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I would like  
to follow up on  
PRESIDENT

our discussion in

HOMI  
R.D. 10 S  
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814-692-2197

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MARIETTA COAL CO.  
FRIENDS CHURCH ROAD  
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*George Nicolozakes*  
**GEORGE NICOLOZAKES**

**PRESIDENT**

*Marietta Coal Co.*  
**MARIETTA COAL CO.  
FRIENDS CHURCH ROAD  
ST. CLAIRSVILLE, OHIO  
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*Home*  
**HOME  
R.D. No. 2  
CAMBRIDGE, OHIO  
614-432-3833**

THE WHITE HOUSE  
WASHINGTON

September 20, 1979

MR. PRESIDENT:

REMINDER: Call Senator  
Stone about this morning's  
meeting.

*H/S for J.C.*

FRANK

*Stone help in Fla  
Begin see Jackson  
Quiet re Cuba*

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9/20/79

Mtg Senators 9/20/79

meeting with senators  
re soviet combat troops in cuba

SU Combat presence - conceded  
Not sure how long  
to military threat  
Cuba's interventionism  
Africa - Yemen.  
SU sponsors, controls Cuba  
Discreet matter  
Solution?  
Diplomacy  
Not relate to SALT  
Advice  
Stability / Reciprocity  
SALT - defense - competition  
Status quo

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Nat Conf St Legis 9/20/79

Spkr Roberts  
Spkr Hodges  
Security  
WPT > Gen Res Sh  
EMob Bd - limits  
E Sec Corp -  
Emerg Conservation  
Cons - Solar - Bio - gasohol  
small Hydro - Oil, geo, etc  
Syn fuels  
Home heating, tractor  
State initiative  
Welfare reform cash  
William / Cannon reform  
Labor comm - Jobs

THE WHITE HOUSE  
WASHINGTON

9/20/79

Arnie Miller

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

September 19, 1979

C

MEMORANDUM FOR THE PRESIDENT

FROM: ARNIE MILLER *AM*

SUBJECT: Interstate Commerce Commission

The Senate has confirmed your three ICC nominees, filling eight of the eleven available positions. Chairman O'Neal, whose term expires in December, has indicated that he does not want to be reappointed.

Reginald E. Gilliam (33) has been a legislative assistant to Senator John Glenn since 1975. Senator Glenn has strongly urged you to nominate Gilliam for a position on a regulatory board. It is a very high priority for him. Mr. Gilliam, a black, is a registered Independent. His professional background includes legal work in New York and several years of administrative and academic experience at the university level. From 1972 - 1975, he served as Assistant Dean of Williams College. On Senator Glenn's staff, Gilliam's areas of concentration have been civil rights, state and local government, minority business development and unemployment. He has paid particular attention to the interests of minority truckers and because of his long standing interest in this appointment has become quite familiar with the work of the ICC. We have questionaed him carefully on his views. He will be supportive of our efforts at deregulation.

Stu, Charlie Schultze, Fred Kahn and Frank Moore join in the following recommendation.

RECOMMENDATION

Nominate Reginald E. Gilliam, of Ohio, to be a member of the Interstate Commerce Commission, for the term expiring December 31, 1982.

approve  disapprove

REGINALD EARL GILLIAM, JR.  
Washington, D. C.

PROFESSIONAL:

1975 - Present	Legislative Assistant to U.S. Senator John Glenn
1972 - 1975	Assistant Dean, Williams College, Williamstown, Massachusetts
1969 - 1972	Assistant Professor, State University of New York, Albany, New York
1968 - 1969	Staff Attorney, Utica, New York

EDUCATION:

1965	A.B. Lincoln University
1968	J.D. Harvard Law School

CIVIC ACTIVITIES AND AWARDS:

1967	Founder, First Chairman, Harvard Black Law Students Association
1972	Outstanding Teacher Citation, State University of New York Albany, New York
1972 - Present	Member, Board of Trustees, North County-Camp-Treetops Lake Placid, New York

PERSONAL:

Black Male  
Age 33  
Independent

THE WHITE HOUSE  
WASHINGTON  
9/20/79

Stu Eizenstat

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson



ABOARD AIR FORCE ONE

4/20/75  
114

Sta. call George  
J

at Greek party

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~~Susan for Jimmy~~



# COUNCIL OF THE AMERICAS

August 30, 1979

Mrs. Rosalynn Carter  
The White House  
Washington, D.C. 20500

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Dear Mrs. Carter:

Once again, I want to thank you for allowing me the privilege of accompanying you to Quito for the inauguration of President Jaime Roldos. The courtesies you and your staff extended to me went beyond those required. It was very gratifying, as an American, to witness the peaceful transition of power to a freely-elected government and to hear the names of the President and First Lady of the United States mentioned in such a warm manner by the new President of a democratic American republic.

I would also like to repeat what I told you on the plane: that President Carter's choice of you as his personal representative abroad is an excellent one. A clear majority of the U.S. and Latin American businessmen with whom I spoke in the countries you had visited, were of the opinion that your presence contributes a great deal to enhancing the image of the United States. After having had the pleasure of seeing you graciously and expertly perform all the complex duties involved in such a mission, I concur with that opinion. I should also like to tell you that those of us who had the pleasure of conversing with you on the plane do appreciate the time you spent with us. It was not only a very enjoyable discussion, but very informative as well.

In fact, that was such a rare opportunity that I have waited until your return from your trip on the Delta Queen to put down the following in the hope that you will have the time to read it at your leisure. I have tried to summarize the principal points of our discussions. (I have done a bit of editing, with your permission.)

- Latin America is too important to the United States to be relegated to a low priority status in foreign policy. The importance and potential of this hemisphere to the U.S. in economic, political and national security terms, are not readily evident to the American people. The U.S. has a vast reservoir of goodwill in the Americas, but we cannot expect it to last forever without concrete actions on our part.
- There is a need to redirect the enormous economic power of this nation, both public and private, to help solve the problems of poverty in the developing world. If we do not do it, we are opening the way for those who promise utopia and deliver totalitarianism.

August 30, 1979

Page 2

- As you said, we should help the new government of Nicaragua, because, "it is the humanitarian thing to do." There should not be any reason for that government to turn to other sources of support whose influence would be inimical to our own best interests. At the same time, we should be aware of the presence of those who would lead Nicaragua in the direction of ideologies and forms of government contrary to the ideals embodied by most of the democratic opposition to the Somoza regime.
- There are many things the United States can do, far short of armed intervention, to promote its own interests. One would be a more aggressive use of our information services around the world. In Latin America, U.S. diplomats have told me that their task of convincing leaders to follow a democratic, market-oriented route is made difficult by Cuban propaganda which convinces people and leaders that the Cuban system works, when it is in fact a failure. We need to counter that propaganda at the same time we help those nations develop. | TRUE
- We should explore ways of using U.S. military forces to intercept the flow of illegal narcotics from other nations, particularly those to the south of the U.S. ✓
- Finally, Mrs. Carter, I would like to take advantage of this rare opportunity to advance a theory regarding the President's foreign policy: in my opinion, a great deal of damage is being done to the Administration's foreign policy by individuals who, although appointed at the beginning of the Administration, have very little in common with the President's positions on issues. I believe that many of these people are carrying out their own agenda without regard to the damage this may do to either the nation or the President. I am sorry to have to bring this discordant note into a letter which otherwise reflects my appreciation for one of the most fulfilling trips of my life, but I may not have this opportunity again, and I feel that this is my way of thanking you in a more concrete way than just by saying "it was nice to see you again." As I told you, my wife worked on your campaign since March of 1976, when we moved back to Washington from Florida (where we voted for your husband in the primary). So I know that many of the foreign policy "experts" who joined the campaign before and after the nomination were of the opinion that President Carter's policies would be different (in their terminology, "more progressive") than they turned out to be. When the President's policies reflect the values and ideals of the American people, rather than their own, many of these appointees simply undermine the President's policies. Now that President Carter is reorganizing the Administration, I hope he will not overlook to review those many appointments in foreign affairs positions.

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COUNCIL OF THE AMERICAS

August 30, 1979

Page 3

Again, thank you for all your courtesies. As you said on our return from Quito as you were leaving to board your helicopter at Andrews for your flight to Camp David: "I hope to see you again in Washington." It would be an honor and pleasure for me to do just that.

With kindest personal regards,



Otto J. Reich  
Director, Washington Operations

P.S. Since you asked about the Council, I am enclosing a copy of our Annual Report. On pages 9 and 10 you will see some familiar faces.

EGYPT

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FBI review(s) completed.

DOJ Review Completed.

EGYPT

NSA review completed

The U.S. Mission in Cairo in many respects is a unique post. The Mission has responsibilities that are not only broad, but are likely to expand at least for the next few years. More important, its handling of these responsibilities is critical to the accomplishment of vital American objectives in the Middle East, with broader implications for our global posture.

The U.S. Mission in Cairo has three key, distinct but interrelated tasks. First, the Embassy plays a pivotal role in the continuing peace process in the Middle East. It is the point of direct and constant contact with the Egyptian Government at its highest levels in not only monitoring the peace negotiations but, more critically, giving them impetus and putting out fires. The workload and telegraphic output in this area is enormous and falls most heavily on the Chief of Mission and his Deputy.

Second, the Mission is responsible for local administration of our largest combined economic and military assistance effort. The economic assistance package, including PL-480, for FY 1979 is \$932 million and in FY 1980 climbs to \$1.3 billion, with the prospect of continuing assistance in these ranges for the next few years at least. A flow of external resources into the Egyptian economy is not only a matter of life and death for the economy, but critical to the stability of the Sadat Government. Furthermore, there are political pressures to produce an early and visible impact since failure to do so could adversely affect Egyptian adherence to the peace process and endanger stability of the Sadat Government. Implementation of the AID program, on the other hand, is hampered by planning and administrative deficiencies in the Egyptian Government and the constant need for vigilance against corruption and waste -- all of which bears a direct impact on manning levels in the AID Mission.

State Dept. review completed

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DIA review(s) completed.

OSD review(s) completed.

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Per: [redacted]  
FROM: NLC-126-18-15-1-6  
BY: KS Date: 10/23/13

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Foreign Military Sales (FMS) credits totalling \$1.5 billion have been planned for Egypt, a program which also has important political objectives, including the continued allegiance of the military to President Sadat and his peace policy. Since there is a political need to front-load delivery of some new weapons, which will be financed by these credits, including F-4s, and since the Egyptian military are unfamiliar with U.S. weapons systems, a significant increase in U.S. manpower stationed in Egypt will be required next year. The additional military elements can be phased out rapidly, however, after FY 80.

Finally, the Mission bears at a minimum a watching brief on the political survivability of President Sadat, whose personal role in the Middle East peace process is critical to any prospects for success. The Mission must at once play a role in strengthening Sadat's hand, which is the major political objective for our assistance programs, but at the same time continually assess his survivability--particularly in the light of the Iranian experience. The current manpower levels to handle this objective are sparse and need bolstering.

By any reasonable measurement, the U.S. Mission in Cairo has done a remarkable job in handling its responsibilities under far from ideal circumstances. It has benefitted from top flight leadership on the part of Ambassador Eilts and an extremely conscientious and hard-working staff to whom overtime and weekend work is the accepted norm. Since its reopening in 1974, the Mission staff has been in the process of continual increase to meet its constantly broadening responsibilities. But Ambassador Eilts has kept this increase under tight and personal control. As he said in his memorandum to Under Secretary Read, "So far as the present Cairo staff is concerned, it is relatively small by Class I Embassy standards. In my five and one-half years in Cairo, I have conscientiously -- and to the distress of various USG agencies -- sought to keep it that way." His concerns related not to the present staff, but to the future and specifically to "equating an infusion of large numbers of additional official USG personnel with programmatic progress."

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The basic impression of the Review Team is that, although marginal reductions of useful but non-essential staff can be accomplished, Embassy Cairo is basically a trim and tightly-run post. It has, moreover, proved creative in utilizing existing personnel to handle new programs; for example, unique AID/ICA cooperation in the new Peace Fellowship Program. Furthermore, this staff has been overburdened by a flow of official visitors.

Administrative operations are taxed to the utmost by the steadily increasing number of visits to Cairo by VIPs, CODELs and others who must be given administrative support. Cairo's Airgram A-08 of 1 February 1979 summarizes the visits which had to be supported in calendar year 1978:

- 1 Presidential visit
- 1 Vice Presidential visit
- 5 Cabinet officer visits
- 6 Under Secretary visits
- 11 CODELs
- 7 STAFFDELS

and others for a total of 1645 or a monthly average of 137. So far in calendar year 1979, the rate is higher than the 1978 level. Too many of these visitors come out of curiosity to be at the scene of the "action." The post has constant difficulties in coping administratively with expanding essential staff requirements -- let alone the visitor flow. The administrative infrastructure of the Mission has not kept pace with its responsibilities, particularly given the difficulties in getting even the simplest tasks done in Cairo. Housing, transportation and internal communications remain major problems. The administrative staff of the post needs bolstering, not quantitatively but qualitatively.

The key staff problem, as Ambassador Eilts has pointed out, lies in the future. Major pressures for increased presence to administer their billion dollar plus programs will come from AID and Defense. Additionally, there are very real current requirements to bolster reporting on internal political developments, lest we get caught in Egypt as we did in Iran. Despite

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X1

the enormous energies and skills of an able Ambassador and DCM, the political section of three people is inadequate

Consideration of the future staffing pattern for Embassy Cairo involves risks, whichever direction one moves. Overstaffing runs the risk of substituting quantity for quality as well as straining the administrative structure, quite possibly to the breaking point, raising the already high official American profile to a politically counter-productive level, and risking over-interference in the Egyptian Government's management of its own affairs. On the other hand, given the critical stake we have in Egypt, we also cannot afford to be parsimonious in meeting legitimate staffing needs. Close Congressional oversight of economic and military assistance in Egypt may also require additional staffing.

The recommendations that follow attempt to reach a balance between these two risks for the current period. However, given the fluidity of the situation in Egypt, for at least the next few years, the staffing pattern in Cairo will need to be kept under constant review. Increases may be necessary, particularly in administering the assistance programs, but only after it is clearly demonstrated that existing personnel cannot be reprogrammed and that adverse effects on the implementation of the program would result from failure to bring additional personnel to Cairo.

To the extent possible, burdens of official personnel stationed in Cairo should be reduced by TDY assignments and maximum use of contractor rather than official personnel. Furthermore, at the present time, additional U.S. Government agencies and functions should not be imposed on the U.S. Mission in Cairo, unless absolutely essential to the accomplishment of its primary missions. Requests by the Peace Corps and the Department of Labor for representation in Cairo, for example, should be set aside for the present. Other important considerations aside, the Joint Administrative Organization (JAO) is not now equipped to bear these additional burdens.

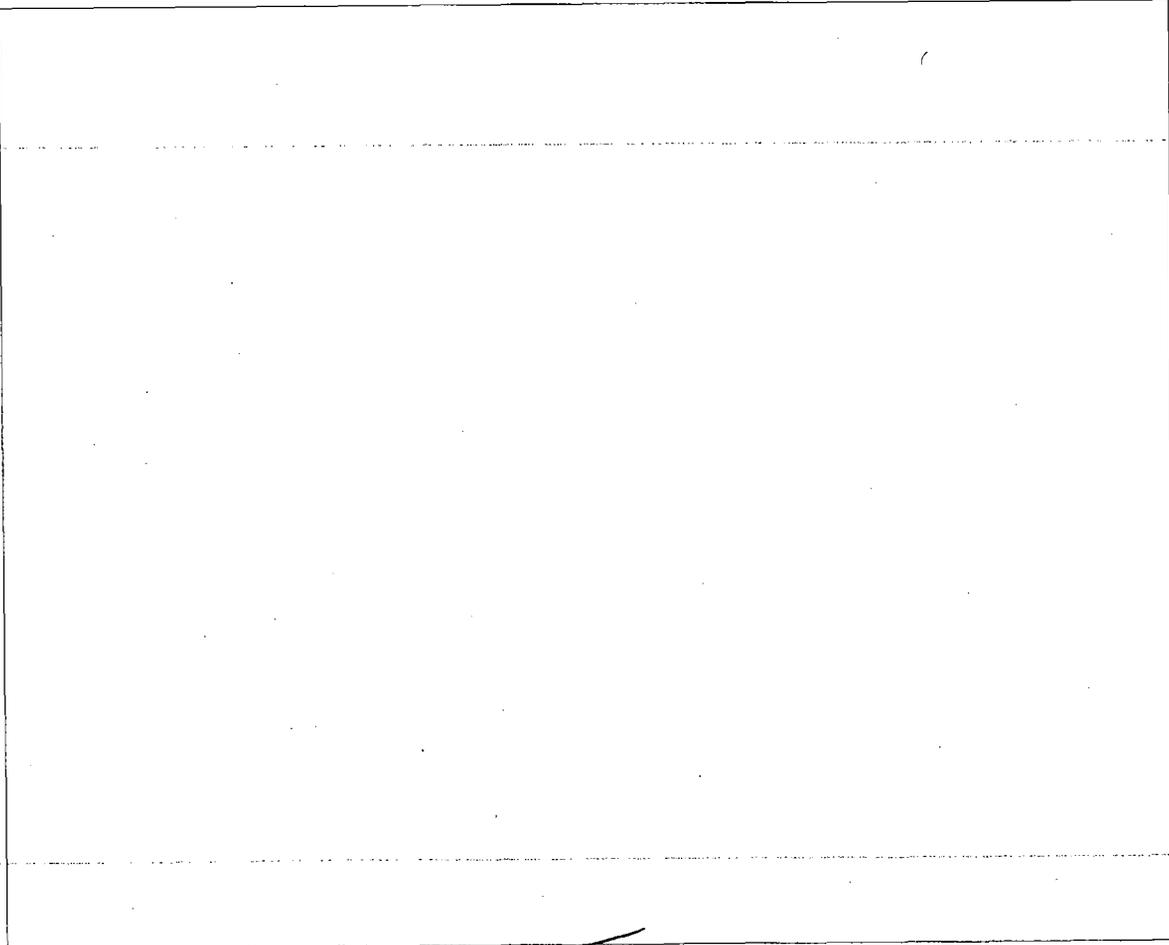
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To assist those responsible with carrying out a policy of minimum essential presence, the Team believes that a firm ceiling of 300 should be established now on the U.S. direct hire positions in FY 81. Such a "lid" on this Mission is necessary during the present period of program growth and we believe that it can be accomplished with marginal impact on overall Mission effectiveness. The increases in staffing which we believe necessary can also be accomplished within the level proposed. We recognize that total U.S. direct hire personnel will probably exceed 300 before October 1, 1980, because of the large number of USAF personnel who will be in-country for the F-4 program. Nevertheless, it should be possible to operate successfully with 300 or less in FY 81. Moreover, we believe that the ceiling could be reduced if the security situation improves, since ten percent of the current American slots are devoted to the personnel protection of the Mission, but reductions in this area are not now recommended.

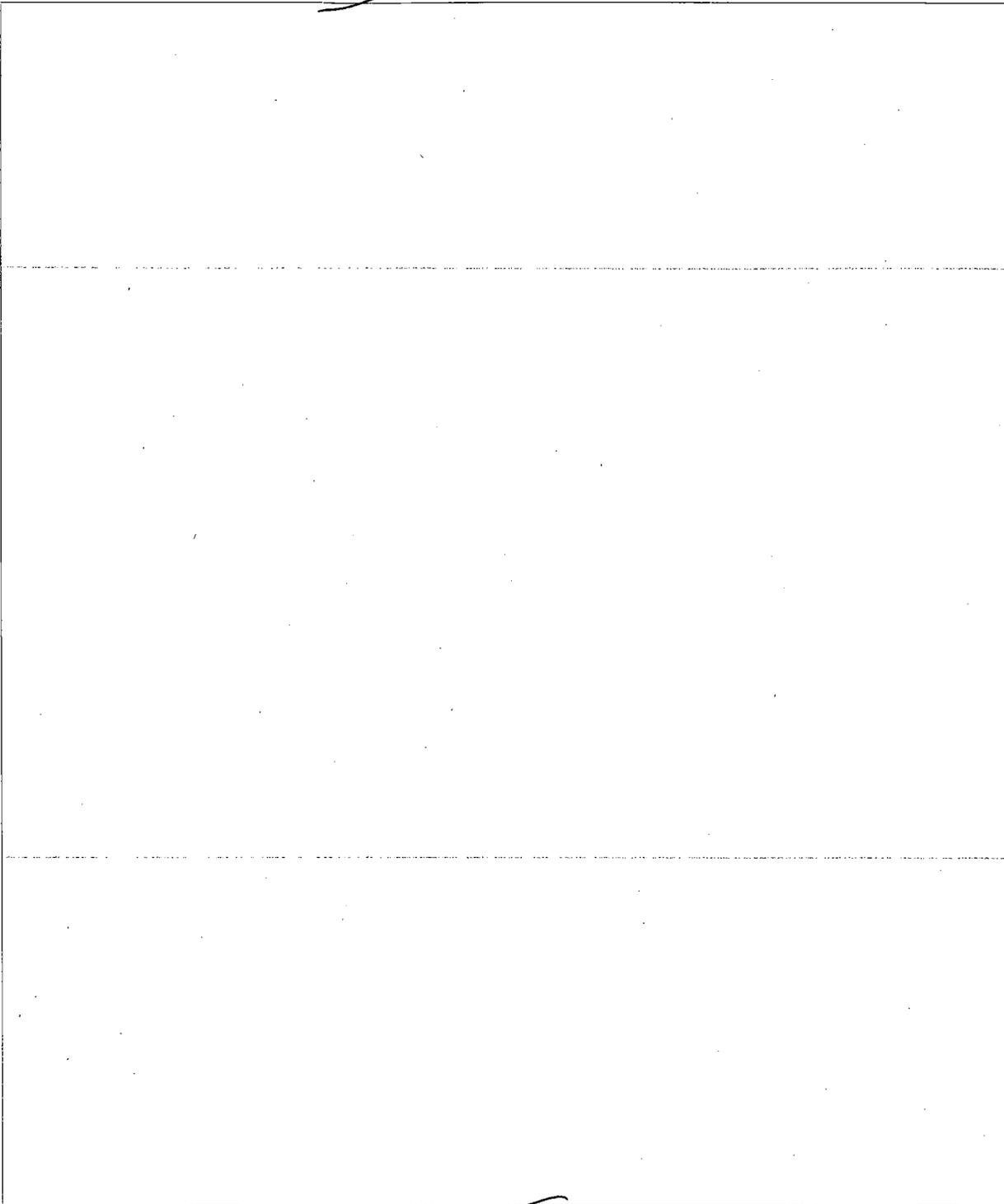
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Our specific recommendations with respect to staffing are:

1. Eliminate DEA presence in Egypt. The expected situation which resulted in the placement of the Special Agent in Cairo did not develop. Narcotics reporting functions can be transferred to the Political Section and TDY visits by DEA could continue.

2. Add two officers to the Political Section. An internal political analyst, who could also handle narcotics reporting, and a political-military specialist are needed to handle the growing reporting load. The second officer is also needed to monitor the growing military program on behalf of the Chief of Mission.

4. Add a Staff Assistant. The Chief of Mission and DCM require the services of this position in order to minimize the time they have available to supervise the Mission. This officer should also take charge of coordinating the enormous visitor load.

5. Eliminate the AID Audit function. This function can be performed on a TDY basis from the United States. This action will probably result in some criticism from Congressional staff.

6. Establish a sub-ceiling of 115 for AID. A decision to hold AID personnel to 115 including PASAs can be taken without changing program strategy as it now stands. However, some curtailment of planning for additional personnel-intensive technical assistance projects for FY 81 and beyond might result. Nevertheless, a 115-man AID staff should be able to monitor the 400-500 U.S. contractors that will be in Egypt by that time as well as plan for some new programs.

7. Establish a sub-ceiling of 30 for OMC/TAFT. The Office of Military Cooperation and its associated Technical Assistance Field Teams in Egypt should remain separate from DAO but every effort should be made to

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operate both military organizations in a closely coordinated fashion, and from the same building. During FY 80, the OMC/TAFT component could grow to as many as 60 persons because of the F-4 training program. However, even though other projects financed by the \$1.5 billion FMS credit package will be starting during the period, it should be feasible to accommodate all requirements within a ceiling of 30 by the start of FY 81.

8. Eliminate three State GSO positions during FY 81. These reductions can be accomplished by special efforts to upgrade the quality of both the Americans and local staff in the interim period. Two actions are urgently needed to accomplish this reduction and bring about a quantum improvement in administrative services. They are:

a. Send a special Joint State/AID Administrative Team to Cairo to review administrative problems and assist the administrative staff in implementing improvements. The most important function of this team should be to provide intensive training in Cairo to develop adequate foreign service national supervisory staff so as to reduce the supervisory burden on American employees and permit them to provide on-going training after the Joint Administrative Team's departure.

b. Send a special team to train foreign service national employees as soon as possible, drawing upon trained foreign service national employees in other U.S. Missions as well as trained employees of U.S. contractors for short periods of time to give intensive on-the-job training.

9. Reduce visitors. A directive should be issued prohibiting all but the most essential official visitor traffic to Cairo.

10. Defer all requests for additional U.S. Agencies' Representation. In view of the present overcrowded working conditions, all requests by other U.S. agencies for representation in Cairo should be deferred.

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Regarding the period beyond FY 81, the Team has several additional recommendations. The overall country ceiling should be adjusted to reflect these events.

1. Reduction in AID project design and program staffs. As the program moves to the implementation stage, some reductions in these staffs should be possible in the fiscal year 1982-1985 period, perhaps up to 50 percent or 17 slots.

2. Export promotion activities. An increase in the present commercial staff should be considered in FY 82, coincident with potential reductions in the AID staff. This reprogramming of personnel resources assumes sufficient progress in the Egyptian economy to contemplate initiating a shift from an AID-oriented to a commercially-oriented program.

3. Reduction of TAFTs. Every effort should be made to keep the number of personnel in TAFTs to an absolute minimum consistent with the training requirements. Unless there is a significant increase in the military program, it should be possible to reduce these elements to zero quite rapidly. Reliance on contractors to provide continuing services to the Egyptian military wherever possible should be the normal operating policy.

4. Reduction of two State GSO positions. These savings should be possible in FY 82 as a result of FY 80 training programs, planned termination of FBO construction and additional experience.

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FRANCE  
BOULEVARD

~~SECRET/SENSITIVE~~FRANCE

France continues to be a key country affecting American interests in Europe and throughout many areas of the world. While not an active military member of NATO, France's role in the defense of Europe is crucial and must be maintained and enhanced. As the fifth most important economy in the world, Franco-American cooperation on international economic matters must continually be nurtured to enhance the effectiveness of the industrialized nations in easing the strains of economic adjustment facing the world.

The Team found the Mission in France of about 450 Americans and 700 foreign service national employees deceptively large. About 25 percent of both American and foreign service national employees are dedicated to important regional or worldwide objectives other than those relating to Franco-American relations. The State Department core of the Mission of about 100 Americans and 250 foreign service nationals does not impress the Team as being excessive.

I. Political/Economic Reporting and Analysis

The Political Section is composed of 12 U.S. officers, six U.S. staff and one foreign service national. Economic reporting is done by four officers, two staff and two foreign service nationals, but the commercial staff (excluding the marketing center) of eight officers, three staff and 22 foreign service nationals is integrated into the economic reporting plan.

Political and economic reporting staff are fully extended with substantive work and the handling of visitors; however, neither section has urgent need for additional substantive reporting staff. (One additional political officer has been requested.) The Political Section logged 2,000 hours overtime last year, roughly equivalent to one work-year, but staff expect overtime work as part of the job.

There appears to be an insufficient effort to involve other agencies, especially ICA and the Foreign Agricultural Service in reporting. However, the Treasury Attache is closely involved in Economic Section work.

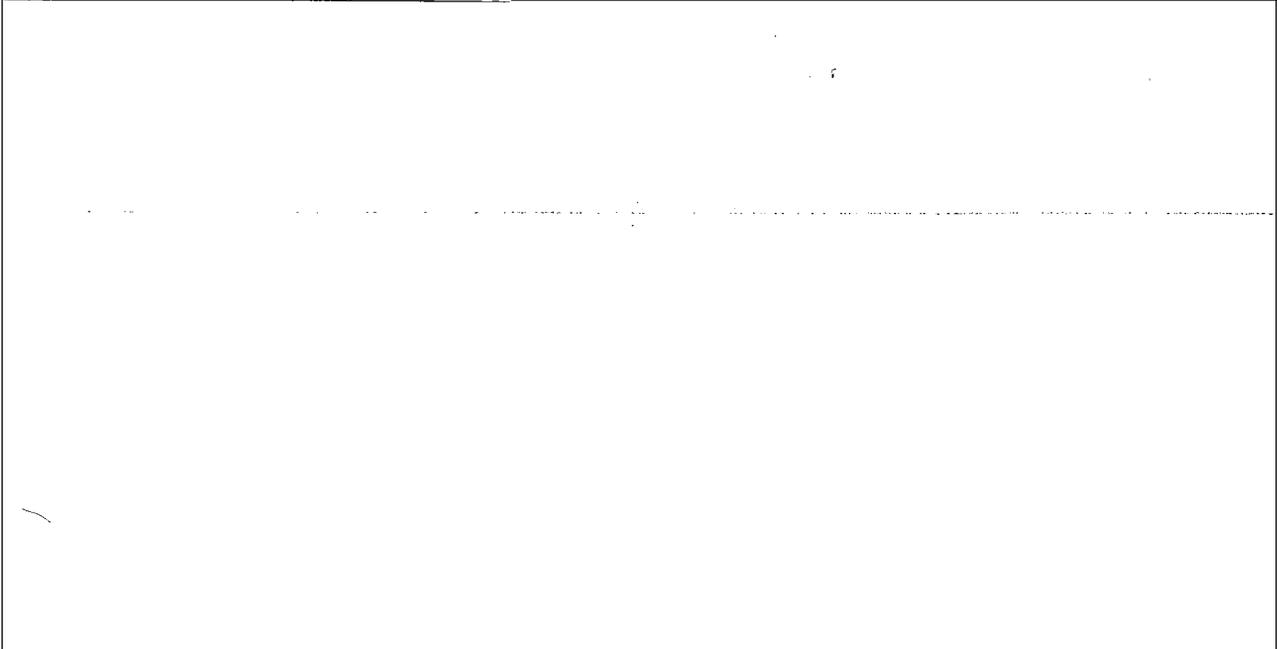
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### III. Consular Activities

The Consulates at Strasbourg and Bordeaux appear to be marginal. Their importance to political and economic reporting and analysis is not substantial, although the Council of Europe and the Human Rights Commission are covered from Strasbourg. The issuance of non-immigrant visas could be absorbed by greater use of the mail and largely centralized in the capital city as it is the case in the United Kingdom. The Consulate in Nice is appropriately scheduled for closure.

### IV. Administrative Support

The Team found the administrative services of Embassy Paris lean. An estimated 12,000 annual visitors were first priority demands on several sections of the Embassy, but especially the Administrative Section. Building maintenance staff had been cut to levels that was forcing the Embassy to consider entering into open-ended service contracts that were estimated to be substantially more expensive than direct hire foreign

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service national employees. Further evidence of inadequate administrative staff was the claim by one organization, that the Embassy suggested that it should assume more responsibility for its own administrative services because of the difficulty of the Embassy in providing them. Such a suggestion only exacerbates the expensive practice, already evident, of some agencies in Paris to establish their own administrative services staffs.

V. Regional Finance Center: Paris

The center is composed of six U.S. and 86 foreign service nationals and is very effectively servicing 90 countries and 66 agencies or agency units in Europe, Africa and the Near East. American and foreign service national payrolling, appropriation and allotment accounting disbursing, cashier control and servicing, and purchasing of 78 foreign currencies are very efficiently accomplished. Other ADP services for Missions are not yet firmly planned. There is no clear determination of what ADP services should be provided after the mini-computer program at Embassies is installed.

There is general agreement that RFC functions could be performed in the United States but that disadvantages would be significant and would outweigh any advantages because

-- all checks issued in the U.S. by Treasury would require additional work in preparing Treasury required documentation and additional time would be required for Treasury to issue checks,

-- pouch service in and out of Washington and New York is very slow, and would result in long delays on receipt of vouchers from Embassies and transmittal of checks to Embassies,

-- Washington communications workload would have to absorb workload now handled abroad through the European network, especially through the Bonn Automated Exchange (BAX), and Washington would probably have to be expanded,

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-- Treasury would have to maintain bank accounts and foreign currency purchases would have to be through Federal Reserve Banks, (RFC automated system on account status and purchase requirements appears very efficient, requiring only two foreign service national employees.)

-- delays of check issuance would result in loss of discounts offered for payment with 30 days, and

-- delays of check issuance (done in one day in RFC Paris) would result in the need for Embassies to resort increasingly to cash transactions requiring increased cashier funds.

#### VI. Foreign Agricultural Service

Heavy required commodity reporting limits the ability of FAS to contribute to overall reporting and analysis of agriculture in French affairs. Some of this reporting is believed to be of marginal value in the scope of worldwide commodity matters.

#### VII. DAO/ODC and Miscellaneous Military Units

The Defense Attache Office has 22 American and seven foreign service national positions. The Office of Defense Cooperation has six U.S. and six foreign service national positions. Much of the time of these two offices is devoted to the handling of Defense Department and European military command visitors in Paris. These demands are apparently diverting staff from some substantive work because the Team found intelligence and biographic production minimal. Furthermore, workload relating to military sales of \$25-30 million and training activities of about \$1 million is not heavy. Assisting in the development of military data exchange agreement with the French and memoranda of understanding on joint R&D projects are important activities. The Team believes that DAO and ODC activities are closely complementary.

The Team found a number of small military organizations in France apparently responsible in some

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way either to commands in the U.S. and/or Europe, including NATO. Examples include the Roland Liaison Office, Defense Fuel Supply Center, the Pipeline Liaison Officer, NATO Hawk Missile Office and the Defense Subsistence Region Office, France. The importance of most of these units and their command responsibilities is not always clear.

#### VIII. International Communication Agency (ICA)

Only 71 of the 104 American and foreign service national employees in France are involved solely in Franco-American relationships. The other 33 employees are concerned with regional ICA responsibilities, especially those relating to Francophone Africa.

The Chief of Mission places a high priority on ICA developing contacts with those French intellectual, cultural, and media leaders who influence French attitudes. High quality lecture, seminar and exhibit programs which are aimed at invited individuals are proving to be helpful in making important contacts. The prime ICA objective is to disabuse French influentials of many myths which hinder their understanding of the U.S. The Chief of Mission is less interested in ICA trying to explain current U.S. policies.

#### XI. U.S. Delegation to OECD

Staff of 52 is composed of 23 U.S. professionals, 18 U.S. support staff (mostly secretaries) and 11 foreign service nationals. Fourteen of the 52 are employed by other agencies, i.e., five AID, four ICA, two Treasury, two Agriculture and one DOE. Fourteen of the 23 officer work-years are devoted to substantive work directly relating to the 900 meetings held annually by 205 OECD committees resulting in 1,500 meeting days involving 1,050 U.S. visitors.

Trend in meetings is upward with new areas being covered (energy, environment, women, toxic chemicals, narcotics crop substitution, data flow compatibility). OECD is no longer primarily concerned with macro-economic and development aid policies. New initiatives usually

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come from Washington and most often are favorably adopted by other members. Delegation finds it difficult to judge the importance of some of the U.S. initiatives, but believes OECD countries are increasingly interdependent on many economic and social matters warranting OECD consideration.

The Delegation reports on and analyzes OECD issues and in some cases prepares first drafts of U.S. positions for Washington consideration. The Delegation works as an inter-agency team often directly with various Washington agencies without using the State Department as a conduit. Much discussion is carried on by phone and directly with U.S. visitors as the means to get delegation arguments and points of view considered.

The Delegation evaluates OECD activities and identifies U.S. priorities which are pursued with the OECD secretariat and other members long before the OECD budget is prepared. Delegation reportedly is usually successful in shaping the OECD budget with some log-rolling with other members.

The Delegation is adequately staffed. It exclusively covers 24 of the 205 OECD committees and believes it could exclusively cover another 73 at a net saving of \$600,000, if two staff were added and assuming State and other agencies would forebear sending representatives to meetings of those countries. The high ratio of secretaries to substantive staff is needed in view of the large number of meetings and visitors requiring secretarial support.

Participation of other agencies (AID, ICA, Treasury, Agriculture and Energy) appears reasonable except for one ICA professional and one foreign service national employee largely concerned with providing information to and conducting seminars about OECD in ICA offices in OECD member countries.

X. Secret Service: Paris

Four U.S. agent investigators, one foreign service national investigator and two U.S. secretaries cover

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Europe, Africa and Middle East to Pakistan. (Honolulu office covers East Asia and the subcontinent through India. Plans are underfoot to move the Honolulu office to Hong Kong.)

Workload is 50 percent concerned with counterfeiting of U.S. currency, i.e., educating foreign police about counterfeiting, advising them how to build a case for prosecution, serving as expert witnesses in foreign trials involving counterfeiting of U.S. currency, and exchanging information with INTERPOL in Paris.

Remaining 50 percent of workload concerns preparation for the protection of the President, the Vice President and their families when abroad, as well as the Secretary of the Treasury and presidential candidates (253 visits to Paris office district over last two years). This often entails use of Paris agents in direct personal protection work when a VIP arrives. Invariably there is an advance party that includes agents that deal with local protection authorities. Paris agents serve to make introductions to these local parties.

Workload is such that Paris agents devote all their time to specific counterfeit cases or protection details. They have little time for scheduled visits to most countries of the Paris district to develop acquaintances and liaison.

#### XI. Drug Enforcement Agency

The Paris office has two functions, internal and regional, but staff appear to be involved in both. Regional activities seem to concern mostly operational tracking of cases across European boundary lines through contact with other DEA European country offices. Purely French matters reportedly require the five positions in Nice and Marseilles and about five of the positions in Paris.

It is the Team's understanding that the regional DEA office in Paris will close by October 1, 1980 with most functions being transferred to Washington. Some intelligence work may remain in Europe, either in France or elsewhere.

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About five U.S. employees are involved in providing payroll, personnel and other administrative services for the European DEA region, much the same services provided by the Regional Finance Center in Paris and by Embassy Administrative Sections for various agencies. This practice is required by DEA Washington.

#### XII. FBI (Legal Attache)

The office is composed of two U.S. agents and three U.S. secretaries. The amount of secretarial support provided for substantive staff appears to be excessive. It has been explained as needed because of the meticulous FBI filing and indexing system.

#### XIII. Travel Service: Paris

Arguments for maintaining the Travel Service office in Paris were not convincing. The claim was made that travel agencies and airlines were not adequately promoting travel to the U.S. and welcomed the Travel Service activity. About 400,000 Frenchmen are visiting the U.S. annually. The Team believes that the expensive travel center operation (two U.S. and five foreign service national employees with space in Place Vendome) has at most a marginal impact on French travel to the U.S.

#### XIV. American Battle Monuments Commission

The Team questions whether the European headquarters (Garches) office warrants a staff of three U.S. military, four U.S. civilian and 26 foreign service national positions to manage overseas cemetery operations in Europe. The Team is also very doubtful of need for five full-time assistant superintendents in France justified as training positions. Cemetery management does not appear to be so arcane it cannot be adequately learned by an appropriate overlap of arriving and departing superintendents, especially when high quality foreign service national staff are available as they are in Europe.

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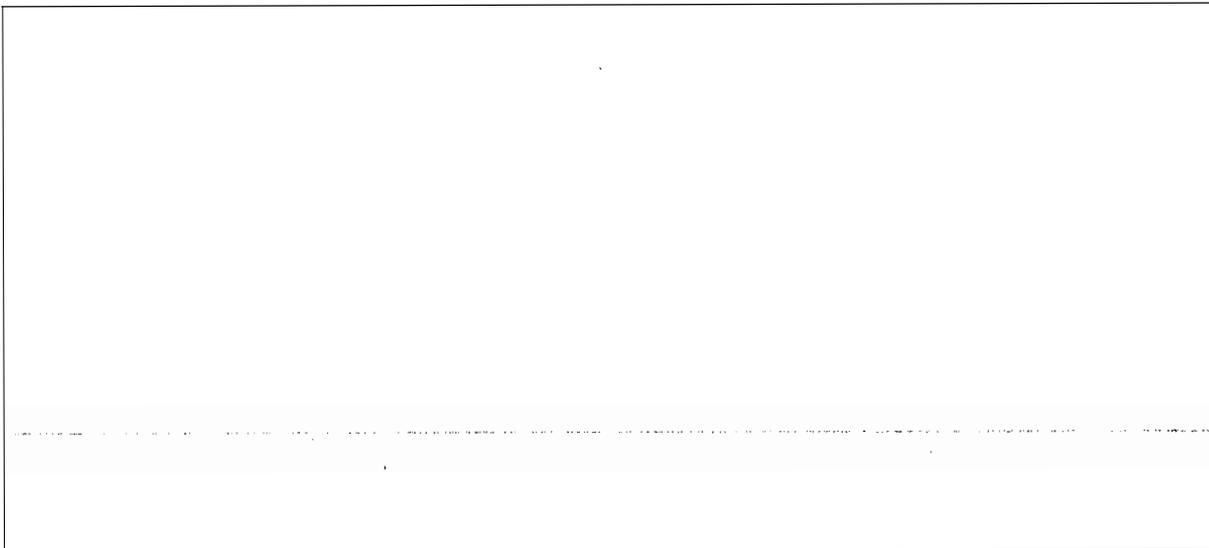
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I. Political/Economic Reporting and Analysis

RECOMMENDATION: The Embassy should make a greater effort to call upon the ~~resources~~ of other agencies, especially ICA and FAS, for contributions to reporting and analysis on French affairs.

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III. Consular Activities

RECOMMENDATION: The Team supports the decision to close the Consulate at Nice and also recommends the closure of the Consulates at Strasbourg and Bordeaux, and the centralization of NIV issuance in Paris. Some TDY travel from the Embassy would be necessary to provide coverage of the activities of the Council of Europe and the Human Rights Commission in Strasbourg. As much as half of the six U.S. and 19 foreign service national employees may be saved if NIV issuance were centralized.

IV. Administrative Services

RECOMMENDATION: Embassy Paris administrative staff should be strengthened by appropriate use of direct hire, personal service and non-personal service contractual employees (See main report on "Hiring Flexibility").

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V. Regional Finance Center: Paris

RECOMMENDATION: The center has the capacity to handle additional work now handled by some other agency units abroad. The State Department should, as part of a general effort to centralize administrative support operations abroad, seek out and encourage other agencies to utilize RFC Paris for financial servicing now carried on by those agencies.

RECOMMENDATION: The role for non-financial ADP work of the center and the relationship of that work to the joint State/ICA mini-computer program should be clarified.

VI. Foreign Agricultural Service

RECOMMENDATION: The Department of Agriculture should review the priorities of its commodity reports for France and other nations with the objective of eliminating any reporting that does not contribute significantly to worldwide commodity production and trade analysis.

VII. DAO/ODC and Miscellaneous Military Units

RECOMMENDATION: DAO and ODC be combined with a savings of five American positions. An important benefit would also be the elimination of rivalry and the streamlining of military organizations operating under the authority of the Chief of Mission.

RECOMMENDATION: Two small offices, the USAEUR Legal Officer with one U.S. and two foreign service national positions and the Air Traffic Control Office with two U.S. and one foreign service national positions should be integrated into the Defense Attache Office. Some minor personnel savings from this consolidation might result and managerial control would be improved.

RECOMMENDATION: See the section in main report on visitors and the section of main report on miscellaneous military units.

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VIII. International Communication Agency

RECOMMENDATION: Current staff level appears reasonably justified except for two positions in the U.S. delegation to the OECD (see below).

IX. Delegation to the OECD

RECOMMENDATION: Abolish the two ICA positions concerned with providing other ICA Missions with information about OECD matters. Substantial information and knowledge about OECD matters and U.S. positions thereon are in the hands of U.S. Embassy economic officers in OECD countries and can be utilized by ICA in those countries.

RECOMMENDATION: State Department and the Delegation should begin at once to identify committee meetings that the Delegation can handle within current staffing levels, and seriously consider adding two employees if firm agreement can be obtained from Washington agencies not to attend certain specified meetings.

X. Secret Service

RECOMMENDATION: VIP protection work appears to be marginal, if not largely duplicative, of work of advance parties. Utilization of Paris agents for actual protection work appears to be misuse of their scarce time in view of the size of protective staff accompanying VIPs. The Paris office should be limited to counterfeit work and be reduced by two U.S. agents and one U.S. secretary.

XI. Drug Enforcement Agency

RECOMMENDATION: The Team strongly endorses the decision to close the Paris Regional Office and notes that up to 15 positions (depending upon whether or not the intelligence function remains in Europe) will be saved.

RECOMMENDATION: State and Justice should explore at once the feasibility of RFC Paris and Embassy administrative sections assuming responsibility for most DEA administrative activities abroad. (See recommendation in main paper on consolidation of administrative services.)

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XII. FBI (Legal Attache)

RECOMMENDATION: OMB should investigate the validity that extra secretarial staff is required abroad because of the FBI filing and indexing system.

XIII. Travel Service

RECOMMENDATION: Close the Paris office (two U.S. and three foreign service national employees).

XIV. American Battle Monuments Commission

RECOMMENDATION: Abolish the five assistant superintendent positions in France and any others in other cemeteries around the world.

RECOMMENDATION: OMB should request the Commission to prepare a special study analyzing the functions of the European headquarters at Garches and the need for a staff of the current size.

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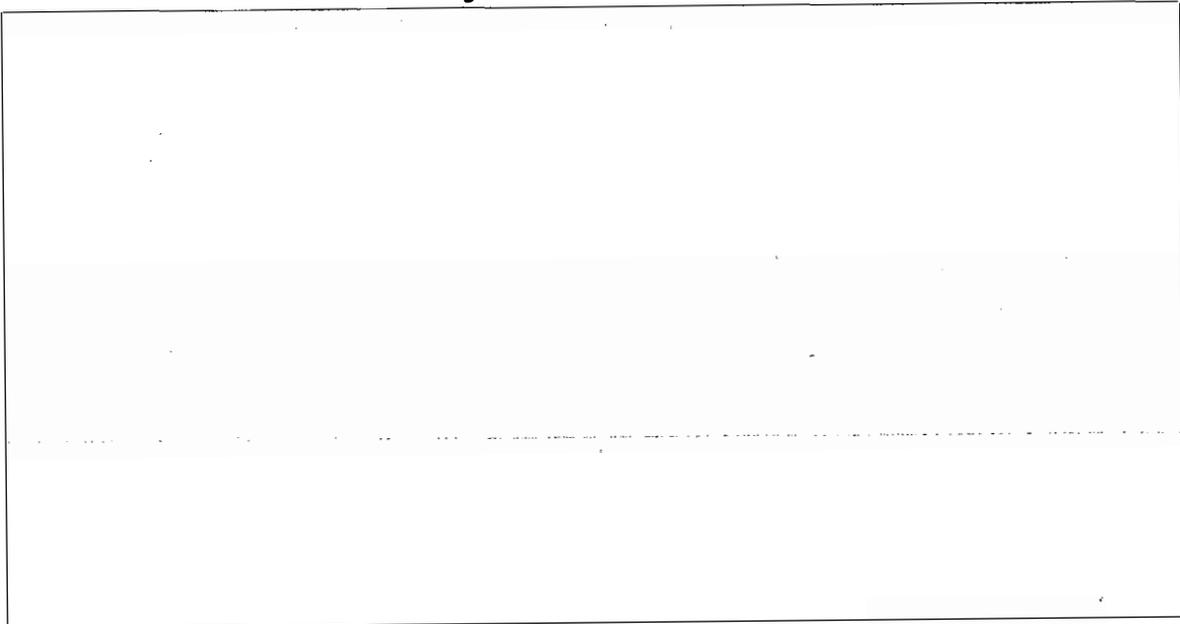
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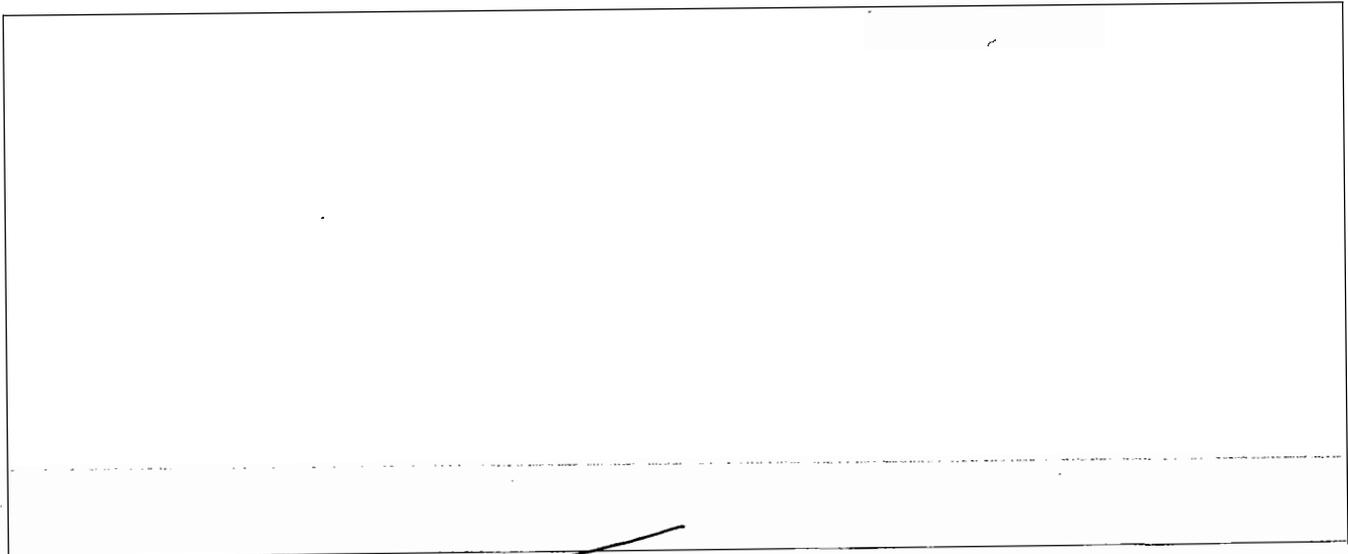
In 1945 Germany was a defeated country occupied by the four victorious powers. Today it is economically and militarily our strongest ally in Europe. The German economy is the strongest in Europe and the value of its foreign trade exceeds that of the United States. In both geographic and military terms Germany is essential to the defense of Europe. American interests in Germany are both vital and varied, as a result the U.S. mission there is one of our largest.



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See also special annex.



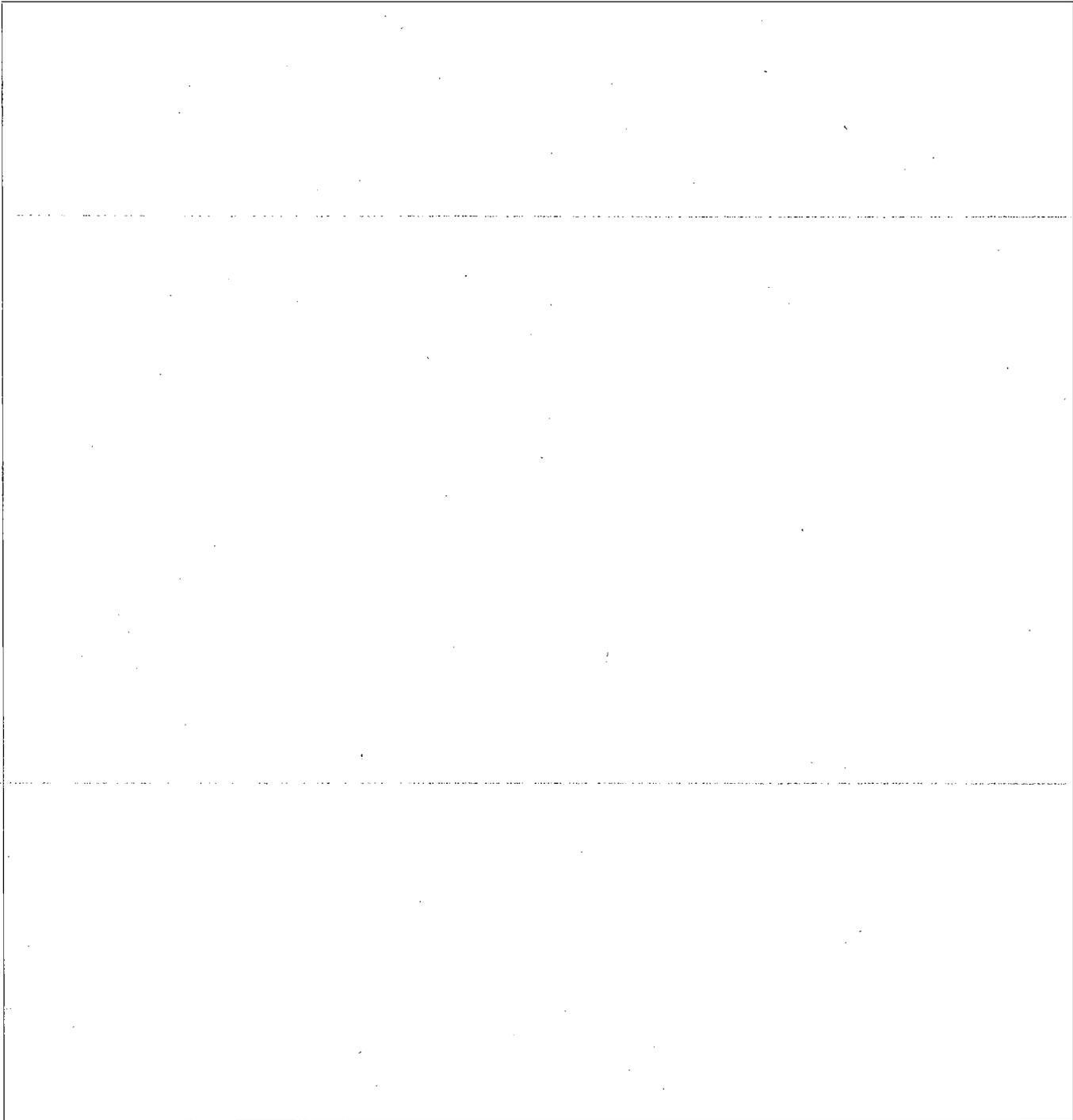
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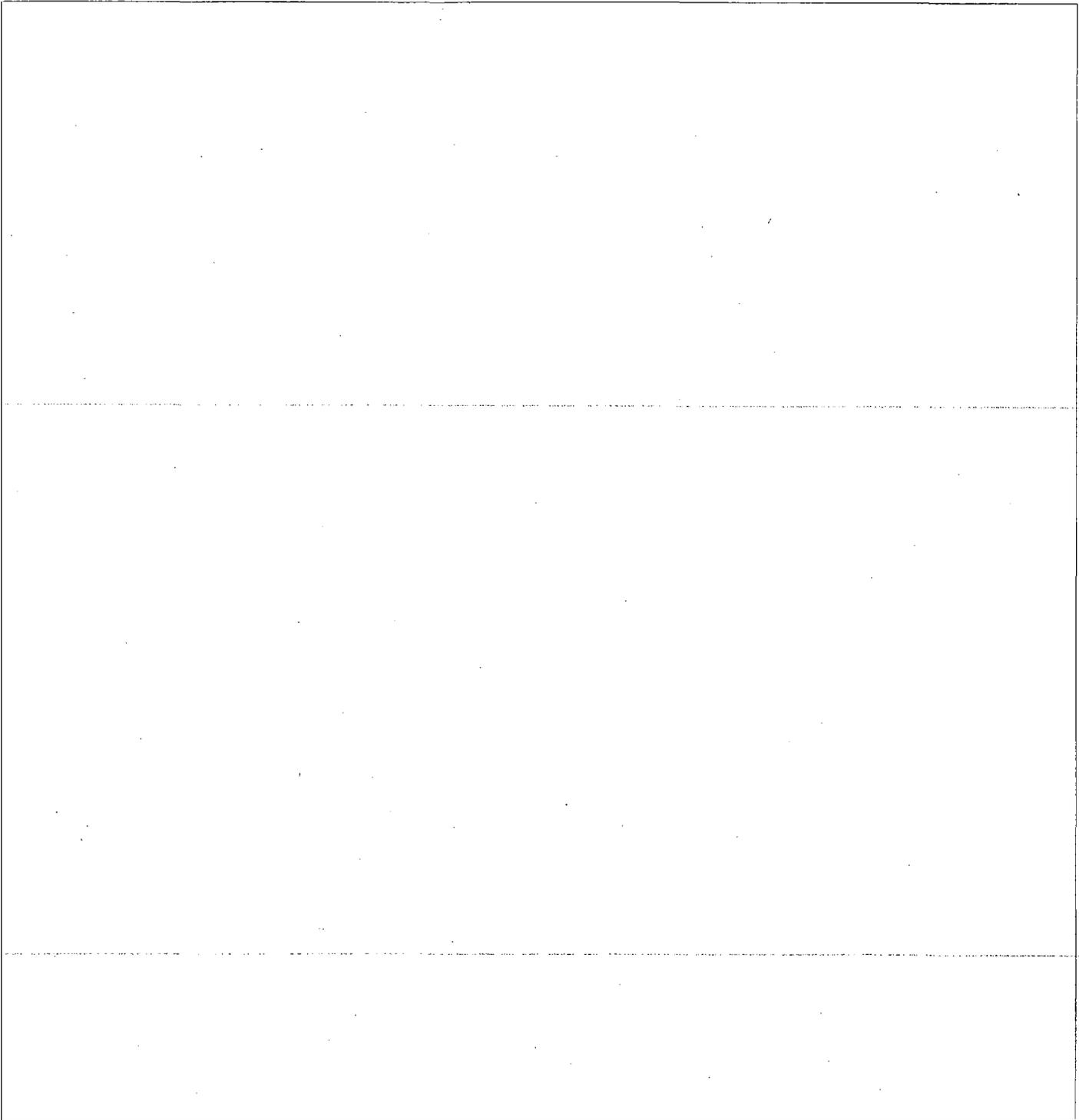


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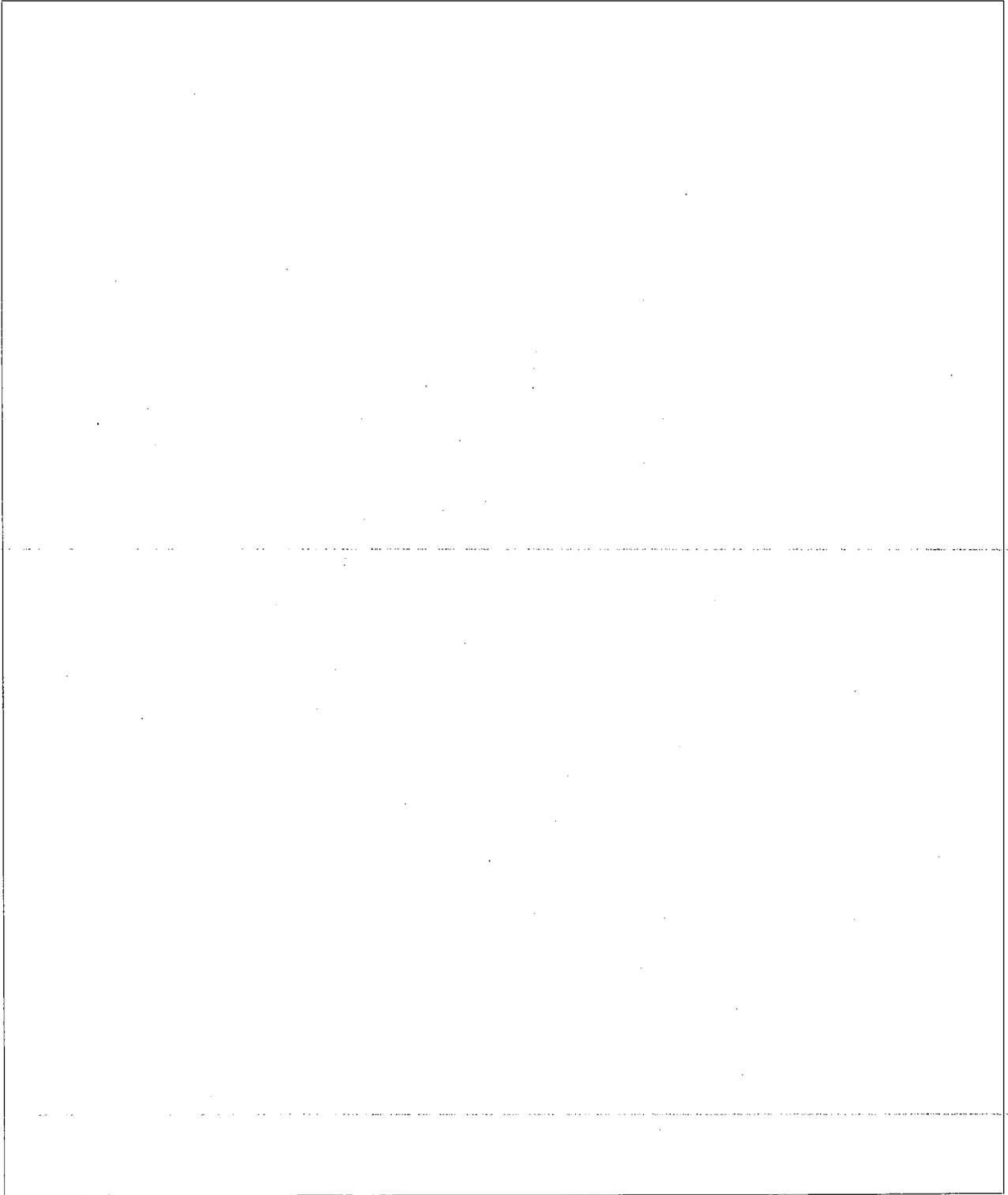


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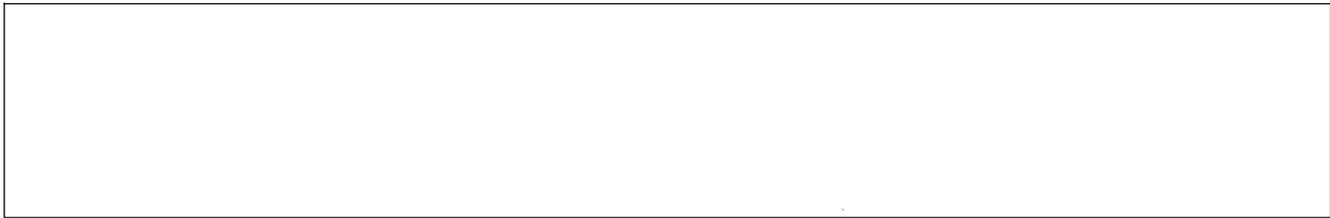


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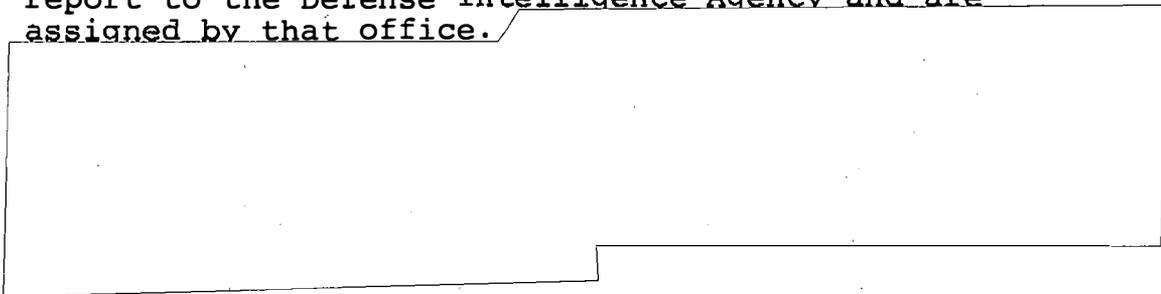
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IV. Defense Liaison Office

This office has a complement of ten American positions of which, at the time of the Team's visit, six were filled. Led by a Navy Captain, the office includes an Air Force Major, two GS-13s, an Army Lieutenant, and an E-5. The office was set up some years ago under an agreement between the German Ministry of Defense and the U.S. Defense Department. All personnel report to the Defense Intelligence Agency and are assigned by that office.

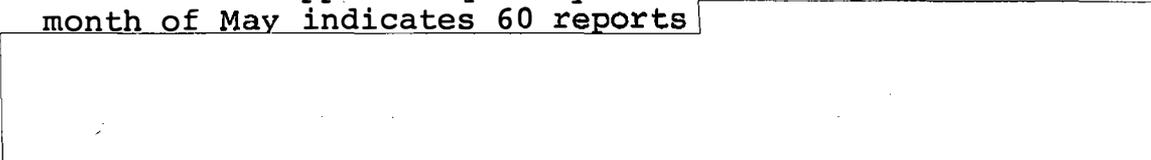
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V. Defense Attache Office (DAO)

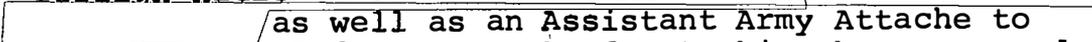
The Defense Attache Office appears to be an efficient operation producing intelligence reporting of size and apparent quality. A brief analysis of the month of May indicates 60 reports

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The Defense Attache is seeking restoration of a foreign national research technician to [redacted] as well as an Assistant Army Attache to backstop the Defense Attache due to his absences, and a secretary. Visits have steadily increased from 1976 to 1978 (384, 574, 589 respectively), diverting resources from reporting.

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The Team concluded DAO American staffing (six officers, one warrant officer, three non-commissioned officers and one secretary) appears lean, but adequate.

#### VI. Office of Defense Cooperation

The main work of the Office of Defense Cooperation concerns foreign military sales and training, namely 2,500 trainees and \$560 million of sales in 1978. This workload is sufficient to require staff of six military, four civilian, and eight foreign service nationals. Unlike Britain, Germany does not have a military mission in Washington to handle the bulk of procurement work.

ODC argues it would be inappropriate for the Defense Attache to get involved in equipment procurement

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The Team does not agree. It notes that combined DAO/ODC operations have worked well in such countries as Jordan and Switzerland. Additionally, it is apparent that rivalry between ODC and DAO has created internal Mission coordination problems, e.g., who handles visitors or who is the senior Defense representative in Germany. Although the Team does not expect substantial personnel savings resulting from this combination, there would be managerial benefits, especially better coordination within the Mission.

#### VII. Defense Mapping Agency

Heavy DMA staffing appears questionable (ten U.S. military, two civilian, one foreign service national) as the work apparently is primarily that of mail-drop, i.e., receipt and shipment of quantities of maps, which reportedly fluctuates month to month from little or no business to several cubic yards. The Team questions whether a specialized unit is required, and if so whether the workload requires one of this size. The Team also is not convinced full-time liaison with FRG is required on mapping matters and believes Defense Department should critically evaluate the need for the unit.

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#### VIII. Drug Enforcement Agency

The absence of the agent in charge hindered Team inquiry regarding sizeable (11 Americans including secretaries) staff spread around Germany and West Berlin. The Team noted, however, a decrease in DEA agents from 13 in 1976 to six in 1978 and the Embassy's support for an increase in view of the growing German narcotics problem which in turn affects American troops stationed there.

DEA's emphasis is on convincing Federal and State police of need to work on increasing narcotics flow and to share information. DEA agents participate in Germans' investigations of cases involving American connections, but do not participate in purely German narcotics investigations. DEA has good reputation for effectiveness in Germany (FRG has recently added 60 Federal narcotics agents). As the Germans become more active and effective, need for DEA should decline.

#### IX. International Communication Agency

In spite of strong Embassy Bonn support, the Team doubts the need for current number (32 Americans and 161 foreign service national employees) of ICA staff in contemporary Germany. The effectiveness of America Houses as vehicles to contact and influence "the successor" generation is doubtful. The targeted, invitational international visitor program appears more effective. American presence in America Houses in Hanover, Nurnberg and Freiburg is clearly the lowest priority and can be dispensed with. The Team was not convinced that withdrawal of American presence would have significant political repercussions on German/American relations.

#### X. Agricultural Trade Office in Hamburg

The Agricultural Trade Office (ATO) will open September 1 and in addition to agriculture cooperators will be staffed by one assistant agricultural attache transferred from Bonn. Two foreign service national positions (State) will be transferred to the Foreign

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Agricultural Service from the Bremen Consulate upon its closure to do agricultural reporting. The advantage of consolidating cooperators in one office is minor. Additionally, some cooperators reportedly do not wish to be identified with the U.S. Government and believe they can operate better on their own.

Embassy Bonn clearly prefers that the center not be opened but is resigned to it. Washington pressures to spend money are expected to result in marginal exhibits and other promotional efforts that are expected to have little impact on American agricultural exports to Germany.

#### XI. U.S. Travel Service

The impact of the U.S. Travel Service Center in Frankfurt on German tourism to the U.S. is seen by the Embassy as marginal, even though it provides German tour agencies with information about U.S. tour opportunities that they might not otherwise so easily obtain.

German tourism to the U.S. is booming with 575,000 NIVs issued in 1978 and 25 percent more expected (675,000) in 1979. The entry of additional American airlines in Germany and strength of the DM relative to the dollar are overriding influences increasing travel to the U.S.

#### XII. Miscellaneous Defense Offices

In Germany, as in other European countries, the Team found numerous small Department of Defense offices. These include, for example, Training and Doctrine Liaison (TRADOC), USAFE Research and Development Liaison, Bonn Liaison Unit and Armed Forces Radio Frequency Liaison officer. Neither the Embassy nor anyone else in the field appears to review the need for such offices. In some cases it might be possible to use TDY personnel from the United States to perform some of these functions.

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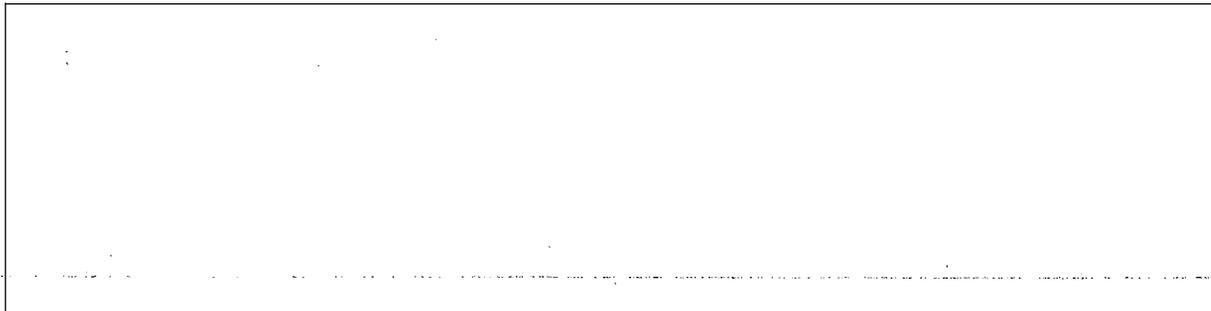
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I. National Security Agency

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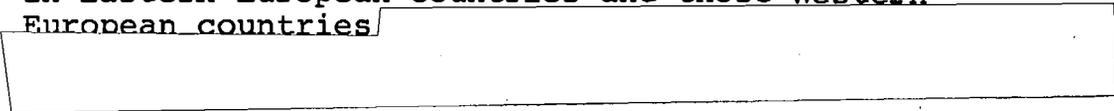
RECOMMENDATION: See general recommendations.



III. Communications

RECOMMENDATION: The State Department should assume responsibility for diplomatic communications facilities in Eastern European countries and those Western European countries

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RECOMMENDATION: Also see general recommendations.

IV. Defense Liaison Office

RECOMMENDATION: The Defense Department should eliminate the vacancies, reducing the American complement from ten to six.

V. Defense Attache Office (DAO)

RECOMMENDATION: See recommendation for Office of Defense Cooperation.

VI. Office of Defense Cooperation

RECOMMENDATION: Responsibility for foreign military sales should be assigned to the Defense Attache. The Office of Defense Cooperation should be combined with the Defense Attache Office.

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VII. Defense Mapping Agency

RECOMMENDATION: The Department of Defense should evaluate whether there is a need for the Defense Mapping Agency in Germany. Meanwhile, the staff should be reduced by 50 percent for a savings of six American positions.

VIII. Drug Enforcement Agency

RECOMMENDATION: DEA staffing should be critically reviewed in FY 81.

IX. International Communication Agency

RECOMMENDATION: ICA should withdraw American employees from America Houses at Hanover, Nurnberg and Freiburg as soon as possible, saving three positions.

X. Agricultural Trade Office in Hamburg

RECOMMENDATION: The Office of Management and Budget should reassess the value of Agricultural Trade Offices in Hamburg after two years experience.

XI. U.S. Travel Service

RECOMMENDATION: The Department of Commerce should close the USTS Center in Frankfurt as soon as possible.

XII. Miscellaneous Defense Offices

RECOMMENDATION: See general recommendations on these units.

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The U.S. Mission in Hong Kong has historically been of major importance to U.S. interests as the principal source of information about the People's Republic of China, a key center for analysis of China, a major reporting center on Indochina, a focus for the continuing narcotics traffic and the burgeoning refugee problem, and as a venue for official and commercial contacts with the PRC. In addition, Hong Kong is a major trading partner of the U.S., \$5 billion trade both ways with \$1.6 billion in U.S. exports, and a growing base for many U.S. businesses operating in East Asia including the PRC. Difficult trade negotiations involving exports to the U.S. of sensitive commodities have become an increasing problem for the Mission. Finally, Hong Kong provides a base for fleet support for the U.S. Navy.

For years, Hong Kong has offered uniquely valuable opportunities for the collection and analysis of information on political and economic developments in China, unparalleled in the case of any other Communist country. In addition to a continuing flow of travelers, both official and private, to and from China, a broad range of local PRC-controlled publications (frequently more informative than those published within China), together with the monitoring of provincial radio broadcasts, has provided a wealth of information on PRC Government policy directives, political and ideological tensions and economic trends, particularly as they are reflected at the local level. Taking advantage of this circumstance, a sizeable community of skilled analysts has been concentrated in Hong Kong represented in academic, business and intelligence circles. Drawing upon these resources, the U.S. Mission in Hong Kong under the guidance of the Consul General has played a key role in the field collection and analysis of intelligence on China, developing its own corps of highly qualified local analysts and extensive research files.

The normalization of U.S./PRC relations has not altered Hong Kong's unique advantages for tracking

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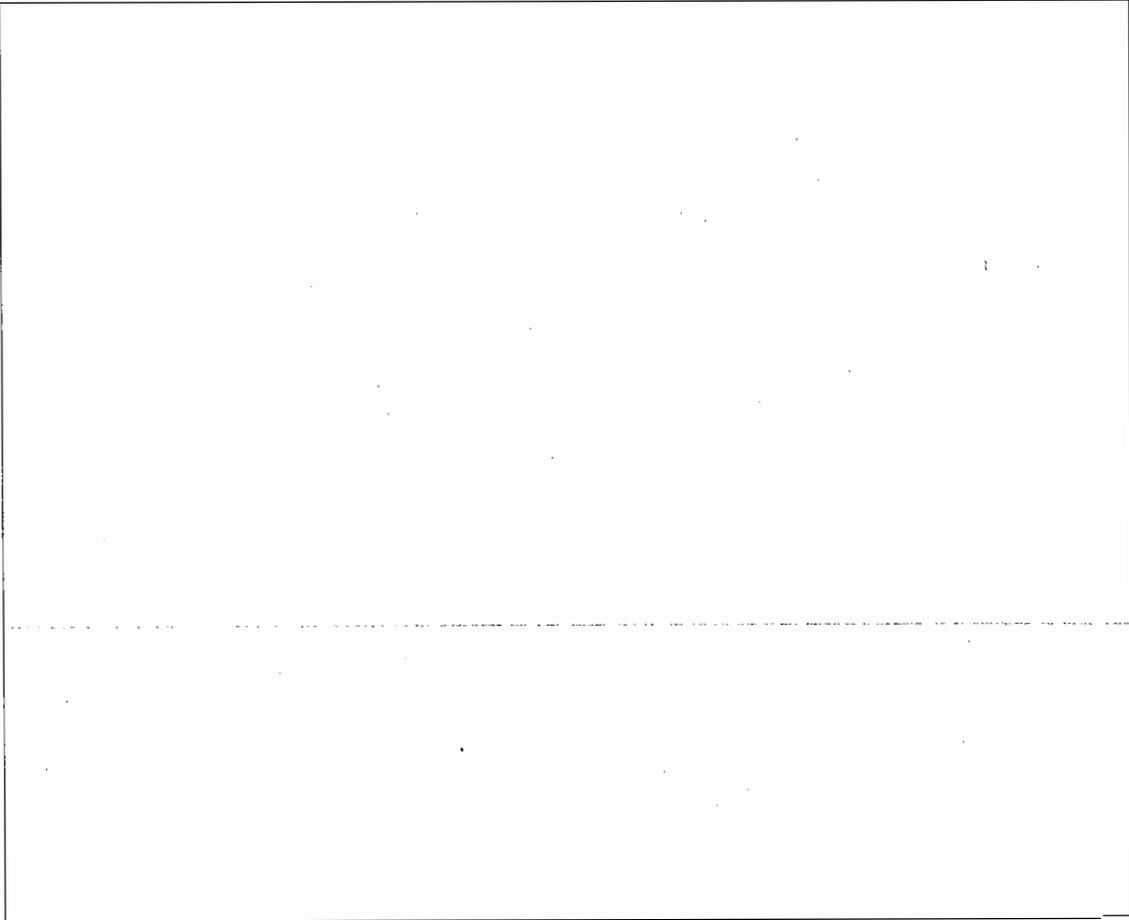
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developments in China. Such opportunities have in fact significantly increased with post-Mao China's opening to the outside world and the special role which the PRC evidently has assigned to Hong Kong in that process. Steadily expanding commercial and financial ties between Hong Kong and China and the increasing involvement of the residence American business community in China-oriented operations are providing a growing volume of information on China's economic development policies and their implementation, as well as its efforts to attract foreign capital and technology. Of particular importance is the fact that with normalization, the large PRC official community in Hong Kong and those in the media and business closely identified with the PRC are increasingly accessible to official and private Americans.

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The principal bilateral relations with the Colony of Hong Kong are economic and have been handled by the Economic/Commercial Section which increasingly must also devote some of its personnel assets to the PRC. There is in addition, a large Consular Section handling the very heavy flow of both immigrant and non-immigrant visas and now an increasing refugee workload. The Administrative Section has also an increasing burden, largely to service an expanding Embassy in Beijing and the two prospective American Consulates in the PRC.

The Team found that in almost every respect normalization of relations with the PRC and the expansion of the official U.S. presence in the PRC has brought no diminution of the Consulate workload but, in fact, an increase. Reporting opportunities in Hong Kong are increased for both the Political and Economic Sections/

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The Administrative workload has increased and the Consular workload, until the establishment of the two Consulates at least, has increased, over and above the growing refugee inflow.

In spite of this increased workload, the Consulate is in the process of major personnel reductions to meet the staffing requirements of Beijing and the new Consulates, four in FY 79 and four in FY 80. The eight reductions will reduce the political reporting staff from seven to four, including the loss of the Indochina Watch Officer, the economic staff goes down from eight to six, including a China-watcher and the officer assigned to bilateral trade negotiations of Hong Kong, the Consular Section by two officers and the Administrative Section by one.

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These reductions taken together will seriously hamper the Mission's ability to handle its present, let alone future, workload. On the political side, spot reporting covering [redacted] analysis of the media (which is importantly supported by foreign service nationals not available in the PRC) will be reduced. Indochina will have only partial rather than full coverage. [redacted]

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There is no indication that the enhanced Beijing Political Section will be available to pick up more than a small segment of this workload. In a period when enhanced reporting and analysis on the PRC is essential to U.S. interests and when far greater contacts outside the PRC are now feasible, these reductions in Hong Kong are unjustifiable, even risky to U.S. interests, in the opinion of the Team.

The economic spot reporting will be likewise hampered, although not as severely. However, analytical reporting on the Chinese economy, which should be increasing to support American business interests there, will decline. Direct commercial activity in support of U.S. exports to Hong Kong will be cut perhaps in half, since one of the two commercial officers will have to take over essential trade negotiations with the Hong Kong Colony. The two Consular officers cannot be spared by any measure of the current workload, let alone the additional requirements imposed by the refugee flow. Indeed, as explained below, the Team believes that six additional positions should be added (three INS and three Consular) to respond to this problem. Finally, the Administrative Section will be forced to do more and cannot take the reduction of seven to six Americans.

There is, in consequence, an urgent need to revise current plans to build up the American presence in the PRC through re-programming of eight Americans from Hong Kong to Beijing and the two prospective Consulates. The alternative is to have programs important to U.S.

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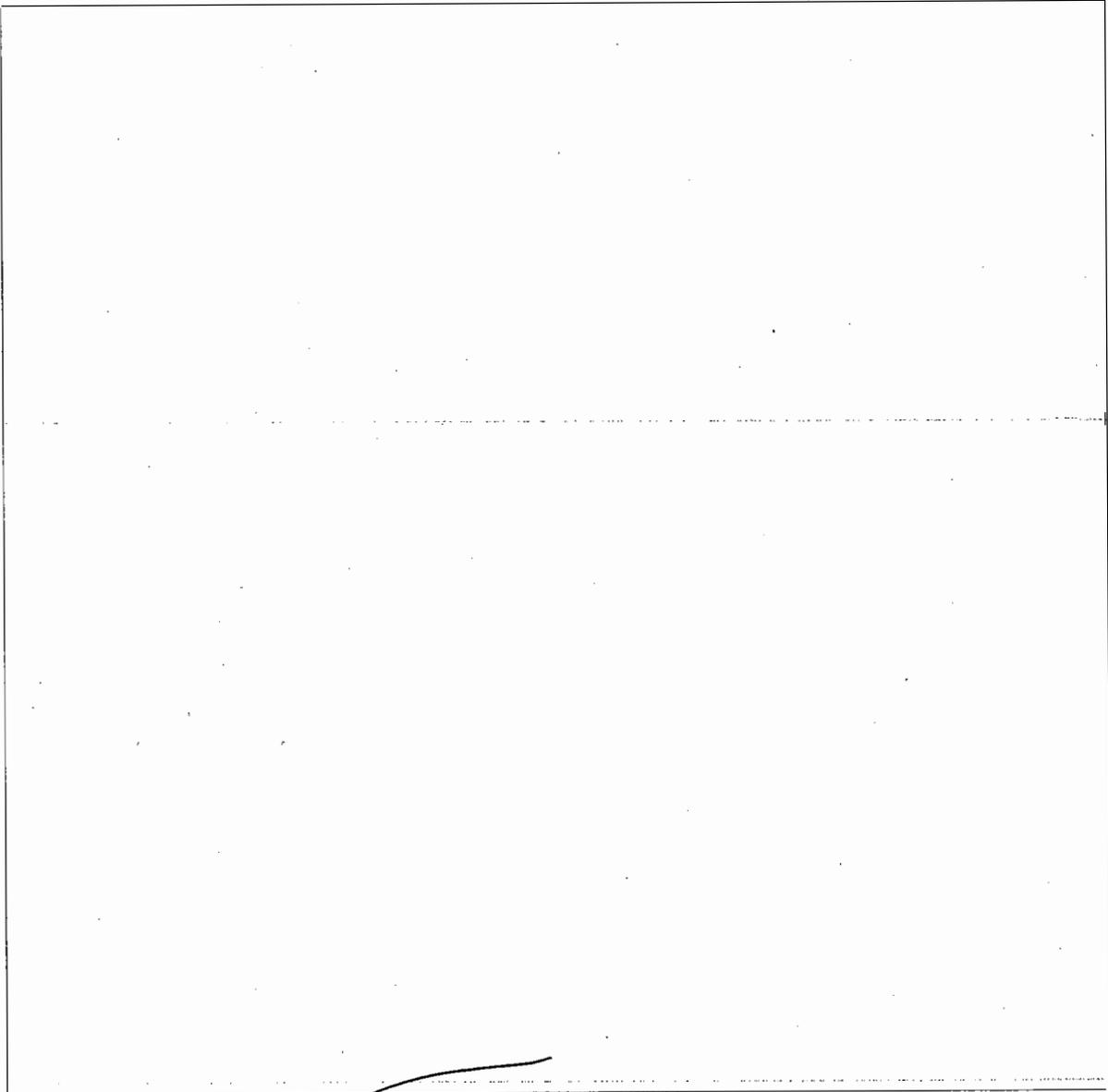
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interests dropped by the Hong Kong Consulate. With respect to the other elements of the Mission, we found only two positions which might be eliminated as against eight student positions which must be assigned here because of the closing of the language school in Taiwan. All told we recommend an increase of 16 positions in Hong Kong.

The following table summarizes the Team's view of staffing requirements for FY 81.

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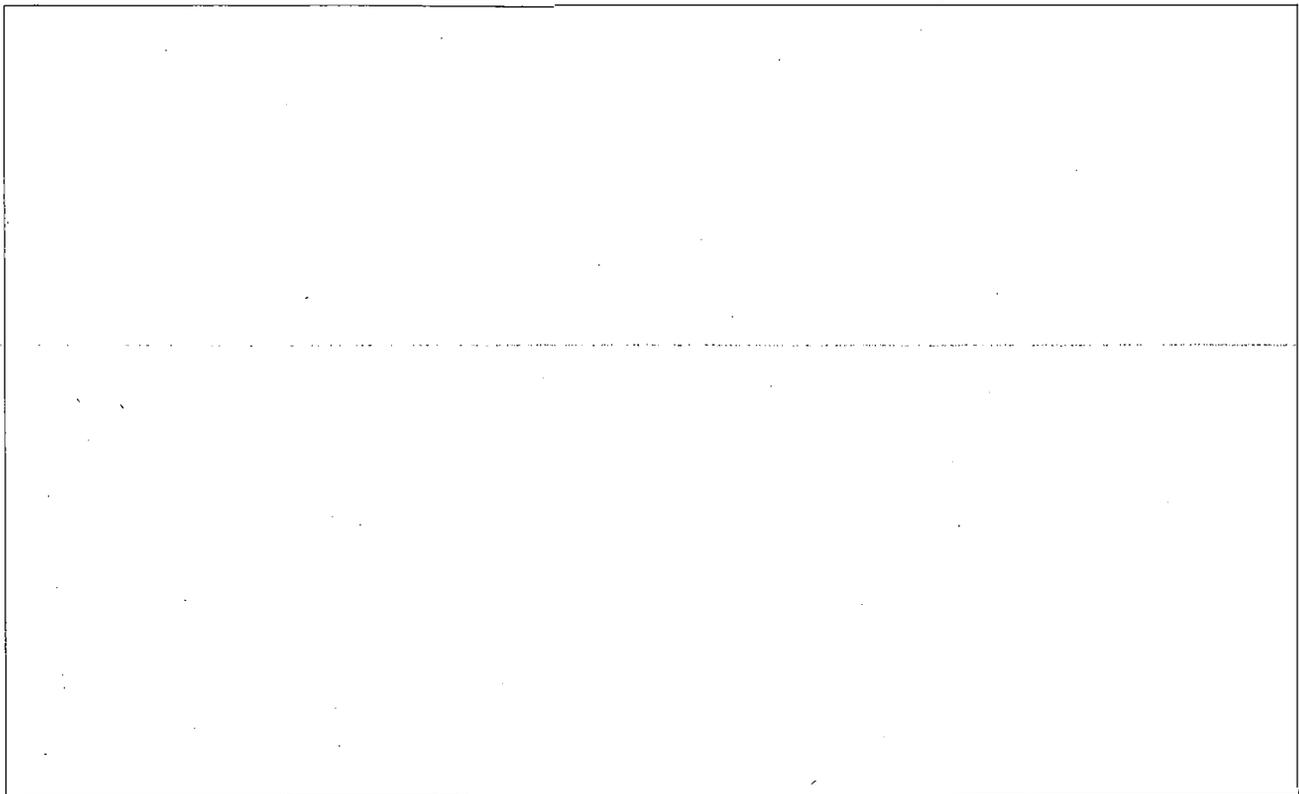


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Our specific recommendations with respect to staffing this post are:

1. Restore three political and one econ/commercial positions. As explained fully above, this action will permit the Consulate to retain its analytical capability and take advantage of enlarged reporting opportunities.

2. Do not implement four other planned reductions. The current plan is to cut an additional four positions in order to staff the mainland posts, i.e., two consular, one economic/commercial and one administrative slot. The Team believes this action to be foolhardy given today's situation in Hong Kong.

3. Eliminate the VOA correspondent. We believe the services provided by this direct-hire employee could be obtained by contract with one of the many press organizations resident in Hong Kong.

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4. Move the VOA Technical Monitor to the United States. This function, which includes supervising contract activity, is a dramatic example of the potential for performing needed activities on a TDY basis from the United States.

5. Establish eight positions for FAS students. This action is necessitated by the decision to close the language school at Taichung and send students to the school operated by the U.K. in Hong Kong.

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6. Establish three positions in the Consular Section. The Hong Kong Consular Section processed 40,000 Non-Immigrant visas (NIVs) in 1978 with an estimated total of 50,000 NIVs in 1979. As of the creation of the American Institute in Taiwan (AIT), the Consular Section now will process approximately 40,000 NIVs in 1979 from Taiwan. The Consular Section processed 9,000 Immigration visas (IVs) in 1978 and expects a ten percent decline in 1979 due to the opening of Embassy Beijing and the projected opening of ConGen Canton. Special Consular Services appear to be at a plateau averaging about ten thousand notarials and 500 passport and citizenship cases per year. Again, the workload of this section has been seriously increased by an additional 7,000 IV applications processed from Taiwan and an estimated 100,000 IV applications from Taiwan alone within the next year. For the workload increase in support of the Vietnamese refugee program, see the Memorandum on "Immigration and Naturalization services."

a. We have compared the workload of the Consular Section with Manila which has one of the highest visa workloads in the world. It is our considered opinion that the Consular Section in Hong Kong needs help. First, the projected cut of two consular officers should be cancelled. Second, the PIT position should be converted to a full-time position for a career consular officer. Third, a full-time position for a career consular officer is

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needed to deal with Taiwan-sourced problems alone. Fourth, one full-time officer is required now to work with the Vietnamese refugee program and, if ConGen Hong Kong or Hong Kong Government estimates of the increase of the refugee population are realized, an additional full-time officer will be required both to work with the refugee program and for reporting purposes.

b. We recommend that a review of Consular Section staffing be conducted during December 1979 to determine additional U.S. personnel requirements through FY 81.

7. Establish three additional positions in the INS office. The one INS officer assigned full-time to the Hong Kong office is faced with an economy workload which includes adjudications of immigration visa (IV) petitions from Afghanistan around to Taiwan. He is required to adjudicate all cases from this large area when the petitioner or the beneficiary or both are absent from the country where the petition has been received. He adjudicates all petitions from Taiwan. He has a backlog of 8,700 applications from the People's Republic of China (PRC) and anticipates applications in the future at the rate of 15,000 per year. He is working closely with the Voluntary Agencies in processing 54,000 Vietnamese refugees in Hong Kong to conduct interviews to determine admissibility to enter the U.S. under the four basic categories. The measure of the workload is that 19,000 Vietnamese refugees arrived in May and he was able to process 500 paroles. This incredible situation is going to get worse and ConGen Hong Kong anticipates a total of 100,000 Vietnamese refugees by the end of CY 79. The Deputy Secretary for Security of the Hong Kong Government estimates the total at 200,000.

a. Whether the support required by the Hong Kong INS office has an emergency need for expansion in our judgment by filling the vacant INS officer position, adding two INS officers and one U.S. secretary.

8. The principal emphasis of the Hong Kong FBI office is on foreign counter-intelligence cases, which comprise approximately 75 percent of the average 150

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monthly caseload. The office is responsible for the ASEAN area less the Philippines as well as Hong Kong. The office has been involved in screening approximately 900 visa PRC applications (IVs). During 1979 the FBI office estimates that the total number processed in 1980 will approach 15,000. Since the office has only one officer, the "Frontier Watch" to check on U.S. personnel entering and departing China has had to be abandoned as has the proposal to screen Vietnam refugees -- there are simply too many. There is a continuing requirement from Washington for these two tasks and filling the vacant FBI agent position would make it possible to discharge part of the requirements. One of the principal concerns of the FBI (others are in memo attached) is to target the organizations in Hong Kong responsible for financing PRC overseas intelligence operations in Hong Kong and against the U.S. and Indochina. Another major concern is to monitor the "laundering" of money in Hong Kong by U.S. organized crime syndicates.

In accordance with our recommendations in Manila, we recommend that the Manila FBI office be abolished with a savings of one agent and one secretary positions; that the vacant agent position in Hong Kong be filled in order to provide coverage of those targets which are not now covered as noted in paragraph two.

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The important role of the U.S. Mission in India needs little detailing or underlining. U.S. interests and goals in India are multiple and extend well beyond the purely bilateral relationship. The U.S. Mission is responsible for developing and expanding a strong cooperative relationship with India, the dominant power in the Subcontinent, a nation of major influence in the developing world, and a country dedicated uniquely to democratic rule. The Mission is expected to play a pivotal role in insuring that India acts responsibly both in nuclear matters and with relation to regional stability, as well as to assist its effort in economic development.

Given the checkered history of U.S./Indian relations, India's firm determination to remain non-aligned and buttress its security with close ties -- including military -- with the Soviet Union, and continuing widespread suspicions regarding western -- including U.S. -- materialistic and colonial tendencies, the Mission faces constant obstacles to achieving progress towards its goals. It must operate with subtlety, sophistication, constant awareness of Indian sensitivities and with minimum intrusion. The nuclear issue is a major and constant drain on the personnel resources of the Mission. Furthermore, the very size and diversity of India requires an active approach in many areas outside the capital.

At the present stage in U.S./Indian relations, unlike the past, American influence in India depends predominantly on personnel resources rather than financial flows. American assistance to India, at one time measuring in the billions of dollars, today is limited to about 200 million dollars, despite recent increases. Once the predominant aid donor, the U.S. bilaterally today contributes less than ten percent of the total annual aid to India.

Despite this switch for dependence on financial assistance, the total U.S. presence in India has

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decreased from its heyday in 1972 of 874 to 237. This places a heavy burden on the personnel stationed in India. The Chief of Mission is convinced that the Mission is lean and trim and does not feel that the U.S. presence is too large. We fully concur and in fact recommend that the staffing pattern be kept under review with a view to providing additional personnel resources when justified.

The State Department element of the staff constitutes about one-third of the Mission, which includes 15 people in the three essential Consulates. In Delhi, the substantive staff, embracing the Chief of Mission, Deputy Chief of Mission, Political and Economic Sections, the Labor Attache and the Science Staff, is only 13 officers. We feel this is inadequate given the objectives assigned the Embassy, including the furtherance of U.S. commercial interests, but are only recommending one addition to the Political Section and the assignment of a JOT to permit Junior Officer rotation.

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 The ICA staff of 30 is relatively large, but considered by the Chief of Mission as justified in light of its far-reaching activities throughout India and its demonstrated potential for reaching key Indian audiences. Almost half of the ICA staff is in branch posts and is on the road almost half the time.

AID and the Defense personnel in the Defense Attache's Office and security assistance programs are relatively small, although we believe that further economies can be achieved by combining the Defense Attache's Office with the Office of Defense Cooperation. The combination in fact should afford the Defense Attache's Office greater access to the Indian defense establishment. Other elements of the Mission are appropriately staffed.

The one major anacronism in the U.S. Mission in India is the imbalance between ICA and the Mission's

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substantive staff. In effect, there are more than twice the number of people assigned to "public diplomacy" under ICA than to "private diplomacy" in the State complement including the substantive reporting officers in the Consulates. In addition to increasing the Political Section by one officer, we therefore recommend that the ICA program staff be instructed to provide, on a regular and systematic basis, reporting regarding their wide-spread contacts throughout India. Some of this is now being done on an informal basis. This action will improve the Embassy's capability for assessing both current and long-range trends in India, and would offset the apparent imbalance between "public" and "private" diplomacy.

Finally, the Team reviewed the structure of the three Consulates in India, which accounts for 52 current positions or 22 percent of the American staff. It fully concurs with the judgment of the Chief of Mission that none of the Consulates would operate effectively with a smaller staff and that reductions can be accomplished only by closing one of the Consulates. It recommends strongly against the latter alternative given the unique ethnic and cultural diversity and size of India. Each Consulate covers an area and population far larger than any western European country.

This listing summarizes the Team's view of staffing requirements for FY 81:

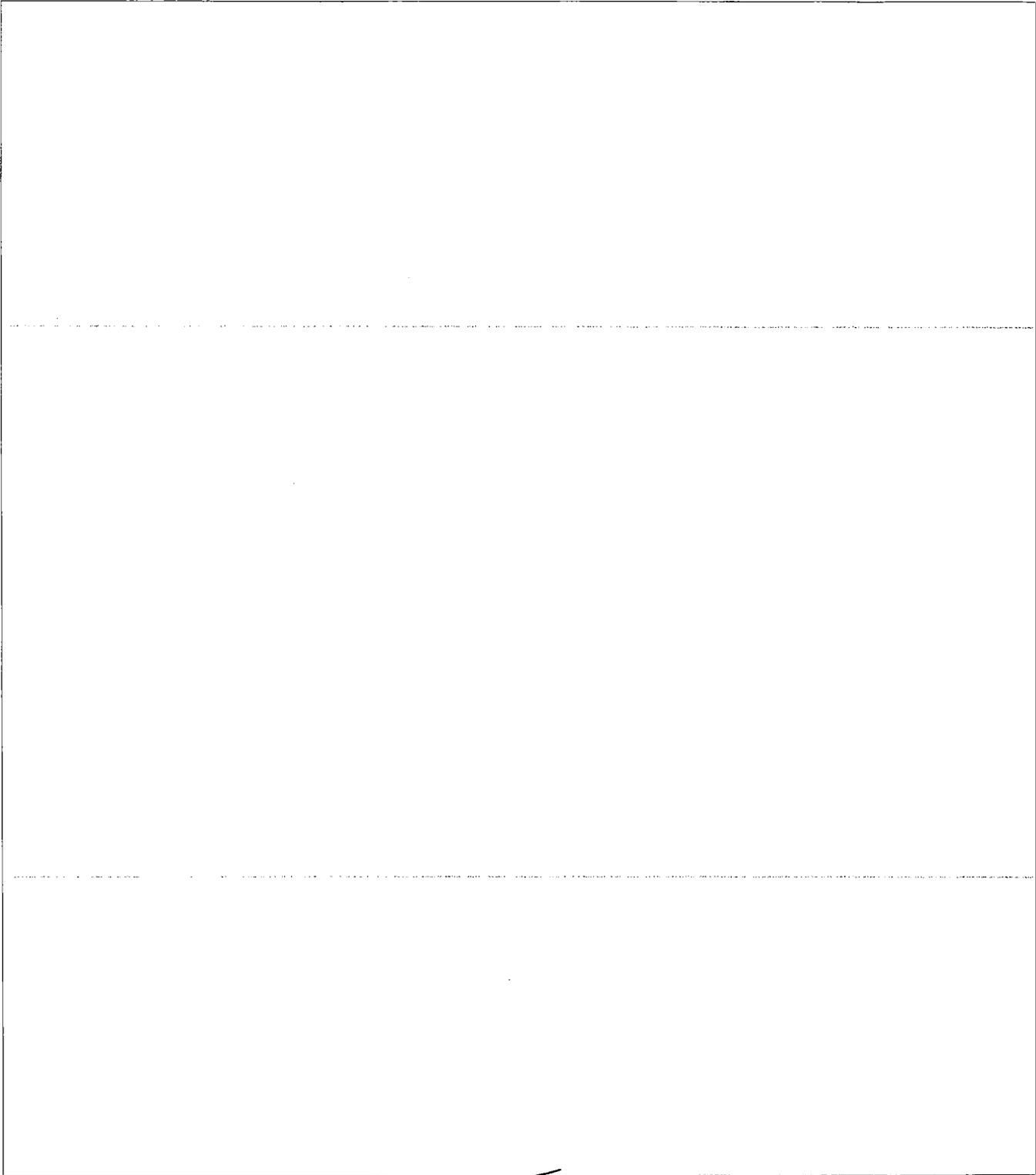
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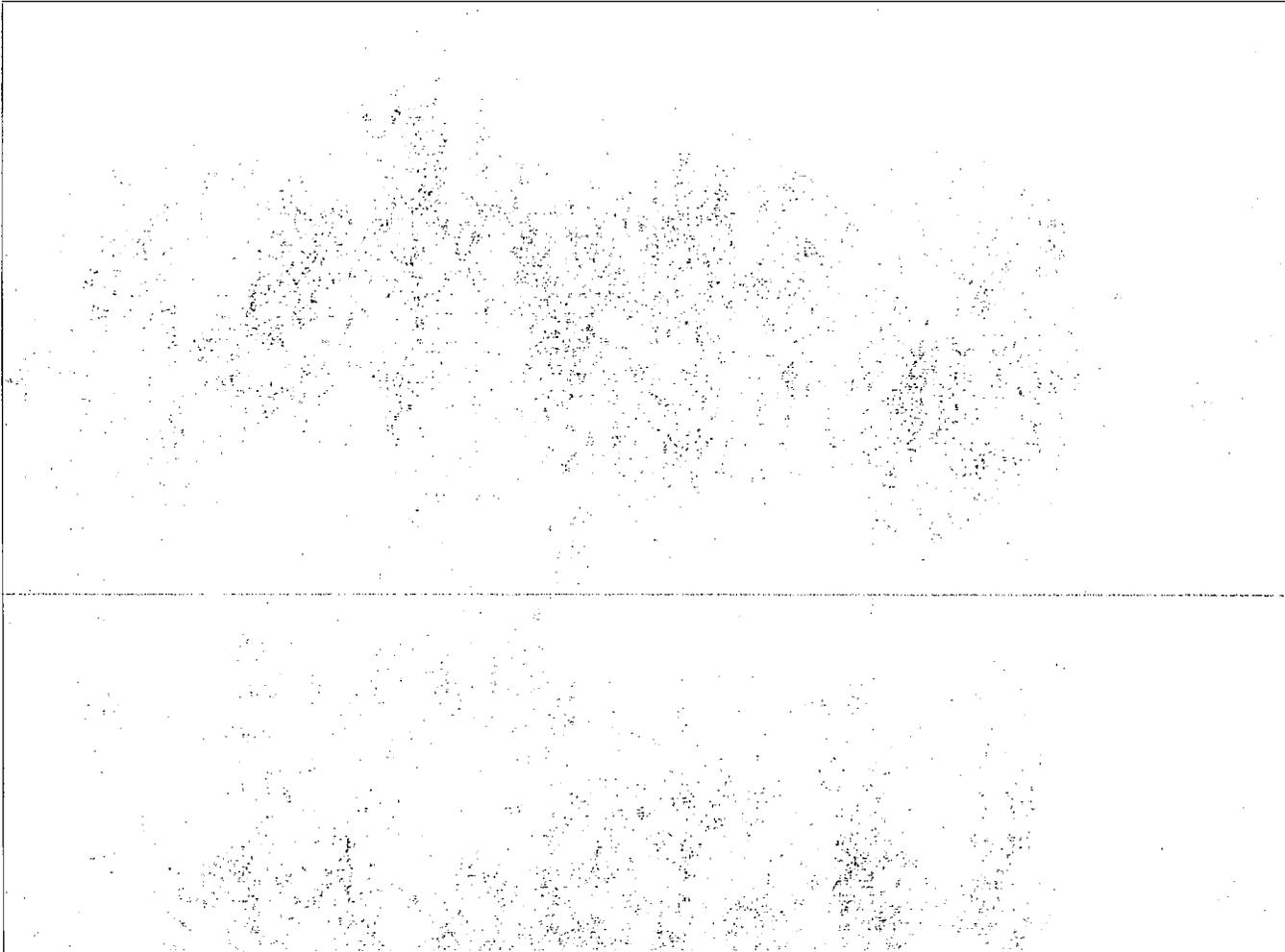


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The following additional recommendations for personnel changes are also made:

1. Addition of one political officer. An additional political officer will permit greater emphasis upon domestic developments and long-range studies, as well as to supplement Mission diplomatic activities;

2. Move FERRO to Washington (two positions). The Far East Regional Research Office (FERRO) of Agriculture's Science and Education Administration can conduct its regional cooperative agricultural research activities, which are funded by our excess

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foreign currency holdings, from Washington. The local national staff in India is well trained after 18 years of program operation. In Pakistan, where the majority of FERRO's current projects are located, the local national staff is not as capable; however, arrangements can be worked out for agriculture specialists from AID and the Foreign Agricultural Service can perform some of the supervisory functions now performed by FERRO. TDY visits by Agriculture Department officers can be used to accomplish the on-site inspections of research projects which are scattered around the region. The only other overseas office of this program, the Eastern Regional Research Office (ERRO) in Rome is being closed at the end of FY 79.

3. Elimination of the Geographic Attache. The Geographic Attache position is not essential.

4. Add a Junior Officer Trainee. A JOT would permit a rotational program for junior officers as well as give some additional support to the Political Section.

5. Assign the ODC function to DAO. We believe the functions of the DAO and ODC can be carried on more effectively by a single office. In India, military sales are limited, as is the IMET (International Military Education and Training) program. Moreover, the effectiveness of the small staff (two officers, one secretary) handling these programs is limited because of its tiny size and its status as a separate organization. The DAO is of sufficient size to alleviate administrative difficulties such as being able to provide back-up personnel when individuals are absent, but its access to some elements of the Indian military establishment which are of intelligence interest is limited because these offices deal exclusively with the ODC. Thus, both functions would gain from an amalgamation of DAO and ODC and we believe 12 Americans, a net reduction of two positions, are sufficient to accomplish the combined tasks.

6. Increase ICA reporting responsibilities. As set forth above, ICA should be instructed to provide

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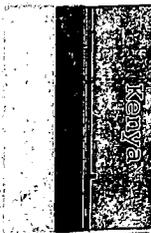
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regular reporting to supplement the Mission effort. Use of ICA personnel resources in this manner would obviate the need for other additional staff.

7. Conduct a review of the Library of Congress (LOC) program. The Library of Congress staff of four Americans and 113 foreign service nationals might be reduced by integration of its administrative activities with the current Joint Administrative Office (JAO). We have reviewed the organization chart of the LOC office and, although assured that the administrative portion of the LOC organization could not be integrated with the Embassy Administrative Section, we remain unconvinced. We recommend strongly that the Executive Office's position, the Support Services Section and the Shipping Division of the LOC Office be examined carefully to determine whether or not all or part of it can be merged into JAO under the direction of the Administrative Counselor. We note in this regard that the LOC office provides its own travel services when all the other agencies use the Travel Section of the Embassy. We are convinced that somewhere between our recommendation and this small item administrative integration is possible, with cost and manpower savings resulting. We estimate manpower savings at one U.S. and 15 foreign service national employees.

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KENYA

The U.S. Mission in Kenya is a good-sized post, large by African standards, with just under 200 Americans on a direct hire basis. There are in addition 197 Peace Corps volunteers in Kenya. However, these numbers can be misleading. There are in effect two separable segments of the U.S. Mission: one, which is less than half the personnel assigned to the Mission, deals directly with bilateral relations with Kenya; and the other segment has regional responsibilities and is located in Nairobi, since it is the one country with adequate infrastructure and transportation facilities in East Africa.

The primary goal of the bilateral Kenya staff is to further relatively important U.S. strategic and, to a lesser extent, political and economic interests in Kenya. Kenya is the one country in East Africa which condones U.S. military operations in the East Indian Ocean area, both U.S. ship visits and P-3 activities. Politically, Kenya is one of the few countries in Africa with comparatively democratic institutions, although there are authoritarian overtones in the Kenyan system of government. The Kenyan Government, moreover, is one of the more moderate and rational in Africa. Economically, U.S. commercial interests are expanding with opportunities for both investment and increased imports.

The personnel resources of the U.S. Mission in Kenya devoted to bilateral relations are primarily focused on the furtherance of these interests. With the exception of the AID staff, they are lean but will be adequate in terms of U.S. goals and objectives after a two-man military liaison office is established later this year. At present the Political Section of two is overburdened with handling the details of the Foreign Military Sales program. As a result, the Mission has not devoted sufficient resources to long-term analysis of the political situation. It is aware of this problem

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and should be able to correct the deficiency once the Political Section is relieved of its substantial paper work in connection with the military assistance program. Given the transition from President Kenyatta to President Moi, the analysis is particularly relevant and necessary at the present time. [REDACTED]

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[REDACTED] In the longer-term, additional staff may be required in the Commercial Section with the expansion of the Kenyan economy.

The bilateral AID staff of 47 (including PASAs) is large relative to the size of a program of thirty million dollars annually. The Germans, for example, administer a program more than twice the size of the U.S. program with three people, while the Canadians have a program about the same size with only two people. The large AID presence on the bilateral side, however, is principally a consequence of Washington requirements and pressures and the structure of the program which involves about 18 to 20 projects, all of which require enormous paperwork despite relatively small amounts involved. Most of the programs are personnel-intensive technical assistance related to basic human needs. For example, a recent program study for a 1.5 million dollar project in the Seychelles resulted in a 60-page paper with much detailed research.

The other major transfer of U.S. resources is the military sector. There are FMS programs for F-5s and helicopter gunships amounting to about \$100 million. Direction of these programs has been, up to the present, under the Political Section but will be transferred to a new Office of Defense Cooperation. The training of the Kenyans is handled by two Technical Assistance Field Teams (TAFT) financed by Foreign Military Sales Credit and the Kenyan Government, therefore essentially temporary in presence. This organizational structure has worked out very well and should be continued.

The AID program serves both U.S. economic and political interests but involves too large an American

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presence for the amount expended. The U.S. aid program does not play the lead role among foreign donors and contributes only about ten percent of the external resources provided Kenya. We will be recommending below substantial reductions; these reductions, however, will hinge in substantial measure upon requirements placed on the Kenyan AID Mission by Washington.

The other segment of the U.S. Mission, devoted to regional activities, is in large part a function of the unique situation found in Africa and the need to support the large number of small posts with regionally located personnel. There are some Americans in Kenya whose principal mission is regional -- as against bilateral functions. AID has 30 positions in its regional development office plus a housing staff of three and 11 auditors, both of which are regional. ICA also has a regional staff of seven. These regional staffs operate on the premise that specialized expertise and services cannot be economically provided in all 17 countries in Eastern and Southern Africa.

Economies in personnel staffing are feasible. The basic pattern which we recommend is that more activities of a regional nature be serviced out of Washington rather than Nairobi, particularly those services where quick, timely support is not essential. This change in operating style will also have the effect of reducing the administrative workload of the Mission and could result in further economies. In addition, the Team questions the need for regional organizational entities since the structure of the U.S. Missions in Africa has changed significantly since dependence on regional staffs was first developed. For example, initially it was decided not to set up any AID Missions in smaller African countries, but subsequently this decision was reversed.

Finally, there is one position, which we have included in the regional staff, serviced by State's Bureau of International Organization Affairs (IO), namely the Permanent Representative to the UN Environmental Protection Agency (UNEP). The incumbent is

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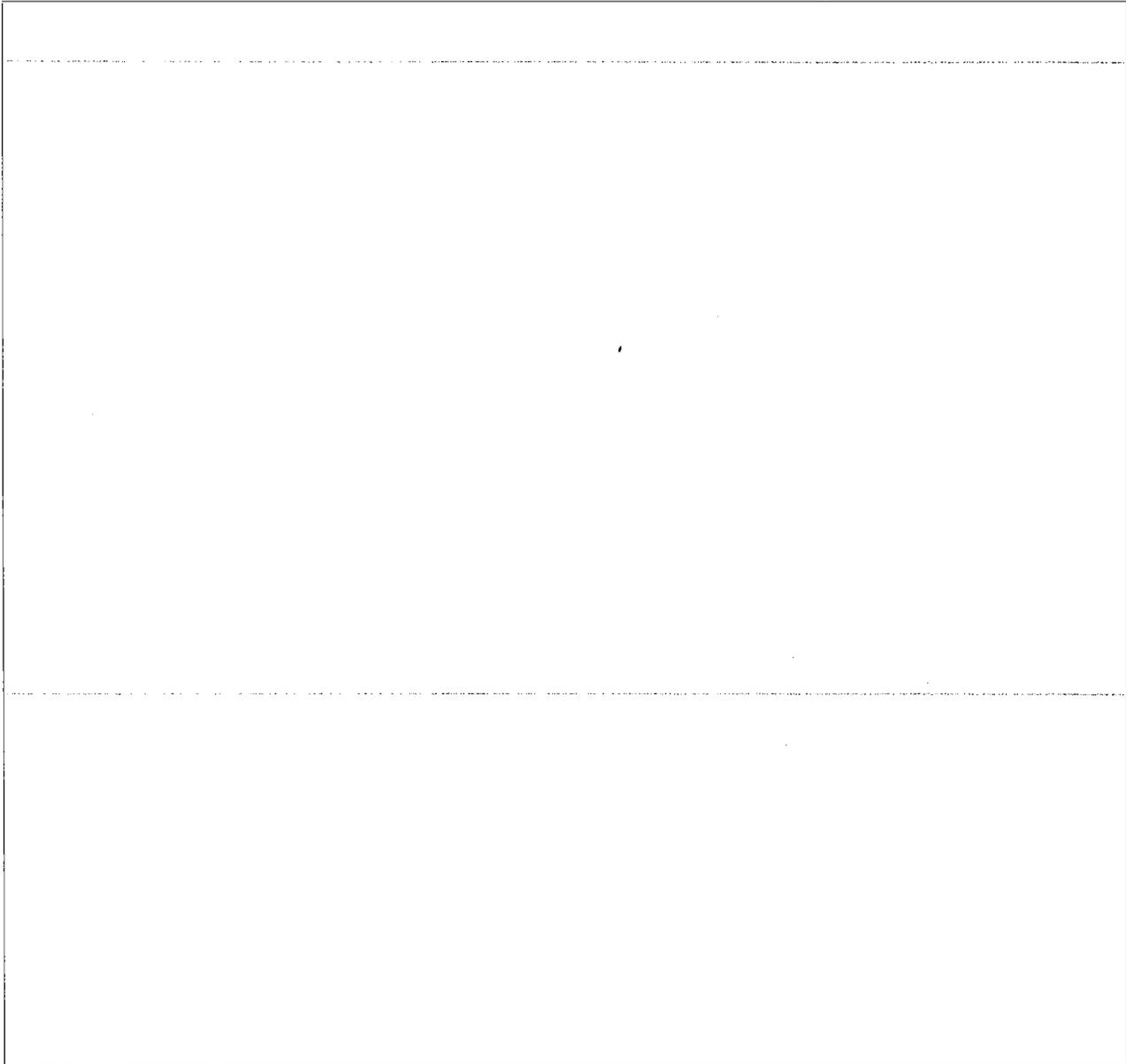
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doing a very useful job; however, only IO can determine if his presence in Nairobi is essential.

This listing summarizes the Team's view of staffing requirements for FY 81.

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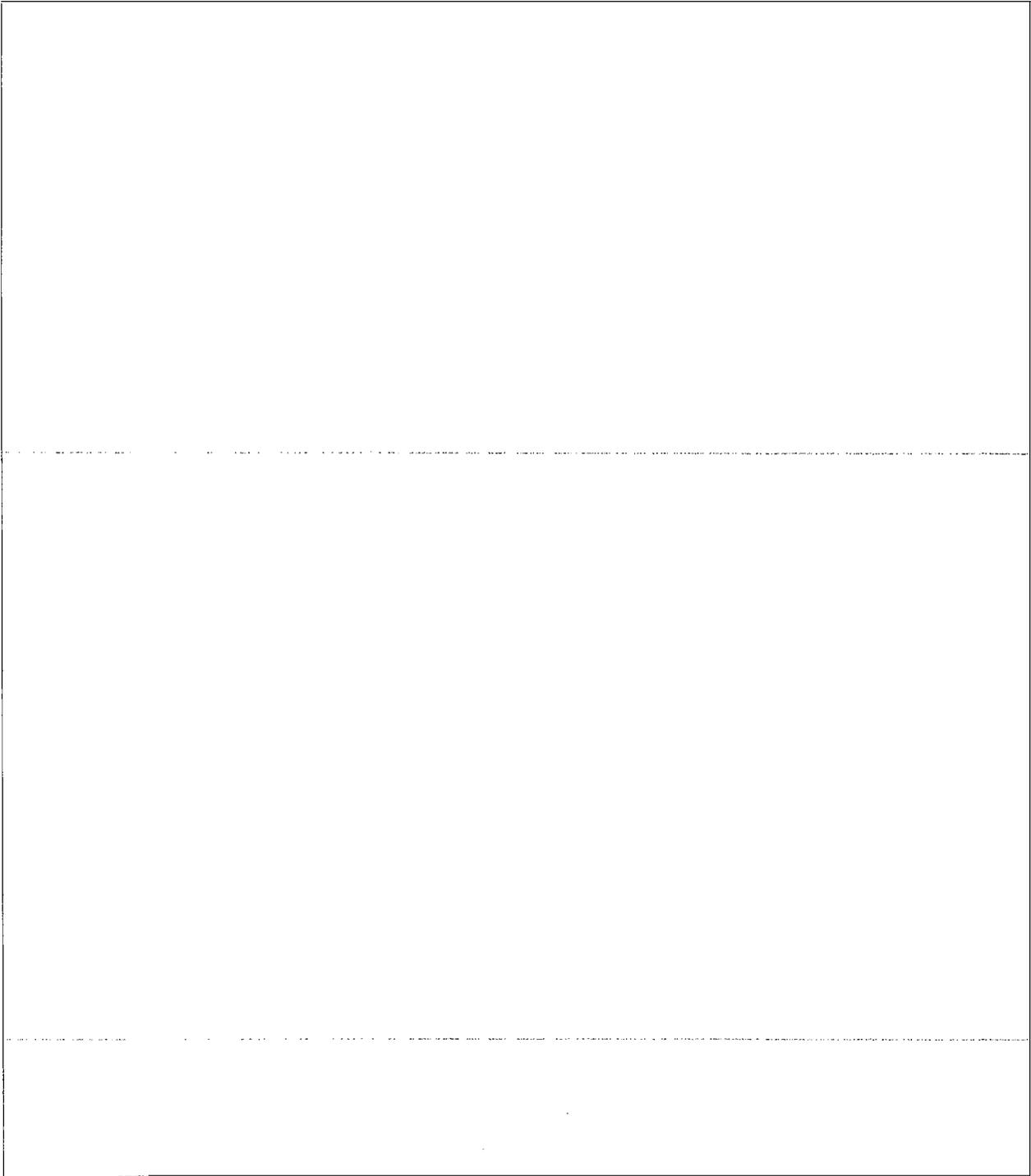


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Our specific recommendations with respect to staffing are:

1. Move the 11 positions AAG Staff to AID/W. The Team believes that the AID audit function in East Africa should be performed on a TDY basis from Washington. While this step will doubtless result in the loss of some degree of effectiveness and, some believe, in recruiting problems because of the demand for auditors throughout government, this action will have the least effect on the delivery of development assistance to recipients.

2. Move 15 REDSO/EA positions to AID/W. The Team believes that the work performed by roughly one-half of the positions currently assigned to this organization could be performed in Washington or on a TDY basis from AID/W. Much of REDSO/EA effort goes into assisting AID Missions and Embassy staffs in 17 countries to complete the AID/W requirements for approval and justification. These losses are not as time sensitive as those of program implementation and control and thus the case for overseas posting of some of these positions cannot be made. Generally the approach should be to keep a very limited amount of specially skilled people in East Africa to "fight fires" while the augmentation for special studies and analysis should come from AID/W.

3. Integrate the residual REDSO and Regional HUD Office personnel into USAID/K or other posts in Africa. We do not believe that separate organizational units create additional workloads, even where the maximum effort is made to avoid duplication of administrative services.

The administrative functions in USAID/Kenya and in the Regional Economic Development Services Office (REDSO)

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are spread in such a manner as to create the impression that USAID/Kenya has a very "low" administrative mechanism. In fact, USAID/Kenya draws on REDSO for its procurement, contracting and legal services. USAID/Kenya also receives part of its financial services support from the Controller's office in USAID/Kenya and part from REDSO. REDSO therefore provides some of the administrative service USAID/Kenya requires in return for USAID/Kenya providing the local administrative services REDSO requires. The statement that the Executive Office USAID/Kenya consists of only three U.S. positions (Executive Officer, GSO, Personnel Officer) does not tell the whole story. It appears that there is some duplication between USAID/Kenya and REDSO and this is an operation that appears to be a prime candidate for resolution within a joint administrative office (JAO). When, if and as Washington resolves the establishment of JAOS with AID, we strongly recommend that a JAO be established in Nairobi.

Individuals with regional responsibilities can be assigned to individual country Missions depending on the distribution of the need for their services and transportation availability. We believe a method of accomplishing personnel evaluations on persons with regional responsibilities can be devised which will satisfy the oft heard concern that the lack of regional organization will be unfair to those who spend a great deal of time away from their base Mission.

4. Delete four USAID/K positions. This organization can function effectively with two less persons in the program office and, as a result of our recommendations above, two less positions in the Mission support area. The Mission cannot be held at the resultant level of 43 persons (including PASAs) unless plans for assistance to small farmers in arid lands are revised to eliminate five more PASA employees who are planned to arrive during FY 81.

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6. Delete five ODC/TAFT positions. To date, the U.S. military relationship has been limited to sale of 12 F-5 aircraft and associated training in 1976, the conduct of a military survey in 1978 which dealt with the Somali threat, and the just completed sale of 32 helicopters, 15 of which will mount the TOW missile as well as a training package for this system. There is no DAO in Kenya. However, in mid-1979 a two-man Office of Defense Cooperation is being established to supervise the reporting requirements connected with these programs. Since the Foreign Military Sales Credits program began for Kenya in FY 75, \$87 million worth of loans have been signed and another \$26 million was included in the FY 80 budget. The Kenyan Government has recently declared a moratorium on additional arms purchases for economic reasons and the threat situation has also changed radically during the last few months. Consequently, the Mission does not now expect that additional military sales contracts which require personnel inputs will be signed in the foreseeable future and, therefore, personnel levels will drop to seven positions as training is completed. FY 82 should see a further reduction to four direct hire U.S. employees.

7. Library of Congress. This program includes two U.S. and ten foreign service national employees covering 16 countries. The rationale to support this personnel level is unconvincing. Acquisitions to inform the USG concerning meetings and decisions of the Organization of African Unity (OAU) are obtained through a part-time Ethiopian national employee in Addis Ababa and information obtained concerning political developments in Rhodesia is obtained by the same method in Lusaka, Zambia.

The African Imprint Library Services (AILS) provides the type of acquisitions required by the Library of Congress through almost all of Africa less the 16 countries covered by this office and South Africa. There appears less justification for this office which, however, should continue to catalogue

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acquisitions before they are sent to Washington, where they would otherwise be added to the growing backlog at the Library of Congress.

The Library of Congress office in Nairobi acquires 25,000 "items" per year. Sixty percent are newspapers, 15 percent government gazettes, 25 percent books and magazines.

This office should be abolished or, at maximum, should retain one officer as a troubleshooter for Library of Congress programs in Africa and the three foreign service national cataloging positions for which there does seem some justification. All other activities should be accomplished in the mbassy Administrative Section or on contract.

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~~SECRET/SENSITIVE~~MEXICO

Mexico is undergoing rapid transition from an agrarian to an industrial society and the recent discovery of huge oil reserves will hasten this process. American foreign policy interest in Mexico will grow rapidly. Illegal immigration, fuel pricing policies and trade are obvious examples of current problem areas, but they also present opportunities for improving our relations. The U.S. Embassy will play a key role in the development of our policies toward Mexico.

I. Management

Embassy Mexico has relied on the historic availability of inexpensive labor to perform many administrative services. This era is drawing to a close as huge oil deposits and industrialization change the Mexican economy. The Embassy has not had to make the transition to centralized services, use of computers, word processing centers and other labor-saving equipment and techniques that European posts introduced in the last decade to deal with rapidly rising local salaries.

Administrative services in Mexico have not been centralized and streamlined enough. Several agencies perform many of their own administrative services rather than relying on the Embassy's. For example, several operate their own official vehicles which duplicate the Embassy's motorpool. This practice is wasteful of resources and leads to questionable use of official vehicles by the agencies concerned. Other examples include agencies providing their own maintenance to short-term leased housing and the provision of excessive service to employees, including using foreign service nationals to pay personal bills.

II. Visitors

There is a steady increase in official travelers abroad. Embassy Mexico, in common with other posts we visited, believes some of these official visits are of marginal utility. A few seemed designed more for the personal convenience of the traveler than for the conduct of official business. Several posts, particularly those in Europe, have developed policies restricting expensive local services to certain types of official visitors.

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There is a useful first step, but the real problem is in Washington.

### III. Agriculture

**Screwworm Eradication Program.** The basic question is when U.S. participation should be phased out. It is not clear that Mexicans could not run the program themselves. The program has been going since 1972 and is successful. The present plan is to reduce 85 U.S. to 24 over a two or three year period. Although mostly field operations, it has an administrative staff of 20 Americans, larger than that of the Embassy.

**AFTOSA Program.** This is a 25-year program with five American employees operating a laboratory identifying various cattle diseases. The Mexican authorities have the expertise to operate this program which is in their basic interest. In the event of a future outbreak of AFTOSA, American participation could be renewed if necessary.

**Meat Inspection.** There is one American veterinarian inspecting approximately 30 plants four times a year. Mexican regulations currently prohibit the export of meat from these plants to the United States.

**MEDFLY Program (Part of the Plant Protection Quarantine Program).** The MEDFLY program consists of two principal parts and utilizes 15 American and 156 foreign service nationals. One part concerns the infestation of shipments to the U.S. of fruits and vegetables. The other part is a large program producing sterile male flies to eliminate and/or control the MEDFLY population.

### IV. Defense

**Defense Attache Office.** The Mexican armed forces has a very limited mission, mainly the promotion of internal security. None of the forces is modern in any sense. Additionally, the military is integrated into the political structure of the country and is extremely unlikely to take independent political action. An American staff of 11 officers and enlisted personnel is excessive. The Team reviewed a sample month's output which did not justify a staff of 11.

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There are also a few small miscellaneous activities which are peripheral and overstaffed. One NCO, for instance, is coordinating a \$200,000 annual training program.

A small Defense mapping operation has been in existence in Mexico for many years and does not appear to be making significant progress.

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Narcotics Control Activities

This is an important function which has the full and vigorous support of the leadership of the Embassy and the various sections and agencies involved in this program. In Mexico, the narcotics activities are carried out by: (1) Drug Enforcement Agency, (2) State direct hire and contractors

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VI. Narcotics Eradication Program

Narcotics assistance activities are administered by a State narcotics unit of five largely through Mexican contracts with American firms and has proved generally successful. The Mexicans are cooperating as part of their "North American policy." Much of the program will be reduced in the next year.

VII. Drug Enforcement Agency

DEA has been in Mexico for 20 years and currently has 56 direct-hire employees, including administrative personnel. The main purpose of this staff seems to be to develop cases for arrest and prosecution in close step with Mexican officials which DEA believes are unable or unwilling to do basic casework. This attitude is summed up by the comment, "If we don't do it, they won't." Every other knowledgeable Embassy officer expressed doubts about the size and modus operandi of DEA and of possible adverse political effects.

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The Team saw no evidence that DEA's case development approach has been effective over the years in substantially motivating the Mexican authorities to prosecute vigorously drug traffickers. A better approach in our opinion is to galvanize the Mexican authorities by demonstrating to them that it is in their interest to wage an effective campaign against drug traffickers similar to that currently being waged against poppy producers. This can be done at the policy level by making clear our policy determination to control drug activities and that it is in the interest of Mexican/North American relations to cooperate.

### VIII. AID

There is no traditional AID program in Mexico and it would not be welcomed. A single AID officer runs a population program assisted by three foreign service nationals. The Mexican Government has begun to establish a large population program which reportedly is beginning to reach to the village level. The Mexican programs in place are successful and accepted, if not welcomed, by the Mexican people.

### IX. International Communication Agency

Team received indications that the Regional Service Center printing operation was not fully utilized and was "hunting for work." We ascertained that the plant is operating at about 80 percent of production level that could be obtained with current staff of three U.S. and 41 FSN's.

### X. Customs

The Customs Service (five Americans and two foreign service nationals) has regional responsibilities for Mexico, Central and South America. Liaison is also maintained with Mexican Customs and there is logic in continuing certain activities with the Mexicans, especially regarding narcotics smuggling and to work on countervailing duty and dumping cases. However, there is little reason why Latin America regional activities cannot be carried out from Washington.

### XI. Consular

Mexico poses special and well-known problems for consular services. Increasing numbers of Americans live in or visit Mexico. Drug trafficking and imprisonment compound this situation. There is a rapidly increasing demand for consular services by Mexicans wishing immigrant

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and non-immigrant visas. If present projections for consular services hold true, the Embassy will soon be overwhelmed. We cannot foresee any realistic opportunity to cut the total number of consular personnel in Mexico. Efforts must be focused on better utilization of existing resources including reliable automated systems, use of longer-term documents, i.e., the border crossing card, "mica," centralization of professional consular personnel in fewer posts with resulting higher productivity and the use of consular agents to handle protection and welfare functions. Therefore, we recommend the closure of three least productive Consulates and the use of the positions in more productive posts. Consular agents could handle requests for information and assistance to American citizens in such traditional consular functions as jail visits and welfare and whereabouts services.

## XII. Immigration and Naturalization Service

In Mexico, INS has nine American employees mainly providing such services as investigation and approval of immigration petitions which are performed by consular officers at most overseas posts. One officer provides liaison with the Mexican authorities, especially on undocumented alien matters.

## XIII. Trade Center

Trade Center activities, requiring three American and seven foreign service nationals, are judged to be effective by Embassy officials. The Center, in sizeable government-owned space, is justified as necessary in view of the importance of maintaining, if not increasing, the 65 percent American portion of American imports, especially in view of the expected deterioration of our trade balance advantage as exports of Mexican oil and gas increase in future years. However, no meaningful statistics are available to accurately quantify the export gains from Trade Center operations.

There appears to be nothing unique about the Mexico City Trade Center justifying its continued operation. Local American business representatives reportedly strongly support the Center. As an objective test of the usefulness of the Center to American business, a policy of charging user fees covering the full cost of the Center should be adopted forthwith by the Commerce Department.

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XIV. U.S. Travel Service

Questions about the usefulness of the Travel Service office (three U.S. and four FSN's) elicited generally negative replies on the grounds that private services available in Mexico City far outweighed minor incremental gains from the USTS office.

XV. Mexico City Regional Finance Center

Complaints about the inefficiency of the Washington Finance Center, especially regarding payroll, are strong and many. Plans and actions are in an advanced stage toward opening a finance center in Mexico City to assume responsibility for disbursing for all Embassies in Latin America. A computer has been leased for almost a year at a reported cost of about \$1,000 per day. A skeleton staff of Americans and foreign service nationals is in place, but the computer remains inoperative so long as the Department denies further staffing. It is highly unlikely that parallel Washington/Mexico City operations can begin in August or that the Mexico City center can assume full operational responsibility on October 1.

XVI. NSA

See also special annex.

XVII. Reporting

The Embassy has enthusiastically accepted Washington's demand to reorganize itself so as to be able to do in-depth and relevant reporting keyed to social and economic change. It has an ambitious program in whose preparation the Ambassador, DCM and key executive staff have taken the lead. It is enthusiastically supported by most of the staff. Washington should support this effort fully, not only with personnel but by monitoring the system.

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There are problems. Poorly trained people cannot do the sophisticated analysis inherent in the program. Long gaps between officers play havoc with carefully calibrated plans. These facts are obvious.

What is not obvious is the sense of priority of various elements of the Embassy. To whom are they responsible for work guidance? Will their contributions be meaningful or will they be the result of whatever spare time an officer has after he has completed all the assignments his Washington agency has levied on him? What is needed is a clear NSC directive to all agencies, stressing the importance of analysis and research by the Embassy as a whole and the vital role of Agriculture, ICA, Labor, Treasury and so on in making major inputs into the process.

### I. Management

RECOMMENDATION: All administrative services, including motorpools [redacted] be centralized in the Embassy's administrative section with the transfer of positions from other agencies as necessary.

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### II. Visitors

RECOMMENDATION: See visitors' section elsewhere.

### III. Agriculture

RECOMMENDATION: Screworm Eradication Program -- 20 American positions should be cut in FY 79 with emphasis on the Mexico City administrative staff with ongoing reductions of 20 U.S. positions each in fiscal years 1980 and 1981. American participation should be terminated by the end of FY 82. This schedule will give ample time to transfer the responsibility for this important program which is also in the interest of the Mexican Government and should be operated by it.

RECOMMENDATION: AFTOSA Program -- American participation should be terminated by the end of FY 80.

RECOMMENDATION: Meat Inspection Program -- This position should be abolished until the Mexican Government

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again permits the export of meat from these plants to the United States.

RECOMMENDATION: MEDFLY Program -- The program to produce sterile male flies be reviewed July 1, 1982, in order to reduce or eliminate American participation.

IV. Defense

RECOMMENDATION: Defense Attache Office -- Two officers should be eliminated at once. One NCO with administrative duties should also be abolished and the remaining functions transferred to the Embassy Administrative Section.

RECOMMENDATION: Defense Training Program -- The NCO position coordinating this \$200,000 annual training program should be abolished and responsibility for the program assumed by the Defense Attache.

RECOMMENDATION: Defense Mapping Program -- This program throughout Latin America should be abolished. The lack of progress over many years indicates its marginal nature.

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VI. Narcotics Eradication Program

RECOMMENDATION: Reduction of one U.S. employee in 1981 as the size and scope of the program declines.

VII. Drug Enforcement Agency

RECOMMENDATION: The Embassy narcotics unit should be maintained directly under the Ambassador and DEA should be reduced. The reduction should be preceded by a thorough executive review of DEA operations and policies overseas to be completed in time to be reflected in the FY 81 budget cycle.

VIII. AID

RECOMMENDATION: None

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IX. ICA

RECOMMENDATION: Regional Service Center -- ICA should at once ascertain whether employment can be cut as production is about 80 percent of capacity.

X. Customs

RECOMMENDATION: Regional Activities -- Regional activities should be returned to Washington eliminating the need for two U.S. employees.

XI. Consular

RECOMMENDATION: Close the three least productive consular posts in Mexico and centralization of professional consular personnel in fewer posts with resulting higher productivity.

RECOMMENDATION: Use more long-term border crossing cards, "micas."

RECOMMENDATION: Use consular agents in cities where consulates are closed to handle requests for information and assistance to American citizens.

XII. INS

RECOMMENDATION: Most INS positions in Mexico should be abolished and their functions, except for liaison with the Mexican authorities (one officer), should be transferred to consular officers.

XIII. Trade Center

RECOMMENDATION: Users should pay fees covering the full cost of the Trade Center as an objective test of its usefulness to American business.

XIV. U.S. Travel Service

RECOMMENDATION: The USTS office in Mexico City should be closed as soon as practicable.

XV. Mexico City Regional Finance Center

RECOMMENDATION: The Department of State should provide at once the necessary staffing for this office.

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See also special annex.

XVII. Reporting

RECOMMENDATION: A directive from the National Security Council to all agencies stressing the importance of analysis and research by the Embassy as a whole and the vital role of Agriculture, ICA, Labor, Treasury, etc. in contributing to the reporting process.

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XVII. Reporting

RECOMMENDATION: A directive from the National Security Council to all agencies stressing the importance of analysis and research by the Embassy as a whole and the vital role of Agriculture, ICA, Labor, Treasury, etc. in contributing to the reporting process.

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PHILIPPINES

The U.S. Mission in the Philippines is the largest in Asia numbering 402 Americans and over 400 Peace Corps volunteers. There is, in addition, a sizeable American military presence at Subic Bay and Clark Field which provides APO and other services to the Mission [redacted] The

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numbers in the Mission, however, are misleading since Manila has traditionally housed many regional activities and approximately 30 percent of the official Americans have regional responsibilities.

The overriding U.S. interest in the Philippines is maintaining with the government a friendly cooperative relationship which will assure the continuing operational effectiveness of the U.S. forces and military facilities in the country and the consequent capability of the U.S. to exercise influence and leadership throughout Asia. The U.S. bases support operations as far north as Korea and as far to the West as the Indian Ocean. Without these bases, the U.S. ability to project military power in both East and South Asia would be severely handicapped, if not undermined.

The major focus of U.S. Mission attention until January 1979 was the pending military bases agreement, and these issues still require considerable effort. However, the focus has now shifted to the internal scene. A stable and friendly environment within the Philippines is central to the preservation and effective use of U.S. bases. But there are darkening clouds over both the economic and political horizons threatening this stability. The Philippine economy, which has been making reasonable progress in recent years, is faltering. It faces heavy inflation, lowered growth, and a decline in real wages, and continues to be plagued by high population growth, malnutrition in the countryside, and highly inequitable distribution of income. The economic decline, in turn, interacts with the political situation and could contribute to growing discontent with President Marcos's authoritarian rule.

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The succession issue must be squarely faced, given the lack of an institutional base for political change. There is potential for explosiveness in the Philippines which must be both carefully watched and measured and not underestimated. Under these circumstances, the requirement for all elements of the Mission, including ICA, AID and JUSMAG, to contribute to reporting and analysis of the internal scene is all the more essential.

There is a final factor which affects all Mission operations in the Philippines; namely, the Philippine proclivity for corruption and venality. All AID programs must be carefully monitored as a consequence. Additionally, the heavy consular workload is much increased by constant threats of fraud. American investment and business activities in Manila likewise fall under this shadow of corruption.

The U.S. Mission in the Philippines thus faces heavy responsibilities and must operate in an environment of potential instability taking into account the unique factors found in the country, including particularly the vestiges of past colonialism and the constant problems of corruption. The official U.S. presence in the country, outside the regional activities, reflects these responsibilities as well as the unique features of the current Philippine scene. The Chief of Mission, his Deputy and the Political Section of five officers have shifted their focus to the internal problems, while maintaining a continued watch on the bases in question.

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The growing economic problems are receiving increased attention both from the Economic/Commercial Section and the AID Mission. The focus of the Economic/Commercial Section of five is principally on U.S. commercial relations. It is bareboned and could be expanded considering the heavy U.S. investment of over \$1 billion in the area, the large and

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demanding American business presence in the country, and the continued vestiges of the colonial economic relationship. Along with AID, it provides the essential economic analysis of the country. The AID Mission, which is now more closely integrated with Mission activities, is not large in light of its current and prospective programming responsibilities. It has a staff of 61 and there are in addition 13 regional auditors and inspectors, whose transfer to Washington the Team recommends:

AID now directs 42 projects relating mostly to basic human needs. Many of these projects are small but are personnel intensive. It has a current pipeline of \$120 million. On top of this regular development assistance program, the U.S. is committed in the bases agreement to expend an additional \$200 million in security Supporting Assistance over the next five years, in annual increments of \$20, \$30, \$50, \$50 and \$50 million. The pipeline is projected to increase to over \$200 million by 1984. Given the dangers of corruption, these projects require close monitoring. Finally, AID is also faced with a loss of talented foreign service nationals due to its inability to match salary increases offered outside the Philippines and the U.S. Mission and due to Washington directed cuts. The Team is recommending a ceiling of 60 Americans, but this number could be insufficient depending upon the nature of the projects desired by the Philippine Government under Supporting Assistance or could be reduced if highly qualified foreign service nationals are added to the staff.

The ICA staff of 11 is relatively small, compared to other Missions reviewed and given its wide access and activities in the country. This staff includes two branch PAOs which are justified by the diversity and size of the Philippines. The Defense elements in the Mission, principally JUSMAG and DAO, are susceptible to reduction. Eight JUSMAG positions from a staff of 33 are proposed for reduction in 1981. By FY 83 when grant aid deliveries will be finished, JUSMAG should be further reduced and converted to an Office of Defense Cooperation. The Defense Attache Office is too large considering its product, which appears to make

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little contribution to the Mission, and considering the large U.S. military command presence in the Philippines. A reduction from 11 to six is therefore recommended.

The Mission does not now have Joint Administration. While the Embassy provides services for other elements in the Mission, each maintains separate administrative staffs. In addition to four projected cuts in the Administrative Section, an additional six officers can be withdrawn from the Philippines if a Joint Administrative Office is established. The Team recommends this action.

Finally, there are the regional activities as well as the Regional Office of the Veterans Administration. Among the regional activities is the Regional Service Center which provides printing facilities for ICA and Embassies throughout the world. While it employs nine Americans and 150 foreign service nationals, it is so cost effective that its retention is recommended. There is also an expanding VOA operation which is irreplaceable at the present time. The Veterans Administration has 12 Americans of whom two handle essential investigations of claims where incidence of fraud is very high. We recommend that these two U.S. positions be retained in the Philippines but that the remaining requirement for U.S. employees be provided on TDY from the U.S., which is considered feasible. There are additional reductions in order in the recommendations below.

Finally, the Philippines, like other countries in Southeast Asia, faces the problem of increasing Indochinese refugees. While the numbers are still not as great in the Philippines as elsewhere, an additional officer is required to assist in this area.

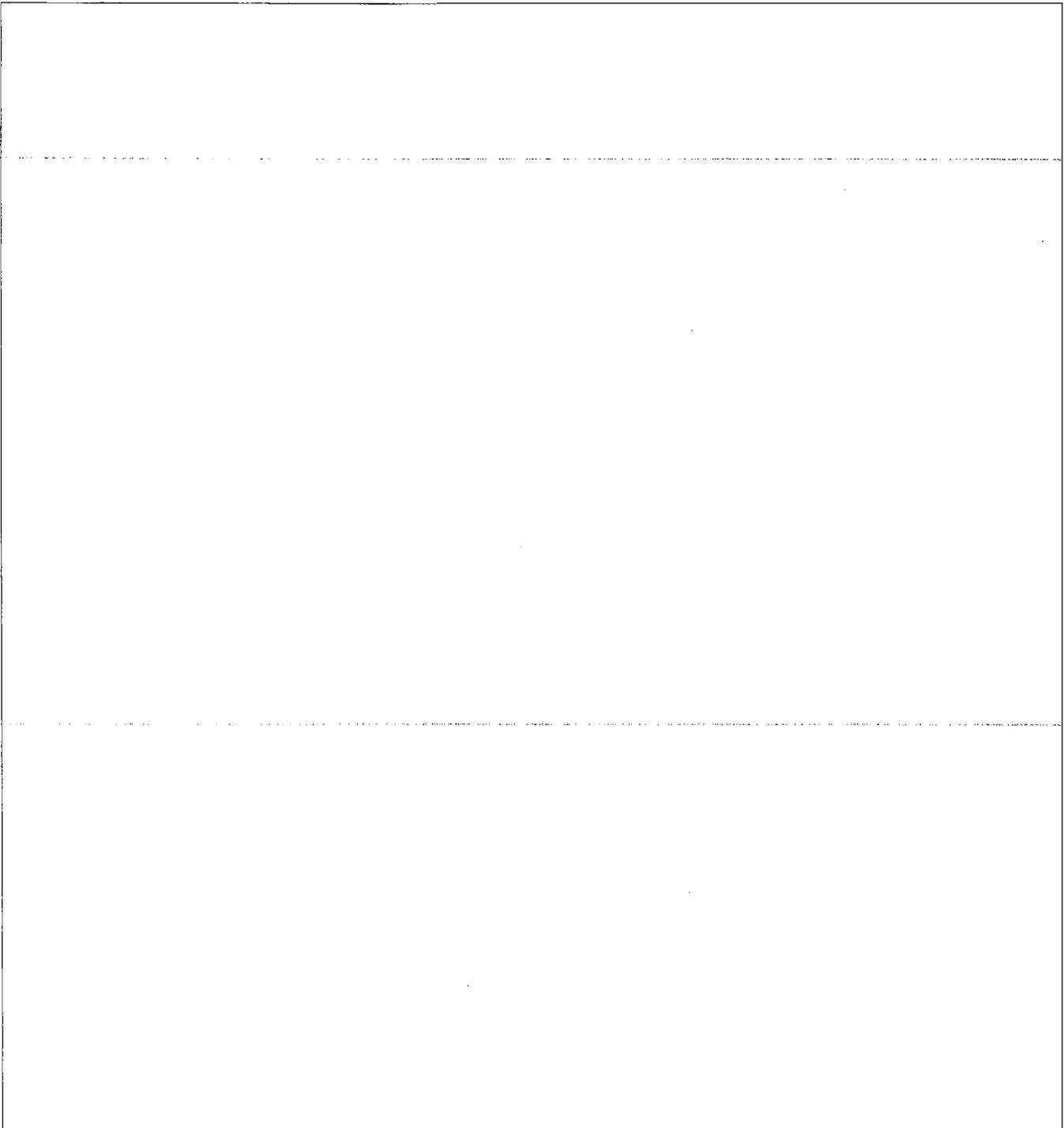
This listing summarizes the Team's view of staffing requirements for FY 81:

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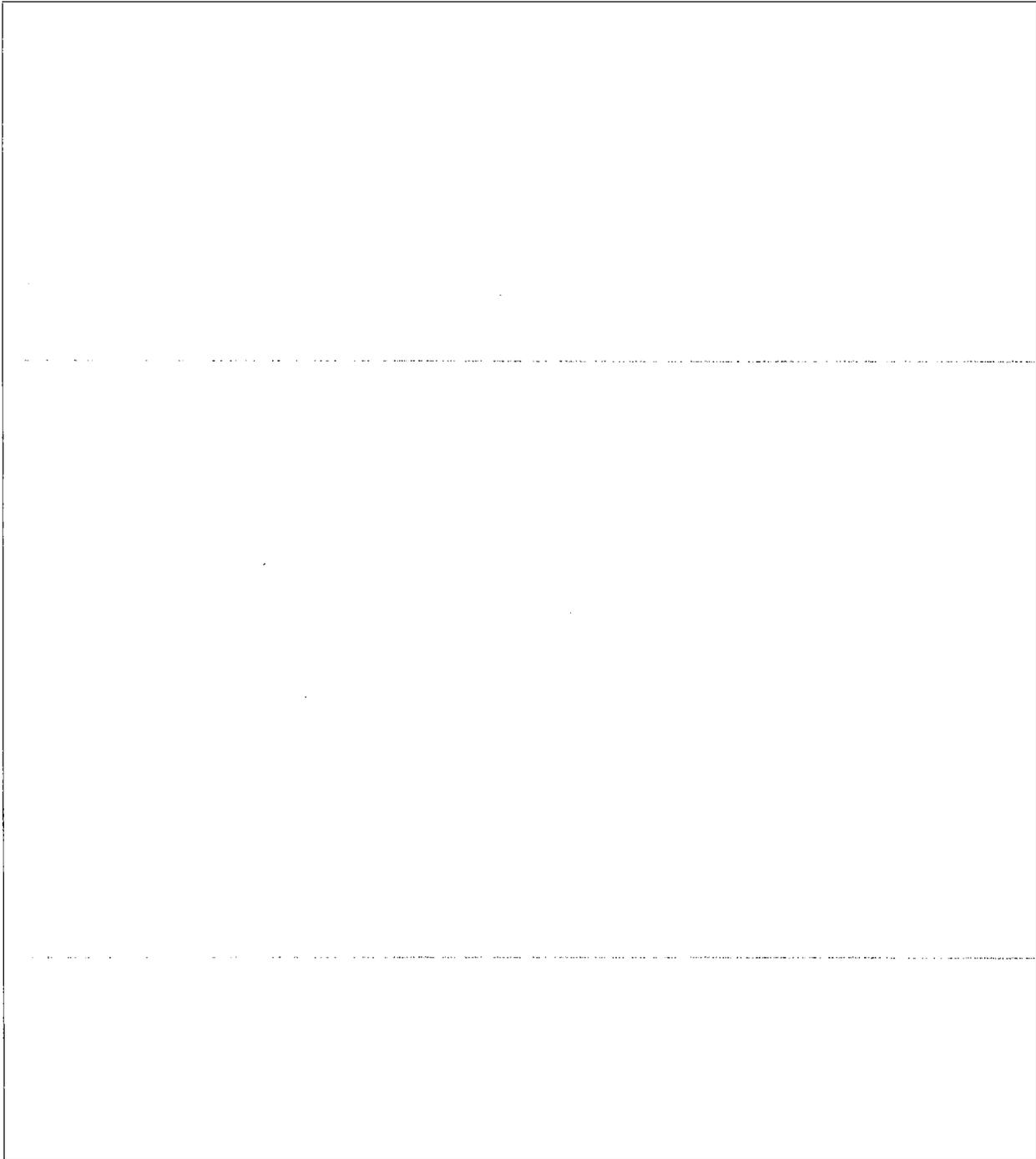


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The Team has the following specific recommendations:

1. Move the AID Regional Audit and Inspection Staffs to the U.S. We recommend transfer of both staffs of nine and three respectively to Washington. Their responsibilities can be fulfilled through TDY assignments overseas.
2. Establish an AID ceiling of 60. For the present, we recommend a ceiling fo 60 for the AID bilateral staff. This represents a reduction of one American, which shall be absorbable from current vacancies. The structure and the size of AID staff will require periodic review after the Security Supporting Assistance program is implemented.
3. Delete two Peace Corps staff positions. A gradual reduction of PCVs from the present level of 412 to 300 has been recommended. This is the corresponding staff reduction.
4. Move most Veterans Administration activities to the U.S. Except for those individuals supervising local national employees engaged in investigating claims, it is possible to assign the responsibilities

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of the Manila office to existing VA offices in the U.S. This action would save eight positions; however, the cost of operation would increase significantly. The Manila office is the only VA office overseas at this time.

5. Delete five DAO positions. This office can be reduced from 11 to six positions because of the large military command presence in the Philippines which relieves the DAO of some traditional duties.

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 The DAO should not continue to operate a C-12 aircraft with these few positions.

6. Reduce JUSMAG from 33 to 25 positions. As the final increments of grant military assistance called for by the bases agreement are programmed into the DOD logistics system, the planning staff of the JUSMAG can be reduced. Moreover, since we believe that the Mission does not need dedicated aircraft, part of this reduction is associated with the departure of the C-12 operated by the JUSMAG. By the end of FY 83, it should be possible to dispense with the distant JUSMAG compound and its associated administrative overhead which includes separate communications personnel.

7. Establish a JAO. AID, ICA, VOA and VA all have Administrative Officers. This action has the potential of saving six additional American positions (three AID, one ICA, one VOA and one VA) which are not now included in our chart. In FY 83, a further savings will be possible if the JUSMAG moves into the main Chancery compound as recommended above. We believe this could begin in FY 80 and could be completed in FY 81. Further, when the JUSMAG moves from its present location in Quezon City to the Chancery compound in FY 83, the JAO will be able to assume approximately 50 percent of the JUSMAG administrative functions. We cannot estimate savings in U.S.

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positions as that move would likely be accompanied by a further JUSMAG personnel cut.

8. Eliminate Ceilings on Local National Staff.

In the Philippines and other countries with low wages relative to the cost of U.S. employees, foreign service national personnel ceilings imposed by Washington amount to a disincentive for U.S. personnel reductions. U.S. Mission officials should have the flexibility to hire local nationals within the financial resources available. A system should be devised to encourage the elimination of additional American positions in favor of local nationals. Individual Missions should be encouraged to conduct annual wage surveys if need be to revise compensation plans to more realistic levels. The Embassy in the Philippines is conducting a separate wage survey at the present time and will be submitting a revised compensation plan to Washington for approval after clearance with all U.S. agencies at the post.

9. Study the diplomatic communications system.

The Philippines is the hub of communications activities throughout the Pacific

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The bureaucratic struggle which is responsible for the existence of today's communications systems continues with obvious excess dollars and personnel costs. We believe the communications systems issue should be reviewed in a separate study under your auspices with a view toward consolidating under the management of a single agency.

10. Instruct AID and ICA to report on internal developments. The staffs of both AID and ICA are in direct contact with a wide segment of Filipinos. Many of these elements are potential forces for instability. AID and ICA provide occasional information of a political, psychological and sociological nature to the Chief of Mission and the Political Section, but often resist their responsibilities. Both should be

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instructed by Washington, as is the case of JUSMAG, to institute a regular reporting requirement and regular reporting system.

11. Defense offices in Embassy. The Air Force Office of Special Investigations and the Office of Naval Investigative Services both operate from offices located in the Embassy compound. We recommend that these two offices be withdrawn to Clark Field and Subic Naval Base, respectively, and that they conduct operations from their respective offices at the two bases. This recommendation, while not a personnel reduction, is nevertheless made to lower the still very large U.S. official profile in Manila.

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SWITZERLAND

As a center of international finance and with one of the strongest currencies in the world, our relations with Switzerland must receive close attention and be based on mutual confidence. Furthermore, the sizeable Swiss Army and Air Force and the decision of the Swiss Government to re-equip and modernize them present opportunities for substantial American sales and for close Swiss/American military relationships.

The Team found that the small Embassy is leanly, but effectively staffed. The Ambassador has shaped his Embassy in a manner to challenge and extend fully the talents of the staff. He believes a few reductions are feasible, admittedly at some cost. The Team does not agree with all of his suggestions, but does believe a few reductions, different from those proposed by the Chief of Mission, are feasible.

I. Political/Economic Reporting

The Chief of Mission has recommended abolishing one of the two political/economic/commercial positions. Instead, the Foreign Service Inspectors have recommended redesignating one of those positions as political. There currently is no political position in Bern and a junior or mid-level political position would help the Deputy Chief of Mission and the Chief of Mission in their political reporting and analysis.

II. Administrative Services

The Team found administrative services in Bern understaffed, especially with foreign service national employees. Because of recent cuts in foreign service national employees in the General Services Unit, 13 short-term housing leases will not be renewed because the maintenance workload has become unsupportable. Most employees in the future will be required to seek housing on the local market with the result that lower paid personnel, i.e., secretaries and communicators,

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will have difficulty finding and equipping rental units and high shipping costs will be incurred for the transportation of personally owned household effects to unfurnished rental quarters.

### III. Consular Functions

There are six Americans and 13 foreign service national positions devoted to consular activities in Switzerland. Consular functions are performed in Geneva (services to U.S. citizens and diplomatic visas for United Nations personnel traveling to New York), Bern (a full range of consular services) and Zurich (all consular services, except immigrant visas).

In 1979 the Swiss consular posts are expected to issue nearly 100,000 non-immigrant visas, an increase of nearly 40 percent over 1978. This workload has grown at an annual rate of more than 30 percent in the last two years. Unless legislation is passed by the Congress to eliminate the NIV requirement for Swiss citizens, additional personnel, both American and foreign service national personnel, will have to be provided in 1980 or 1981 to handle this rapidly increasing workload.

If legislative changes are not forthcoming, the Team recommends the centralization of all consular functions in Zurich, except that the present staff of one American and two foreign service nationals should remain in Geneva to handle U.S. citizen services and United Nations diplomatic visas. Under this proposal consular work in Bern would be transferred to Zurich which already issues more NIVs than Bern and has many more resident Americans. The country's major international airport is also located in Zurich. With a consolidation of consular functions in Zurich, it would be possible to automate the visa name check system resulting in some reduction in foreign service national employee time needed to handle the increasing workload.

However, if the NIV visa requirement were eliminated by Congress, the two American consular positions and several foreign service nationals could be cut and all consular functions performed in Zurich.

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IV. Commercial Activities

The commercial staff is composed of two officers and six foreign service national employees in Bern and one officer and two foreign service nationals in Zurich. The latter post will lose its American officer but keep two foreign national employees to aid the Consul General (an E/C officer) in his commercial activities.

The Chief of Mission places high priority on commercial activities. Embassy initiated single day meetings of specially invited American exporters and Swiss buyers have proved effective with minimal effort. Commerce Department sponsored trade mission planning, arrangements, and scattered appointments are deemed by Embassy (and reportedly others in Western Europe) as too cumbersome and wasteful of businessmen's and government employees' time. A one day meeting of 34 American firms and 110 Swiss firms recently reportedly provided much greater exposure at less effort and cost.

V. Defense Attache Office (DAO)

The complement of two officers, two non-commissioned officers and three foreign service national employees (recently reduced by one foreign service national) appears to be fully extended and very efficient compared to other attache offices surveyed. The Chief of Mission has recommended a reduction of one officer. [redacted] 25X1 DIA

[redacted] Military sales work is substantial, even though the Swiss Embassy in Washington is much involved. Sales have totaled \$636 million between 1972-78 and \$500 million of additional possibilities are outstanding. Many are major weapons systems and require DAO time and effort with Swiss in developing and implementing, including much troubleshooting work. Over-flight work and troop train and truck passage work has increased sharply. Visitors fluctuate, but some high-level military visitors are resulting in good [redacted] working relations. DIA 25X1

VI. Treasury Attache

One officer and one U.S. secretary were established in 1978 because the Treasury Department found Embassy reporting on Swiss National Bank and commercial banks inadequate. There is an important need to cover closely exchange markets in Switzerland and to have

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close contact with top and mid-level banking and government financial officials. Financial reporting has increased significantly since the Treasury Attache arrived.

#### VII. International Communication Agency

One U.S. officer with a foreign service national secretary and a foreign service national professional assistant handle a very small exchange program, several American visiting lecturers, student counseling, and question answering and requests for media materials and policy statements. The Chief of Mission recommends closing the program and the Deputy Chief of Mission believes it could largely be handled by a political officer part-time.

The Team believes this small activity should continue with prime attention being Swiss universities and servicing Swiss media. While there clearly are substantial normal U.S./Swiss interchanges, ICA is trying to fill gaps (universities, media servicing). Compared to the size of ICA operations in many other small countries of less importance to the United States, one officer and two foreign national employees are warranted.

#### VIII. Agricultural Attache

One officer, one foreign service national and one foreign service national secretary provide reporting and sales promotion services. The Chief of Mission has recommended that the reporting workload be reduced and the foreign service national job abolished. The Team questions the extent of reporting required from Switzerland, a nation with minor agricultural production.

#### IX. Federal Bureau of Investigation

The FBI complement in Switzerland consists of one American officer and one American secretary. The principal reason for an FBI office in Bern is the connection of American organized crime with Swiss banks in financial transactions. Two-thirds of the office's time is devoted to tracing these financial operations or those of white collar crimes.

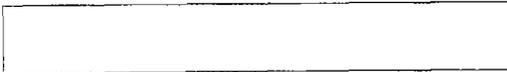
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The Team found the present staffing adequate to meet the office's responsibilities. We learned, however, that the Bern office of the FBI intends to ask Washington shortly for the assignment of another American secretarial position, because complex FBI indexing requirements reportedly prevent one secretary from keeping up with the work of one officer. Apparently the FBI often assigns more than one secretary to an officer. (The Team found three secretaries for two officers in Paris.)

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See also special annex.

I. Political/Economic Reporting

RECOMMENDATION: Redesignate one political/economic/commercial position as a junior or mid-level political position.

II. Administrative Services

RECOMMENDATION: The Team believes an increase of one foreign service national employee and the continued use of government leased quarters is in the long run likely to be less expensive than the costs incurred by personally rented housing in Bern.

III. Consular Activities

RECOMMENDATION: Centralize consular activities and introduce an automated visa name check system in Zurich at the earliest opportunity to substitute for likely needs for additional foreign service national employees.

IV. Commercial Activities

RECOMMENDATION: The Department of State and Commerce should jointly assess the Swiss experience of

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one-day, Embassy initiated trade mission meetings and its feasible substitution for some traditional commerce trade mission.

V. Defense Attache Office

RECOMMENDATION: Maintain office at current staffing level. One Army and one Air Force officer is advisable in view of the sizeable procurement for the Swiss Army and Air Force.

VI. Treasury Attache

RECOMMENDATION: Maintain the Attache and his secretary.

VII. International Communication Agency

RECOMMENDATION: Maintain the public affairs officer and two foreign service national employees.

VIII. Agricultural Attache

RECOMMENDATION: The Department of Agriculture should review reporting requirements placed on Bern as part of a more general review. The Team questions whether reporting required by the Foreign Agricultural Service is too all-inclusive, thereby resulting in substantial reporting of low priority information and data in terms of the larger picture.

IX. Federal Bureau of Investigation

RECOMMENDATION: OMB should explore with the FBI in Washington the reasons for the high ratio of secretaries to agents abroad.

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THAILAND

In its heyday during the Vietnam War, the U.S. Mission in Thailand was a large, sprawling empire. There were over 2,000 official Americans and 49,000 U.S. Armed Forces personnel present in the country. Since that day, both the official presence and U.S. role in Thailand has considerably receded. Nevertheless, there are still vestigial elements from the Vietnam War period and the Chief of Mission has recommended this year major reductions consistent with the current responsibilities of the Mission.

Even after these reductions and further incisions which the Review Group is recommending, the U.S. Mission in Thailand will still be one of the largest in the world. At the same time, the Mission presence will be attuned to the heavy responsibilities it faces in Thailand, the pivotal country in the Southeast Asian power equation. Thailand is central to the U.S. interest to promote stability in Southeast Asia, avoid another major U.S. military involvement, and prevent great power confrontation.

Prior to the Vietnamese invasion of Cambodia in late 1978, the major thrust of the Mission was to give Thailand more scope for exercising an independent foreign policy, while maintaining Thai confidence in the American security commitment to it as a court of last resort. The U.S. Mission also sought to buttress the internal stability of the country through furthering economic growth and dynamism and developing a more stable and responsive political structure. Internationally, we pulled back from our dominant role, while internally we sought to influence the country to develop institutions less vulnerable to either internal or external undermining.

The U.S. had and still has other additional interests in Thailand of importance. There are two problems requiring constant Mission attention: the

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narcotics trade and the flow of refugees from Indochina. Additionally, we wish to maintain our ability to use Thai facilities for assorted military activities, given Thai responsiveness to our requests. Finally, among our traditional bilateral interests, the Mission sought to exploit the growing Thai economy to further U.S. trade and investment interests.

The Vietnamese invasion of Cambodia, however, has had a fundamental effect on the Mission's role in Thailand. The flow of refugees from Cambodia has put very heavy new pressures on the issue. Aside from the new Cambodian flow, there are almost 160,000 refugees in Thai camps. More significantly, the presence of ten Vietnamese divisions on the Thai border raises major security problems and places immediate pressures on Thai confidence in the American commitment to Thailand. These new developments raised the fundamental issue of what measures should be taken separately or together by the U.S. and Thailand to get Vietnam out of Cambodia or make its presence there so difficult as to diminish any threat to Thailand. The situation in Cambodia forced the senior officials in the Mission and the Political Section to focus their energies almost entirely on this issue and directly affects capabilities to continue the pruning of the U.S. presence in the country. Decisions on reductions have to be measured against both logic and their potential psychological effect on Thai confidence in the U.S.

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The Chief of Mission is attuned to the need to deploy his personnel resources in a manner consistent with the current role and activities of the Mission. He has very limited financial resources at his disposal to exercise leverage and influence over Thai policy. The Economic Assistance Program of about \$13 million is fractional compared to the assistance given Thailand by Japan and the World Bank. It is intelligently focused on rural development relating to our internal

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objectives, but the AID staff is large in ratio to its program. Military assistance in FY 79 is \$30 million in FMS credits. Again, this is small compared to Thai purchases of about \$400 million in defense equipment. There is a real question of whether these resources are sufficient to meet our goal of encouraging Thai confidence in the U.S.

The personnel resources reflect a heavy concentration on intelligence activities with almost a third of the U.S. official presence devoted to this function. There is a Military Assistance Group of 40 in the process of reduction and a 23-man AID Mission. There are limited regional activities in Bangkok taking a little over ten percent of the current presence. These regional activities are mostly in the State contingent. The State Department presence, excluding the 22 people devoted to regional responsibilities, represents less than 20 percent of the total Mission.

This chart summarizes the views of the Ambassador and the Team concerning staffing for FY 81.

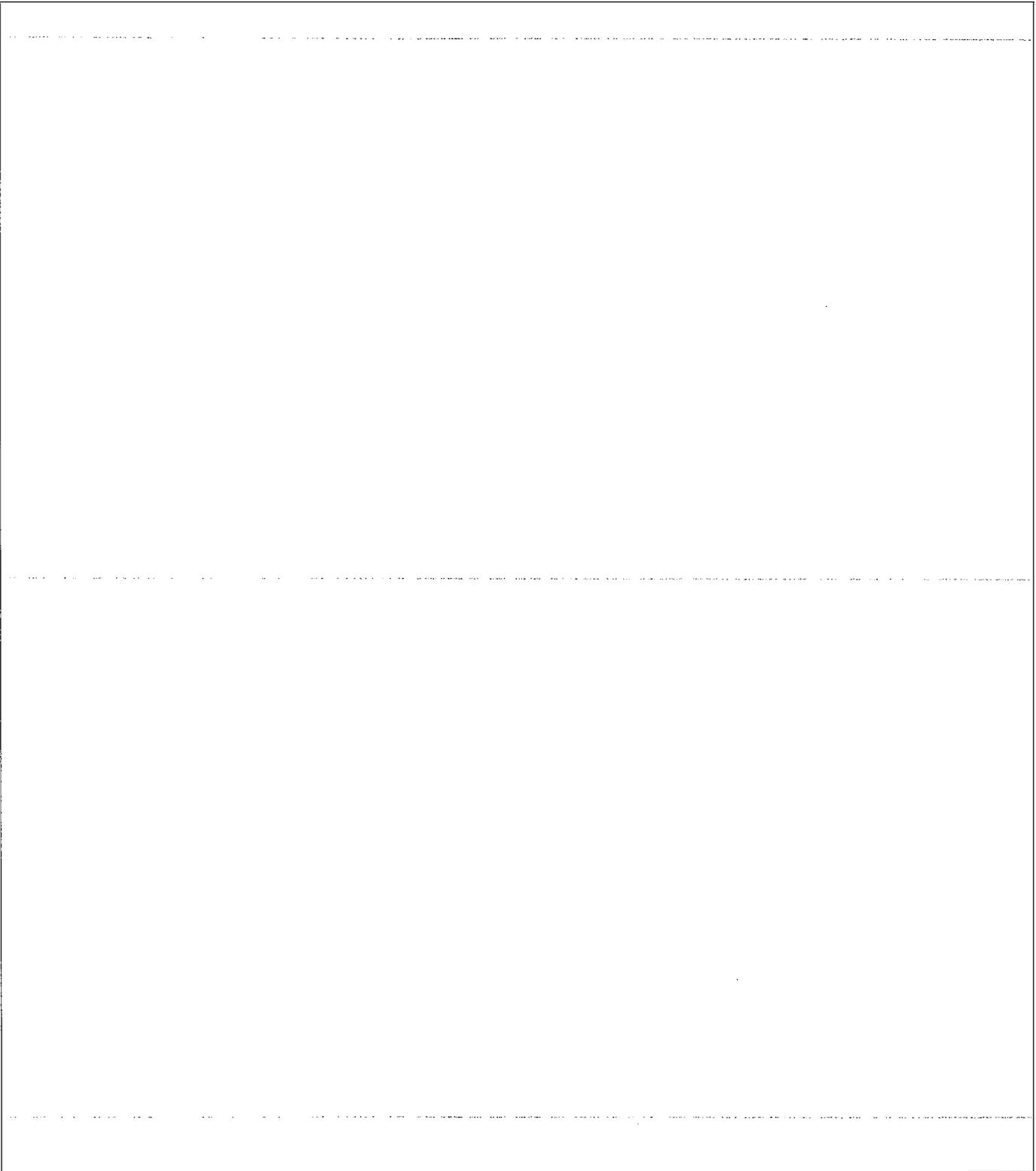
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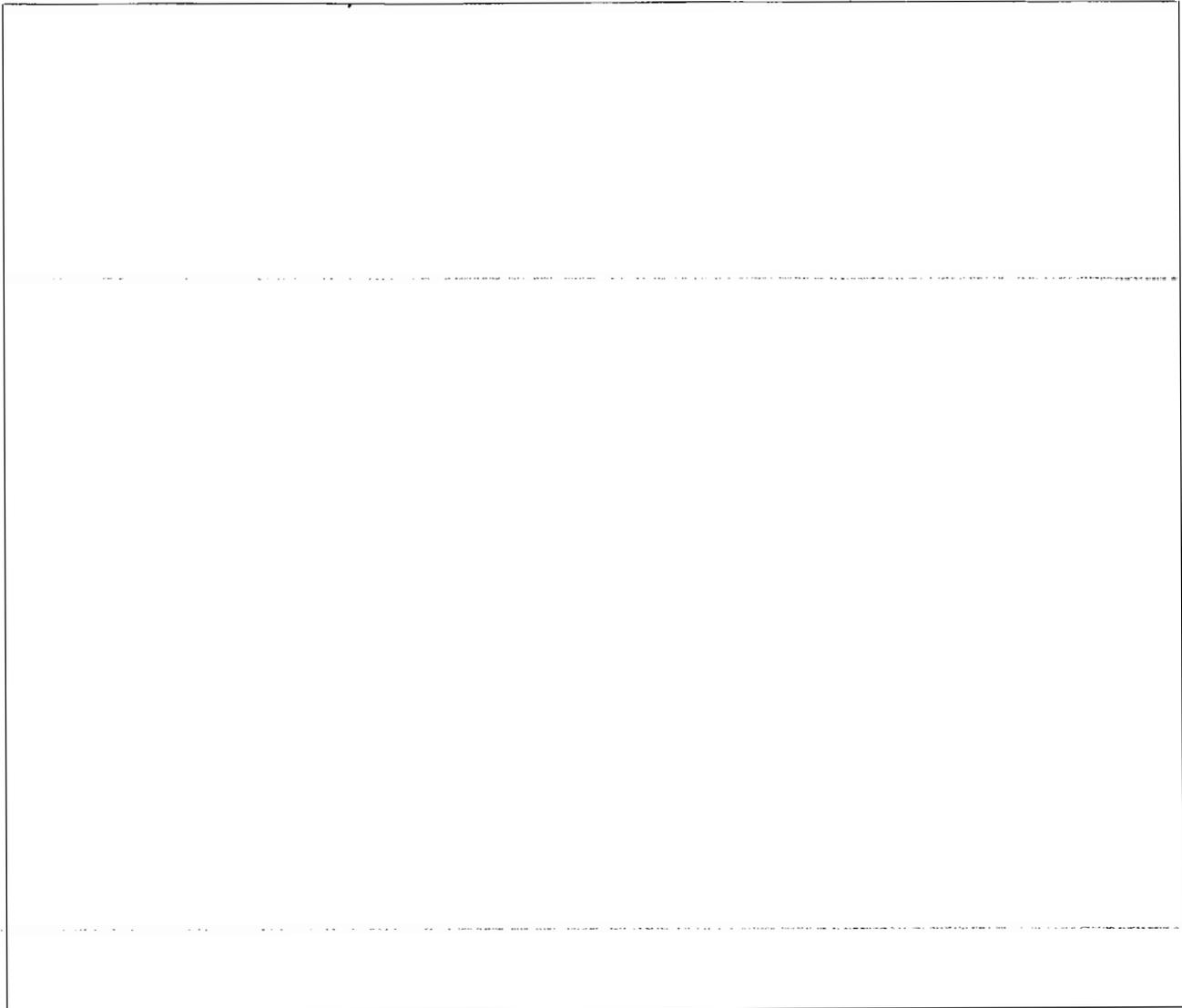


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The Chief of Mission has recommended major reductions throughout the Mission, despite the current problems faced in Cambodia. He is also concerned by the over-lapping communications system, maintained separately [redacted] and has urged they be combined with a saving of eight people. He has also raised major questions on the essentiality of maintaining regional offices for the GAO and DEA in Bangkok. His recommendations if accepted would significantly reduce the U.S. official presence in Thailand. The Team

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concur fully with his recommendations with one exception, namely the cut of one political officer which it felt should be deferred pending further evaluation of the requirements of the current Indochina situation.

The Mission recommendations for reductions follow, with the exception of the political officer mentioned above:

1. State. A reduction of six in the State complement, namely two in the Economic/Commercial Section, one scientific linguist, one communicator, one assistant personnel officer, and the resident FBO officer.



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3. ICA. The Chief of Mission has recommended reductions of three including the two branch PAO's and the Assistant Press Information Officer. The PAO concurs only in the latter, but the Team supports the Chief of Mission's recommendation given the high degree of centralization in education and media in Bangkok and the ability of the Consulate officers to supervise local ICA activities.

4. Marine Security Guards. The Chief of Mission has recommended a reduction of two.

5. DAO. The Chief of Mission has recommended a reduction of two in the Defense Attache's Office.

6. JUSMAG. The Chief of Mission has recommended a reduction of five in FY 80.

7. Miscellaneous Defense Activities. The Chief of Mission has recommended reduction of nine positions involving the Joint Casualty Resolution Center (two), the Defense Mapping Agency (one), one of the two

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Foreign Area Officers, the Ammunition in Thailand Group (four), and the Defense Surplus Property Disposal Officer (one). These reductions all are sensible and are for the most part already projected by Defense.

8. GAO. GAO maintains a regional staff in Honolulu. There is little justification for maintaining the Bangkok office, which is a vestige of the war period. Under today's circumstances, removal of this office will save ten positions.

9. DEA. The Regional Office should be withdrawn from Thailand in FY 81 on the grounds that it is not essential to the U.S. role there and the functions could be handled by DEA offices in the various Missions along with TDY assignments from the U.S. The head of the DEA Regional Office informed us that it would be departing in FY 82 but we believe this departure could be accelerated. This would permit a reduction of 12 positions.

The Review Group has the following additional recommendations which were discussed with the Chief of Mission and have his concurrence:

1. Increase the size of the Refugee Office. The Refugee Office workload is immense and increasing and we recommend an addition of three Americans. The present staff is five plus one PIT. Our recommendations would add two officers and the conversion of the PIT to a permanent direct hire position. These three positions would be for an Executive Officer, a full-time American secretary, and a Vietnamese Ethnic Affairs Officer.

2. Establish a Joint Administrative Organization (JAO). At the present time administration is handled in many respects separately by the various agencies. A Joint Administrative Organization for all U.S. elements except the MAAG should be established. The MAAG should remain separate, because most support is provided by the Thai military. This would permit a reduction of four U.S. employees and 34 foreign

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service nationals, drawn from DEA (two), ICA (one), and AID (one). These potential savings are not included in our chart.

3. Reduce AID by three positions. We recommend reduction of three AID positions given the small size of the AID program in Thailand. This would require some reduction of the heavy paperwork now required by AID/Washington.

4. Eliminate DAO/DCSA. This is an intelligence unit under the DAO whose activities largely overlap other activities or are non-essential in the view of the Chief of Mission [redacted]. The departure of this office would permit a reduction of 16 people.

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5. Delete ten JUSMAG positions. We recommend that JUSMAG be reduced to 30 in FY 81, a cut of five from the Ambassador's formal position. The two C-12 aircraft operated by the JUSMAG and DAO should also be eliminated.

6. Delete two officers from the Narcotics Control Unit. The Narcotics Coordinator is the Deputy Chief of Mission, who chairs meetings of the Narcotics Control Unit [redacted]

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[redacted] from time to time to discuss policy and activities in narcotics control. However, we feel that the head of the Narcotics Control Unit ought to be named the Narcotics Coordinator and assigned these duties on a full-time basis. We also feel that the Customs officers should be assigned to DEA for purposes of coordination since their principal activity is in the narcotics control area. We also believe that the FRS position should be abolished and that AID should be tasked with providing the necessary PROAGS, PIOS, etc., required to make Foreign Assistance Act funds available for this program.

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~~SECRET/SENSITIVE~~UNITED KINGDOM

Since the early 1940s Anglo-American relations have been intimate, comprehensive and enduring. As a result many U.S. agencies have liaison staffs with their British counterparts

Although Anglo-American cooperation will continue to be a vital factor in our foreign policy, we believe it is possible to streamline overseas staffs without reducing the effectiveness of our cooperation with the British.

I. Consular

London exemplifies the trend in recent years of the rapidly rising demand for consular services. In FY 78 the Consular Section London issued 476,522 non-immigrant visas; this figure will jump to 750,000 in FY 79. The non-immigrant visa workload is expected to rise to 1,000,000 per year in FY 80. Of the NIVs issued by London, 87 percent are to British subjects and the remainder to third country nationals resident or visiting Great Britain. Most services to U.S. citizens show a similar rise. As a result 30 of the 109 American State positions in London are now assigned to the Consular Section. Inevitably the percentage of personnel resources needed to cope with the rising demand for NIV services will grow.

Unless legislation is passed which will permit the waiver of non-immigrant visas for low fraud countries, such as the United Kingdom, the U.S. Government faces the long term prospect of constantly committing an increasing percentage of its resources, including office space in posts abroad, to cope with the demand for consular services. In London in 1969, the Consular Section occupied 15,391 square feet. In 1979, this figure had grown to 21,168 or virtually the entire ground floor of the Embassy.

It should be noted that the 13 percent of non-British visa applications contains a much higher percentage of difficult or ineligible cases which take more time to resolve. Therefore, the NIV Unit in London, which currently has 12 American and 16 foreign service national positions, could not operate with 13 percent of its present staff

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SANITIZED

Per: [Signature] Project

ESDN: NLC 126-18-15-1-6

BY: [Signature] DATE: 10/23/13

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if NIVs were waived for British subjects. London could, however, give up approximately eight American and ten foreign service national positions. There would be similar savings in other large Western European posts.

## II. Maritime Administration

The most important function of the London office (one American and a foreign service national secretary) as stated by the MARAD representative is the conduct of special projects and studies largely at the request of the Assistant Secretary of Commerce for Maritime Affairs. (The Team could not ascertain the subject or importance of the studies or why they had to be conducted in London.)

One knowledgeable official of the Embassy believes that a full-time foreign national employee could handle all of the work of the MARAD representative, except that of representing the U.S. at meetings of the NATO Planning Board for Shipping. This latter function could be carried out by TDY travel from MARAD Washington.

III.

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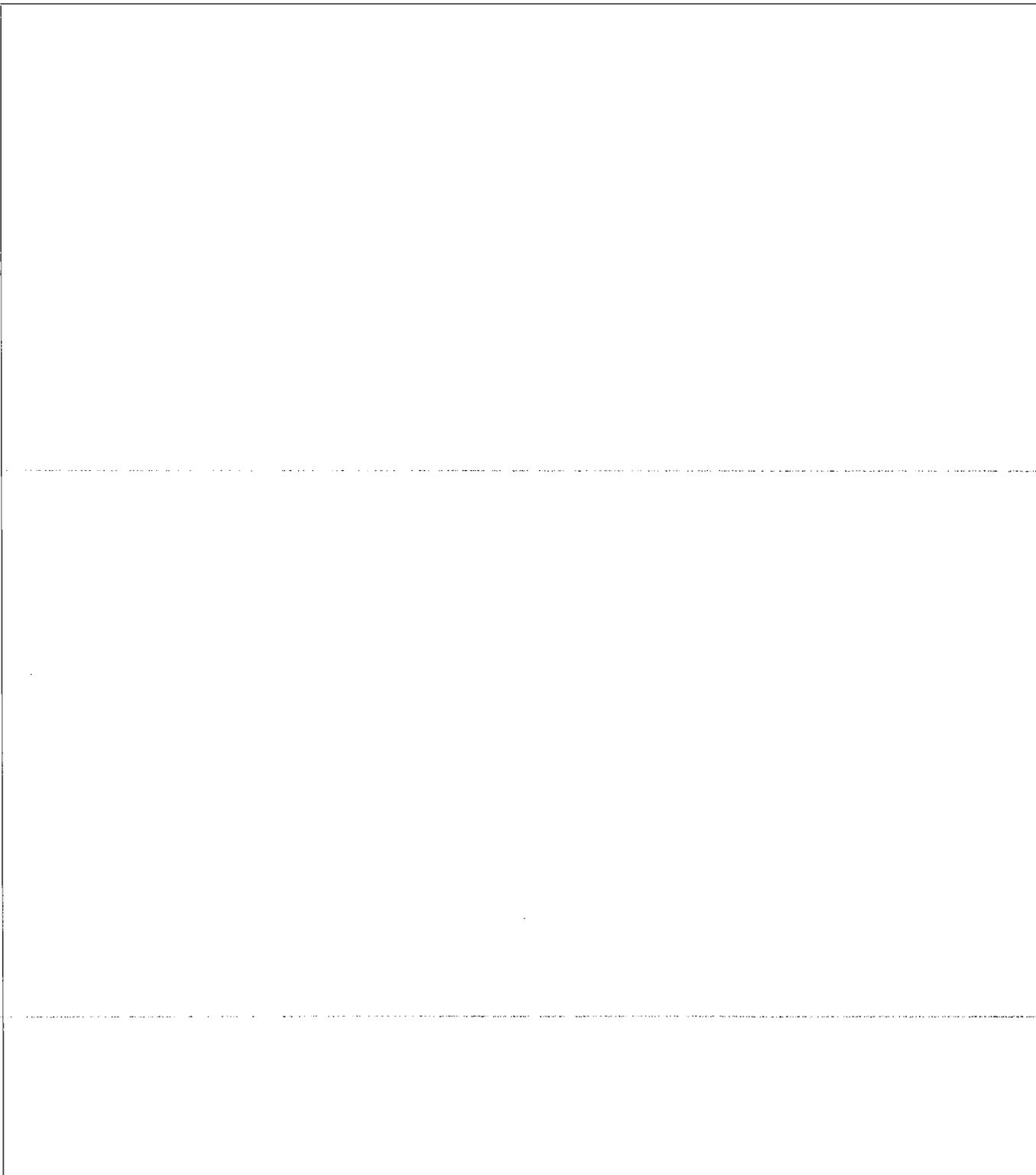
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#### V. United States Travel Service

The Team found no support for continuation of the Travel Service activity other than from USTS' staff. The rapidly increasing number of British citizens going to the U.S. (500,000 NIVs in 1978 rising to 750,000 in 1979 and one million by 1980) make the services of the USTS activity exceedingly marginal.

#### IV. Foreign Agricultural Service and Agricultural Trade Center

The first of the agricultural trade centers, authorized by a 1978 law, has been established near Embassy London. One professional American member of the agricultural attache staff is located in the center along with a staff of three cooperating associations. (The agricultural counselor and remaining staff of four officers and six foreignservice nationals continue to be situated in the Embassy.)

The counselor's office will be reduced by one American in July and two foreign service national secretary positions have been dropped in the past two years.

The Team was unable to ascertain any significant advantage resulting from the establishment of the trade center other than the opportunity it afforded of providing convenient working space for representatives of other cooperators visiting London.

#### VII. Administration

In London, as in most of the other posts visited by the Team, we found significant numbers of administrative personnel located outside the Embassy's Administrative Section. A review of the staffing pattern, judging by job title, shows approximately 21 American and 24 foreign service national employees (excluding communicators) outside the Administrative Section. The addition in recent years of more government leased housing, while at the same time cuts were made in administrative positions, has reduced the Embassy's ability to manage efficiently. It appears that in some cases other agencies were forced to make their own administrative arrangements since the Embassy simply could not provide them.

  
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The Embassy estimates it handles about 10,000 official visitors annually. Several sections of the Embassy (political, economic, defense attache and especially administrative) devote substantial time to handling these visitors. A recent study estimates that in 1978 a minimum of 30 work years were devoted to visitors. Seventy-three percent of this fell upon State Department elements of the Embassy and 17 percent on the Defense Attache Office. The remaining ten percent of the time was scattered among 11 elements of other agencies represented in the Embassy.

#### VIII. Export Development Office

The Trade Center, with separate facilities requiring three U.S. and nine foreign national employees, has been closed and a smaller export development center has been established on the ground floor of the Chancery requiring only one American and four foreign service nationals. The export development center (EDO) serves primarily to organize American business participation in scheduled British trade exhibitions around the country. Embassy commercial staff work closely with EDO staff. Primary efforts will be concentrated on 15 exhibitions, although participation in an additional 25 will also be planned.

Embassy London has proposed an attractive cost and time-saving approach for participation by American business in exhibitions that minimize U.S. Government involvement. The Team found Embassy London's approach to trade exhibitions worthy of early testing in other commercial centers in view of the potential significant reductions in required staffing. The Team agrees that no significant purpose would be served by adding a second American employee to the EDO in London as proposed by the Commerce Department.

#### IX. U.S. Coast Guard

The primary task of USCG London (46 Americans, nine foreign service nationals) is to oversee and support LORAN-C navigation stations in the Atlantic and Mediterranean. The Coast Guard argues that it is filling a function vital to national defense and that this activity can be carried out most effectively in the U.K. Its presence in London also enables it to conduct liaison with IMCO.

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The Embassy accepts this view but is discussing with USCG a reduction of five American positions under GORM.

The costs of overseas operations are no longer low compared to U.S. costs. Allowances, housing, vehicle operation, and compensation of local employees are soaring. Eleven Americans are involved in USCG administration. This is a high percentage. Embassy or CINCUSNAVEUR could surely provide necessary services with fewer positions.

#### X. Defense Fuel Supply Center

This organization, based in Alexandria, Virginia, has a detachment of nine Americans in Great Britain. Embassy London was unaware of its existence until MODE figures were provided by the Team, whereupon Embassy staff ascertained that a staff of five, working under direction of the Defense Fuel Region (Europe) situated in Germany, was located at High Wycombe. That unit reportedly inspects fuel purchased for European commands to assure quality.

The Team was told the unit also purchases crude for the strategic petroleum reserve in the U.S. There have been no purchases for the reserve since November 1978, although deliveries continue.

It is difficult to make firm recommendations about a unit on which so little and conflicting information is available. Nine Americans is a large number for an activity which could be carried out directly by military headquarters or which has been suspended for many months.

#### XI. International Communication Agency

In the United Kingdom ICA has a total employment of ten American and 34 foreign service national positions, including a Voice of America correspondent and a British secretary. Of these, three American and six foreign service national positions are devoted to cultural affairs.

We believe the cultural program should be sharply reduced. Anglo-American relations are uniquely comprehensive and close. At all levels of our societies, common language, law, institutions and traditions re-enforce an intimate political and military alliance. Greatly reduced transatlantic air fares and a devalued dollar have spurred

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travel to the United States. In 1979 one million British visitors (out of a total population of 55 million) will visit the United States, while two million Americans will visit the United Kingdom. American books, television programs, music and popular art abound, even predominate in contemporary Britain, while on the other hand high quality British television productions and theater have an enormous impact in the United States. In the context of such extensive and close relations, we believe little advantage is gained by having three Americans and six foreign service national employees devoted to cultural affairs.

#### XII. Federal Bureau of Investigation

A total of six Americans -- three officer and three secretarial positions -- comprise the FBI in London.

This office performs traditional FBI functions [redacted]

[redacted] The case load (401 pending) appears to be in line with what we have seen elsewhere; however, the officer/secretary ratio is too high.

#### XIII. Comptroller of the Treasury (National Bank Examiners)

The Team questions whether bank examiners are needed in London if none are needed in Latin America or the Far East to examine the substantial number of American banks in those areas. The Comptroller should be requested to provide OMB with estimates of total cost for the six person staff in London and a comparative estimate for a similar level of examination conducted on TDY from the United States.

#### XIV. Miscellaneous Defense Offices

In Britain, as in other European countries, the Team found numerous small Department of Defense offices.

These include the Office of Navy Research, the Army Medical Liaison, Defense Mapping Agency, Army Research and Standardization and Training and Doctrine Liaison (TADOC) Units. Neither the Embassy nor anyone else in the field seems to review and reassess periodically the need for such offices. In some cases it appears that the use of TDY personnel from the United States could perform these functions.

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I. Consular

RECOMMENDATION: Legislation should be sought to permit the waiver of non-immigrant visas for low fraud countries.

RECOMMENDATION: Legislation should be sought to extend the period of validity of U.S. passports from five to ten years.

RECOMMENDATION: State Department regulations should be changed to permit the consular officer to advance up to \$150 without advance approval of Washington to repatriate destitute American citizens.

RECOMMENDATION: State Department regulations should be changed to permit foreign service national employees to perform various notarial services.

RECOMMENDATION: State Department should establish a task force to review and streamline consular regulations, some of which are out of date or unnecessarily complex.

II. Maritime Administration

RECOMMENDATION: The MARAD representative job should be abolished and responsibilities assumed by an additional foreign service national employee, unless the Commerce Department can present a more convincing case than the written one prepared for the Team by the MARAD representative. 25X1

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V. United States Travel Service

RECOMMENDATION: The London office of the U.S. Travel Service should be closed promptly.

VI. Foreign Agricultural Service and Agricultural Trade Office

RECOMMENDATION: In two years time the Agricultural Trade Office operations should be reappraised as the Team could find no significant advantage resulting from the establishment of a separate office.

VII. Administration

RECOMMENDATION: The President should direct the establishment of joint administrative organizations at U.S. Missions abroad.

VIII. Export Development Office

RECOMMENDATION: In 1980 a State/Commerce review should assess the value of Embassy London's approach to Export Development offices. In the meantime a second American employee as proposed by the Commerce Department should not be added.

IX. Coast Guard

RECOMMENDATION: The U.S. Coast Guard should reduce five American positions as proposed by Embassy London.

RECOMMENDATION: The Embassy should assume the administrative functions of the U.S. Coast Guard with increases as necessary in the Administrative Section's personnel complement.

RECOMMENDATION: The Department of Transportation should ascertain whether savings can be made by transfer of most, if not all, USCG activities to the United States.

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X. Defense Fuel Supply Center

RECOMMENDATION: The Defense Department should arrange to handle reserve purchases by TDY personnel from Alexandria; area military command purchases should be handled directly by them.

XI. International Communication Agency

RECOMMENDATION: Two American and four foreign service national positions in the Cultural Affairs Unit should be eliminated, leaving a residual staff of one U.S. and two British employees to handle requests for cultural information.

XII. Federal Bureau of Investigation

RECOMMENDATION: One American secretarial position should be eliminated.

XIII. Comptroller of the Treasury

RECOMMENDATION: The Comptroller of the Treasury should provide the Office of Management and Budget with cost analysis of stationing a six member staff in London compared with the cost of using TDY personnel from the United States; if costs are comparable, the London unit should be closed.

XIV. Miscellaneous Defense Units

See general recommendations on such units.

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THE WHITE HOUSE  
WASHINGTON

Phil has  
seen

THE WHITE HOUSE  
WASHINGTON

Mr. President:

Tim Kraft would like  
to bring Speaker Stanley  
Fink of New York by to  
walk over to the legis-  
lative briefing with you  
today.

approve     disapprove

  
Phil

**Electrostatic Copy Made  
for Preservation Purposes**

THE WHITE HOUSE  
WASHINGTON

SEPTEMBER 20, 1979

2:05 P.M.

MR. PRESIDENT

WALTER SHORENSTEIN, HIS DAUGHTER  
AND SON-in-LAW - JANE AND  
MICHAEL BARONE, AND WALTER'S  
5-MONTH-OLD GRANDDAUGHTER ARE  
IN HAMILTON'S OFFICE.

CAN HE BRING THEM IN FOR A  
QUICK PHOTOGRAPH?

YES  NO

PHIL

**Electrostatic Copy Made  
for Preservation Purposes**

THE WHITE HOUSE  
WASHINGTON

20 Sep 79

Jack Watson

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

Sarah Weddington  
Tim Kraft

THE WHITE HOUSE  
WASHINGTON

Watson

cc Kraft

Wedding Plan

11:55

THE WHITE HOUSE  
WASHINGTON

September 20, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jach*  
SUBJECT: Brief Greeting with Senate President  
Oliver Ocasek of Ohio 11:55 a.m. Oval Office

*O-kā'sik*

---

Senator Ocasek is in town for the National Conference of State Legislatures' Leadership Seminar, which you will be addressing later today. He has just been elected to serve as President of the Council of State Governments, which, as you know, is a research and technical assistance organization for state governments (Pete Page of Florida is the Executive Director). I am meeting with him at lunch to talk about the Council's priorities for the coming year.

Ocasek is not the political equal of Speaker Verne Riffe, but likes to be treated the same. He has been the leader of the Senate for about eight years. He was very sorry to have missed you in Steubenville, but could not leave the legislature, which was in session at the time.

You should ask for his support and advice for Ohio in the next year.

*He's Committed*  
*J*

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9:30 AM

THE WHITE HOUSE

WASHINGTON

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September 19, 1979

MEETING WITH SENATOR PETE V. DOMENICI

Thursday, September 20, 1979

9:30 (10 minutes)

The Oval Office

From: Frank Moore *f.m.*

I. PURPOSE

To discuss the Senator's primary concerns about stripmining regulations as they pertain to New Mexico.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: Senator Domenici is primarily concerned about stripmining regulations in the State of New Mexico. He had just finished his hearings on that issue when you talked to him in August.

The stripmining law requires states to submit a stripmining program to the federal government for approval by March 1. The Regional Director for the Interior Department has been working with the State of New Mexico to bring its draft regulations into compliance with federal law. The major problem is the federal statutory requirement that stripminers "reclaim and revegetate stripmined land". Current studies indicate that it is virtually impossible to "revegetate" arid land like that of New Mexico, once massive stripmining has taken place. Consequently, the Interior Department has been proceeding very carefully and deliberately in its negotiations with western states that have extremely dry terrain.

Domenici may also make the general charge that the Interior Department's stripmining regulations go beyond the statute. The Interior Department, when it began drafting its regulations, isolated over 600 unresolved issues in the basic statute. To avoid litigation on several of those 600 issues, they sought to clarify many of these unresolved issues with more specificity than was in the statute. However, the Department contends the substance of its regulations is well within the statutory intent.

*Frankish H<sub>2</sub>O*

Senator Domenici may also talk to you about nuclear waste storage in New Mexico. As you know, the WIP facility is currently bogged down in both federal and state red tape. This large nuclear storage facility has been the subject of substantial environmental concern and Congressional politics. Domenici's position has been on the fence. He favors WIP, but only if New Mexico approves.

- B. Participants: The President, Senator Domenici, Frank Moore
- C. Press Plan: White House Photo Only.

### III. TALKING POINTS

1. On stripmining, you should listen to Senator Domenici's complaints, express confidence that negotiations currently going on with the state by Interior's regional people will prove satisfactory and generally support Secretary Andrus' approach to rulemaking without getting specific.
2. On WIP, you should once again not make any specific commitments other than to have Charles Duncan check on the status of the nuclear waste storage facility.
3. While he is there, you should thank Senator Domenici for his generally constructive role for our energy program. He was particularly helpful in getting a favorable compromise on the Energy Mobilization Board in the Energy Committee. That bill should be reported out tomorrow.

3:30 PM

THE WHITE HOUSE

WASHINGTON

September 19, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

JACK WATSON *Jack*

SUBJECT:

Meeting with the National Conference  
of State Legislatures.

Thursday, September 20, 1979

3:30 p.m.

Room 450 Old Executive Office Building

Background: The NCSL sponsors a Leadership Seminar for the leadership of the fifty state legislatures each year, but we have never had them into the White House until now. We have arranged a series of briefings in Room 450 OEOB, beginning at 2:00 p.m. Fred Kahn will speak on inflation and its implications for state budgets. Stu Eizenstat will speak on a range of domestic issues, and I will talk about some specific energy actions that state legislatures should be addressing.

We also made a special effort to have members of the Cabinet meet with the group, and Secretaries Andrus, Duncan, Goldschmidt, Miller, as well as Barbara Blum and Bo Cutter will all have met with them by the end of their conference on Friday. Sarah Weddington will also meet with the Democrats in the group on Friday morning.

Format: You will arrive at the end of this particular set of briefings at 3:30 p.m. Your opening statement will be covered by the press and should focus on energy. I suggest very brief opening remarks, followed by questions and answers. You will likely be asked about general revenue sharing, the Energy Mobilization Board and welfare reform.

Seated on the stage will be some of the officers of NCSL:

George Roberts (R) (Speaker of the New Hampshire House; President of the NCSL; was at the New Coalition meeting)

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Richard Hodes (D) (Speaker Pro Tem, Florida;  
President elect; your good  
friend)

Ross Doyen (R) (State Senator, Kansas;  
Vice President)

A reception is being held in the East Garden after your remarks. Your attendance there would allow for individual photos. If you could possibly do it, it would be very helpful politically.

BACKGROUND ON THE  
ISSUES

## BACKGROUND ON THE ISSUES

### General Revenue Sharing

The State legislatures are committed to the renewal of general revenue sharing, including the \$2.3 billion state share with no major changes. We recommend that you listen to their position and then point out:

- You know the importance of GRS to each one present;
- You will have an extension of GRS, and it will be reflected in your FY 1981 budget proposal;
- You have asked for a full review of the options regarding GRS;
- You will not decide the scope of the extension until a full consultation has taken place with state and local officials and with your advisers.

### Welfare Reform

The NCSL supports welfare reform. As a member of the New Coalition, they take pride in having worked closely with the Administration on the compromise program of changes in our system:

1. To emphasize work and training opportunities as an alternative to welfare dependency;
2. To make the system fairer, simpler, and less prone to error and abuse; and
3. To provide fiscal relief to hard pressed state and local governments.

There is now some doubt among these officials regarding our attention to the matter in Congress, and you should point out the following:

- The Ways and Means Committee will take up the cash reform bill this week. Critical votes will be taken there;
- The Labor Committees need urging to prompt action on the jobs component of the package, which goes hand-in-hand with the other pieces;

-- In spite of the poor climate for social legislation, we must work together to enact this program, which will lift millions out of poverty, at a price we can afford.

## Energy

### Energy Mobilization Board

The state legislators are opposed to granting the EMB authority to waive state and local law. They fear that even our proposal to give EMB authority to waive state procedural requirements in setting project timetables could, in practice, result in the Board's overriding state and local laws. Despite these fears, many state and local officials would support creation of an EMB if there were statutory guarantees that would limit the Board's authority to procedural matters and would provide for Congressional and Presidential review of the Board's decisions.

The NCSL Energy Committee has passed a "policy position" calling for an EMB with limited authority more in line with Congressman Udall's proposals. The Conference opposed the version of the EMB reported out by the Commerce Committee, which gives the EMB broad authority to waive state and local procedural and substantive requirements.

Strong assurances should be given to the group that we will work so that final legislation would limit the EMB's authority to procedural matters and that "consultation" with the states will be required to assure that the Board will not alter state substantive requirements through procedural determinations.

### Energy Production: Energy Security Corporation and Impact Assistance

The states and communities facing massive and rapid development and growth under our proposed synthetic fuel development initiatives and increased coal production want assurances that present federal programs for energy impacted communities will be expanded to meet their needs.

The Energy Impact Assistance program that we included in our 1980 budget request (\$150 million) is unlikely to pass this session of Congress. The legislators support expanding the present Farmers Home Administration program which was enacted as part of NEA I. Senators Hart and Ford have already introduced an amendment to S. 1308 (this bill contains the Senate version of EMB), that would accomplish this. The Hart/Ford proposal authorizes \$150 million for 1980, and \$400 million annually for FY 1981-1985.

The Administration's position on this proposal is not yet ready for your review. The legislators are pressing for a response. You can assure the group that our decision will be made shortly.

The Western states need to be reassured that any Energy Security Corporation initiative will take into account the adverse socio-economic impacts on their regions.

### Energy Emergency Conservation

The NCSL has been supportive of our efforts to establish a national energy emergency contingency program. The group should be thanked for their efforts thus far, and urged to work with you now to affect final passage of the legislation. Since the bill provides the states the flexibility to establish programs to meet conservation goals set by you, you might want to ask for action on their part, in concert with their Governors, to put effective programs in place.

### Energy Conservation

You should emphasize that your energy proposals are balanced; that you have proposed major new initiatives in:

1. energy conservation;
2. solar energy development;
3. other renewable resource initiatives (gasohol, biomass);
4. small scale hydro development.

State legislators from the Northeast maintain that the most effective energy conservation strategy would be to increase mass transit programs and are actively supporting the use of Windfall Profits Tax for mass transportation programs.

The legislators can be expected to support your mass transportation energy initiative in Congress. But the states want a larger role for the states, viz. local governments.

### Windfall Profits Tax

The NCSL has adopted a policy position supportive of the Windfall Profits Tax, and its use for energy conservation and production programs, and low income assistance.

## Fuel Supply and Price

The commitment you made that 240 million barrels of home heating oil will be in primary stock prior to the beginning of the winter heating season will be achieved (). This should be noted.

There are concerns, however, among Midwestern and Northeastern legislators that the fuel is not being moved to distributor/jobbers/consumers. Secretary Duncan is watching this situation and is working with the oil companies to insure supplies are distributed to jobbers and homeowners.

In addition, you can call to their attention the "Texaco program" and note that you have called upon other major oil companies to follow suit.

## Low Income/Middle Income Fuel Assistance

The NCSL supports a low income energy assistance program. The importance of their active support to get favorable Congressional action should be stressed. Northeastern legislators are concerned that the windfall profits tax package will not be acted upon soon enough to address problems that will be faced this winter.

The Northeast is also quite concerned about the general economic impact of the increased cost of home heating oil. Pending a decision on a middle income assistance program, you can state:

1. Your intent to use your powers to assure that unjustifiable increases in prices will not be allowed; and
2. That you are working with the oil producing companies urging them to hold the line on prices.

The group can be reminded that, as a nation, we must begin to pay the real price of our energy in order to assure replacement and continued development of our energy resources.

TALKING POINTS

THE WHITE HOUSE

WASHINGTON

September 19, 1979

MEMORANDUM FOR THE PRESIDENT

From: Gordon Stewart *GS*

SUBJECT: National Conference of State Legislatures  
(Talking Points)

Background

It is expected that almost all your time will be spent taking questions as this group will have been briefed for an hour and a half by:

1. Fred Kahn on "budget and economic outlook."
2. Stu Eizenstat on "state-federal issues and energy."
3. Jack Watson on "energy conservation and the states."

Energy

1. As elected representatives close to the people -- at times perhaps too close for comfort -- you know we must act now on behalf of our nation's energy security. There are two basic things I would like you to do:

- a. Take every initiative possible with your state powers to set and meet energy targets.
- b. Take every initiative possible with your national power to see that Congress gives you the help you need.

2. I have proposed an energy program that deals with all aspects of those needs. There can be debate about particular approaches, but the important thing is to get going. World demand for oil is increasing. We have no assurance world production will ever be much greater than it is today. We must act aggressively now -- or risk mortgaging our future for foreign oil in increasingly bitter competition among nations.

3. The people and their states simply must have a strong Windfall Profits Tax. I know you have adopted a policy position supporting it. Now we have got to pass it. You know as well as anyone how to get that done.

4. You also know how important Windfall Profits Tax Revenues will be to all of your state programs in every area. This tax will have as much impact on your states and communities as revenue sharing.

5. The Energy Mobilization Board I have proposed is not aimed at overriding state and local decisions. It is aimed at coordination and at ensuring prompt action. Environmental and other laws will remain intact. At the same time we must encourage private sector investment in energy facilities.

(Note: Jack Watson recommends not focusing on the "ex post facto exception." If asked, you could say that in making its decisions, the Board will be working under guidelines which the state legislators will be involved in developing.

Jack also suggests not raising the Dingell bill issue yourself. If asked, you supported the bill in the House because it was the best vehicle for getting into the Conference Committee. It was a matter of legislative tactics, and your position on the scope of the EMB has not changed.)

6. The Energy Security Corporation is not intended to put the Federal government in the energy production business. It is a vehicle to encourage private investment, as is the EMB. As state legislators, you yourselves can take action to establish facility siting programs that both meet your requirements and form the basis of a national energy production program.

7. I have proposed major incentives to produce private conservation efforts worth many times the federal investment. More than 5.8 million families and individuals have made energy-saving improvements on their homes since my first energy message in April 1977.

8. Conservation is still the best, cheapest, easiest way to meet our energy needs. Everyone can do it, and state legislatures can lead. You can count on my support.

9. Funding and achieving energy security is crucial to solving most of our major problems -- inflation, unemployment, the value of the dollar, our ability to trade competitively abroad. How well America handles energy depends on how well all the elected officials of our nation can work together.

### Other Points

Whether or not you include them in your remarks, revenue sharing and welfare reform are issues likely to be raised. Following are a few previously prepared points on each:

#### Revenue Sharing

1. I fully understand the importance of revenue sharing to everyone in this room. I intend to propose an extension of the General Revenue Sharing program and in my fiscal 1981 budget. As you know, many members of Congress are hostile toward general revenue sharing, particularly the state share. I have not yet decided on the precise form, but I can promise you I do not intend to make any changes that will make our fight for reenactment any more difficult than it already is.

2. I also promise you that my advisers will consult fully with you throughout our deliberations. There will be no surprises and no decision will be made without your full participation.

#### Welfare Reform

1. I remain committed to doing as much as possible to make critical changes in the welfare system to make it fairer, simpler and less prone to error and abuse, to emphasize work and training as an alternative to dependency, and to relieve hard-pressed state and local governments of some of the burden.

2. You were in on the months of consultations from which we developed the scaled-down welfare package I submitted late last spring. The response thus far has been encouraging, but this important package needs your continuing attention and support. The Ways and Means Committee will take up the cash reform bill this week, and there will be some crucial votes there. I need your help for prompt action on the jobs component of this package -- these two pieces go hand in hand.

3. This is a difficult time for social legislation, as you know -- even for efforts such as this to lift millions out of poverty and long-term dependency. We must press ahead to meet these critical human needs.

THE WHITE HOUSE  
WASHINGTON

September 20, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*  
SUBJECT: Update on Welfare Reform for  
Meeting with NCSL  
(Thursday, September 20, 1979  
3:30pm Room 450)

---

The Ways and Means Committee action on the cash reform bill warrants a change in the thrust of the remarks I earlier submitted to you. The NCSL, as an organization, has been instrumental in obtaining the action by the Ways and Means Committee, and should be commended. It would also be beneficial to specifically commend

"the leadership and diligence of Chairman Al Ullman and Representative Jim Corman, Chairman of the Public Assistance Subcommittee"

as you did in your statement of September 13, 1979.

*mi. 6400 m x 100 cm in ft = 3.976 mi  
5280 ft ~~100-c~~ m 2.54 cm 12 in*

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THE WHITE HOUSE  
WASHINGTON

20 Sep 79

The Vice President  
Hedley Donovan  
Jody Powell

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Rick Hutcheson

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THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

September 19, 1979

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze

Subject: "The Gold Fever"

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The recent wild surge of gold prices raises two questions:

- o Why is it happening?
- o Should we worry about it?

1. Why is it happening?

By now the gold market is being fueled by pure speculation. In the words of one West German dealer, "you can't explain it by talking of inflation and such things. It's absolutely insane."

In recent months, inflationary expectations have worsened around the world, and this could be expected to give an upward impetus to gold prices. But the price rises have now far outstripped what could be explained by such a change in inflationary expectations.

As is typical in a real speculative boom, the price rise becomes for awhile self-justifying -- the spectacular increases pull in more and more people who believe they can take advantage of the move and get out in time. Ultimately, the market gives way and prices fall.

2. Should we worry about it?

Several arguments have been advanced as to why we should be concerned:

- A. The rise in gold prices increases the value of gold reserves held by various governments, leading them to pursue inflationary spending policies.

This is a spurious problem. However ill-considered they may be from time to time, the economic policies of various developed countries are not influenced by the value of their gold holdings. And no other governments hold enough gold to make a serious difference.

- B. The rise in gold prices reflects a flight from the dollar, and puts substantial downward pressure on the dollar.

This does not appear to be the case. The table below traces the pattern of gold prices and dollar exchange rates from the beginning of 1978.

	1978			1979		
	<u>Jan</u>	<u>Oct</u>	<u>Nov</u>	<u>July 27</u>	<u>Aug 7</u>	<u>Sept 18</u>
Gold price	\$160	\$240	\$190	\$305	\$285	\$375
Weighted average dollar value against other currencies	96.7	86	88.9	86.4	<del>97.3</del> 97.3	87.5

During most of 1978 and, to a lesser extent, in the first half of this year, rising gold prices were associated with a weakening of the dollar, and conversely. Indeed, this inverse relationship held quite closely even when looking at day-to-day movements. During the latest surge in gold prices, however, this pattern no longer holds. Since August 7 (the latest trough in gold prices) the price of gold has risen by 31 percent, and the dollar has been steady on average -- depreciating slightly against the mark and other EMS currencies, but appreciating against the yen and the pound.

This stability of the dollar in the face of rising gold prices cannot be accounted for by Central Bank intervention in foreign exchange markets to "prop up" the dollar. Over the period since July 7, the United States has intervened to buy dollars -- occasionally in substantial amounts and mainly with DM. But foreign central banks, principally the Japanese, the British, and the Swiss, have been sellers of dollars so that total government intervention in dollars over this period nets to zero.

There are rumors that a few OPEC countries have been converting some of their dollar receipts into gold. If the sellers of gold, in turn, convert some of the proceeds into other currencies this could push the dollar down. We have no hard evidence on this phenomenon. But the magnitudes involved are likely to be small, and I doubt that this has been a major problem.

- C. The highly publicized boom in gold prices -- however speculative in nature -- adds to the public's inflationary expectations and thereby tends to lead to inflationary buying and pricing behavior.

No doubt the front page treatment of the wild surge in gold prices raises worries about the future in some people's minds -- i.e., "the speculators are selling dollars short and buying gold; that must mean we are in trouble." While I have no way of assessing the importance of this phenomenon, it is hard to believe that, for most people, the gold fever gets more than passing attention. It is also hard to believe it affects the buying or pricing behavior of a GM, Dupont, or an Exxon. It does add marginally to public malaise, and so is worrisome -- more politically than economically.

- D. The sky-is-falling; grass will grow in the streets; let's buy gold."

There may indeed be some of this psychology around. The gold "nuts" are probably making some converts. But I doubt if it can explain what's been happening to gold, and doubt, even more strongly, that we should worry about it.

On balance, the current gold fever is highly speculative, but is itself unlikely to pose major economic problems. At the same time, one can't help be uneasy that the extensive publicity given to it adds, marginally, to public malaise.

There is nothing we can or should do about it.

- o Additional Treasury sales of gold are unlikely to stem the tide, and might be interpreted as a sign of fear.
- o Restoring the prohibition against U.S. citizens' holding gold would be most unwise, probably have little effect, and again would appear to reflect fear.

3:25

done

Thursday, September 20, 1979  
3:25 PM (5 minutes)  
The Oval Office

FROM: TIM KRAFT

TK  
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PURPOSE: To speak to Speaker Stanley Fink about the New York Carter/Mondale effort.

BACKGROUND:

Speaker Fink came to Camp David and has basically been supportive.

He is not on the best of terms with Lt. Governor Cuomo because they may both run for governor. Though he has not been entirely put off by Cuomo's appointment as our New York Campaign Chairman, he does need to be assured that he has a direct relationship with the White House.

TALKING POINTS:

i). Tell him that you are convinced you will win re-election and need his active support.

ii). Tell him that you will assure him a visible role in the campaign and that he will have direct access to the White House.

iii). Tell him of your trip to New York scheduled for next Tuesday, September 25. You will speak before the American Public Transit Association at the New York Hilton and hold a town meeting in Queens.

PRESS PLAN:

White House Photographer

You will meet with Speaker Fink in the Oval Office for five minutes. He will then accompany you on the walk to State Legislators Meeting.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

September 19, 1979

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*

Subject: Third Quarter GNP

GNP Estimated to Rise in the Third Quarter

This morning (Wednesday, September 19), the Commerce Department circulated within government its first, and very preliminary, estimate of GNP in the third quarter. This initial estimate, which is never published, estimates a rise in real GNP of 1.4 percent at annual rates in the current quarter. Revised figures for the second quarter (which were published today) now indicate that real GNP fell at an annual rate of 2.3 percent last quarter, compared with the 2.4 percent decline estimated earlier.

In assessing the significance of the third quarter estimate, it should be kept in mind that data are available for two months of the quarter for some components of GNP, and only one month for others. Some of these data, moreover, are subject to substantial revision. Consequently, the estimate is partly a projection as well as a judgment based on available statistics.

Changes by Sector

The rise in real GNP this quarter stems from two principal sources:

First, personal consumption expenditures (adjusted for inflation) rose at a 3½ percent annual rate in the third quarter, following a decline at a 3 percent rate in the previous quarter. This rise in consumer spending occurred despite a decline in consumers' real after-tax income; the savings rate, therefore, dropped substantially, from 5.4 percent in the second quarter to 4.1 percent in the third.

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Second, the real volume of net exports increased sharply, adding 1½ percentage points to the annual rate of real GNP growth in the third quarter. Other categories of final sales (business fixed investment, residential construction, and government purchases of goods and services) declined slightly.

Inventory accumulation is estimated to have declined considerably in the third quarter, but this judgment is based largely on guesses as to inventory developments in August and September. It is clear from available production and sales data that auto stocks fell considerably this quarter, but we do not have enough information to judge the degree of inventory cleanup outside of autos.

### Implications

This estimate of real GNP developments is consistent with the general view that the economy does not yet show the cumulative weakness that is characteristic of a recession. The drop in the savings rate also suggests that a substantial part of the decline in consumer spending in the second quarter was due to large gas lines.

We still expect, however, that statistics coming in over the next few months will indicate an economy that is remaining very sluggish and most likely to decline further after the temporary pickup this quarter. The inventory correction still has some distance to go; business investment plans have been trimmed, and housing may decline further because of recent increases in interest rates. More fundamentally, the drag on consumer purchasing power from energy price increases and rising marginal tax rates (because of inflation) will continue, and permit only a very modest rise of real consumer spending in the months ahead.

THE WHITE HOUSE  
WASHINGTON  
9/20/79

Jack Watson  
Sarah Weddington

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Rick Hutcheson

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THE WHITE HOUSE  
WASHINGTON

Mr. President:

Would you approve a  
handshake for the  
attached?

yes     no

Phil



8:30 AM

THE WHITE HOUSE

WASHINGTON

MEETING WITH MEMBERS

Thursday, September 20, 1979  
8:30 a.m. (30 minutes)  
The Cabinet Room

From: Frank Moore *F.M./B.B.*  
Zbigniew Brzezinski *ZB/ua*

I. PURPOSE

To discuss Cuba

II. BACKGROUND, PARTICIPANTS, AND PRESS ARRANGEMENTS

A. Background: Secretary Vance suggested that it would be a good idea to hold a consultation with Members.

B. Participants:

Senator Howard Baker (R-Tenn)  
Senator Birch Bayh (D-Indiana)  
Senator Robert Byrd (D-W.Virginia)  
Senator Frank Church (D-Idaho)  
Senator Barry Goldwater (R-Arizona)  
Senator Jacob Javits (R-New York)  
Senator John Stennis (D-Mississippi)  
Senator Ted Stevens (R-Alaska)

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Speaker Tip O'Neill (D-Mass.)  
Rep. William Broomfield (R-Michigan)  
Rep. John Brademas (D-Indiana)  
Rep. Clement Zablocki (D-Wisconsin)

Secretary Vance, Zbigniew Brzezinski

C. Press Arrangements: None -- off the record

III. ISSUES FOR DISCUSSION

As appropriate

THE WHITE HOUSE  
WASHINGTON

9/20/79

Tim Kraft

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

~~PERSONAL AND CONFIDENTIAL~~

cc: Hamilton Jordan

"THIS MEMO TO BE AN ADMINISTRATIVE MATTER  
CLASSIFIED FOR E.O. 13526 AND  
ATOMIC ENERGY ACT OF MARCH 19, 1952"

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*cc Kraft → Alicia*

*handle carefully  
sensitive*

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THE WHITE HOUSE  
WASHINGTON

9/19/79

Mr. President:

Hamilton concurs, per Tim.

Rick

CARTER/MONDALE PRESIDENTIAL COMMITTEE, INC.  
1413 K STREET, N.W. WASHINGTON, D.C. 20005

0

September 19, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT *TK*

SUBJECT:

THE ANNOUNCEMENT PROGRAM

Attached is an announcement program which has been reviewed and agreed to by the Vice President, the First Lady and, for scheduling purposes, Phil Wise.

In addition to crucial fund-raising assistance, this program also provides a number of political benefits including:

- (1) An organizational impetus from the grassroots announcement party program.
- (2) A clear "telegraphing" of your intention to announce by virtue of the logistical preparations which will be obvious.
- (3) Strong momentum at the outset of the official campaign.

I call your attention to the last page of the attached--the schedule, for final approval. We have prepared this schedule to retain the maximum amount of flexibility during working hours, because of the upcoming SALT debate, etc.

Attachment

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September 18, 1979

CONFIDENTIAL

MEMORANDUM FOR: THE VICE PRESIDENT AND  
THE FIRST LADY

FROM: TIM KRAFT  
TIM FINCHEM

SUBJECT: ANNOUNCEMENT PROGRAM

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SUMMARY

Attached is a detailed outline for the announcement program which includes five major components:

I. GRASSROOTS ANNOUNCEMENT PARTIES (SMALL DONORS).

A national "grassroots" small donors party involving a minimum of 3,000 gatherings in private homes throughout the country on the night of the day of the formal announcement. *ok*

II. TELEVISION APPEAL.

On the same night, a nationally televised 15- or 30-minute Rafshoon film, which will conclude with a strong fund-raising appeal from a well-known personality. *I want to discuss Jerry*

III. ANNOUNCEMENT DINNER.

A major Carter/Mondale Washington, D. C. dinner on announcement night. *ok*

IV. DIRECT MAIL APPEAL.

A massive, announcement-related direct mail appeal. *ok*

In order to allow sufficient lead time, we must, at a minimum, agree on the major event schedule immediately.

V. CAMPAIGN SWING.

A Tuesday through Saturday campaign schedule involving the President, the Vice President, and the First Lady with major fund raisers in at least twelve states. *ok*

Attachment

## THE ANNOUNCEMENT PROGRAM

### I. GRASSROOTS ANNOUNCEMENT PARTIES (SMALL DONORS).

A. Identification of Hosts. Our goal is to identify and commit a minimum of 3,000 people who will agree to host a gathering in their homes on the night of the announcement to raise a minimum of \$500; i.e., ten couples at \$25 per person; five couples at \$100 per couple, etc.

Programs to identify these hosts will include the following:

1. Events--use every political event of the Carter-Mondale Campaign to announce the program and ask for support and commitments;

2. Mail/phone--direct mail and telephoning our key supporter lists in every state;

3. Key person phone bank--a coordinated phone-bank effort at Carter-Mondale Presidential Committee Headquarters utilizing as many non-Hatched political appointees as possible to call into their home areas.

B. Coordination. As soon as a host is identified, their name, address and telephone number, etc. will be data captured for our IBM Systems Six machine, which will immediately generate a thank you note from the First Lady committing the individual to hosting a party. Approximately 30 days prior to announcement, each host will receive a package including hand-outs, campaign material, FEC forms, a mail-back envelope, and instructions.

Just prior to announcement, as part of our overall direct mail effort each host will receive a letter signed by the President thanking them once again for their participation and urging a successful evening.

### II. TELEVISION APPEAL.

In order to provide an additional tie-in for the grassroots events and to raise additional funds, we will televise a 15-minute or one-half hour film, produced by Rafshoon in prime time on one of the major networks.

The film will be largely devoted to a review of the accomplishments of the Carter-Mondale Administration. It will close with a strong fund-raising appeal by a well-known personality such as E. G. Marshall and will reiterate mailing address and an 800 number for checks and pledges respectively.

### III. ANNOUNCEMENT DINNER.

On the night of the announcement, we will hold a major fund-raising dinner at the Washington Hilton, which holds seating for 2800 people. This will be a major fund-raising effort with top quality entertainment; the program focusing on both the President and the Vice President.

The market area for ticket sales for this dinner should include D. C., Maryland, Virginia, West Virginia, Kentucky, Tennessee, North Carolina, Delaware, Western Pennsylvania, Ohio, and selected other states not involved in other major events in that week.

Various states will be holding satellite receptions and we should schedule drop bys by the President, Vice President, and First Lady. The "Carter Classmates" from the Naval Academy are organizing a satellite reception, etc.

### IV. DIRECT MAIL APPEAL.

We will drop approximately 200,000 pieces of direct mail signed by the President and perhaps the Vice President two to four days prior to the announcement date. It should be a lengthy letter citing the accomplishments of the Carter-Mondale Administration and requesting funds.

In addition there should be a mailing to all of the announcement party hosts thanking them, extolling the accomplishments of the Administration and urging their renewed effort.

### V. CAMPAIGN SWING.

We would like the announcement to occur on the morning of TUESDAY, December 4th. We have outlined below a major event schedule for the balance of that week which we believe maximizes our fund-raising potential. However, there can be as much or as little additional scheduling as appropriate given (a) political/media considerations and (b) limitations on time which may result from such things as the state of the SALT debate, etc. For example, we should probably schedule one or two mid-day events immediately after the announcement to provide solid crowd reaction to the announcement for TV coverage the first night (e.g. another Steubenville).

Additional scheduling can be accomplished at a later date; what is key now is agreement on a schedule for the major events so that locations can be booked and ticket sales commence--otherwise we cannot do the fund-raising job necessary. For example, we are now stretching things to get a sign off from Lew Wasserman for the L.A. event given his expectancy of more lead time.

THE PROPOSED SCHEDULE

	<u>PRESIDENT</u>	<u>VICE PRESIDENT</u>	<u>FIRST LADY</u>
TUESDAY (DEC 4)	WASHINGTON, D.C. (DINNER)	WASHINGTON, D.C. (DINNER)	WASHINGTON, D.C. (DINNER)
WEDNESDAY (DEC 5)	NEW YORK (DINNER)	PHILADELPHIA (DINNER)	OKLAHOMA (DINNER)
THURSDAY (DEC 6)	BALTIMORE (LUNCHEON)  CHICAGO (DINNER)	MIAMI (DINNER)	MISSISSIPPI (DINNER)
FRIDAY (DEC 7)	ATLANTA (DINNER)	HARTFORD OR BOSTON (DINNER)	ATLANTA (DINNER)
SATURDAY (DEC 8)	TEXAS (LUNCHEON)  LOS ANGELES (DINNER)	MINNEAPOLIS (CONCERT-RALLY)	ARKANSAS (DINNER)

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APPROVE

\_\_\_\_\_  
DISAPPROVE



\_\_\_\_\_  
SEE ME

*Why 12/4?*