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NSC REVIEW
COMPLETED,
06/26/2003

21 February 1968

**CIA HISTORICAL REVIEW PROGRAM
RELEASE IN FULL 1995**

Mr. A. Russell Ash
National Security Council
Room 386
Executive Office Building
Washington, D. C. 20506

LEWIS

Dear Russ:

Per our phone conversation today, I am attaching hereto a copy of National Security Council Intelligence Directive No. 1 (revised 4 March 1964) for your use in making it available to the Department of the Treasury for information.

I understand that, by arrangements with Mr. Robert Bean, this copy will be provided to the Office of the Assistant to the Secretary (National Security Affairs) to meet the needs of the Secret Service.

Please let me know if there is anything more I can do in this regard.

Very best regards.

Sincerely,

[Redacted Signature]

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Attachment:
NSCID No. 1

[Redacted] / 21 Feb 68 (ext. [Redacted])
Distribution: Orig. & 1 - Addressee with att.
1 - EA/DCI
1 - O7CRS [Redacted]

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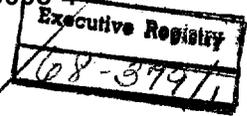
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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506



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January 22, 1968

NATIONAL SECURITY COUNCIL MEETING No. 579

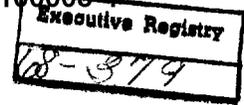
January 24, 1968 - 12:30 P.M.

AGENDA

1. The Cyprus Situation - CIA Director Helms
2. A strategy for the negotiation of a Cyprus Settlement - Secretary Rusk

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*a copy has
been given [unclear]*



NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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January 22, 1968

MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

The enclosed paper proposing a strategy for the negotiation of a Cyprus settlement will be considered at the next National Security Council Meeting scheduled for Wednesday, January 24, 1968.

A handwritten signature in cursive script that reads "Bromley Smith".

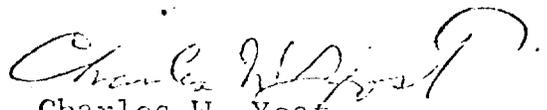
Bromley Smith
Executive Secretary

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STRATEGY FOR NEGOTIATION
OF A CYPRUS SETTLEMENT

The Cyprus Study Group was established on December 11, 1967, for the purpose of evolving "a strategy through which the parties to the Cyprus problem can be brought to accept a solution holding some promise of stability, durability and insurance against recurrent threats to Greek-Turkish amity and peace in the area." The Group has studied the problem and the attached report sets forth the conclusions it has reached.


Charles W. Yost
Career Ambassador, Retired
Chairman, Cyprus
Study Group

December 20, 1967

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GROUP 3

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not automatically declassified.

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Strategy for Negotiation of a Cyprus Settlement

As the Cyprus situation now stands, the matters being considered for negotiation among the parties fall into two categories: Those shorter-term measures coming within paragraph 4 of the Greek-Turkish accord, and a long-range settlement of basic issues. The Study Group believes that it would be feasible to conduct the negotiations on the two categories separately, though it might in the end prove impossible to reach agreement on short-term measures until a context is provided by a long-term settlement.

In considering what role the United States should play in attempting to promote and assist these negotiations, the Study Group has assigned greatest weight to the danger of war in the area. The Group accepts the thesis that unless and until a long-term settlement is reached, a recurrence of last month's crisis is very likely, and that if it recurs, war can probably not be avoided. Under these circumstances, the Group believes that the United States Government should, immediately and in coming months, take whatever measures lie within its power to bring about a negotiation and a long-term settlement.

Such measures involve, first, our assuring that third party assistance is available to help bring about negotiation (provided by either the UN or ourselves); and second, our commitment of the substantial political and modest economic resources necessary to support the extremely difficult process of bringing the parties to agreement.

The Study Group has taken into account the undeniable disadvantages of engaging the United States in an attempt, by no means assured of success, to settle a dispute of such complexity. It has weighed against this factor its belief that without direct United States leadership the chances for a settlement are materially reduced, and it

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has concluded that the risks are worth taking. The United States would be able to bring greater pressure to bear on the parties than other possible intermediaries, and without such pressure agreement seems unlikely. The United States has, in particular, greater leverage with the Turks. Attempting to work behind a representative other than an American reduces our control and the chances of success without reducing the commitment to the maintenance of peace in the area which, in the last analysis, we have recognized whenever peace has been threatened.

The Study Group has been impressed, however, with the degree to which the problem of Cyprus is linked to the United Nations. Since March 1964 it has been dealt with primarily within a UN framework. The Secretary General's recent appeals and the Security Council resolution extending the mandate of UNFICYP further embed it in the United Nations. The Group has concluded that the United States must acquiesce in UN leadership where the Secretary General and the parties consider that this course should be followed. It believes it would be preferable, however, if the UN good offices were related principally to the negotiation of the short-term measures, while the United States took the lead in assisting the negotiations for a long-term settlement. There is logic to this division, since the short-term measures concern UNFICYP and are the principal subject of the Secretary General's appeals. It considers that an early step should be an effort to work out an arrangement with the Secretary General along these lines. There are attached two scenarios which outline the two alternative courses of action which might develop, depending on whether such an arrangement can be arrived at:

Scenario I: United States leadership within a general UN framework, or

Scenario II: UN leadership with strong and persistent United States support.

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The essential difference between the two is that in the first case a United States representative would promote and assist the negotiation directly with the parties, while in the second case a UN representative would do so. Each scenario assumes the UN will take on the task of providing assistance to the parties on the negotiation of the short-term measures covered by paragraph 4 of the Greek-Turkish accord.

In weighing the advantages of United States against UN leadership the Group noted that the Cyprus Government has in the past strongly preferred a UN arena because it has felt the Secretariat, the Soviet and non-aligned presence in the Security Council and the non-aligned majority in the Assembly, provide it with certain advantages. This factor seems to be offset, however, by Turkish distrust of the UN. Whether Cyprus will accept other than UN good offices can be determined early in the negotiation and the question should not preclude the United States from attempting an initiative.

Both attached scenarios make reference to the possibility of direct Cypriot-Turkish talks. Embassies Ankara and Nicosia have emphasized the desirability of negotiations on this basis. The Study Group agrees that they would be desirable, particularly since the partial disengagement of Greece leaves the issue more directly between Cyprus and Turkey. The Group is concerned, however, that negotiations between the two would not be fruitful unless third party assistance were available and unless careful preparatory work were done. It therefore has left direct talks as a phase to be worked toward as negotiations proceed.

Previous United States efforts to promote a long-term settlement were based on some form of enosis. Such a solution no longer seems realistic, and the Study Group has concluded that a settlement will likely have to be sought on the basis of an independent Cyprus. A paper outlining the possible elements of such a settlement (the Declaration of Reconciliation) is attached.

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The Study Group notes that the earlier preference for enosis was based in part on the thought that, in this way, the heavy indigenous communist influence on the island could be partially neutralized. In the absence of enosis this will not be the case. The Group considers that this problem should be kept in mind during the coming period and that, in particular, the development of adequate internal security forces on the island should be encouraged.

The Study Group has considered supporting measures which might further negotiations toward a settlement. Some of these in the economic and security fields would require United States financial assistance to have significant effect. They could provide to the Cypriots a positive stimulus to agreement which would reinforce the implicit threat from Turkey and the pressures of other governments. Some possible measures are described in an attached paper. They include, for example, police training, retraining of demobilized fighters, development of employment opportunities, etc. The Group considers that the value of a settlement, in terms of United States interest, is such that we must be prepared to make expenditures of this kind.

RECOMMENDATIONS

1. That the United States strive to bring about in conjunction with the UN Secretary General an arrangement under which the UN assists the parties in reaching agreement on the short-term matters covered in paragraph 4 of the Greek-Turkish accord, and the United States assists them in working toward a long-term settlement (Scenario I);

2. That, if agreement is reached on such an arrangement, and if the initial soundings by Embassies prove positive, the United States promptly appoint a respected and experienced diplomat to promote and assist negotiations among the parties looking toward a long-term settlement; that the United States give active support at the same time to the UN activity in connection with short-term measures;

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3. That the United States effort toward a long-range settlement take as its point of departure the attached Declaration of Reconciliation;

4. That, if the UN Secretary General considers the United Nations should take the lead in efforts to reach a long-term settlement, the United States acquiesce and play a vigorous supporting role;

5. That the United States take the lead in multi-lateral (or if necessary, unilateral) economic and political support designed to improve the environment for negotiation and reduce some of the causes of conflict. Our economic support is the subject of a short study which is attached.

Attachments:

1. Cyprus Scenario I: United States Leadership
2. Cyprus Scenario II: United Nations Leadership
3. Declaration of Reconciliation
4. Economic Support for Negotiations

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Approved For Release 2003/09/02 : CIA-RDP80B01676R002900100008-4

Cyprus Scenario I: United States Leadership

1. Discuss the following program with the Canadians and British in New York and Washington.
2. Discuss with the UN Secretary-General what he proposes to do about:
 - (a) possible widened application of present UNFICYP mandate in fields of security, disarmament and pacification;
 - (b) negotiation of expanded mandate;
 - (c) negotiation of National Guard disarmament;
 - (d) negotiation of long-term settlement.

Explore with him the relationship between the limited measures (covered by paragraph 4 of the Greek-Turkish accord) and a long-term settlement.

He may say he does not intend to play a role in either aspect in the absence of a positive request by all three parties. If this his position, outline for him the effort we are prepared to make toward a long-term settlement involving the Declaration of Reconciliation. (He will identify this as Canadian.) Strongly urge him to take on the attempt to negotiate paragraph 4. (If necessary, urge the parties to avail themselves of his good offices.)

If the Secretary-General indicates he intends to make an active attempt to assist the parties to reach agreement on paragraph 4 (e.g., if the Security Council resolution requests him to or if the parties have requested it), outline our long-term plan, as above. Say we are prepared to go ahead with this simultaneously with his effort re paragraph 4.

It is possible, though unlikely, that the Secretary-General will say he intends to be active both with respect to paragraph 4 and a long-term settlement. In such a case, Scenario II applies.

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3. Proceed along the lines of the understanding reached with the Secretary-General. If the United Nations will be conducting a negotiation on paragraph 4, support it and coordinate carefully with it.
4. As the initial step in the US effort regarding a long-range settlement, Ambassador Belcher will approach Makarios to obtain maximum GOC cooperation. This step, if successful, will be followed by similar approaches in Ankara and Athens. Should one of the parties react negatively to the US initiative, consider other means, such as encouraging recourse to the good offices of the Secretary-General.
5. In case of tripartite concurrence, designate an experienced and respected US diplomat to play an active intermediary role among the parties. He will attempt to find common ground among the parties and develop an agreed settlement on that basis.
6. As the negotiation proceeds, keep under active consideration the possibility of putting the Turkish and Cypriot Governments in direct touch with each other at some point.
7. As the next Security Council meeting approaches, review the situation with the UN and the parties with the aim of using this event as a catalyst to achieve the maximum degree of accord. Seek to reflect in the next Security Council resolution, where appropriate, any specific agreements reached by that time. Include language urging continuation of negotiations, if they are not completed. Pursue talks as before thereafter.
8. If the negotiation approaches culmination, work out with the Secretary-General the role which the UN could best play in the final stage.

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Cyprus Scenario II: United Nations Leadership

1. Discuss the following program with the Canadians and British in New York and Washington.
2. Discuss with the UN Secretary-General what he proposes to do about:
 - (a) possible widened application of present UNFICYP mandate in fields of security, disarmament and pacification;
 - (b) negotiation of expanded mandate;
 - (c) negotiation of National Guard disarmament;
 - (d) negotiation of long-term settlement.

Explore with him the relationship between the limited measures (covered by paragraph 4 of the Greek-Turkish accord) and a long-term settlement. If he says he wishes to pursue a long-term settlement himself (together with negotiation of paragraph 4 of the Greek-Turkish accord), outline for him the approach to the parties which we believe has some chance of success, including the Declaration of Reconciliation. (He will identify this as Canadian.) Point out the problems he may have with Turkey and offer our active support in Ankara as well as other capitals. Suggest he work toward direct Turkey-Cyprus talks.

Suggest the appointment of a special representative who would have the confidence of all parties. A Canadian would be ideal, since Canada is not considered partisan, is a Commonwealth country, is a major troop contributor, and has been deeply involved.

Inform him of our serious concern for the future of the area in the absence of a settlement, given in particular our doubts that Turkey could again be restrained. Convey the impression that we have a major stake in his exercise, and that we feel under an obligation to do all we can to see that some stable arrangement is arrived at.

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3. Depending in part on the talk with the Secretary-General, meet with the three parties separately in New York and capitals. Describe to all our interest in the working out of the implementation of paragraph 4 of the Greek-Turkish accord and a long-term settlement.

Ankara - Tell the Turks we intend to exert ourselves on behalf of paragraph 4 and a settlement and that we think the UN Secretary-General's effort is the best opportunity to gain satisfaction of Turkish wishes; emphasize we are directly supporting it; urge cooperation.

Nicosia - Tell Makarios we are gratified we could save peace, but we don't think we could do it again. We are convinced Turkish patience is at an end. With withdrawal of the Greeks, it is up to Makarios to settle things with the Turks. Refer to the UN effort; note our active role.

4. Our UN Representative and three Ambassadors will in fact follow closely and constantly, pushing and helping where desirable. Keep close touch with the Secretary-General and his assistants, making sure they pay due regard to Turkish attitudes. Reassure Turks on this score as necessary. (We might consider appointing a single US official to travel about the area, keeping tabs on negotiation, supporting the UN representative, etc.)

5. At some point it may become evident the talks are seriously bogging down. The Secretary-General, one of the parties (e.g., Turkey), or the UN representative may tell us this is the case. If this happens, consider whether to assume leadership. The positions of the parties might have made it clear we would not succeed either, and we would have to consider other ways of approaching the problem. We might, however, have reason to believe we could surmount the difficulty and we could propose to the Secretary-General that the U.S., within the general UN framework, attempt to revive and carry forward the negotiation. We might, for example, propose that we try to bring the Turks and Cypriots together on a particular range of issues.

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If we do decide to become more active, we would have to consider appointing a special representative, presumably not a high-level Presidential representative but an experienced and respected diplomat.

6. As the next Security Council meeting approaches, review the situation with the UN and the parties with the aim of using this event as a catalyst to achieve the maximum degree of accord. Seek to reflect in the next Security Council resolution, where appropriate, any specific agreements reached by that time. Include language urging continuation of negotiations, if they are not completed. Pursue talks as before thereafter.

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DECLARATION OF RECONCILIATION

The United Kingdom of Great Britain and Northern Ireland, the Kingdom of Greece, the Republic of Turkey, and the Republic of Cyprus,

Recalling their many common bonds and shared interests,

Affirming their conviction that the progress and welfare of their respective peoples require the establishment and maintenance of cordial relations between them,

Conscious that contrary to such fundamental interests, the relations between the respective signatories have become impaired, which situation they now desire to remedy,

Declare as follows:

I. Greece, Turkey, and the United Kingdom reaffirm their recognition of the independence and territorial integrity of the Republic of Cyprus.

II. The Republic of Cyprus reaffirms its obligations to ensure the fundamental rights and liberties of all Cypriots in accordance with Part II of the Constitution of Cyprus.

III. The signatories recognize the mutual benefits

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derived from the presence in Cyprus of the United Nations Force (UNFICYP). On the basis of their conviction, however, that such a force ought not to be retained indefinitely, they agree to support in the United Nations a proposal providing for the termination of UNFICYP as currently constituted within six months after signature of the present Declaration and to support the designation of a United Nations Representative for Cyprus as provided in Article IV hereof.

IV. The signatories consider it appropriate that the United Nations should be assured that the fundamental rights and liberties of all Cypriots are being safeguarded. Accordingly, the signatories will request the Secretary General of the United Nations to designate a Representative in Cyprus who will be directed to observe and report directly to the Secretary General regarding the state of affairs insofar as such fundamental rights and liberties are concerned. In the event that it shall appear to the Secretary General that such rights are not being safeguarded, he shall immediately communicate his conclusion with proposals for remedial action to the Government of Cyprus which shall be bound to respond thereto.

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Citizens of Cyprus may also avail themselves of the provisions of the European Convention for the Protection of Human Rights and Fundamental Freedoms by direct appeal to the European Commission of Human Rights in instances in which they consider that violations of the Convention have occurred. The Government of Cyprus shall take appropriate action to enable all Cypriot citizens to avail themselves of the right of such appeal.

V. The UN Representative shall be assisted by an immediate staff comprised of three senior military officers and three civilians, one of each designated by the United Kingdom, Greece, and Turkey. The staff shall assist the Representative in investigating any reports of violations of fundamental rights and liberties in Cyprus. The Representative shall also be assisted by such additional staff of observers as may be required.

The United Nations Representative shall also be assisted by a Senior Police Officer whose responsibility it will be to deal with any incidents in Cyprus which may involve or lead to intercommunal disturbance.

VI. Within six months from the signature of the present Declaration, the Government of Cyprus will enact legis-

at least one-fifth of which shall have a predominantly Turkish Cypriot population. Such Districts shall have an administration which is predominantly Turkish Cypriot; including police, and municipal and county services, and shall be represented by Turkish Cypriots in Parliament.

Within three months from the signature of the present Declaration, the Government of Cyprus shall submit to the UN Representative proposed draft legislation designed to implement the above undertaking. Should the UN Representative consider that the proposed legislation, if enacted, would not effectively discharge the above undertaking, he shall make such views known to the Government of Cyprus together with recommended modifications. Should the Government of Cyprus fail to submit a proposal by the end of three months which the UN Representative considers satisfactory, he shall provide the Government of Cyprus with a draft which in his judgment would satisfy the undertaking.

VII. Mutually shared interests require emphasis on the future rather than the past. Accordingly, the signatories agree that legal and administrative action taken in the name of the Government of Cyprus prior to the signature of this Declaration will not be called into question. However,

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Turkish Cypriot holders of public office, including the Vice President, Ministers, members of the judiciary, the House of Representatives and the civil service will return to their positions without penalty, compensation to commence as of the date of their return. The UN Representative shall determine on an equitable basis the resolution of conflicts which may arise in implementation of the foregoing provisions.

VIII. Compensation will be provided to individuals who have sustained property losses or damage as a result of the impairment of intercommunal relations since (date) or who may choose to relinquish property in one part of Cyprus to move to another part or to depart from Cyprus. The United Nations Representative shall make recommendations to the Government of Cyprus with respect to legislation for the equitable settlement of such claims.

IX. After a period of five years, the signatories will, upon the request of any one of them, review the arrangements set forth herein. Such review shall take into consideration the desire of the Cypriots for self-determination; the security interests of the signatories; and the necessity of ensuring that any alternative arrangement would not diminish either the political or other fundamental rights and

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liberties of the Turkish Cypriots as provided in the present arrangement.

United Kingdom

President of Cyprus

Kingdom of Greece

Vice President of Cyprus

Republic of Turkey

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MINUTE OF UNDERSTANDING
(To Remain Secret)

1. Steps will be initiated to ensure that unprescribed military or paramilitary forces are not present in Cyprus.
2. Police authorities will take appropriate action to ensure that only duly authorized persons bear arms.

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Economic Support for Negotiation

We should seek to have other nations join us in providing economic support for the settlement effort. The U.K., which has a large stake in Cyprus, probably would be willing to participate. Other NATO members might also join in. At a later stage, Greece and Turkey could be called upon to share in financing measures to reduce some of the causes of conflict in Cyprus.

Except for the support of UNFICYP, it would in general be best not to use the UN as the channel for our assistance. Under UN economic assistance procedures it would be much more difficult to insure use of the aid for the precise purposes we intend. However, our support would be given in the closest coordination with the UN.

Assuming that U.S. funds can be made available, our first step would be to invite the U.K. and other governments to join in this project. Depending on the role to be played by the UN, we would then determine with the UNSYG how our offer of support will be made to the parties and on what terms.

As we envisage it, our economic support would include the following:

- a. Training a reconstituted and integrated police force (including counter-subversion training).
- b. Rehabilitation and retraining of demobilized fighters of both communities, with the aim of fitting them for productive work and concentrating their attention on subjects other than the Cyprus dispute. This project would, of course, also aid in Cyprus' economic and political development, with helpful long-term effects.
- c. Development of additional sources of employment for demobilized fighters (this also is an economic development project).
- d. Scholarships for demobilized fighters.
- e. Bounties for weapons turned in.

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ASSISTANT SECRETARY

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JAN 13 1968

TO : The Secretary
THROUGH: S/S *qfw*
FROM : NEA - Lucius D. Battle *MB*
SUBJECT: Strategy for Negotiation of a Cyprus Settlement
ACTION MEMORANDUM

Discussion:

The Senior Interdepartmental Group has approved the enclosed paper, "Strategy for Negotiation of a Cyprus Settlement", and the President's approval of this line of Cyprus policy is now required.

Recommendation:

That you either sign the attached memorandum to the President, or discuss the subject with him.

Attachment:

Memorandum for the President.

Tuesday lunch agenda

Other

Clearances:

NEA/CYP - Mr. Folsom *ef*
NEA - Mr. Rockwell (in draft) *MEF*

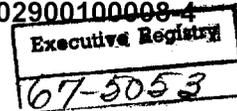
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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506



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October 24, 1967

MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

Attached is a discussion paper prepared by the State Department which is circulated for use at the National Security Council meeting scheduled for Thursday, October 26.

Bromley Smith

Bromley Smith
Executive Secretary

CONFIDENTIAL

*Copy sent to DDI
per brief*

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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October 24, 1967

NATIONAL SECURITY COUNCIL MEETING No. 576

October 26, 1967 --.11:30 am

AGENDA

Economic Aspects of Middle East Settlement

Discussion of State Department paper circulated with this agenda.

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ECONOMIC ISSUES RELATED TO THE SEARCH
FOR A MIDDLE EAST SETTLEMENT

I. Introduction

1. This paper addresses two questions:

(a) What Is the Vision? If negotiations looking to political settlements take place, what economic actions would help them to succeed and help to make resulting settlements stick?

(b) What Can We Get Started on Now? What economic actions are now feasible that would contribute to orderly progress in the area and help to create an environment congenial to political settlements?

2. The paper considers six economic issues in relation to these questions:

- (a) Jordan-Israel relations;
- (b) UAR-Israel relations;
- (c) refugees;
- (d) water;
- (e) fertilizer;
- (f) regional organization.

II. Issues and Recommended Actions

Economic factors will not be decisive in bringing about political settlements. They may, however, have some influence on Arab governments as these consider the terms and consequences of settlement. There are also some actions we could take now which would help to create an atmosphere favorable to a settlement. Thus, the prescription for the United States is to:

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-- bring to the attention of the parties economic actions and cooperation which could accompany or follow political agreement;

-- undertake, and encourage international agencies to undertake, planning for economic measures which may be needed to facilitate and give sound foundations to a settlement;

-- mount now those feasible economic actions which would contribute to stability and orderly progress in the area and to prospects for a settlement.

Steps to these ends are discussed below.

1. Jordan:

(a) A political settlement between Israel and Jordan would provide a basis for beneficial new economic arrangements between the two countries. These could include:

-- bilateral trade, which could provide an additional \$15-20 million in export markets for Jordan annually;

--- freeing borders for normal two-way tourist traffic, which could add \$20-30 million to its annual foreign exchange receipts;

-- duty-free access by Jordan to the Mediterranean through Israel, which could save Jordan up to \$2 million in annual freight costs;

-- agreement on development and division of Jordan Valley water, probably along the lines of the Eric Johnston Plan;

-- an international regime for former Jordanian Jerusalem, which could bring about a net economic gain for both sides through increased tourism.

We should encourage Israel, at some point in negotiations, to surface these economic prospects. US staff work on economic aspects of a Jerusalem settlement is in hand; more staff work is needed on possible Israel-Jordan economic relations.

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(b) In the meantime, an issue arises as to how much aid we should provide to Jordan, in order to help sustain attitudes and leaders likely to play a constructive role in any political settlement, or to help Jordan meet the refugee problem (see paragraph 3 below). Jordan's temporarily favorable foreign exchange position could deteriorate rapidly after 1968 in the absence of external support.

2. United Arab Republic: Unlike Jordan, the UAR has little stake in economic relations with Israel in the event of a settlement, except for the contribution these might make to regional tourism. Its main interest is in Western aid. At present the UAR is foregoing annually about \$240 million in Suez Canal tolls, \$60 million in tourism, and \$45-60 million in oil. Nevertheless, owing to aid from oil-rich Arab states (\$266 million pledged for this year), the USSR and others, and to its own prospects in oil and tourism, it does not face imminent economic collapse.

(a) In the wake of a political settlement, we should encourage the UK (which is now losing over \$500 million annually due to closure of the Canal) or IBRD to provide help to the UAR in clearing the Canal.

(b) We should also be prepared to encourage wider post-settlement development aid to the UAR through international lending agencies, private channels, and debt relief.

(c) We should press ahead with staff studies of the amounts of aid that would be involved under (a) and (b), above, and make sure that these prospects are known to the UAR at an appropriate point in any negotiations regarding a political settlement.

(d) In the absence of a political settlement, no economic actions by the US or the international community are recommended.

3. Refugees:

(a) We should carry forward needed staff work on a refugee package which could be put into effect after a political settlement; encourage Israel to make known its

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willingness to proceed with generous action, as part of such a package; and be prepared, ourselves, to play an appropriate part in carrying out an agreed solution on refugees.

Essential elements of a package deal are likely to be: limited repatriation to Israel; compensation of others; economic development to help resettle refugees in place; some resettlement outside the area; and application of the principle of free choice by individual refugees.

Staff work is in fairly good shape as a result of prior work on the Joseph Johnson Plan, but will have to be brought up to date. Costs of the Johnson Plan were estimated at \$100 million for the first year - \$40 million for Israel, \$30 million for the US, and \$30 million for others. The total costs were estimated at \$1.2 billion.

(b) While negotiations looking to a political settlement are in prospect or underway, we should take only such preliminary steps regarding refugees (e.g., quiet discussions with Israel and Jordan and probing willingness of countries outside the area to receive refugees) as would not prejudice negotiations.

(c) If it becomes clear that a political settlement is not to be had, we should be prepared to join a consortium of interested countries which would provide aid for (i) development activities that could facilitate absorption of refugees in the area; (ii) resettlement of refugees who want to leave the area. Staff work on these possibilities should now be pressed.

-- In the case of Israel (the Israeli census places 220,000 refugees in Gaza and 120,000 on the West Bank, although UNRWA figures are higher), the need for outside governmental aid should not be large, since substantial private aid is available.

-- The other substantial mass of refugees (some 460,000 including 100,000 who fled from the West Bank last June) is in Jordan on the East Bank. While King

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Hussein is necessarily sensitive to charges of selling out their rights, his country's real interest lies in development of the economy, so that it can absorb those who do not migrate elsewhere. It is possible that provision of outside resources for development by the consortium referred to above could get this process going. Discussions of any specific proposals with Hussein should, however, await clarification of prospects for a political settlement.

(d) A major issue to be considered is whether the actions under (c) could be accompanied by a phasing down of UNRWA and transfer of responsibility for refugee maintenance to host countries. This involves political considerations, as well as the question of whether these countries would be able administratively to cope with resulting problems.

4. Water:

(a) We should be ready, in the wake of any settlement, to support sound schemes for water cooperation involving Israel and the Arab states (including, possibly, large desalting plants and some such scheme as the Eric Johnston Plan for division of the Jordan Valley waters). Relevant staff work, including cost estimates, should be pressed.

(b) In the meantime, we should:

-- only provide aid for the desalting plant in Israel (which will require \$80-100 million in concessionary financing) if it would not cut into existing US aid programs, and if Israel accepts the obligation to relate its benefits under this project to cooperation in other actions which would promote peace and rational water use in the area (e.g., regarding development and division of Jordan Valley waters);

-- indicate, if we provide aid for the Israeli plant, that we would be prepared to join others in providing commensurate help to sound regional water schemes in the Arab world, e.g., a regional approach (which would not require Israeli participation but might include Turkey and Iran) covering such projects as development of rivers, expansion of existing systems for desalting water in the fossil-fuelled plants, and possibly nuclear plants.

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-- subject any proposals for large national nuclear desalting plants in Arab countries to careful and critical study of their economic feasibility, taking account of the local environment, the stage of technological advance, and alternative sources of water.

5. Fertilizer:

(a) We should work with the IBRD on the best way of moving ahead now with development of fertilizer potential in the Arab countries stretching from Morocco through the Middle East: phosphates in Morocco and Tunisia; sulphur in Iraq; potash and phosphates in Jordan; natural gas in major oil countries. There will be an expanding Asian market for these raw materials, if the growing food requirements of India and other deficit countries are to be met.

-- The World Bank management is considering promoting a deal which would involve (i) the investment, by a consortium of US and foreign companies, of \$300-500 million to produce fertilizer raw materials in the above Arab countries; and (ii) long-term contracts by India, and presumably other consuming countries, to purchase resulting production.

-- The US and other industrial countries involved could (i) provide extended risk guarantees to their own national investing companies (we can do this under existing legislation); (ii) make limited loans, if necessary to complement private investment.

-- A regional cooperative arrangement might be formed, whose membership would include both the IBRD and governments of the countries which would produce and buy these raw materials. It may be that only within this framework would India feel that it was playing a self-respecting part in shaping and executing the scheme; otherwise, it may be deterred from entering into the necessary long-term contracts by its fear of being a pawn of Western industrialism.

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(b) In event of a political settlement, we should support widening any such fertilizer program to include Israel.

6. Regionalism:

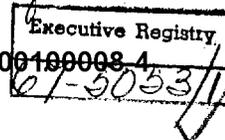
(a) Prior to a political settlement, there is not much we can do to promote regionalism, except for the projects referred to in connection with fertilizer and possibly water, under 4 and 5, above.

We should, however, encourage and be receptive to any tendency by the Arab and non-Arab states to get together for sound economic purposes. Associations involving both a wide group of Arab states (including those in North Africa) and non-Arab states such as Turkey and Iran could offer broad and constructive possibilities for river valley development, transport and communications projects, and other economic cooperation across frontiers, which need not be plagued at every turn by Arab-Israeli hostility.

(b) We should make known our willingness, in wake of a settlement, to join others in supporting sound regional economic cooperation involving both Israel and Arab countries. This should be made known quietly, and at a high level, to avoid creating the impression of an attempted bribe, which would sit poorly with Arab public opinion. We should also be prepared to support creation of a UN Economic Commission for the Middle East, if it is desired by the states of the area.

Staff work on the possibilities under (a) and (b), above, should continue.

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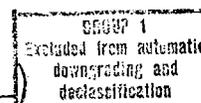
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Comments on NSC Memorandum "Economic Issues Related to the Search
for a Middle East Settlement"

1. Summary

The memorandum considers six economic issues (really proposals) involving international cooperation in the Middle East that could be used to promote settlement of political differences and help to make them stick. These propositions are:

- a. A political settlement between Jordan and Israel could help Jordan by enabling:
 - (1) additional exports of up to \$20 million annually to Israel,
 - (2) duty-free access for Jordanian exports to Mediterranean ports,
 - (3) expanded tourism earnings, through freeing two-way traffic and possibly internationalizing Jerusalem, and
 - (4) development of potential Jordan Valley water resources.
- b. Political settlement between the UAR and Israel could benefit the UAR very little economically but would enhance the prospect of increased Western economic aid. For example, the UK, now losing more than \$500 million a year because of Canal closure, may be induced to aid in its reopening.
- c. A general Arab-Israeli political settlement could resolve the refugee problem by including limited repatriation, some compensation to others, and economic development to aid in resettling still others. If political settlement is impossible, creation of a consortium of countries is recommended to aid financially in resettling refugees.
- d. A general Middle Eastern political settlement could enable broader regional development of potential water resources than is envisaged under 1a above. The possibility of fossil-fueled and nuclear powered desalting plants is cited for discussion.

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- e. Settlement of political differences among Arab states could enable regional development of fertilizer production and distribution over an area ranging from Morocco to Iraq.
- f. General economic benefits could be obtained from any regional economic cooperation among states in the Middle East area including Turkey and Iran.

2. Comments

- 1a Any expansion of Jordan's export trade would be especially useful in a country that has been able to maintain a satisfactory balance of payments position only through receipt of large quantities of foreign aid. Jordanian exports, however, would consist largely of fruits and vegetables, products that Israel now produces in large quantities and therefore \$20 million in new export earnings seems very optimistic. Foreign exchange earnings by Jordan from expanded tourism would depend on obtaining at least a part of the earnings realized in the city of Jerusalem. Most of the hotel space is in this city, and about 60 percent or more of the expenditures of tourists accrue there.
- 1b In addition to \$240 million in revenues accruing from the reopening of the Suez Canal, an Arab-UAR settlement returning the Sinai oil fields would improve the UAR balance of payments position by about \$50 to \$60 million a year. Furthermore, access to the Canal as a transport route for Egyptian products would ease internal distribution problems and impediments to exports.
- 1c Attempts to settle the long standing refugee problem have been futile. Political difficulties now include that of Israel absorbing large numbers of Arabs into a Jewish state and Jordan controlling hordes of Palestinians spread throughout the country.
- 1d One opportunity for cooperative development of regional water resources is that of the Euphrates River Basin, which extends across Turkey, Syria, and Iraq. At present, each country is attempting to develop its own portion of the river with considerable acrimony between Syria and Iraq, with no riparian rights yet ceded.

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- le Interregional development of phosphate production in Morocco, Tunisia, and Spanish Sahara coupled with potential natural gas production in Algeria and Libya could result in this area becoming by far the world's largest producer and exporter of phosphate fertilizers.
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MAJOR ISSUES OF THE 22nd UN GENERAL ASSEMBLY

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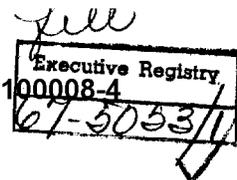
It is still possible, though unlikely, the Security Council will meet before the Assembly opens. If it does and reaches agreement on some forward movement (e.g., the appointment of a mediator), there will be less focus in the Assembly on the Middle East. In all likelihood, however, there seems no way to avoid full dress consideration of the whole range of Middle East questions in the Assembly. The Emergency Special Session is likely to be reconvened before the regular Session and, after a brief discussion of Jerusalem and possibly of the refugee problem, to refer all Middle East items to the regular Session. There, our main problem will be to insure there is no erosion in the position of the majority of the Emergency Session that a Middle East settlement requires at a minimum both the withdrawal of Israeli forces and acceptance by the Arabs of Israel's right to exist in peace and security, free of claims or acts of belligerency. Proposals of the type advanced by Tito will pose serious tactical difficulties. As time goes by, with Israel continuing its occupation of Arab territory and with some conciliatory statements by countries such as Jordan, pressures will mount on Israel to show greater magnanimity than they are now showing. The Israelis' position has hardened and the Arabs show no sign of a willingness to make a concrete act of renouncing belligerency.

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We are exploring the feasibility of the Security Council adopting a resolution calling for a conference to achieve a permanent settlement of the Vietnam problem in accordance with the Geneva agreements. We will know before the opening of the General Assembly whether we are able to mobilize the

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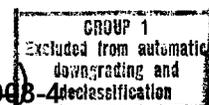
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Executive Registry
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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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September 8, 1967

NATIONAL SECURITY COUNCIL MEETING No. 574

September 13, 1967, 12:00 noon

AGENDA

Major Issues of the 22nd UN General Assembly

(For discussion of State Department paper circulated with
this agenda)

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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September 8, 1967

MEMORANDUM FOR THE NATIONAL SECURITY COUNCIL

The attached State Department paper on Major Issues of the 22nd UN General Assembly will be considered by the National Security Council on Wednesday, September 13, 1967.

Bromley Smith

Bromley Smith
Executive Secretary

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necessary nine votes to inscribe the matter on the agenda. If the Security Council should decide to consider this matter, which is doubtful, the likelihood of formal substantive results is not great in view of the continuing negative attitude regarding UN involvement held by Hanoi, Peking, Paris and Moscow.

In any event, Vietnam will be on the minds of most delegates. Over 100 Foreign Ministers will at one time or another be in attendance, and this will afford Secretary Rusk and Ambassador Goldberg the opportunity in private discussions to make our policy clear. Last year the fact that we put forward a new proposal, consistent with our over-all basic approach, provided many of our friends with the opportunity to come out publicly in the general debate in support of our position. We will want to make a positive statement of our position on Vietnam in the general debate speech. This statement will be prepared over the next ten days and submitted to the President for review.

3. Non-Proliferation Treaty and Related Issue of Security Assurances for Non-Nuclear Powers

The best result would be if the ENDC over the next four to six weeks could achieve agreement on the Non-Proliferation Treaty, including Article 3, and therefore be in a position to present it to the General Assembly for its endorsement at a late stage in its proceedings. This has been our prime objective. However, the more likely situation will probably be that the ENDC will suspend its deliberations soon and the discussion of the NPT in the Assembly will be in circumstances in which there is no agreement on Article 3. Some of the non-aligned will seek to mobilize support for inclusion of a security assurances article in the Treaty. Our objective should be, in concert with the USSR, to maintain the present Non-Proliferation Treaty intact, to try to assure certain of the non-aligned of our willingness to consider the assurances problem within the context of a UN resolution. We ought to be able to manage the debate, with the assistance of the Soviet Union, so as to give the non-aligned an opportunity

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4. African Problems

The pattern of these questions in the UN is relatively unchanging. In their desire to produce movement and to force changes in the status quo, the black African delegations press for measures which go beyond what we can accept despite the fact that we are in general agreement with the goals. Our failure since the 21st GA to meet African expectations that the US would be more forthcoming on southern African issues will make us a target for more widespread attacks than in the past. Nonetheless, we should continue with positions that discourage illusions, among others, that the US might be willing to move further than we know to be the case.

A. South West Africa

The Special Assembly Session in April-June 1967 established a UN Council for South West Africa to administer the territory which was instructed to report to the 22nd General Assembly. Its activities so far have been confined to preparing a letter to the South African Government requesting its cooperation in implementing UN resolutions on South West Africa. If the Council limits its report in this way, it may be that the Assembly will simply recommend cooperation with the Council and be willing to hold off on other action pending further Council activity. In view of the new proposals for legislation on South West Africa made by Vorster, it can be anticipated the Africans will press for stronger measures this year. Since we have gone as far as we can in meeting African demands on South West Africa and are not in a position to support recommendations for more forceful measures against South Africa, such as sanctions, we plan to try to persuade the

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Africans that the best interim course is to permit the Council to undertake such activities as it can, to maintain pressure on South Africa, and to discourage it from further implementation of the Odendaal plan calling for establishment of "bantustans" in the Territory.

B. Rhodesia

The Security Council imposed selective mandatory sanctions against Southern Rhodesia in December 1966. The Assembly will be convening at a time when the sanctions will have been in effect about nine months without any visible effect. Consequently, we can expect further African demands for broader sanctions, and for the use of force, as well as condemnation of those countries who appear to be violating them. Our efforts in the Assembly will be to cooperate with the British, whatever the state of their own discussions with the Smith regime, in counseling moderation and in seeking to prevent the Assembly from recommending measures that go beyond what we consider reasonable.

5. Other Developments

A. General Assembly Presidency

For the first time in its history the Assembly will have a Communist President, the Rumanian Foreign Minister, Manescu. In the absence of any other candidate, we expect to support him and he is likely to be a competent and objective presiding officer.

B. Chinese Representation

Developments on the mainland continue to work in our favor on this issue which should be manageable this year. We will seek as pro forma a consideration of this matter as possible. The present vote count indicates sufficient support to defeat the traditional resolution seeking to substitute Red China for the Republic of China and to reaffirm that this issue is an important question requiring a two-thirds

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We will continue to give strong support to the United Nations peacekeeping role demonstrating this through our financial contributions to pay for the costs of the United Nations force in Cyprus and the United Nations' peacekeeping efforts in the Middle East and Kashmir. Fundamental constitutional differences between the US and the USSR will not be bridged, and we can expect no lightening of the financial burden of the UN from the Soviet Union or France who have been unwilling to make any voluntary contributions to date. We would welcome the demise of the GA committee studying this problem.

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