

TELEGRAM

Foreign Service of the
United States of America

CARACAS TUN

INCOMING

ACTION: POL-2

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Classification

Control: 756

Recd: 10 DEC 66
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INFO:

AMB P 181520Z DEC 66
DCM FM SECSTATE WASHDC
MINECON TO RULPAL/POLAD CINCSO PRIORITY
ECON RUESAL/AMEMBASSY SAN SALVADOR
POL/R RUESAS/AMEMBASSY ASUNCION
USIS RUESBA/AMEMBASSY BUENOS AIRES
BRAS-2 RUESBG/AMEMBASSY BOGOTA
RDG RUESDO/AMEMBASSY MONTEVIDEO
FILE RUESGI/AMEMBASSY GUATEMALA CITY
RUESJO/AMEMBASSY SANJOSE
RUESLO/AMEMBASSY LAMAZ
RUESMG/AMEMBASSY MANAGUA
RUESMO/AMEMBASSY MEXICO CITY
RUESNA/AMEMBASSY SANTIAGO
RUESPR/AMEMBASSY PORTAUPRINCE
RUESQI/AMEMBASSY QUITO
RUESRS/AMEMBASSY CARACAS
RUESSD/AMEMBASSY SANTO DOMINGO
RUESTE/AMEMBASSY TEGUCIGALPA
RUESUA/AMEMBASSY RIO DE JANEIRO
RUESVA/AMEMBASSY PANAMA CITY
ZEN/AMEMBASSY BRIDGETOWN

NOTE: LATE DUE TO
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ACTION TAKEN

POL 7 SECT GORDON

O P 181500Z DEC 66
FM AMEMBASSY CARACAS
TO RUESMO/AMEMBASSY MEXICO CITY IMMEDIATE 106
INFO RUEHC/SECSTATE WASHDC PRIORITY 1161
STATE GRNC

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CARACAS 3301R

REF: CARACAS 3301R

FROM GORDON

REPEAT ALL ARA CAPITALS EXCEPT GEORGETOWN, KINGSTON, PORT-OF-SPAIN

1. IN A SUBSEQUENT CONVERSATION WITH THE MINISTERS OF FOREIGN AFFAIRS, MINES, FOMENTO AND OTHER GOV OFFICIALS, THE FOLLOWING ADDITIONAL POINTS WERE CLARIFIED.
2. IT WAS AGREED THAT THE ALLIANCE SHOULD BE STRENGTHENED IN PART THROUGH IMPROVED AGRICULTURAL PRODUCTION, GREATER INVESTMENT IN ATTENTION TO EDUCATION THUS CONTRIBUTING TO THE SOCIAL SIDE OF THE ALLIANCE. THERE WAS SOME DISCUSSION OF THE TITLE IX APPROACH TO INCREASED INVOLVEMENT OF COMMUNITIES IN DEVELOPMENT PLANNING, AN AREA IN WHICH VENEZUELA ALREADY HAS CONSIDERABLE EXPERIENCE, AS WAS BROUGHT OUT BY THE MINISTERS. ALSO, THERE WAS DISCUSSION OF

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THE CREATION OF MECHANISMS OR FUNDS TO ASSIST IN THE INTEGRATION EFFORT--FOR EXAMPLE, FUNDS FOR READJUSTMENT WITH RESPECT TO AUTOMATIC TARIFF REDUCTIONS, FOR MULTINATIONAL PROJECTS AND EXPANSION OF THE EXPORT-CREDIT RESOURCES OF THE IDB.

3. THE VENEZUELANES WERE RELUCTANT TO AGREE TO SPECIFIC MEASURES WITH RESPECT TO ECONOMIC INTEGRATION, TAKING THE POSITION THAT THE CREATION OF THESE FUNDS WOULD SERVE AS A STIMULUS FOR THE ACTION REQUIRED BY THE COUNTRIES OF LATIN AMERICA. THEY AGREED, HOWEVER, THAT FUND COMMITMENTS COULD BE CONTINGENT UPON PROGRESS IN INTEGRATION COMMITMENTS.

4. THIS DISCUSSION WITH THE MINISTERS LED TO GENERAL ACCEPTANCE OF THE TIMETABLE AGREED TO BY A NUMBER OF OTHER COUNTRIES, I.E. THE 11TH MFM BEGINNING IN WASHINGTON IN JANUARY AND CONTINUED AT BUENOS AIRES MID-FEBRUARY AFTER 3RD EXTRAORDINARY CONFERENCE (SUBJECT TO PRIOR ADOPTION OF A RESOLUTION INTERNATIONALIZING MEETING SITES) AND MID-APRIL FOR THE SUMMIT MEETING.

5. WITH RESPECT TO PREPARATIONS FOR THE SUMMIT, THE VENEZUELANES THOUGHT THAT SPECIAL PRESIDENTIAL REPRESENTATIVES COULD BE APPOINTED TO ASSIST THE COAS AMBASSADORS IN THE PREPARATORY COMMITTEE, ALTHOUGH SOME AMBASSADORS (GARCIA GODY, FOR EXAMPLE) WOULD PROBABLY BE DESIGNATED BY THEIR GOVERNMENTS. IT WAS MADE CLEAR THAT THE ADDITION OF SPECIAL REPRESENTATIVES AT THE COAS WOULD NOT INDICATE LACK OF CONFIDENCE IN THE COAS AMBASSADORS, BUT APPRECIATION THAT THE SUBSTANCE DEALT WITH WAS SPECIALIZED AND REQUIRED A DEGREE OF EXPERTISE. EVEN IF SPECIAL REPRESENTATIVES ARE TO PARTICIPATE IN THE PREPARATORY COMMITTEE OF THE COAS, IT WAS EXPECTED THAT THE FOREIGN MINISTERS WOULD ALSO REVIEW THE WORK DONE AND PERHAPS CARRY IT FURTHER AT A CONTINUING MEETING OF THE 11TH MFM IMMEDIATELY AFTER THE THIRD IAC.

6. THE ATTENDANCE OF PRESIDENT LEONI IS STILL CONDITIONED ON AGREEMENT RE CONCRETE MEASURES WHICH CAN BE ADOPTED, CAREFULLY STUDIED IN ADVANCE AND WITH NO LAST MINUTE SURPRISES OR BILATERAL ISSUES. IT WAS ALSO BROUGHT OUT THAT THE VENEZUELANES WOULD HAVE NO OBJECTION TO ATTENDING THE CONFERENCE AT ANY SITE WHICH CREATED NO POLITICAL DIFFICULTIES. THE FOREIGN MINISTER LEANED TOWARD PUNTA DEL ESTE AS THE MOST LOGICAL OF THE 4 SITES OFFERED SO FAR.

7. THERE WAS FAIRLY LONG DISCUSSION OF TRADE PROBLEMS INCLUDING COMMODITY AGREEMENTS. THE VENEZUELANES SEEMED PLEASED TO LEARN THAT THE U.S. WAS STUDYING THE POSSIBILITY OF A CEDISION ON GENERALIZED PREFERENCES BY THE TIME OF THE SUMMIT MEETING, ALTHOUGH THEY ARGUED STRONGLY FOR SPECIALIZED PREFERENCES UNTIL SUCH TIME AS EUROPEAN PREFERENCES WERE DISMANTLED. I SAID THE UNITED STATES WAS ALWAYS READY TO PARTICIPATE IN NEGOTIATIONS FOR COMMODITY AGREEMENTS, BUT THAT IN PRECISE THERE WERE A NUMBER OF PRACTICAL PROBLEMS WHICH HAD TO BE OVERCOME. MINISTER OF MINES EXPRESSED GREAT INTEREST IN A POSSIBLE NEGOTIATION OF AN AGREEMENT ON IRON ORES, WHOSE VOLUME OF PRODUCTION HAS CAUSED PRICES TO DETERIORATE

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IN THE WORLD MARKETS. HE GAVE SOME INDICATION THAT HE THOUGHT SUCH AN AGREEMENT COULD BE WORKED OUT IN A HEMISPHERIC CONTEXT, BUT I POINTED OUT THAT THIS WAS DIFFICULT FOR ANY COMMODITY IN WORLD TRADE.

8. DIRECTOR OF INDUSTRIES (MONTIEL) SUGGESTED THAT THERE SHOULD BE A SPECIAL MECHANISM OR INSTITUTION FOR MULTINATIONAL PROJECTS, BUT SEEMED TO BE CONVINCED THAT UNDER GENERAL PRINCIPLES SET FORTH BY CIAP, IDB COULD HANDLE THE RESPONSIBILITY. BOTH HE AND PEREZ GONZALEZ CALLED FOR GREAT FLEXIBILITY IN LOAN TERMS AND STRESSED PARTICULARLY NEED TO DO AWAY WITH TIED LOANS, OR AT LEAST TO EXTEND AREA OF PROCUREMENT TO ENTIRE WESTERN HEMISPHERE.

9. VENEZUELANES WERE CATEGORICALLY AGAINST MULTINATIONAL GUARANTEES

OF INVESTMENT. THEY ALSO DERIDED THE PERUVIAN PROPOSAL FOR MULTINATIONAL GUARANTEES OF AGRARIAN REFORM BONDS.

10. THERE WAS A LENGTHY, THOUGH INCONCLUSIVE, DISCUSSION OF THE POSSIBILITY OF UNIFORM RULES WITH RESPECT TO FOREIGN INVESTMENT TO AVOID THE KIND OF DESTRUCTIVE COMPETITION FOR SUCH INVESTMENT WHICH VENEZUELANES SEE AS NOW TAKING PLACE.

THEY AGREED ON THE THEORETICAL DESIRABILITY OF A SYSTEM TO PROVIDE EQUALITY OF TREATMENT FOR INVESTORS, BUT RECOGNIZED THAT IMPLEMENTATION OF SUCH A SYSTEM WOULD BE EXCEEDINGLY DIFFICULT.

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