

DECLASSIFIED  
PA/HO, Department of State  
E.O. 12958, as amended  
June 9, 2005

THE WHITE HOUSE  
WASHINGTON

*Pres has seen 245*  
*ret 7/21*

ACTION  
July 18, 1969

~~CONFIDENTIAL~~

MEMORANDUM FOR THE PRESIDENT

FROM: Henry A. Kissinger *K*

SUBJECT: Economic Aid for India

Issue

You have asked for information on what alternative aid steps we could take toward India in the near future. Two such steps are available immediately:

1. AID is ready to go ahead with two major loans using FY 1970 money under their Continuing Resolution authority. The only issue is how to publicize the loans: through normal channels at once, through normal channels just prior to your trip, or by you personally on the trip.

2. The relevant agencies have recommended that you approve an FY 1970 PL 480 program of up to \$300 million for India. There are two issues: (a) Should you approve the whole FY 1970 program now or simply approve part of it, holding the rest until November when it could be considered along with the total AID program for FY 1970? (b) Whatever the answer to (a), how should we inform the Indians of our decision to maximize the impact for the trip?

New AID Loans

The \$35 million in AID loans are for highly desirable activities -- a fertilizer plant involving Indian and U.S. cooperatives, U.S. private firms and U.S. banks; and a program loan for general imports to help stimulate the Indian private sector. All relevant agencies agree to these loans. (There is a more detailed description of them on Pages 5 and 6 of Secretary Rogers' memorandum, attached at Tab B.)

On the question of publicity, it is my view that it would set an unfortunate precedent for you to personally announce new aid commitments when you visit foreign countries. You would obviously come under great pressure to do so everywhere, which is impossible. On the other hand, we should try to maximize the favorable impact on your trip of the announcement of the projects.

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RECOMMENDATION:

That you authorize me to instruct AID to notify the Indians on these loans just prior to your departure, with the exact timing to be worked out in connection with the overall trip scenario.

Approve RN

Disapprove, prefer to notify Indians  
yourself on the trip \_\_\_\_\_

PL 480

AID and Agriculture seek your approval to work out with India a sale under PL 480 of up to \$300 million in agricultural commodities (3.5 million tons of grain, edible vegetable oil, tallow and cotton). The rationale for a large part of this program is to help India build up its buffer stocks. This in turn will permit them to break down inefficient price and distribution mechanisms, which they have been trying to do for several years to build incentives for their agricultural revolution.

The Agriculture Department reports that our wheat stocks are well above last year's and that other major producers have record stocks, so we will continue to face sharp competition in the commercial market. Announcement of these sales would thus help Agriculture domestically.

Bob Mayo concurs with the proposal and promises to keep the program within budget ceilings although the details for doing so have not yet been worked out.

The main problem with the proposal is procedural. NSDM 10 directed submission to you of each major country aid program once a year so that you could address each in its entirety and choose among various options both substantively and tactically. One specific reason for this approach is to coordinate the AID and PL 480 components of our aid programs.

The proposed package, however, is for PL 480 alone. AID feels that they cannot meaningfully propose the overall economic program until the FY 1970 appropriation is decided, which will not be until fall. There is no discussion in the State/AID paper (Tab B) of the relationship between PL 480 and AID in this our largest aid program. And since most of the wheat is for buffer stock purposes, it is not needed with great urgency.

Mayo's memorandum (Tab A) thus presents an alternative to the proposal of the agencies: to authorize now only whatever PL 480 is needed to keep the program moving until the overall India aid review in the fall. He recommends against this alternative, however, because (a) it is desirable to maintain a steady shipping schedule on these large amounts of grain and to complete them before the monsoons begin in the spring, (b) a short-term package might imply to India that you were reverting to the Johnson policy of keeping them on a short leash, (c) there is in practice little if any tradeoff between AID and PL 480 in India, and (d) events between now and November are unlikely to change the outcome.

RECOMMENDATION:

That you approve the recommendation of the agencies to approve the full \$300 million PL 480 package for India for FY 1970. This course would create an exceptionally good tone for the Indian part of your trip because of the marked contrast with the Johnson "short leash" approach.

Approve 

Disapprove, prefer to approve only enough PL 480 at this time to keep the program running smoothly until the overall India aid package is ready for your consideration in November.

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