

MEMORANDUM

26  
THE WHITE HOUSE

WASHINGTON

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159  
January 6, 1967

MEMORANDUM FOR THE PRESIDENT

DECLASSIFIED

E.O. 12356, Sec. 3.4

NJ 92-50

SUBJECT: Yugoslav PL-480 Package Once Again. By JS, NARA, Date 2-10-93

You will recall the Katzenbach-Schnittker proposal that we sell Yugoslavia 35,000 tons of PL-480 Title IV vegetable oil worth \$9.3 million on hard dollar credit, at 3.5% interest, repayable in 12 yearly installments following a two year grace period. You were concerned about possible bad faith vis-a-vis the Congress in sneaking under the wire before a January 1 deadline -- supposedly imposed by the Belcher Amendment to the Food for Peace Act.

It now appears -- and your two senior foreign policy lawyers, Nick and Gene, are a bit red-faced about this, and I am very red-faced about it -- that there is no problem of sneaking under the wire, since the January 1 deadline does not apply to this sale. We therefore join Secretary Rusk in his strong recommendation, at Tab 1, that you authorize us to go ahead.

The relevant facts are as follows:

1. In part this is a matter of U.S. good faith. Technically, we committed ourselves to sell this oil in a PL-480 agreement with Yugoslavia last April. (We actually issued purchase authorizations during the summer for part of the oil. In the face of pressure on the U.S. price, the Yugoslavs decided to delay. Before they came in again, Findley and Belcher made their moves.)
2. It is agreed within the Executive Branch that the Findley Amendment (covering trade with Hanoi) does not apply to Yugoslavia. (The Justice Department says that the amendment applies only where a government trades with North Viet Nam, and that it is up to State to decide whether Yugoslav Red Cross shipments of medical supplies are government trade. The Secretary, backed by his lawyers, says that they are not.)
3. In any case, Katzenbach's Congressional soundings indicate that only Findley is likely seriously to object as a matter of law. Rusk's memorandum quotes Gerald Ford as saying that "all rational" members of the House will support us on this sale, which he regards as "the only course to take."
4. The Belcher Amendment -- which tripped us up before, turns out not to prohibit our carrying out existing agreements even after January 1. Therefore, despite acknowledged Yugoslav trade with Cuba, we are legally free to go ahead with this sale any time you



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approve.

5. Nick's earlier consultations with twelve members of the House and six members of the Senate -- including Dirksen and Ford -- found only Findley opposed to the sale. (Katzenbach's report is at Tab 2.) Since then a number of Congressmen who have been to Yugoslavia have, to quote the Rusk memo, "expressed concern over the effects of the Findley Amendment on United States interests and policies in Yugoslavia. These include Republican representatives Harvey, Mize, Adair and Whalley, as well as Senator Scott." Telegrams reporting their reactions are at Tabs B, C, and D of the Rusk memorandum.

I will not repeat my earlier arguments for helping the Yugoslavs. Both in terms of their relatively decent performance on Viet Nam (judged by the standards of other Communists), and their own internal reforms, there is a strong case for our continuing to give them some support.

Other Sources of Help. We are not alone in giving help. In 1965 and 1966 Tito was given substantial assistance by the IMF, France, Italy, Japan, West Germany, Canada and the Netherlands. (A table showing aid by others, as well as the U.S., is at Tab 3.)

Balance of Payments. The immediate balance of payments cost would be nil. The loan would be matched by the export of oil. Subsequently, repayment and interest would produce a net balance of payments plus.


Recommendation. Given the new legal opinion and the generally favorable Congressional report, I think there is a strong case for going ahead. The \$9.3 million is not much, and it will take some of the sting out of Findley/Belcher.

Note: FMB saw the President  
at 1:30 p.m., Jan. 13, 1967. The

Approve the sale \_\_\_\_\_

No \_\_\_\_\_

Speak to me \_\_\_\_\_

  
Francis M. Bator

President  
approved the  
recommendation in  
this memo.

Mr. President:  
I lack this:  
the responsibility for  
error has in mind.  
I'm being paid to  
make sure it  
doesn't happen.

Walt

after State of Union C

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