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September 4, 2008

THE WHITE HOUSE
WASHINGTON

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MEMORANDUM OF MEETING

Held on Thursday - June 12, 1969
at 11:00 a.m.
in the Office of the President

PARTICIPANTS - The President
President Carlos Lleras Restrepo of Colombia
Dr. Rodrigo Botero, Economic Adviser and
Private Secretary to President Lleras
Mr. Viron P. Vaky, NSC Staff
Mr. Fernando van Reigersberg, Department
of State Interpreter

SUBJECT: Initial Conversation with President Lleras

1. The Forthcoming IA-ECOSOC Conference and Trade

The President invited President Lleras to bring up whatever topic he desired and President Lleras replied that the most urgent matter before the United States was that of the position of its Delegation at the forthcoming IA-ECOSOC meeting in Trinidad. It was imperative for the United States to attempt to change the "climate" of its hemispheric relations. If this were not started in Trinidad the US would enter a difficult period. It would be hard to find another convenient moment to make changes in US policy.

The IA-ECOSOC meeting would be taking up a well prepared Secretariat report and the CECLA conclusions. While it was difficult to go into a rapid analysis of those two documents during this Presidential visit, it was important to study both documents expeditiously since they covered a wealth of topics such as trade, navigation, cooperation and even relations with other international organizations, including GATT.

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A firm US position on matters such as untying loans and trade preferences could be very beneficial to improve hemispheric relations and could conceivably lead to a gradual attack on certain practices of European countries.

The President noted briefly that this whole matter should also be discussed with Secretaries Stans and Kennedy, with Messrs. Samuels, Meyer, Gilbert and Houthaker, representing different interested government agencies.

President Lleras stated that he had already discussed with Governor Rockefeller some of the difficulties of dealing with so many agencies interested in a few fields and he appealed for greater coordination on the part of the US during international negotiations.

President Nixon stated that the US generally tried to avoid tied loans but there was occasional Congressional pressure for them, as Governor Rockefeller had probably indicated. The President personally favored aid without any strings attached, especially to Latin America.

President Lleras said that he understood the difficulties with Congress but he felt very strongly, for example, that in the case particularly of program loans (which undoubtedly had greatly benefitted Colombia and for which his country was very grateful), "additionality" clauses and similar restrictions which allegedly safeguarded the US balance of payments situation achieve benefits that were really insignificant compared to the ill will they produced all over the hemisphere. He thought the removal of additionality would be highly desirable.

The President stated that the whole matter of preferential tariffs and so on was very controversial and had not yet been reviewed by the new Administration. Much before he came to the White House, the President had felt that Latin America should be treated differently from the rest of the world, especially since the amounts of funds involved in the case of Latin America were relatively small. In the field of tariffs, if Latin America were treated differently other countries might object. There are those who feel that preferential treatment should be accorded to all developing countries with the possible exception of those former colonies of Europe who maintain special

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trade relations with their former masters. There are others who feel that the US should have special tariff regulations for Latin America. It would be useful to have President Lleras' thinking on the matter for further discussions within the US government.

President Lleras replied that conditions on loans and trade and tariff preferences were two separate issues and should not be lumped together. With regard to tariffs, a number of different formulae have been put forth, for instance the IA-ECOSOC Secretariat has recommended that the UNCTAD recommendations coming out of the New Delhi conference be implemented. The United States might, for instance, accord preferential treatment to all underdeveloped countries for a certain period of time and then curtail it in the case of those countries continuing to receive special treatment from other developed nations.

What was important at Trinidad was the way in which these issues were handled and studied--the mechanisms. In order to gain the greatest possible political impact in Latin America, it would be most important for the US Delegation to accept, in principle, a joint US-Latin American study of these subjects with a view to formulating a hemispheric policy. A negative attitude by the US would be disastrous.

The President said that there should be some deadline on studies. We could study things indefinitely, as we had in the past. If action is not forthcoming there may be no hope left.

President Lleras stated that circumstances were setting their own deadline. The ECOSOC meeting made it necessary to make certain decisions. A general policy statement would have to be made, although details could be studied later. Some delegations at the CECLA meeting had proposed that the ECOSOC meeting be "recessed" during which time special working groups would study issues and report back by a given date to a reconvened meeting of the Council. What was important was the adoption of a frank and clear position by the US of its willingness to support the creation of mechanisms to study and implement new policies.

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2. Coffee

Turning to coffee, President Lleras said that he had been told that the US position at the current meetings of the Executive Board of the International Coffee Agreement in London had been very cooperative. Nevertheless, there continued to be much opposition to the acceptance of the agreement recently reached between coffee producing countries in Geneva. If a favorable outcome could not be reached in London, the price of coffee in future months would deteriorate. The considerable Colombian efforts to export commodities other than coffee (showing a 37% increase over last year) would be offset by a drop in coffee prices and by a resulting drop in foreign exchange earnings. The problem was that the yearly coffee quota had been set at an excessively high level and this had produced an obvious surplus in the world market. He expressed the hope that it would be possible to avoid a rejection of the Geneva formula. Otherwise, it would become apparent that the Coffee Agreement was unworkable and that consumers and producers could not agree on prices.

The President stated that the general question of coffee was a very important matter directly affecting the economies of Colombia, Brazil, El Salvador and others. He appreciated Colombia's export diversification efforts although he realized that coffee was still the main provider of foreign revenue.

3. Armaments

President Lleras acknowledged that he was not an expert in military matters. He had received a report on talks between General Porter and the Colombian Minister of Defense and Chiefs of Staff during the recent Rockefeller trip regarding the need for up-to-date equipment. Colombia has traditionally not been a heavy buyer of arms. Nevertheless, it is very poorly equipped compared to some of its neighbors. While Colombia does not want to enter into an arms race that would be incompatible with its economic situation, it felt that it needed to modernize its military hardware, for instance, in order to train its pilots who now fly World War II planes. The Colombian government has studied a plan for the gradual purchase of F-5 fighter aircraft that would give the country a small defense force. Colombia is extremely vulnerable and could be paralyzed in

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24 hours if a foreign attacker destroyed its oil installations in Cartagena and Barrancabermeja. A minimum amount of assistance from the US would be required to acquire some modern equipment. President Lleras understood Congressional sensitivity on this issue, but felt that some minor purchases would not be a waste of money and would provide some basic defense requirements.

The President stated that he held strong views on these matters and that he looked favorably on such requests. He realized that Colombia did not want arms for purely symbolic reasons but in order to have an adequate defense. While there were some in Congress who were opposed to the sale of arms, the President agreed with President Lleras on this. He added that he was not familiar with the details of the Colombian plan but felt that its general objectives deserved US support.

4. Highways

President Lleras stated that it would be very constructive for the sake of physical integration of the Americas to complete the unfinished portion of the Pan American Highway in Darien. This would have a tremendous impact all over the hemisphere. Colombia is working very hard, with help from the Inter-American Development Bank, on its East-West (Transversal) Highway which would link the Caribbean with the Pan American Highway. Colombia wants to have a fully useable road from the Panamanian border to the Venezuelan border. The national legislature has enacted legislation to make the North-South highway the Pan American Highway. It was now difficult to obtain external aid to finance both roads -- the one crossing the Atrato marshes between Panama and Venezuela, and the Pan American one along the Pacific coast which would open up the valuable Choco area. While the US could not possibly help in the construction of both roads, President Lleras wondered whether the US could agree to a formula similar to that which was used to finance the Central American portion of the Pan American highway in the case of the Atrato highway and provide two-thirds of the needed funds while Colombia provided one-third.

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President Nixon stated that when he had visited Central America in 1965 he had urged the completion of the highway all the way to Panama. The Central American segment had now been completed and this had had not only an important symbolic effect but had had an important economic effect by opening up some of the heartlands. Completion of the road should not drag on for another 20 or 25 years; it should be completed soon. Otherwise costs would continue to creep up as a result of inflation. While costs generally went up 5% per annum in the US, the rate in Latin America would probably be even higher.

President Lleras agreed. He added that if the Atrato highway could be built on the basis of the Central American formula, then the Choco highway could be built by Colombia with only a minimum amount of aid from the US. This would open up new agricultural areas and greatly benefit integration.

President Nixon reiterated that he hoped the roads could be constructed in a reasonably short period of time.

5. Pacific Fisheries

President Lleras recalled that he had discussed with Governor Rockefeller a possible meeting of countries on the Pacific coast of South America on fisheries. He felt that Colombia's participation might be useful in an attempt to reach a definitive solution to the problem.

6. US-Peruvian Relations and the IPC

In response to a question from the President, President Lleras indicated that the IPC problem was a much more serious one. What should be avoided as something that might arouse much political solidarity was to turn this problem, which the Peruvians have described as an internal matter, into a confrontation between the US and Peruvian governments. Agitators in the hemisphere should not be given a pretext that would permit them to point to what they would describe as a clear-cut case of US economic aggression against Peru.

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The President asked what would happen in Colombia if there were a US-Peruvian confrontation.

President Lleras replied that the reaction would be less serious in Colombia than anywhere else in the hemisphere. However, even in Colombia there would be difficulties if there were to be an upsurge of hemispheric reaction. He added that he had discussed the whole issue rather briefly with Governor Rockefeller and that some thought had been given to the possibility of settling the IPC issue on the basis of Peruvian legislation in force before the take-over. President Lleras did not know if such a solution would be acceptable to the Peruvians.

President Nixon asked whether in the event of a confrontation President Lleras expected General Velasco to move towards the Left and to get wide-spread public support.

President Lleras replied that there were two main trends in the present Peruvian government. One, that of General Velasco and some other very radical generals, and a moderate group headed by Generals Mercado, Benavides and Montagne. It would be very difficult to forecast what the popular reaction would be to a strong appeal for national solidarity based on describing the US as the aggressor. The reaction of the Peruvian masses might well be one of strong support for their government. As a matter of fact, President Lleras expressed the fear that in view of the existing social climate in Latin America and despite the position of the Peruvian oligarchy there might well be a very radical reaction.

7. Radical Movements in Latin America

President Lleras stated that two radical trends were in evidence today in Latin America. Both were attempting to tie in the need for social change with opposition to alleged American "imperialism". One was, of course, Communism which could always count on small groups of university students, workers and peasants. The other group was made up of revolutionary priests and even bishops who have been talking more and more about "economic imperialism".

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The situation might well become more dangerous in the future. Many of the young radical priests had simple, unsophisticated economic ideas which were easy to put across to the masses.

The President thanked President Lleras for his valuable and frank views and promised him that he would study them very seriously.

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