief that this would be interpreted by the Soviets as a negative signal, at a time when some modest, symbolic encouragement on the trade issue can be a stabilizing factor in the total relationship.

5. IRAN - Iranian Ambassador Zahedi came in today at his request to discuss the Shah's concern about our arms transfer policy, on which the Iranian Government was briefed as part of our explanation of our policy in capitals around the world. I asked Zahedi to assure the Shah that, while the timing and other details of our responses to Iran's requests would have to take into account both Congressional sentiment and our desire to reduce arms sales worldwide, we understood Iran's special security needs and would continue to take a positive approach to them. In this connection, I called Zahedi's attention in particular to the provision in your arms policy decision under which special consideration will be given to friendly countries that must depend on advanced weaponry to offset quantitative and other disadvantages in order to maintain a regional balance. I also stressed your high regard for the Shah. Zahedi said he thought our talk would clear up any misunderstandings in the Shah's mind.

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6. ETHIOPIA Orders Additional U.S. Staff Reductions -

The reductions in U.S. staff in Addis Ababa ordered by the Ethiopian Government today are less severe in overall numbers than the reductions we had ourselves planned, though we had planned to phase down by July 31 while they have given us a seven-day deadline. The Ethiopian order would eliminate our Defense Attaché Office (DAO) entirely (we had planned a reduction from 6 to 2) and would leave us with 4 rather than 6 Marines. However, they specifically excluded our AID mission from the reductions (we had planned a reduction from 28 to 8). While accepting the DAO closure (the British and Egyptian DAO's are also ordered closed), our Chargé has been instructed to ask the Ethiopians to accept our other planned reductions and timing as reasonable and rationally-related to our reduced activities. Meanwhile, however, we are proceeding with evacuation planning on the assumption that we will have to comply with the reductions and the deadline.

7. Letter to General Secretary Brezhnev - Yesterday I mentioned that I thought this might be a good time to send a letter to General Secretary Brezhnev on the SALT talks. Marshall Shulman and I have worked on the draft which is attached.

Attachment:
Suggested letter.

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SUGGESTED LETTER

Dear Mr. General Secretary:

I would like to share with you my feeling of encouragement at the constructive spirit that prevailed during the discussions between Foreign Minister Gromyko and Secretary Vance in Geneva. Of course there are difficult problems still to be resolved, but I feel that if we can continue to work at these problems in the same serious and friendly spirit, we will be able to reach a fair and mutually advantageous agreement.

I have been reflecting on the reasons for the difficulties we have experienced until now. I am sure it must have been as distressing to you as it has been to me that the hopes we each had for early progress on SALT and for substantial improvement in relations were disappointed. I have no doubt whatsoever about your sincerity in wanting to make progress in these urgent matters, and I hope you have no doubt about mine.

Before I assumed office, I tried to look freshly at what our two countries had been trying to do in the SALT negotiations for almost eight years, and my inclination was to go as directly and as boldly as possible to the objectives we both sought -- to increase our mutual security by achieving a more stable balance of weapons

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at more reasonable levels.

I have the impression that you too are a man who is accustomed to cutting through obstacles, and if we can bring this spirit to bear in our negotiations, it could result in a more sane solution to the security we both seek. We now have a better understanding of each other's positions and sources of apprehension, and I hope we are on our way to finding common ground.

In the weeks ahead, I shall be personally active in the continuing negotiations, and at the same time, I will continue my energetic efforts to develop the understanding of the American public and the Congress on these complex matters so that the agreement I hope we can achieve will have their support.

It is my firm belief that an agreement on this most important of all issues will serve as the foundation for a continuing improvement in the relations between our two countries, and will lead to constructive cooperation on many other problems and in many fields, to the benefit of our people and of the entire world.

I feel we are on the right road now, and moving in the right direction. I trust you will not hesitate to let me have the benefit of your thinking if ways occur to you by which we can work more

effectively toward mutually satisfactory solutions to our remaining problems.

Please accept, Mr. General Secretary, this expression of my highest esteem.

Sincerely,

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INFORMATION

Memo No. 1059-77
June 2, 1977

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift (S)

SUBJECT: Spring Budget Review on Foreign Economic
and Military Aid, Friday, June 3, 1977,
9:00-11:00 a.m., the Cabinet Room

Attached at Tab A is the OMB book, with a covering summary
prepared by Lynn Schenk for tomorrow's budget review on
foreign programs.

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MEMORANDUM

OFFICE OF THE VICE PRESIDENT
WASHINGTON

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INFORMATION

Memo No. 405-77
June 2, 1977

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Lynn Schenk

SUBJECT: Budget Overview: International Affairs,
OMB Briefing

The attached OMB book has been prepared for use by Executive Office representatives in their review of what is loosely defined as the "foreign affairs" budget, i.e., foreign aid and security assistance programs, State Department's operating budget, the foreign information and exchange program (USIA, etc.), and international financial programs (EXIMBANK). Military assistance programs are included although they are a part of Defense's budget process.

Aside from the general issue of coordination and trade-offs among all foreign aid programs, many detailed items included in the foreign affairs budget do not require more than your cursory attention. The most significant specific issues center around security assistance and its relationship to the Administration's arms transfer policy. As you know, the President has decided that arms transfers for FY 78 will be held to less than those of FY 77. Succeeding years would also be held below FY 77 levels.

Cash sales account for the bulk of our approximately \$10 billion in arms transfers and are, therefore, off-budget. Reviewed in the attached under security assistance are budgeted transfers - the grant military assistance program (MAP) and the foreign military sales financing program (FMS) - totaling approximately \$2.4 billion. The MAP provides a recipient country with defense articles, services and military training on a grant basis while the FMS program provides for the purchase of these same items by reimbursable loans or repayment guarantees. A final component of security assistance is a hybrid called "security supporting assistance" by which military oriented economic aid is provided by loan or grant to selected countries (primarily in the Middle East) having unique security problems.

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A couple of general observations should be made at this point. First, the Administration's commitment to stricter control over all arms transfers is complicated in the area of security assistance by the need to reassure our allies of our unfailing interest in their security. Abrupt changes or major cuts could have serious adverse political consequences and in some sensitive areas any reduction of dollars may be taken as lessening of U. S. support.

Second, an important element of the Presidentially directed review of U. S. human rights policy is the analysis of the relationship between providing security assistance and the acceptance of internationally recognized principles of human rights by the recipient country. The emphasis on fashioning our security assistance program so as to advance respect for human rights in the proposed recipient countries is expected to continue.

Turning to a couple of specifics which you may wish to consider in greater detail:

Middle East

The single best example of where all the programs come together is the Middle East (see double clip). We are engaged simultaneously in cash arms sales, credit arms sales (FMS), grants (which in the case of Israel includes the waiving of about half the FMS credits called "forgiveness"), security supporting assistance, USIA activities, etc. The total program for FY 79 is around \$3 billion (this does not include our activities vis-a-vis Iran and Saudi Arabia), or about one-third of the total U.S. foreign aid program.

The level of security assistance given to the countries in this area cannot be determined by budgetary criteria alone, but must include an assessment of the impact upon peace negotiations. OMB recognizes the importance of the diplomatic objectives and generally recommends that the amended FY 78 budget request be continued for current planning purposes even though OMB feels that real need does not support the figures.

With regard to Israel, OMB includes the President's economic aid figure of \$785 million (which appears to be down about \$35 million from FY 78), but proposes to cut the Israel request for FMS credits by 1/3 to reach the FY 78 level of \$1 billion (with 50% forgiveness). Seemingly based on Defense

Department studies, OMB suggests that from a military standpoint additional support is not necessary; however, the review book goes on to note that "agreed U.S. estimates of Israeli requirements are not yet available" (emphasis added). That poses some question about DOD's assessments of Israel's defense capabilities and the Department's own motivations.

Turning to aid for Egypt, OMB concedes the need for "even handed" treatment in the Middle East and therefore recommends that Security Supporting Assistance for Egypt be maintained at the FY 78 level of \$750 million.

Base Agreements

OMB raises the question of using security assistance, either grant MAP or FMS credits, as consideration for foreign military bases. OMB agrees with Congress that a direct grant MAP is an outdated form of assistance to be offered only in very special circumstances. Instead, FMS credits should be increased (particularly where MAP had previously been used). Although the credit sales category of arms transfers would be increased, OMB views this as more in keeping with the Administration policy than grant MAP. OMB also suggests that studies be made of alternatives to security assistance as a method of "paying for" bases. (e.g. payment of rent by Defense or economic assistance coming from foreign aid)

A sub-issue of a policy nature is whether assistance commitments of any kind should be explicitly included in base agreements. OMB suggests that State study the ramifications.

Conclusion

As part of an overall attempt to coordinate military aid with other economic or development aid going to the same recipient, OMB has sought in the past several years to reclassify security assistance as a foreign affairs budget item rather than as a part of the defense budget. Those efforts to date have been hampered by DOD's unwillingness to cut the linkage between such activities and its own arms development program and to give up DOD's extensive military assistance advisory group (MAAG) activities overseas. Presidents have been unwilling to overrule DOD's objections in the past. Currently, OMB views its charter under the President's zero-based budgeting concept



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