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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

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MEMORANDUM FOR: THE PRESIDENT
FROM: HENRY A. KISSINGER *HK*
SUBJECT: 1971 Aid Program for Colombia

Secretary Rogers (Tab A) requests your approval to negotiate with Colombia a 1971 aid program of up to \$87.8 million (\$75.6 million in AID loans, \$3 million in technical assistance, \$9.2 million in PL 480 wheat). Treasury and Agriculture concur. The program conforms reasonably well to the new directions for U. S. aid policy outlined in the Peterson Report and your message of last September 15.

Although the same level as last year, the loan funds will no longer be used for overall balance of payments support but rather for direct support of Colombia's investment budget in agriculture, education, and especially urban/industrial development. Urban unemployment is a major political problem in Colombia, which if left unarrested could seriously shake the present moderate government in the next national election in 1974, and is thus a major new focus of our aid effort.

However, because Colombia's internal savings rate is relatively low and it relies heavily on external resources to finance its investment budget, there is a tendency to use aid as a substitute for, rather than a complement to, Colombia's own investment in certain sectors. OMB (Tab B) therefore recommends that the following negotiating guidelines be set:

- We should not provide a greater percentage of the total investment in any sector than that committed by the United States last year.
- We should not provide more than one-half of the funds for any new activity or for the expansion of any ongoing activity.

The establishment of these guidelines would:

- Mean that the total \$87.8 million would be provided to Colombia if it adheres to its present development plan in the pertinent sectors.
- Make Colombia aware that our aim is to complement its own efforts; and that if it reduces its financing in any sector below planned levels, we would adjust our contribution accordingly.

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- 2 -

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-- Inform our negotiators that their enthusiasm for a particular sector or project should not cause them to provide the major portion of the funds for it in order to convince Colombia to undertake it.

Colombia is one of the few Latin countries which has consciously pursued a national policy of free political processes, economic growth, social development, and warm relations with the United States. High urban unemployment and other social difficulties have now raised potentially serious political problems. The proposed aid agreement is evidence of our continued commitment to Colombian development, but also of our desire to support, rather than substitute our assistance for, Colombia's own efforts.

RECOMMENDATION:

That you approve Secretary Rogers' aid program for Colombia of up to \$87.8 million with the negotiating guidelines proposed by OMB as outlined above.

Approve HK for RV

Approve but prefer no negotiating guidelines _____

Disapprove _____

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