

Declassified Documents 1969-1976

(Extracted from Foreign Relations of the United States, 1969-1976, Volume E-10, Documents on American Republics, 1969-1972.

GUYANA

364a. Editorial Note.

The administration of President Richard M. Nixon continued the Johnson administration's policy of covert opposition to Cheddi Jagan, the Marxist leader of British Guyana's People's Progressive Party (PPP). The U.S. Government had attempted, through covert means, to prevent Jagan from coming to power since 1962 by providing covert assistance to Jagan's political opponent, the People's National Congress (PNC, headed by Forbes Burnham) from 1964 to 1968. After Burnham's election in 1968, U.S. covert assistance continued.

In June 1969, the 303 Committee approved a proposal that Burnham and the PNC be provided with \$5,000 per month in covert funding for another two years. Funding was set to begin in July 1969. After one year, the program would be evaluated to determine if its existence was necessary. The covert support funded a small group of paid PNC organizers, essential sections of the PNC's central office, and dissemination of party information. Ultimately, the U.S. Government hoped the PNC would use the covert support to become a well-organized political party, which could effectively compete in future national elections.

In June 1970, the 40 Committee (the successor to the 303 Committee) decided to extend covert assistance to Burnham's political party at the same \$5,000 per month level for another year. Previous covert support had helped the PNC build a well-funded, effective, smooth-running political machine. However, the 40 Committee concluded that despite U.S. funding, Burnham and the PNC had not made any significant inroads into the East Indian community, the vast majority of which supported the PPP. The Committee believed that continued secret funding for the PNC was necessary to accomplish this goal.

In June 1971, the 40 Committee concluded that the covert assistance had helped Burnham develop the PNC into an effective political entity. As scheduled, covert assistance was terminated.

In late 1972, the 40 Committee re-visited the idea of giving covert assistance to Burnham, but decided against it.

365. Memorandum for the 303 Committee, Washington, May 23, 1969.11. Source: National Security Council, NSC Intelligence Files, Country Files, Guyana, 23 May 1969-6 February 1973. Secret; Eyes Only. A handwritten note at the bottom of the

first page reads, "Approved by the 303 Committee on 17 June 1969 with a proviso re additional source of funds (see minute)."

23 May 1969

MEMORANDUM FOR: The 303 Committee

SUBJECT: Proposal for Support to the People's National Congress Party of Guyana

1. SUMMARY

Prime Minister Forbes Burnham of Guyana, who has previously received covert assistance from CIA, requested that the Agency provide \$10,000 a month for two years to support his efforts to build his party, the People's National Congress (PNC), into an effective, permanently organized political party. Ambassador Delmar Carlson [*text not declassified*] recommend approval of this request in the amount of \$5,000 per month for two years, with the understanding that Burnham be aware that the subsidy would be reviewed at the end of the first year and could be terminated if the PNC had not made satisfactory progress. Burnham has been told that we are seeking policy approval for the \$5,000 monthly subsidy.

Assistant Secretary Charles Meyer concurs in this proposal.

2. PROBLEM

To support Prime Minister Burnham's efforts to maintain and strengthen the PNC as a well-organized party that can continue to serve as a bulwark against Cheddi Jagan's accession to power in Guyana.

3. FACTORS BEARING ON THE PROBLEM

Background

The United States Government determined in 1962 that Cheddi Jagan would not be desirable as the head of government in Guyana. CIA was instructed to provide guidance and support to the PNC and to the small, conservative United Force (UF) party in the 1964 election campaign. These two parties formed a coalition after the election and took over the government, with Forbes Burnham becoming Prime Minister. New elections were scheduled for December 1968 and, as a result of a 303 Committee decision of 7 April 1967, CIA was again instructed to support the PNC and the UF. In the 1968 elections the PNC used its control of the government to pad the electoral rolls and win a slim majority of the vote. The official results gave the PNC 30 seats in the legislative assembly, the People's Progressive Party (Jagan's party) 19 seats and the UF 4 seats. Leaders of the PPP and the UF attacked the elections as being dishonest, but their charges had little effect in Guyana and stirred almost no interest abroad.

b. Origin of the Requirement

In February 1969 Burnham asked [*text not declassified*] for a subsidy of \$10,000 a month for two years to help him establish the PNC on a permanent basis. (NOTE: He had made little effort after the 1964 contest to put his party on a permanent footing.) Burnham

indicated he would use this subsidy to maintain a small corps of paid PNC organizers, to keep open essential sections of the central party office, and to continue party information activities as needed.

After considering Burnham's request, the Ambassador [*text not declassified*] concluded that a subsidy was desirable and \$5,000 per month for two years would adequately meet the PNC's requirements. In addition, [*text not declassified*] recommended it be agreed with Burnham that the subsidy would be reviewed after one year and could be terminated if the PNC had not made satisfactory progress toward establishing permanent party machinery. Burnham understands that we are seeking policy approval for this subsidy.

c. Relationship to Previous 303 Committee Actions

The Special Group granted approval for CIA to provide financial support to the [*text not declassified*] in 1962 and 1963 and CIA was instructed to support the UF and the PNC in the 1964 elections. On 7 April 1967 the 303 Committee approved a proposal to support the UF and the PNC again for the 1968 elections. Subsequent progress reports described in detail the successful action taken by CIA under this decision.

d. Operational Objectives

The objective of this proposal is to support the PNC's efforts to become a permanently established and well-organized political party that will be able to contest the next national elections under optimum conditions.

There is no evidence to indicate that Burnham has made any significant inroads into the East Indian electorate so far. If present population and voting trends continue, Burnham would lose to Jagan in an honest election. Thus one should look at this subsidy as a means of improving the PNC's ability to turn out all possible pro-Burnham votes.

e. [*text not declassified*]

f. Risks Involved

There was no exposure of United States Government or CIA involvement in the 1964 and 1968 elections. The only significant adverse publicity arising from the 1968 elections was aired on two television programs in Britain in December 1968 and January 1969. The telecasts revealed discrepancies in the voting in Guyana and charged that the voting of over-seas Guyanese in Britain (and to a far lesser extent in the United States) was rigged. The broadcasts did not mention any involvement by the United States Government or CIA; they had little impact and were more than offset by the generally favorable coverage provided by most news media.

Jagan of course has a long history of publicly accusing CIA and the United States and British Governments of opposing him and aiding Burnham. We can expect these charges to continue, but with little effect.

Although the personnel involved will exercise all due caution, it is impossible to eliminate every risk attached to a covert operation of this type. However, given the moderate amount of the subsidy, the small number of people involved [*text not declassified*]

g. Contingency Plan

We can rely on Burnham to use whatever resources are available to him, including those in the Government of Guyana, to cover up or limit the compromise or disclosure of this operation. *[text not declassified]*

4. COORDINATION

a. The American Ambassador to Guyana, Delmar Carlson, and the Assistant Secretary of State for Inter-American Affairs, Charles Meyer, concur in this proposal.

b. *[text not declassified]*

5. RECOMMENDATION

It is recommended that the 303 Committee approve a subsidy to the PNC of \$5,000 per month for two years with the understanding that at the end of the first year the subsidy would be reviewed and could be terminated if the PNC had not made satisfactory progress toward establishing a permanent party mechanism.

1 Source: National Security Council, NSC Intelligence Files, Country Files, Guyana, 23 May 1969-6 February 1973. Secret; Eyes Only. A handwritten note at the bottom of the first page reads, "Approved by the 303 Committee on 17 June 1969 with a proviso re additional source of funds (see minute)."

366. Memorandum From the Deputy Director of Current Intelligence (Lehman) to the Deputy Director for Intelligence (Cushman), Washington, June 17, 1969.11. Source: Central Intelligence Agency, Office of Current Intelligence, Job 79-B01737A, Box 14, 303 Latin America, 1962-1969. Secret; Eyes Only. There were two attachments, neither found, both concerning support to anti-Jagan political parties in Guyana. The first as dated March 17, 1967, and the second June 5, 1968.

17 JUN 1969

MEMORANDUM FOR: Deputy Director for Intelligence

SUBJECT: Progress Report to the 303 on Guyana

1. In March of 1967 the 303 approved expenditures in the amount of *[text not declassified]* to prevent Cheddi Jagan from winning the next election in Guyana. At that time I drafted for you a memorandum to the DCI (Attachment B) which you decided not to send.

2. The arguments in that memorandum still hold water, but the price has gone up. As late as January of this year CIA notified the 303 that, of the *[text not declassified]* was spent in FY-67 and *[text not declassified]* was programmed for FY-68. However, as of late January only, *[text not declassified]* of the FY-68 slice had been committed. The 303 was warned only that "this figure will rise considerably." It did. The 303 is now notified that the FY-68 funds are exhausted and an additional *[text not declassified]* will be needed for this year

which ends in 13 days. Furthermore, an additional [text not declassified] will be needed for FY-69. (The election will be held sometime between December 1968 and March 1969).

3. It is probably too late to call the operation off, but it is getting damned expensive. The best result we can hope for will be the continuation of something like the present shaky coalition, maintained in power by fraudulent means, and as paralyzed as ever by Negro-East Indian enmity. On the other hand, if we do not put up the money we will eventually be faced--but probably not for three or four years--with an English speaking Communist state in this hemisphere. In fact, even with funding at this level we may not be able to prevent such an outcome, or at least a bloody little mess which will require forceful intervention from outside. The question is therefore whether to spend the money in the hope of not saddling the next administration with "another Cuba." And in the present state of the American political psyche, by that time no one in either party may care very much. All this said, I do not think you should splinter any lances over this one. God, Mom, and apple pie are not negotiable.

[signed]
RICHARD LEHMAN

Deputy Director of Current Intelligence

Attachments:
Two Memos (Same Subject)

Support to Anti-Jagan Political Parties In Guyana: Progress Report. Dated 17 March 1967 and 5 June 1968.

1 Source: Central Intelligence Agency, Office of Current Intelligence, Job 79-B01737A, Box 14, 303 Latin America, 1962-1969. Secret; Eyes Only. There were two attachments, neither found, both concerning support to anti-Jagan political parties in Guyana. The first as dated March 17, 1967, and the second June 5, 1968.

367. Memorandum From the Deputy Director for Coordination, Bureau of Intelligence and Research (Trueheart) to the Assistant Secretary of State for Inter-American Affairs (Meyer), Washington, June 23, 1969. 11. Source: National Security Council, NSC Intelligence Files, Country Files, Guyana, 23 May 1969-6 February 1973. Secret; Eyes Only.

DEPARTMENT OF STATE

Washington D.C. 20520

June 23, 1969

MEMORANDUM

TO: ARA - Mr. Charles A Meyer

FROM: INR/DDC - William C. Trueheart [WCT initialed]

SUBJECT: Minutes of the Meeting of the 303 Committee, 17 June 1969 The minutes of the meeting of the 303 Committee, dated June 19, 1969 contained the following items:

"2. Proposal for Support to the People's National Congress Party of Guyana

a. Mr. Broe briefed the Committee on the request from Prime Minister Forbes Burnham for a \$5,000 monthly subsidy for two years to support his efforts to build his People's National Congress (PNC) into an effective, permanently organized political party. He noted that Burnham had twice before built an effective political machinery for election purposes but had let it lapse thereafter. The Prime Minister's objective now is to build a permanent party machinery and to make as many inroads as possible into the Indian vote which supports Cheddi Jagan and his PPP, although the latter is admittedly a most difficult undertaking.
[text not declassified]

b. Mr. Johnson mentioned that Prime Minister Burnham is now siphoning off something better than \$28,000 annually from sales from a flour mill to finance his political activities. This will sooner or later become public knowledge and will be damaging to Burnham's position. Mr. Johnson wondered if Burnham might be persuaded to cease this practice upon receipt of the proposed \$5,000 monthly subsidy. Mr. Broe stated that Burnham could be told that as a condition to his receipt of the \$5,000 monthly subsidy he would have to stop milking the flour mill. He added that even if Burnham agreed to this condition there was no positive assurance he would comply with it.

c. The recommendation contained in the CIA paper dated 23 May 1969 was approved subject to the condition being imposed upon Burnham that he cease taking funds from the flour mill sales.

d. It was agreed that Burnham's progress in using this subsidy to build an effective party machinery would be reviewed at the end of one year to decide whether or not it should be continued for the second year. The Chairman expressed the sense of the Committee that in this review Burnham's compliance with the above condition would be an important criterion.

[Omitted here is material unrelated to Guyana.]

1 Source: National Security Council, NSC Intelligence Files, Country Files, Guyana, 23 May 1969-6 February 1973. Secret; Eyes Only.

368. Telegram 557 From the Embassy in Guyana to the Department of State, May 28, 1970, 1615Z.11. Source: National Archives, Nixon Presidential Materials, NSC Files, Box 785, Country Files, Latin America, Guyana, Vol. 1. Secret.

TELEGRAM

Department of State
GEORGETOWN 557
R 281615Z MAY 70
FM AMEMBASSY GEORGETOWN
TO SECSTATE WASHDC 4521
GEORGETOWN 557

SUBJECT: WHITHER GUYANA UNDER BURNHAM: IMPLICATIONS FOR US.

FOR ASST SEC MEYER

SUMMARY: RECENT DEVELOPMENTS AND TRENDS IN GUYANA POSE FUNDAMENTAL QUESTIONS FOR THE USG. IN CONSIDERING THEM, IT MUST BE REMEMBERED THAT GUYANA IS MORE LIKELY TO FOLLOW AFRICAN EXAMPLES THAN IT IS TO ACT LIKE A LATIN AMERICAN STATE, THAT THINGS IN GUYANA TODAY ARE OFTEN NOT WHAT THEY SEEM, THAT THE BASIC INTERESTS OF THE US IN GUYANA ARE ESSENTIALLY LIMITED TO DENYING IT TO INTERNATIONAL COMMUNISM, AND THAT GUYANA'S POLITICAL LIFE FOR TWO DECADES HAS BEEN DOMINATED BY TWO PERSONALITIES -- BURNHAM AND JAGAN - - AND WILL CONTINUE TO BE SO DOMINATED UNTIL ONE OR THE OTHER PASSES FROM THE SCENE. JAGAN'S SUBSERVIENCE TO MOSCOW HAS BEEN ESTABLISHED. THIS LEAVES BURNHAM. HE IS PROUD, COMPLEX, DIFFICULT, DETERMINED, IMPULSIVE, AND SENSITIVE. HE IS AN ACCOMPLISHED POLITICIAN, SENSITIVE TO SIGNIFICANT CURRENTS AND PRESSURES. HE IS A SOCIALIST, BUT A NON-COMMUNIST SOCIALIST. HE HAS ATTACKED FOREIGN AID AND AID DONORS, BUT KNOWS HE WILL CONTINUE TO NEED HELP. HE IS LEADING GUYANA INTO THE THIRD WORLD AND LAUNCHING AN ECONOMIC REVOLUTION IN SEARCH OF ECONOMIC INDEPENDENCE TO GO WITH POLITICAL INDEPENDENCE AND A RESTRUCTURING OF THE ECONOMY TO GAIN CONTROL OF THE COUNTRY'S RESOURCES SO THEY CAN BE EXPLOITED BY GUYANESE FOR GUYANESE. HIS CHOSEN INSTRUMENT IS THE COOPERATIVE, WITH GOVERNMENT CONTROL. TO HIM, HIS REVOLUTION IS THE ANSWER TO BLACK POWER, AND THE SACRIFICES IT DEMANDS ARE THE PRICE OF "AVOIDING ANOTHER TRINIDAD". THERE IS A TREND TOWARD INCREASED AUTHORITARIANISM. THE USG WILL NOT LIKE MUCH OF WHAT BURNHAM WILL DO AND HOW HE WILL DO IT, BUT THERE IS NO FEASIBLE ALTERNATIVE TO BURNHAM. IT MUST CONTINUE TO HELP HIM. IN THE PROCESS IT HAS AN OPPORTUNITY TO SHOW WHETHER IT CAN SUPPORT CHANGE, WHICH IS INEVITABLE, AND IDENTIFY ITSELF WITH A GOVERNMENT THAT IS SEEKING ITS OWN SOLUTIONS IN THE INTERESTS OF THE MASSES OF THE PEOPLE. END SUMMARY.

1. THERE ARE FOUR THINGS TO BE KEPT IN MIND IN ASSESSING RECENT DEVELOPMENTS IN GUYANA:

A. DESPITE ITS LARGE INDIAN POPULATION GUYANA IS, UNDER THE PRESENT PNC GOVERNMENT, MORE AKIN TO THE BLACK COUNTRIES OF AFRICA SOUTH OF THE SAHARA THAN IT IS TO THE LATIN COUNTRIES OF THIS HEMISPHERE. INDEPENDENT FOR ONLY FOUR YEARS, GUYANA IS MORE LIKELY TO FOLLOW THE PATTERN OF DEVELOPMENT OF THE NEW STATES OF AFRICA THAN IT IS TO PARALLEL THAT OF THE LONG-ESTABLISHED INDEPENDENT COUNTRIES OF LATIN AMERICA.

B. THERE IS A CERTAIN ALICE-IN-WONDERLAND QUALITY TO LIFE IN GUYANA TODAY. THINGS ARE OFTEN NOT WHAT THEY SEEM TO BE. THUS THE MINISTER OF FINANCE, TWO DAYS AFTER HAVING PUBLICLY ATTACKED FOREIGN AID AS "TIED TO POLITICAL OR EXPECTED POLITICAL ALIGNMENT TO THE DONOR COUNTRIES" AND PARTICIPANT TRAINING AS POLITICALLY-MOTIVATED INDOCTRINATION TO MAKE THE RECIPIENTS "SYMPATHETIC TO THE WAY OF LIFE AND THINKING OF THE DONOR COUNTRIES", FOUND NO INCONSISTENCY IN ASKING THE USAID DIRECTOR TO ARRANGE AN ORIENTATION TRIP FOR A SENIOR CIVIL SERVANT SO HE COULD "SEE THOSE THINGS IN THE US YOU THINK HE SHOULD SEE." WHILE FOREIGN ASSISTANCE AND INFLUENCE WERE BEING DENOUNCED AT ALL LEVELS OF THE GOVERNMENT, THE MINISTER OF AGRICULTURE AS HE SIGNED DOCUMENTS FOR A GRANT OF MORE THAN \$300,000 FROM THE US COULD

SMILE AND SAY "DON'T BELIEVE EVERYTHING YOU HEAR." DESPITE THE PRIME MINISTER'S "REJECTION" OF A \$4.3 MILLION IBRD/IDA LOAN FOR MULTILATERAL SCHOOLS IN HIS SPEECH OF APRIL 5, THE PROJECT HAS QUIETLY MOVED AHEAD AND INVITATIONS TO BID HAVE BEEN PUBLISHED ABROAD AS WELL AS AT HOME. (THIS "REJECTION" WAS OMITTED FROM THE EDITED VERSION OF THE SPEECH SUBSEQUENTLY PUBLISHED.) THE PRIME MINISTER'S OFFICE TWO WEEKS AGO REQUESTED TRAINING FOR GUYANA DEFENSE FORCE OFFICERS AT A US ARMY INTELLIGENCE SCHOOL, AND THE PRIME MINISTER LAST WEEK RENEWED HIS LONG-STANDING REQUEST THAT THE USG PROVIDE HIM AN ECONOMIC ADVISER AND ASKED THE AMBASSADOR TO SUPPORT A \$6 MILLION LOAN FOR HIGHWAY CONSTRUCTION AROUND GEORGETOWN. MANY OTHER EXAMPLES COULD BE CITED.

C. AS STATED IN THE CASP FOR GUYANA APPROVED IN MARCH, 1970, THE FUNDAMENTAL US INTEREST HERE IS "TO DENY CONTROL OF THE COUNTRY TO COMMUNISTS OR OTHER GROUPS WHICH ARE SYSTEMATICALLY HOSTILE TO THE US AND OTHER FRIENDLY GOVERNMENTS IN THE HEMISPHERE." ASIDE FROM PEACEFUL SETTLEMENT OF GUYANA'S DISPUTES WITH ITS NEIGHBORS, THE US HAS FEW OTHER BASIC INTERESTS OR OBJECTIVES IN GUYANA. US COMMERCIAL INTERESTS AND INVESTMENTS ARE RELATIVELY SMALL AND GUYANA'S INTERNATIONAL POWER AND INFLUENCE ARE NEGLIGIBLE.

D. GUYANA'S POLITICAL LIFE HAS BEEN DOMINATED FOR TWO DECADES BY TWO TOWERING PERSONALITIES -- BURNHAM AND JAGAN -- AND WILL CONTINUE TO BE SO DOMINATED UNTIL ONE OR THE OTHER PASSES FROM THE SCENE. US POLICY DECISIONS THEREFORE MUST BE BASED LARGELY ON ITS ASSESSMENT OF THE TWO MEN AND OF HOW EACH WOULD AFFECT BASIC US INTERESTS.

CORRECTED COPY (TEXT)

2. THERE IS NO NEED HERE TO DISCUSS JAGAN AT ANY LENGTH. HIS SUBSERVIENCE TO MOSCOW HAS BEEN ESTABLISHED. HE REPEATEDLY CALLS FOR ECONOMIC AND POLITICAL TIES WITH THE SOVIET BLOC AND CUBA, AN END TO WESTERN DOMINATION OF THE COUNTRY AND IMMEDIATE NATIONALIZATION OF THE MEANS OF PRODUCTION. JAGAN IN POWER WOULD POSE A REAL AND IMMEDIATE THREAT TO THE BASIC US INTEREST IN GUYANA AS OUTLINED ABOVE.

3. WE ARE LEFT WITH BURNHAM. HE HAS CONSOLIDATED HIS CONTROL OVER THE GOVERNMENT AND ITS SECURITY FORCES AND RULES UNCHALLENGED AS THE LEADER OF THE GOVERNING PARTY, THE PNC, WHICH HE HAS GREATLY STRENGTHENED. HE IS CHARTING GUYANA'S FUTURE COURSE AND FEW DARE ADVISE HIM OR DISAGREE. WHAT MAKES BURNHAM TICK AND WHERE HE IS HEADING ARE THUS THE KEYS TO GUYANA'S FUTURE.

. BURNHAM THE MAN: BURNHAM IS A COMPLEX AND DIFFICULT PERSONALITY. HE IS INTENSELY PROUD AND DOES NOT LIKE ASKING FOR ANYTHING, ESPECIALLY AID FROM WHITE PEOPLE. HE IS SHARPLY CONSCIOUS OF HIS COLOR AND OF THE INFERIOR POSITION OF BLACK PEOPLE AND BLACK NATIONS AROUND THE WORLD. HE IS ALSO IMBUED WITH IDEAS OF INTERNATIONAL SOCIAL JUSTICE AND BELIEVES THAT THE RICH NATIONS HAVE A MORAL RESPONSIBILITY, WHICH THEY ARE SHIRKING, TO HELP THE POOR NATIONS JUST AS THOSE WHO HAVE SUCCEEDED, WHICH BY HIS DEFINITION IS "AT THE EXPENSE OF THE PEOPLE", HAVE A MORAL OBLIGATION TO MAKE SACRIFICES IN THE COMMON GOOD. THE RICH NATIONS AND THE WHITE MAN ALSO BEAR MORAL

RESPONSIBILITY FOR THE INJUSTICES AND EVILS OF THE PAST, ESPECIALLY SLAVERY AND COLONIALISM. THUS, WHATEVER THEY DO IN LESS DEVELOPED COUNTRIES IN THEIR OWN SELF-INTEREST IS EVIL. BURNHAM IS AN AVOWED SOCIALIST WITH A SOCIALIST'S ATTITUDE TOWARD CAPITALISM AND PRIVATE INVESTMENT. SINCE THESE ARE PREDOMINANTLY WHITE, HE PROBABLY ALSO CONSIDERS THEM EVIL, ESPECIALLY AS THEY CONTROL THE ECONOMIC LIFE OF HIS OWN COUNTRY. BURNHAM IS INTENSELY AMBITIOUS AND RESTLESS, AND HE IS FRUSTRATED. GUYANA IS PROBABLY TOO SMALL FOR HIS AMBITIONS, AND HIS PEOPLE, INCLUDING HIS CABINET, ARE TOO SLOW FOR HIS RESTLESS ENERGY. WE HAVE SEEN EVIDENCE OF HIS EFFORTS TO ASSUME LEADERSHIP IN THE CARIBBEAN. HE IS NOT DOUBT ALSO CONCERNED WITH HIS IMAGE AMONG THE LEADERS OF THE THIRD WORLD, WHERE HE WOULD LIKE TO PLAY A ROLE. HE IS KNOWN TO ADMIRE SUCH MEN AS TITO, JULIUS NYRERE, AND KENNETH KAUNDA (AND NKRUMAH EXCEPT THAT HE FAILED.) LASTLY, BURNHAM IS EXCEEDINGLY SENSITIVE. HE DOES NOT TAKE ADVICE EASILY, EVEN FROM THOSE CLOSE TO HIM. ON SEVERAL OCCASIONS RECENTLY HE HAS OVERRIDDEN MEMBERS OF HIS CABINET, OR ACTED CONTRARY TO THEIR ADVICE. THEY TELL US "HE IS BEING MISLED" OR "HE IS GETTING WRONG INFORMATION", BUT NONE DARES APPROACH HIM TO ARGUE. (AND WE'RE NOW SEEING SIGNS OF EMERGING RIVALRIES AND CONFLICTS WITHIN THE CABINET ITSELF). BURNHAM IS IMPULSIVE, AND WHEN HIS SENSITIVITIES ARE TOUCHED HE IS CAPABLE OF LASHING OUT IN DIRECTIONS CONTRARY TO WHAT HIS OWN BETTER JUDGMENT WOULD DICTATE. HIS WELL-ADVERTISED PRAGMATISM OF EARLIER YEARS, WHICH KEPT HIM ON A RELATIVELY STEADY COURSE, IS MUCH LESS IN EVIDENCE TODAY.

B. BURNHAM THE POLITICIAN: BURNHAM IS AN EXPERIENCED AND CONSUMMATE POLITICIAN, EXPERT IN THE WAYS OF MANIPULATING HIS PEOPLE, INDIVIDUALLY AND COLLECTIVELY, AND QUICK TO IDENTIFY AND RESPOND TO SIGNIFICANT CURRENTS AND PRESSURES. HE IS A PLUNGER WHO WILL TAKE GREAT RISKS IF HE SEES A LONG-TERM ADVANTAGE. HIS DETERMINATION TO "MAKE THE SMALL MAN A REAL MAN" AND TO "SEIZE CONTROL OF THE COMMANDING HEIGHTS OF THE ECONOMY" CAN THUS BE SEEN IN THE CONTEXT OF EFFORTS TO UNDERCUT THE APPEAL OF JAGAN'S CALLS FOR NATIONALIZATION OF THE MEANS OF PRODUCTION FOR THE BENEFIT OF THE WORKING CLASS IN ADDITION TO BE REFLECTIONS OF HIS OWN SOCIALIST PHILOSOPHIES. BURNHAM IS ALSO UNDOUBTEDLY NETTLED BY JAGAN'S CONSTANT CHARGES THAT HE IS A PUPPET OF US IMPERIALISM AND FEELS HE MUST PROVE HIS INDEPENDENCE TO HIS OWN PEOPLE. HIS DENOUNCEMENTS OF FOREIGN AID DONORS AND OF FOREIGN ASSISTANCE IN GENERAL, HIS DEMANDS FOR MEANINGFUL PARTICIPATION IN THE EXPLOITATION OF GUYANA'S RESOURCES AND HIS CALLS ON GUYANESE TO DEVELOP GUYANA FOR THEMSELVES CAN THUS BE VIEWED IN THIS POLITICAL FRAMEWORK. HIS SPEECH TO THE PARTY CONGRESS, IN PARTICULAR, WAS CLEARLY AIMED AT A DOMESTIC AUDIENCE IN AN EFFORT TO AROUSE HIS CABINET AND HIS PARTY TO GREATER EFFORTS. HE IS PERFECTLY AWARE THAT HE WILL NEED CONTINUED ECONOMIC ASSISTANCE FROM THE INTERNATIONAL LENDING AGENCIES AND INDIVIDUAL AID DONORS, BUT HE WANTS HIS DEVELOPMENT PROGRAM TO CARRY A "MADE IN GUYANA" STAMP AND NOT APPEAR TO DEPEND EXCESSIVELY ON ASSISTANCE FROM ABROAD. HE IS TRYING TO DESTROY THE "COLONIAL MENTALITY" WHICH CAUSES SO MANY GUYANESE TO HAVE FATALISTIC VIEW THAT IT MAKES LITTLE DIFFERENCE WHAT THEY DO THEMSELVES BECAUSE THE QUALITY OF THEIR LIVES WILL IN ANY EVENT BE DETERMINED BY THE IMPERIALIST POWERS. HENCE HIS STRESS ON SELF-HELP. PSYCHOLOGICALLY, THIS DICTATED THE CHANGE TO REPUBLIC STATUS.

C. BURNHAM AND BLACK POWER: BLACK POWER FOR BURNHAM IN THE CARIBBEAN MEANS BLACK ECONOMIC POWER TO REPLACE THE WHITE EXPATRIATES AND THEIR LACKEYS WHO NOW CONTROL THE REGION'S ECONOMIC LIFE. HE BELIEVES WILLIAMS

LOST TOUCH WITH THE REALITIES OF LIFE IN TRINIDAD AND TOBAGO AND THAT SHEARER IS DOOMED TO FAILURE IF HE CONTINUES RIGIDLY TO RESIST POPULAR PRESSURES FOR CHANGE. BURNHAM IS KEENLY CONSCIOUS OF THESE PRESSURES AND, IN PUSHING HIS REVOLUTION IN GUYANA, IS TRYING TO STAY OUT IN FRONT OF THEM. HE SAID THE OTHER DAY "EITHER WE HELP THE REVOLUTION OR THE REVOLUTION WILL CONSUME US" AND HE HAS REPEATED BEFORE THAT IN GUYANA "BLACK POWER AS AN OPPOSITION IS SELF-DEFEATING". DESPITE HIS PAST PROTESTATIONS THAT HE IS THE LEADER OF A MULTI-RACIAL PARTY OUT TO CREATE A MULTI-RACIAL STATE, WHICH HE REITERATED YESTERDAY IN HIS INDEPENDENCE DAY SPEECH AS A PARTIAL ANSWER TO STOKELY CARMICHAEL'S RECENT VISIT, HE AT LEAST TOLERATES RACIAL DISCRIMINATION AND FAVORITISM WITHIN THE GOVERNMENT, PERHAPS AS A MEANS OF KEEPING THE BLACK POWER MILITANTS REASONABLY QUIET. THERE ARE MANY HERE WHO SEE IN EUSI KWAYANA BURNHAM'S PRINCIPLE RIVAL FOR POWER IN THE LONG RUN. PERHAPS HE SHARES THIS VIEW, ALTHOUGH HE HAS NOT SAID SO. CERTAINLY HE IS DOING ALL HE CAN TO AVOID A CONFRONTATION. HE PERMITTED STOKELY CARMICHAEL TO COME HERE, FEELING THE RISKS INHERENT IN HIS VISIT WOULD BE A LESSER DANGER THAN BRINGING ON A CONFRONTATION. IN A PRIVATE CONVERSATION YESTERDAY HE IMPLIED HE WAS RESISTING EFFORTS TO HAVE THE BLACK POWER CONFERENCE BARBADOS HAS BANNED HELD HERE. BUT HE IS SAYING "WE DON'T HAVE THE NECESSARY HOTELS AND OTHER FACILITIES" AND, IN THE END, PROBABLY WILL LET THEM COME RATHER THAN PRECIPITATE A CONFRONTATION BY BANNING THE MEETING.

D. BURNHAM AND FOREIGN POLICY: WHILE MINISTER OF STATE RAMPHAL HAS A CERTAIN AMOUNT OF LEEWAY IN CONDUCTING GUYANA'S DAY-TO-DAY FOREIGN RELATIONS, BURNHAM HIMSELF HOLDS THE FOREIGN AFFAIRS PORTFOLIO. IN LINE WITH HIS DESIRES TO SHOW MORE INDEPENDENCE, IT CAN BE EXPECTED THAT GUYANA WILL INCREASINGLY ACT MORE LIKE THE NON-ALIGNED COUNTRY IT HAS CLAIMED TO BE. THIS OF COURSE WILL FIT NEATLY INTO BURNHAM'S AMBITION TO DEAL ON A MORE EQUAL FOOTING WITH NYRERE, KAUNDA, OBOTE, KENYATTA AND PERHAPS ABOVE ALL TITO, ALL OF WHOM HE EXPECTS TO VISIT IN THE NEXT NINE MONTHS. HE WILL, OF COURSE, PARTICIPATE IN THE NON-ALIGNED SUMMIT IN LUSAKA THIS FALL. WHILE HE IS NOT UNAWARE OF THE RISKS INVOLVED, BURNHAM IS ALSO A BIT INTRIGUED BY THE SUPPOSED BENEFITS THAT WOULD DERIVE FROM INCREASED TRADE AND CONTACTS WITH THE SOVIET BLOC. HE ENTERTAINED A CZECHOSLOVAK TRADE MISSION IN 1968 AND WAS DISAPPOINTED THAT NOTHING MATERIALIZED FROM IT. MORE RECENTLY, HE HAS PUT OUT FEELERS TO EAST GERMANY AND AN EAST GERMAN TRADE REPRESENTATIVE IS EXPECTED HERE IN THE NEXT FEW DAYS. UNDOUBTEDLY GUYANA WILL BE LESS PRONE IN THE FUTURE TO SUPPORT AUTOMATICALLY WESTERN INITIATIVES IN INTERNATIONAL FORUMS AND IT MAY WELL OPPOSE THE WEST ON SOME KEY ISSUES, INCLUDING CUBA GIVEN THE RIGHT CIRCUMSTANCES. YET BURNHAM IS SMART ENOUGH AND REALISTIC ENOUGH TO KNOW THE PERILS OF GOING TOO FAR AND WILL ATTEMPT TO STEER A THOROUGHLY UNCOMMITTED COURSE. HE WILL ALSO, OF COURSE, ATTEMPT TO LEAD THE COUNTRIES OF THE ENGLISH-SPEAKING CARIBBEAN ALONG A SIMILAR ROUTE.

E. BURNHAM AND ECONOMIC NATIONALISM: FOR THE LAST SIX MONTHS OR SO, THE EMBASSY HAS REPORTED GROWING SIGNS OF ECONOMIC NATIONALISM IN GUYANA, INCLUDING SHARPLY INCREASED TAXES, INTERVENTION IN BUSINESS DECISIONS, DEMANDS FOR GOVERNMENT PARTICIPATION IN ECONOMIC ACTIVITIES AND INCREASED CONTROLS TO ASSURE THE PEOPLE "A BIGGER PIECE OF THE CAKE." THIS IS NOT A NEW DEPARTURE IN TERMS OF BURNHAM'S BASIC PHILOSOPHIES AND THOSE OF THE PARTY HE LEADS. IT CAN BE TRACED BACK TO THE ORIGINS OF THE PARTY. THE TREND HAS BEEN ACCELERATED, HOWEVER, SINCE THE IC WAS FREED OF THE CONSTRAINTS

IMPOSED BY ITS NEED TO GOVERN IN COALITION WITH THE CONSERVATIVE UNITED FORCE UNTIL THE ELECTIONS IN DECEMBER 1968. BURNHAM HAS UNDOUBTEDLY READ AND REREAD THE ARUSHA DECLARATION. HIS MOUTH MUST WATER WHEN HE THINKS OF WHAT KAUNDA GETS OUT OF THE ZAMBIAN GOVERNMENT'S SHARE OF THE COPPER MINES. HE PROBABLY ADMIRES THE DECISION ANNOUNCED ON MAY 1 BY OBOTE TO ACQUIRE FOR THE GOVERNMENT OF UGANDA A 60 PERCENT SHARE IN THE PRIVATE COMPANIES ENGAGED IN MANUFACTURING, TRANSPORTATION, BANKING, COPPER MINING, "OTHER ECONOMIC ACTIVITIES", TO BE PAID FOR OUT OF FUTURE PROFITS. WHILE BURNHAM PROFESSES, SINCERELY WE BELIEVE, A DESIRE TO FIND A UNIQUELY GUYANESE FRAMEWORK WITHIN WHICH TO REACTIVATE THE ECONOMY OF THE COUNTRY, HE MOST CERTAINLY IS INFLUENCED BY THE EXAMPLES OF HIS AFRICAN BROTHERS. BURNHAM'S CHOSEN INSTRUMENT IS THE COOPERATIVE. THERE HAS BEEN MUCH RHETORIC, MOST OF IT MEANINGLESS, TO THE EFFECT THAT COOPERATIVES HAVE TRADITIONALLY BEEN GUYANESE AND THAT THEY THEREFORE PROVIDE A "GUYANESE SOLUTION."

IT IS FAIRLY CLEAR THAT WHAT BURNHAM HAS IN MIND IS A FORM OF COOPERATIVE ORGANIZATION LARGELY IMPOSED FROM THE TOP AND GUIDED AND CONTROLLED BY THE GOVERNMENT (PARTY?) RATHER THAN THE VOLUNTARY ASSOCIATIONS OF GROUPS OF INDIVIDUALS WITH COMMON INTERESTS AND OBJECTIVES WHICH HAVE EXISTED IN THE PAST. HE SETS HIS GOALS AS ENDING UNEMPLOYMENT, ENDING POVERTY AND VESTING CONTROL OF THE ECONOMY IN GUYANESE HANDS. HE SEEKS ECONOMIC INDEPENDENCE TO GO WITH THE POLITICAL INDEPENDENCE ATTAINED FOUR YEARS AGO. HE ALSO AIMS TO BUILD A HOMEGROWN IDEOLOGY TO COUNTER CHEDDI JAGAN'S MARXISM. BUT WHAT BURNHAM REALLY WANTS IS FOR THE GOVERNMENT (AND HIS PARTY) TO HAVE ACCESS TO THE ALLEGEDLY VAST PROFITS BEING MADE BY THE PRODUCERS OF BAUXITE AND SUGAR AND THE PRIVATE INTERESTS THAT NOW CONTROL IMPORTS. ONLY THEN WILL HE "CONTROL THE COMMANDING HEIGHTS OF THE ECONOMY." HE HAS HAD PRELIMINARY DISCUSSIONS WITH THE TWO PRODUCERS OF BAUXITE TO WARN THEM THAT THE GOVERNMENT WILL OPEN NEGOTIATIONS WITH A VIEW TO ACHIEVING MEANINGFUL PARTICIPATION IN THEIR ENTERPRISES. JUST WHAT FORM THIS PARTICIPATION WILL TAKE HAS NOT YET EMERGED AND WILL BE THE SUBJECT OF THE CONTEMPLATED NEGOTIATIONS, BUT HE MADE CLEAR TO THE AMBASSADOR THAT HE WANTS EQUITY PARTICIPATION IN ORDER TO HAVE A VOICE IN MANAGEMENT DECISIONS RATHER THAN SIMPLY A BIGGER SHARE OF THE PROFITS THROUGH INCREASED TAXES OR ROYALTIES. TO OUR KNOWLEDGE THE SUGAR INDUSTRY HAS NOT YET BEEN APPROACHED BUT BURNHAM HAS SAID IT IS NEXT IN LINE. HE HAS ALREADY REVEALED PRIVATELY HIS PLANS TO ESTABLISH A GOVERNMENT IMPORT AGENCY TO TAKE OVER IMPORTS OF BASIC FOOD ITEMS AND AGRICULTURE AND LAND CLEARING MACHINERY AND THE GOVERNMENT RECENTLY ACQUIRED A CONTROLLING INTEREST IN A LOCAL BUSINESS FIRM WHICH GIVES IT A PLATFORM FROM WHICH TO LAUNCH ITS NEW SCHEME. BURNHAM SAYS HE WILL PERMIT PRIVATE INTERESTS TO CONTINUE IN WHOLESALE AND RETAIL TRADE BUT WITH THEIR MARKUPS CONTROLLED. HIS OBJECTIVE, AS HE EXPLAINED IT, IS TO REDUCE THE COSTS OF THOSE ITEMS WHICH ARE IMPORTANT IN THE LIVES OF THE MASSES OF THE PEOPLE. HE IS CONVINCED THAT IMPORTERS ARE MAKING VAST PROFITS BY IMPOSING MARKUPS OF UP TO AND EVEN MORE THAN 100 PER CENT. SOME OF HIS ADVISERS ARE CAUTIONING HIM TO MOVE SLOWLY SINCE THE GOVERNMENT'S ADMINISTRATIVE MACHINERY ALREADY IS OVERTAXED, BUT OTHERS MORE IDEOLOGICALLY INCLINED ARE PRESSING HIM TO CHARGE AHEAD. BURNHAM HAS MADE IT CLEAR THAT HE WILL DEAL HARSHLY WITH THOSE WHO OPPOSE HIM IN HIS ECONOMIC REVOLUTION AND AUTHORITARIANISM WILL PROBABLY INCREASE HERE. HE HAS WARNED THAT "IT IS BETTER TO YIELD SOME THAN TO LOSE ALL" AND HAS SAID THAT THE SACRIFICES HE WILL DEMAND OF THE PRIVATE SECTOR ARE THE PRICE THAT MUST BE

PAID "TO AVOID ANOTHER TRINIDAD". BURNHAM UNDERSTANDS PARLIAMENTARY DEMOCRACY, PERHAPS BETTER THAN MOST OF HIS COLLEAGUES, AND HE PROBABLY VALUES THE ESTEEM OF THE DEMOCRATIC LEADERS OF THE COMMONWEALTH ENOUGH TO RETAIN AT LEAST A SEMBLANCE OF A DEMOCRATIC SYSTEM. BUT HE IS TOUCHY, DOES NOT RELISH CRITICISM, DOES NOT FACE A RESPONSIBLE OPPOSITION AND IS DETERMINED TO PUSH AHEAD WITH HIS REVOLUTION. HE WILL CRUSH THOSE WHO STAND IN HIS WAY. IN THIS ATMOSPHERE IT IS NOT SURPRISING THAT THERE HAS BEEN LITTLE PRIVATE INVESTMENT, DOMESTIC OR FOREIGN, IN RECENT MONTHS. IN FACT, BANK MANAGERS TELL US THERE ARE SIGNS OF DISINVESTMENT AND FLIGHT OF CAPITAL. CERTAINLY THE PROSPECTS FOR LARGE-SCALE PRIVATE INVESTMENT IN THE FUTURE ARE NOT BRIGHT, AND THE GOVERNMENT ITSELF DOES NOT HAVE AND WILL NOT HAVE THE RESOURCES TO DEVELOP THE COUNTRY ON ITS OWN, BURNHAM'S EXPECTATIONS OF WHAT HE CAN EXTRACT FROM THE PRIVATE SECTOR TO THE CONTRARY NOT WITHSTANDING. FOREIGN ASSISTANCE WILL BE NEEDED AND WILL BE REQUESTED, ALTHOUGH EFFORTS WILL BE MADE TO SOFTEN ITS MORE ONEROUS TERMS.

6. CONCLUSIONS: WHILE THE IMMEDIATE FUTURE IN GUYANA THUS DOES NOT LOOK BRIGHT, THE VITAL INTERESTS OF THE UNITED STATES ARE HARDLY THREATENED (EXCEPT OF COURSE FOR THE INVESTMENT OF REYNOLDS METALS). THE REAL PROBLEM TO BE FACED IS THAT BURNHAM MUST NOT FALL SO FLAT ON HIS FACE AS TO MAKE JAGAN A MORE ATTRACTIVE ALTERNATIVE FOR THE GUYANESE PEOPLE. THE UNITED STATES, WHILE IT WILL NOT LIKE MUCH OF WHAT HE MAY DO, WILL THUS HAVE TO CONTINUE TO HELP BURNHAM, OFTEN DESPITE BURNHAM, FOR THERE IS NO ACCEPTABLE ALTERNATIVE TO BURNHAM IN SIGHT. AND THE HELP WILL HAVE TO BE IN TUNE WITH WHERE BURNHAM THINKS HE WANTS GUYANA TO GO. THIS CONCLUSION MAY BE DEPRESSING TO SOME, BUT IT HAS A POSITIVE SIDE AS WELL. THE SITUATION DEVELOPING HERE PROVIDES OPPORTUNITIES, PARTICULARLY IN THE ADMINISTRATION OF ECONOMIC ASSISTANCE ACTIVITIES, FOR THE USG TO DEMONSTRATE WHETHER IT HAS THE CAPACITY AND FLEXIBILITY TO MEET THE CHALLENGE OF CHANGE. CAN IT FACE AND REACT POSITIVELY TO THE RISING EXPECTATIONS OF THE AWAKENING PEOPLES OF A DEVELOPING NATION SEEKING ITS OWN SOLUTIONS? IN THESE TIMES, AS EVENTS AT HOME AND ABROAD ARE PROVING, CHANGE CANNOT BE STAYED. IF OPPOSED, IT WILL COME VIOLENTLY, IN GUYANA AS WELL AS ELSEWHERE. BURNHAM IS KEENLY AWARE OF THIS, AND HIS WAY MAY PROVIDE AN ANSWER. THE METHODS OF THE PAST, POLICIES, RULES AND REGULATIONS, ARE PROVING INADEQUATE. MUST THE US INEVITABLY SIT BY AND WATCH REPETITIONS OF WHAT HAPPENED IN TRINIDAD AND TOBAGO SWEEP THROUGH THE ENGLISH-SPEAKING CARIBBEAN? IS IT IMPOSSIBLE FOR THE USG TO IDENTIFY ITSELF WITH THE FORCES SEEKING CHANGE AND IMPROVEMENT IN THE LOT OF THE COMMON MAN, ESPECIALLY THE BLACK MAN? WE THINK NOT AND SHALL BE DEVELOPING RECOMMENDATIONS ON WAYS IN WHICH WE CAN HELP BURNHAM AND IN THE PROCESS, PERHAPS, MODERATE HIS PACE.

KING

1 Source: National Archives, Nixon Presidential Materials, NSC Files, Box 785, Country Files, Latin America, Guyana, Vol. 1. Secret.

369. Memorandum for the 40 Committee, Washington, June 15, 1970.11. Source: National Security Council, NSC Intelligence Files, Country Files, Guyana, 23 May

1969-6 February 1973. Secret; Eyes Only. A handwritten note at the bottom stated, "Continuation approved by the 40 Committee on 27 June 1970."

15 JUN 1970

MEMORANDUM FOR: The 40 Committee

SUBJECT: Status Report--[text not declassified] Support to the People's National Congress Party of Guyana

1. Summary

Prime Minister Forbes Burnham of Guyana, who had previously received covert assistance [text not declassified] early in 1969 requested that the U.S. Government provide \$10,000 a month for two years to support his efforts to build his party, the People's National Congress (PNC), into an effective, permanently-organized political organization capable of serving as a bulwark against the possibility of Cheddi Jagan's accession to power in Guyana.

The 303 Committee on 17 June 1969 approved a subsidy to the PNC of \$5,000 per month for two years with the understanding that at the end of the first year the subsidy would be reviewed and could be terminated if the PNC had not made satisfactory progress toward establishing a permanent party mechanism. This stipulation and the amount of \$5,000 per month had been recommended by the then Ambassador Delmar Carlson [text not declassified] The above-mentioned conditions under which the subsidy was being made available were explained to Burnham [text not declassified] who emphasized high level U.S. Government concern that he refrain from engaging in schemes to raise funds for the party which could, if exposed, subject him to public embarrassment and erode his political capital. Flour mill sales were mentioned as an area of special concern.

This report describes the progress that has been made during the first year and contains a recommendation that the subsidy be continued at the same \$5,000-a-month level for the second year.

2. Status of Activities

A monthly subsidy of \$5,000 was paid to Burnham, beginning 1 July 1969, [not declassified] Burnham has used these funds to build the PNC into a permanently established and well-organized political party that will be able to participate effectively in the next national elections. The importance of the PNC's ability to affect a turnout of every possible pro-Burnham vote is underscored by population and voting trends which, if continued, would enable the Jagan forces to win an honest election.

Burnham has made steady progress in strengthening the organization and financing of his party. Almost \$60,000 was raised at a successful party congress held in April, and the PNC is making a concerted effort to prepare for a series of municipal elections to be held beginning 22 June. In addition to specific actions in connection with the elections, a general reorganization of the party is being carried out to build an increased awareness of party responsibilities and encourage a greater effort from rank and file members.

An analysis of internal party documents concerning the PNC's campaign performance to date provides meaningful insights into its capabilities. In an election briefing on 1 May,

Burnham gave a pep talk to 135 local party representatives and outlined the organizational strategy to be used. The choice of leaders for the various election areas was ratified, party activists from non-election areas were nominated, telephones in each election area were installed for quick and easy communication with party headquarters, and a propaganda and research committee was established to provide materials and assistance to the various groups tailored to their local needs. Special emphasis was given to involving youthful members in these activities. Specific provision was made for assigning PNC parliamentarians to various districts for electioneering.

The internal reorganization calls for a renewal of the party membership lists and mandatory collection of party dues. In fact, a concerted effort is underway to improve the dues collection process and, to enforce these new procedures, new coded membership cards recording both financial contributions and participation in meetings will be issued. In addition, intra-party elections to select working level leaders will be held in July and new party regulations established to maintain ward-level records. The internal reorganization also included new procedures for the handling of the budget account and for the planned training of the various categories of party members. Monthly working level progress reports to the PNC leaders now call for a detailed description of actions taken, problems encountered, and assistance needed. These reports enable tighter party control over both the PNC membership and the programs undertaken.

The fact that the PNC has not encountered major disorders and confusion in preparation for the local elections is in marked contrast to the 1968 performance. Campaign activities have proceeded smoothly and, by Guyanese standards, are the mark of a professional, well-honed political machine. This improved performance is due to a number of factors including the experience gained in the 1968 elections, *[text not declassified]* It is doubted seriously that this momentum could have been maintained without the covert subsidy which permitted the PNC to continue its system of files and records, and hire a permanent staff of organizers, secretaries and clerical help.

Although the PNC is unquestionably a stronger political structure in comparison to its opposition, its ability to make major inroads into the East Indian community is still hampered by the overwhelming acceptance by the East Indians of Jagan as their leader, mainly for racial reasons. There are, nevertheless, signs that some East Indians have become disillusioned with Jagan, or conversely, at least resigned to acceptance of the Burnham government. One positive sign is a separate East Indian municipal election ticket being run by the PNC in one area for the purpose of taking away votes from Jagan's People's Progressive Party (PPP).

Burnham has also made significant progress in raising funds for the PNC without incurring unacceptable political risks, but he did not withdraw the Greenland Investment Company (GLICO) from involvement in the flour business. However, the expansion of GLICO into the flour distribution business has not caused the political problems that might have eroded Burnham's political capital or caused his government embarrassment.

All parties now accept this arrangement. The profit margin for American businessmen who own and operate the flour mill is reliably reported to be satisfactory to them. Further, they enjoy the benefits of a five-year tax holiday which began in 1969. The consumer has benefited in that he is now able to purchase flour at a slightly reduced price than he did prior to the involvement of GLICO. The GLICO operation, which has not become a public political issue since its inception, has provided from its flour sales a total of \$40,000 to the PNC during the last six months of 1969.

A detailed PNC financial statement for calendar year 1969 shows that the covert subsidy, which commenced 1 July 1969, represents approximately 60 percent of the party's budget for this six-month period. An itemized list of PNC expenses shows that the total amount of funds received, \$105,486, was spent on a variety of activities directly related to party programs and activities. The largest single expenditure (34 percent) was for salaries of party workers.

Although Burnham clearly understood from the outset that the subsidy was subject to review at the end of the first year, he is counting on continued financial assistance for the additional year. He has requested that the sum be increased to \$10,000 for the first six months of the second year and \$5,000 for the last six months, making an annual total of \$90,000. Burnham explained that the requested increase would be used to meet PNC expenses connected with a series of municipal elections scheduled to be held from June through November 1970. While it is important for the PNC to make a strong showing in these local elections, Ambassador Spencer King [text not declassified] that the \$5,000 per month level is adequate to meet the election expenses. Their recommendation was based on the knowledge that Burnham has made good progress toward bringing the PNC closer to financial self-sufficiency, that there are reliable reports that the PNC campaign is moving along smoothly, and that heavy expenditures above and beyond the party's current subsidized budget level are not expected.

3. Conclusions

The basic objectives of the covert subsidy to the PNC during the past year have been met. The PNC is stronger, better organized, better financed and more effective than it was one year ago. However, the specter of Jagan still looms large and the East Indian electorate is burgeoning. Therefore, greater efforts by the PNC are called for in the future. A continuation of the subsidy for a second year would measurably assist Burnham in this task and would serve the further objective of keeping open another channel for communication with this head of government. Ambassador King [text not declassified] have recommended \$5,000 per month as an adequate amount for this purpose. [text not declassified] further recommended that the July and August payments be made in advance in order to assist the PNC during the principal urban elections. Assistant Secretary Charles Meyer concurs in these recommendations.

4. Recommendation

It is recommended that the Committee note the progress that has been made toward establishing a permanent PNC party mechanism and approve a continuation of the subsidy to the PNC in the amount of \$5,000 per month for the second year.

1 Source: National Security Council, NSC Intelligence Files, Country Files, Guyana, 23 May 1969-6 February 1973. Secret; Eyes Only. A handwritten note at the bottom stated, "Continuation approved by the 40 Committee on 27 June 1970."

370. Telegram 1436 From the Embassy in Guyana to the Department of State, December 5, 1970, 1700Z.11. Source: National Archives, Nixon Presidential Materials, NSC Files, Box 785, Country Files, Latin America, Guyana, Vol. 1. Secret; Priority. Copies sent to Bridgetown, Caracas, Kingston, London, Ottawa, Port of Spain, USINCO POLAD, and Paramaribo UNN.

TELEGRAM

Department of State

GEORGETOWN 1436

P R 051700Z DEC 70

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC PRIORITY 5169

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY CARACAS

AMEMBASSY KINGSTON

AMEMBASSY LONDON

AMEMBASSY OTTAWA

AMEMBASSY PORT OF SPAIN

USINCO POLAD

AMEMBASSY PARAMARIBO UNN

GEORGETOWN 1436

SUBJ: BAUXITE NEGOTIATIONS

REF: (A) GEORGETOWN 1417; (B) 1389 (C) 1342

1. SUMMARY: ON EVE OF OPENING OF NEGOTIATIONS WITH DEMARARA BAUXITE COMPANY IN WHICH GOG PROPOSES ATTAIN "MEANINGFUL PARTICIPATION" IN BAUXITE INDUSTRY, LINES ARE NOW CLEARLY DRAWN. PROSPECTS FOR AMICABLE SETTLEMENT SEEM DIM, AND NATIONALIZATION OF COMPANY MAY WELL BE END RESULT. GOG MAKING TRANSPARENT EFFORTS GENERATE POPULAR BACKING. THESE INEVITABLY HAVE OVERTONES WHICH ENCOURAGE ANIMOSITY TO FOREIGNERS, ESPECIALLY WHITE FOREIGNERS, AND EMOTIONS MAY REACH LEVELS WHERE DEMONSTRATIONS AND/OR VIOLENCE COULD TAKE PLACE. END SUMMARY.

2. LATE ON SATURDAY, NOVEMBER 28, JAMES CAMPBELL, HEAD OF ALCAN'S GUYANESE SUBSIDIARY DEMBA, RECEIVED LETTER FROM PERMANENT SECRETARY IN OFFICE PRIME MINISTER, OSCAR HENRY, FORMALLY NOTIFYING HIM OF GOG INTENTION OPEN NEGOTIATIONS MONDAY, DECEMBER 7 AND SETTING TIME AND PLACE FOR INITIAL SESSION. LETTER STATED THAT "BY CABINET DECISION IN NATIONAL INTEREST FOLLOWING ARE NON-NEGOTIABLE" AND SET FORTH SIX POINTS COVERED ESSENTIALLY IN ALCAN'S STATEMENT TRANSMITTED REF A. GOG WILL ACQUIRE MAJORITY EQUITY; WILL PAY REASONABLE COMPENSATION; COMPENSATION IS TO BE BASED ON BOOK VALUE AS USED BY DEMBA FOR INCOME TAX PURPOSES; COMPENSATION TO BE PAID FROM FUTURE PROFITS ACCRUING TO GOG AFTER PAYMENT OF TAXES; MANAGEMENT CONTROL OF NEW COMPANY WILL BE COMMENSURATE WITH EQUITY HOLDINGS; AND NEW ORGANIZATIONAL AND MANAGEMENT ARRANGEMENTS TO BE CONSIDERED EFFECTIVE JANUARY 1, 1971 REGARDLESS OF WHEN NEGOTIATIONS CONCLUDED.

3. CAMPBELL WENT TO MONTREAL SUNDAY FOR MEETINGS WITH SENIOR OFFICIALS OF ALCAN TO DISCUSS STRATEGY AND PUT TOGETHER NEGOTIATING THEM. ACCOMPANIED BY HEAD OF ALCAN, NATHANIEL DAVIS, CALLED ON SENATOR PAUL MARTIN, WHO IN ABSENCE MITCHELL SHARPE SERVING AS ACTING SECRETARY OF STATE FOR EXTERNAL AFFAIRS. PURPOSE, OF COURSE, WAS TO ENLIST OFFICIAL GOG SUPPORT FOR COMPANY. AS RESULT THIS MEETING, CANADIAN HIGH COMMISSIONER GEORGETOWN INSTRUCTED SEND MESSAGE TO PRIME MINISTER BURNHAM THROUGH MINISTER OF STATE RAMPHAL, WHICH HE DID DECEMBER 2. TEXT FOLLOWS:

4. QUOTE: PRIME MINISTER BURNHAM'S STATEMENT OF NOVEMBER 28 CONCERNING THE POSITION OF THE GOVERNMENT OF GUYANA IN FORTHCOMING NEGOTIATIONS WITH DEMBA WAS OF COURSE CARRIED IN THE CANADIAN PRESS. I READ THE STATEMENT WITH CONSIDERABLE INTEREST AND, WOULD LIKE TO RECONFIRM THE KEEN INTEREST OF THE CANADIAN GOVERNMENT IN THE FORTHCOMING NEGOTIATIONS. YOU HAVE KEPT OUR HIGH COMMISSION WELL INFORMED ON THIS MATTER AND I HOPE YOU WILL BE ABLE TO CONTINUE TO DO SO. YOU WILL RECALL THAT AT THE TIME OF MY VISIT IN OCTOBER I SAID IN REFERENCE TO NEGOTIATIONS, THAT IT WAS OF COURSE UP TO THE GUYANESE GOVERNMENT TO DECIDE ITS OWN INTERNAL POLICIES AND THAT I WAS CONFIDENT GUYANA WOULD TREAT CANADIAN COMMERCIAL INTERESTS FAIRLY AND IN ACCORDANCE WITH THE LAWS OF GUYANA. I ALSO MENTIONED CANADIAN EXPERIENCE WITH NEED FOR SUBSTANTIAL AMOUNTS OF FOREIGN INVESTMENT AND THE FACT THAT CANADA HAD FOUND IT DESIRABLE TO KEEP THIS IN MIND WHEN DRAFTING DOMESTIC LEGISLATION AND REGULATIONS AND SAID I PRESUMED GUYANA WOULD BE FACED WITH A SIMILAR SITUATION. I WOULD LIKE TO REITERATE THAT THE CANADIAN GOVERNMENT RECOGNIZES THAT GUYANA, AS AN INDEPENDENT SOVEREIGN NATION, HAS THE RIGHT TO SET CONDITIONS WHICH WOULD SERVE ITS OWN INTERESTS FOR THE OPERATION OF FOREIGN COMPANIES WITHIN ITS TERRITORIES. THE CANADIAN GOVERNMENT IS MOST CERTAINLY INTERESTED IN SEEING THAT THE CANADIAN FIRM GETS FAIR AND EQUITABLE TREATMENT AND IS NOT DISCRIMINATED AGAINST IN RELATION TO OTHER COMPANIES. THE CANADIAN GOVERNMENT WOULD HOPE THAT A SATISFACTORY SETTLEMENT BASED UPON MUTUALLY ACCEPTABLE ARRANGEMENTS COULD BE REACHED. PAUL MARTIN. END QUOTE.

5. COMPANY NOT SURPRISINGLY FEELS THIS MESSAGE "MUCH TOO WEAK".

6. CAMPBELL WILL HEAD DEMBA'S NEGOTIATING TEAM SUPPORTED BY ASSISTANT AT MACKENZIE, ROBERT E. ROSANE (WHO INCIDENTALLY IS US CITIZEN) AND D.F. MACORQUODALE, ALCAN FIDUCIARIES LTD., MONTREAL. ADVISERS, ALL FROM MONTREAL, WILL BE PAUL H. LEMAN, PRESIDENT ALCAN CANADA LTD; D.D. MACKAY, PRESIDENT ALCAN ORE LTD; GERALD CLARK, VICE PRESIDENT AND CHIEF FINANCIAL OFFICER, ALCAN ORE LTD; AND R. GRIMES-GRAEME, CHIEF, RESOURCES DEPARTMENT, EXPLORATION DIVISION, ALCAN RESEARCH AND DEVELOPMENT (WHO IS DEEPLY INVOLVED IN DEVELOPMENT NEW FINDS IN BRAZIL). W.R.A. PILGRIM, PUBLIC RELATIONS OFFICER FOR DEMBA AT MACKENZIE, WILL BE IN ATTENDANCE.

7. MINISTER WITHOUT PORTFOLIO HUBERT JACK WILL HEAD GOG NEGOTIATIONS. (MINISTER STATE RAMPHAL TOLD ME HE HAD MISGIVINGS AND DID NOT THINK JACK GOOD NEGOTIATOR ALTHOUGH CONSIDERED HIM ABLE.) ALSO ON TEAM WILL BE MOHAMMED SHAHABUDDEEN, SOLICITOR GENERAL, SOBHARAN SINGH, DIRECTOR OF GEOLOGICAL SURVEY, AND BERNARD CRAWFORD, PERMANENT SECRETARY IN MINISTRY OF ECONOMIC DEVELOPMENT. (SHAHABUDDEEN IS ABLE AND RELATIVELY MODERATE; SINGH REPORTEDLY IS ONE OF STRONGEST ADVOCATES OF IMMEDIATE AND TOTAL NATIONALIZATION.) THERE MAY BE OTHERS. ALL THE RESOURCES OF GOG WILL BE HELD AVAILABLE TO RENDER TECHNICAL ADVISE AND COUNSEL.

8. UNDERSTAND ALCAN BELIEVES COULD GET ALONG IF NECESSARY WITHOUT GUAYANA'S BAUXITE, AS IMPLIED LAST SENTENCE REFTL. HOWEVER, IS EXTREMELY WORRIED ABOUT PRECEDENTS WHICH MIGHT BE SET HERE AND THEIR EFFECT ON OPERATIONS ELSEWHERE, ESPECIALLY JAMAICA. CONSEQUENTLY, HAD INTENDED BE FAIRLY HARD-NOSED IN NEGOTIATIONS ALTHOUGH HOPED IT WOULD BE POSSIBLE IN LONG RUN REACH SOME MUTUALLY SATISFACTORY AGREEMENT WITH GOG.

9. IN VIEW NON-NEGOTIABLE POINTS GOG HAS SET FORTH, WHICH ARE TOTALLY UNACCEPTABLE TO COMPANY, ALCAN NOW WONDERS WHAT THERE IS TO NEGOTIATE. I HAVE STRONG IMPRESSION COMPANY MAY PREFER PRECIPITATE NATIONALIZATION RATHER THAN TO AGREE TO CONDITIONS WHICH MIGHT WELL ADVERSELY AFFECT SOME PERCENT OF NORTH AMERICA'S SOURCES OF BAUXITE. IT MAY BE SIGNIFICANT THAT AIRCRAFT WILL BE STANDING BY FROM TUESDAY EVENING TO RETURN ALCAN OFFICIALS TO MONTREAL.

10. MEANWHILE, GOG IS MAKING TRANSPARENT EFFORT GENERATE MASS PUBLIC SUPPORT FOR ITS DEMANDS. HEAD OF MINE WORKERS UNION, WINSTON VERBEKE, ADDRESSED RALLY OF WORKERS AT MACKENZIE THURSDAY CALLING FOR SUCH SUPPORT. OTHER UNIONS ISSUING STATEMENTS BACKING GOG. RALLY ALSO HELD AT UNIVERSITY FRIDAY EVENING. SATURDAY'S "GRAPHIC" REPORTED A STATEMENT ISSUED BY ASCRIA (RADICAL BLACK POWER ORGANIZATION) TERMING ALCAN'S STATEMENT "A DECLARATION OF WAR AGAINST ALL OUR PEOPLE" AND CHARGING THAT ALCAN "THREATENING BREAK UP THE TALKS FROM THE FIRST DAY UNDER THE PRETEXT OF SEEKING CLARIFICATION THE POINTS RAISED".

11. CANADIAN HIGH COMMISSIONER HAS RECEIVED REPORTS THAT BAND OF GUYANA BUILDING, WHERE NEGOTIATIONS WILL BE HELD (AND WHERE COINCIDENTALLY CANADIAN HIGH COMMISSION IS HOUSED) WILL BE PICKETED BEGINNING MONDAY MORNING TO IMPRESS ON ALCAN OFFICIALS DETERMINATION OF GUYANESE PEOPLE STAND BEHIND GOG IN ITS STRUGGLE WITH "IMPERIALISM".

COMMENT: DAYS AHEAD WILL OBVIOUSLY BE DIFFICULT ONES FOR ALL CONCERNED, WITH EMOTIONS RUNNING AT INCREASINGLY HIGH LEVELS. POSSIBILITY THAT DEMONSTRATIONS COULD GET OUT OF HAND CANNOT BE DISCARDED. IT IS DIFFICULT TO SEE HOW NEGOTIATIONS CAN LEAD TO AGREEMENT AND GOG MAY FEEL IT HAS NO CHOICE BUT TO NATIONALIZE. GP4.

KING

1 Source: National Archives, Nixon Presidential Materials, NSC Files, Box 785, Country Files, Latin America, Guyana, Vol. 1. Secret; Priority. Copies sent to Bridgetown, Caracas, Kingston, London, Ottawa, Port of Spain, USINCO POLAD, and Paramaribo UNN.

371. Telegram 106 From the Embassy in Guyana to the Department of State, January 29, 1971, 1430Z.11. Source: National Archives, Nixon Presidential Materials, NSC Files, Box 785, Country Files, Latin America, Guyana, Vol 1. Secret. A stamped notation on the telegram indicates that it was received in the White House Situation Room at 9:10 on January 30.

TELEGRAM
Department of State

GEORGETOWN 106
R 291430Z JAN 71
FM AMEMBASSY GEORGETOWN
TO SECSTATE WASHDC 5320
SUBJ: BAUXITE INDUSTRY NEGOTIATIONS

REF: STATE 013910

1. AS DEPT RECOGNIZES IN REFTTEL, OUR CRYSTAL BALL IS A BIT HAZY AND IT IS DIFFICULT TO SPECULATE ON ULTIMATE OUTCOME OF CURRENT NEGOTIATIONS WITH DEMBA. OF ONE THING WE HAVE LITTLE DOUBT, HOWEVER, BURNHAM WILL GET WHAT HE HAS COMMITTED HIMSELF PUBLICLY TO GET, I.E. MAJORITY OWNERSHIP AND CONTROL OF THE BAUXITE INDUSTRY, OR, ACCORDING TO BURNHAM HIMSELF, HE WILL NO LONGER BE PRIME MINISTER.

2. HOW THIS WILL COME ABOUT DEPENDS PRIMARILY ON THE COMPANIES. IF THEY ARE WILLING TO REACH AN ACCOMMODATION, ON BURNHAM'S TERMS, THEY HAVE A GOOD CHANCE OF RETAINING A MINORITY INTEREST, A VOICE IN MANAGEMENT (BUT NOT THE FINAL SAY), AND CONTINUED ACCESS TO GUYANA BAUXITE (WHICH WE UNDERSTAND HAS CERTAIN UNIQUE QUALITIES). THIS IS WHAT BURNHAM HOPES FOR. IF COMPANIES ARE NOT WILLING TO REACH SUCH AN ACCOMMODATION (AND WE RECOGNIZE THAT IN MAKING THIS DECISION THE COMPANIES WILL BE INFLUENCED BY THEIR INTERESTS IN OTHER COUNTRIES) IT IS VIRTUALLY CERTAIN THAT BURNHAM WILL NATIONALIZE THE INDUSTRY AND TURN ELSEWHERE FOR TECHNICAL ASSISTANCE AND MANAGEMENT EXPERTISE TO HELP RUN IT AND SEEK OTHER MARKETS.

3. BURNHAM KNOWS FULL WELL THE RISKS, DISLOCATIONS AND SACRIFICES THIS COURSE WOULD ENTAIL, BUT HE IS COMPLETELY WILLING TO PAY THE PRICE IN THE NAME OF "NATIONAL DIGNITY" AND "ECONOMIC INDEPENDENCE." WE KNOW [text not declassified] THAT LEGISLATION AND A PUBLIC RELATIONS CAMPAIGN ALREADY HAVE BEEN PREPARED TO COVER THIS CONTINGENCY, AND WE ASSUME BURNHAM AND HIS PARTY WILL DISCUSS THE MATTER IN DETAIL DURING VISIT TO YUGOSLAVIA BETWEEN FEBRUARY 1 AND 4.

4. SO FAR, ALTHOUGH GOG-DEMBA TALKS HAVE CONTINUED IN A REASONABLY FRIENDLY ATMOSPHERE, WE HAVE RECEIVED NO RPT NO INDICATIONS THAT DEMBA AND ALCAN ARE PREPARED TO ACCEDE TO BURNHAM'S DEMANDS. COMPANIES HAVE CONTINUED "TO EXPLORE IMPLICATIONS FOR FUTURE OPERATIONS OF GOG'S NON-NEGOTIABLE DEMANDS," HAVE OFFERED COUNTERPROPOSAL WHICH DOES NOT MEET THOSE DEMANDS AND HAVE SAID PRIVATELY THAT THEY CANNOT AND WILL NOT MEET THEM.

5. AS EXPECTED NEGOTIATIONS "ADJOURNED" JANUARY 27 UNTIL FEBRUARY 8 AT REQUEST OF COMPANIES. JOINT COMMUNIQUE ISSUED NIGHT OF 27TH STATED "...THE NEGOTIATING PARTIES HAVE BEEN ENGAGED IN EXAMINING VARIOUS ASPECTS OF THE NEW COMPANY WHICH IT IS INTENDED TO FORM FOR THE PURPOSE OF ACHIEVING GOVERNMENT'S PARTICIPATION IN THE BAUXITE INDUSTRY. THE NEGOTIATIONS HAVE NOW COME TO THE END OF THE FIRST PHASE. THE REPRESENTATIVES OF DEMBA WILL TAKE THE OPPORTUNITY OF THE RECESS TO REPORT TO THEIR PRINCIPALS IN CANADA ON THE PRESENT STATE OF THE NEGOTIATIONS. WHEN NEGOTIATIONS RESUME ON 8TH FEBRUARY, IT IS EXPECTED THAT, AS A RESULT OF THE DISCUSSIONS SO FAR HELD THE REPRESENTATIVES OF DEMBA WILL BE RETURNING IN A POSITION TO FURTHER CONSIDER THE GOVERNMENT'S PROPOSALS, AND IT IS HOPED THAT AN AGREEMENT WILL BE REACHED BEFORE THE END OF FEBRUARY."

6. THIS COMMUNIQUE TELLS IT PRETTY MUCH AS WE UNDERSTAND IT. BURNHAM WILL BE BACK ON FEBRUARY 6. DEMBA (READ ALCAN) WILL GIVE ITS FINAL ANSWER BEGINNING FEBRUARY 8, PERHAPS TO BURNHAM HIMSELF, AND SOMETHING FAIRLY CONCLUSIVE WILL BE ANNOUNCED PRIOR TO OR ON REPUBLIC DAY, FEBRUARY 23. THE CANADIAN

HIGH COMMISSIONER (PROTECT) IS PESSIMISTIC, AND EVEN SPECULATES WHETHER COMPANIES REPRESENTATIVES WILL IN FACT RETURN. WE THINK THEY WILL, BUT SHARE HIS PESSIMISM ABOUT THE ANSWER THEY PROBABLY WILL BRING WITH THEM.

7. OF PARTICULAR INTEREST AT THIS JUNCTURE ARE STRAWS IN THE WIND SUGGESTING THAT, CONTRARY TO WHAT BURNHAM TOLD ME IN DECEMBER, GOG MAY HAVE DECIDED TO DIGEST DEMBA BEFORE TAKING ON REYNOLDS. HEAD OF GOG NEGOTIATING TEAM TOLD USAID DIRECTOR TWO WEEKS AGO THAT IT WOULD BE SOME TIME BEFORE REYNOLDS BECAME INVOLVED. ALSO, SOLICITOR GENERAL SHAHABBUDDEN, WHO IS MEMBER OF GOG TEAM, TOLD DCM LAST WEEK THAT REYNOLDS MIGHT NOT BE CALLED IN UNTIL 1972. WE KNOW BURNHAM HAS BEEN WARNED REGARDING IMPORTANCE OF GUYANA'S IMAGE. WITH THE U.S. CONGRESS WHEN IT CONSIDERS NEW SUGAR LEGISLATION LATER THIS YEAR, AND I MYSELF REMINDED BURNHAM PRIOR TO HIS DEPARTURE ON JANUARY 8 OF U.S. GOVERNMENT'S 16,316,000 DOLLAR US GUARANTEE OF REYNOLDS INVESTMENT. PERHAPS THESE REMINDERS AND DISCUSSIONS IN NEW YORK MAY HAVE COOLED HIS ENTHUSIASM FOR TAKING OVER THE ENTIRE INDUSTRY ONCE AND FOR ALL AT THIS TIME. IN ANY EVENT, LEGISLATION ALREADY PREPARED, [text not declassified] IS AIMED SPECIFICALLY AT NATIONALIZATION OF DEMBA RATHER THAN THE INDUSTRY AS A WHOLE AND WOULD NOT NECESSARILY AFFECT REYNOLDS. IN TERMS OF SENATOR PAUL MARTIN'S NOTE TO BURNHAM ON DECEMBER 2, WHICH SAID, IN PART "THE CANADIAN GOVERNMENT IS MOST CERTAINLY INTERESTED IN SEEING THAT THE CANADIAN FIRM GETS FAIR AND EQUITABLE TREATMENT AND IS NOT DISCRIMINATED AGAINST IN RELATION TO OTHER COMPANIES" (UNDERLINING ADDED. (NOTE: SECOND QUOTE IS UNDERLINED)), THIS COULD CAUSE PROBLEMS FOR GOG.

8. THERE IS NO DOUBT IN MY MIND THAT BURNHAM'S LONG-TERM OBJECTIVES FOR THE BAUXITE INDUSTRY INCLUDE CONSOLIDATION OF PRESENT TWO COMPANIES INTO AN INTEGRATED OPERATION, THE DEVELOPMENT OF WHAT HE CALLS "LINKAGE" INDUSTRIES AND THE CONSTRUCTION OF A SMELTER. HE HAS MADE THIS CLEAR IN A SERIES OF CONVERSATIONS. FOR EXAMPLE, WHEN I ASKED HIM LAST SUMMER IF HE WANTED TO GO AHEAD WITH THE BERBICE BAR PROJECT WHICH WOULD ALLOW REYNOLDS TO INCREASE PRODUCTION AND USE DEEPER DRAFT ORE BOATS, HE ASKED THAT IT BE DEFERRED ON GROUNDS THAT GOG MIGHT FIND IT PREFERABLE TO MOVE ORE FROM KWAKWANI OVERLAND TO MACKENZIE FOR PROCESSING THERE. HE ADDED THAT A RAILROAD CONNECTING THE TWO POINTS WOULD HAVE THE SIDE EFFECT OF "OPENING UP THE INTERIOR" (THUS MOVING WHAT IS GENERALLY CONSIDERED "THE INTERIOR" SEVERAL HUNDRED MILES).

9. SECONDLY, BURNHAM HAS RAILED AT DEMBA REPEATEDLY FOR CONTINUING TO IMPORT "WHEATEN FLOUR" RATHER THAN SWITCHING TO CASSAVA STARCH AS A FLOCCULENT FOR ITS ALUMINA PLANT, ARGUING THAT COMPANY, HAD IT WISHED, COULD HAVE HELPED DEVELOP NEW AGRICULTURAL INDUSTRY WHICH WOULD HAVE BENEFITED GUYANA RATHER THAN CANADIAN EXPORTERS. SIMILARLY, HE HAS ARGUED THAT CAUSTIC SODAS ALSO USED IN ALUMINA PLANT, COULD HAVE BEEN PRODUCED LOCALLY HAD THE COMPANY BEEN WILLING TO ENCOURAGE IT AND INVEST IN SOMETHING WHICH WOULD HAVE BEEN OF! BENEFIT TO GUYANA.

10. BURNHAM HAS ALSO CRITICIZED WORLD BANK'S NEGATIVE POSITION ON TIBOKU HYDROELECTRIC POWER PROJECT AS OVER-LOOKING SUCH "LINKAGE" IN ARRIVING AT COST ESTIMATES OF POWER DELIVERED TO MACKENZIE FOR A SMELTER (AND FOR REASONS WE CAN APPRECIATE HE WILL NOT CONSIDER SERIOUSLY THE BANKS ALTERNATIVE OF ECONOMIC POWER FROM ITS GURI DAM PROJECT IN VENEZUELA,

ALTHOUGH HE ONCE MENTIONED TO ME THE POSSIBILITY OF BUYING FROM SURINAM'S PROPOSED KABALEBO HYDROELECTRIC PROJECT PROVIDED THE BORDER DISPUTE WITH SURINAM WERE RESOLVED.

11. BURNHAM MAY BE SLOWED DOWN BY THE ECONOMICS OF HIS DREAMS BUT THERE IS NO DOUBT AS TO THE EXTENT OF THESE DREAMS. THIS IS THE WHOLE POINT OF TAKING ON THE BAUXITE INDUSTRY--TO BE SURE THAT MANAGEMENT DECISIONS ON THE USE OF A NATURAL RESOURCE OF GUYANA HENCEFORTH WILL BE MADE BY GUYANESE RATHER THAN FOREIGNERS AND WILL BE BASED ON WHAT IS GOOD FOR GUYANA AND THE GUYANESE PEOPLE RATHER THAN ON THE INTERESTS OF STOCK- HOLDERS AND WORKERS IN CANADA AND THE US. KING

1 Source: National Archives, Nixon Presidential Materials, NSC Files, Box 785, Country Files, Latin America, Guyana, Vol 1. Secret. A stamped notation on the telegram indicates that it was received in the White House Situation Room at 9:10 on January 30.

372. Telegram 207 From the Embassy in Guyana to the Department of State, February 17, 1971, 2150Z.11. Source: National Archives, Nixon Presidential Materials, NSC Files, Box 785, Country Files, Latin America, Guyana, Vol. 1. Secret; Exdis; Priority. Justice Goldberg requested that this message be give no foreign dissemination. After Burnham's conversation with Goldberg, Burnham decided not to nationalize Reynolds, but would nationalized DEMBA. (Telegram 204 from Georgetown, February 17, ibid.)

TELEGRAM
Department of State
GEORGETOWN 207
P 172150Z FEB 71
FM AMEMBASSY GEORGETOWN
TO SECSTATE WASHDC PRIORITY 5393
GEORGETOWN 207
FOR ASST SEC MEYER
SUBJ: BAUXITE: VISIT TO GUYANA OF JUSTICE ARTHUR GOLDBERG

REF: (A) STATE 025101 (B) GEORGETOWN 178

1. JUSTICE GOLDBERG REQUESTS THAT THIS MESSAGE BE GIVEN NO FOREIGN DISSEMINATION.

2. JUSTICE ARTHUR GOLDBERG ARRIVED IN GEORGETOWN ON A REYNOLDS PRIVATE AIRCRAFT THE EVENING OF SUNDAY, FEB 14 AND DEPARTED BY THE SAME MEANS AT ABOUT 4 PM TUESDAY, FEB 16. HE MET WITH PRIME MINISTER BURNHAM FOR ALMOST TWO HOURS BEGINNING AT 9 AM MONDAY AND FOR ABOUT 45 MINUTES AT 2 PM MONDAY AND FOR ANOTHER 45 MINUTES AT 2 PM TUESDAY. THE RESULT OF HIS DISCUSSIONS WAS AN ASSURANCE BY BURNHAM THAT HE WOULD NOT MOVE PRECIPITOUSLY AGAINST REYNOLDS AND THAT HE WAS PREPARED IN DUE COURSE TO OPEN NEGOTIATIONS, AND ENTERTAIN PROPOSALS FROM REYNOLDS AS TO HOW IT COULD PARTICIPATE IN THE EXPANSION OF A RE-ORGANIZED BAUXITE INDUSTRY IN GUYANA. BURNHAM LEFT LITTLE DOUBT IN THE JUSTICE'S MIND THAT HE INTENDED TO HAVE CONTROL OF DEMBA,

ALCAN'S SUBSIDIARY, BY REPUBLIC DAY ON FEBRUARY 23 OR HE WOULD NATIONALIZE IT AND THAT NATIONALIZATION WAS THE LIKELY OUTCOME OF CURRENT TALKS.

3. JUSTICE GOLDBERG STAYED WITH ME AT THE RESIDENCE, WHICH PROVIDED OPPORTUNITIES FOR SEVERAL LONG CONVERSATIONS IN PRIVATE, DURING WHICH, [*text not declassified*] I TOLD HIM ALL I COULD ABOUT BURNHAM AND RECENT DEVELOPMENTS IN GUYANA. HE TALKED PRIVATELY AS WELL AS IN MY PRESENCE ON SEVERAL OCCASIONS WITH DICK ROBERTS, VICE PRESIDENT OF REYNOLDS WHO ACCOMPANIED HIM ON HIS VISIT, AND VERNON ROOSEVELT THE LOCAL REYNOLDS MANAGER.

4. MY IMPRESSION WAS THAT JUSTICE GOLDBERG REVIEWED WITH BURNHAM THE GENERAL EFFECTS THAT NATIONALIZATION OF REYNOLDS WOULD HAVE ON OVER-ALL USO GUYANESE RELATIONS, STRESSING THE PRESENT MOOD OF THE US CONGRESS AND THE IMPORTANCE TO GUYANA OF CONTINUED ACCESS TO THE US MARKET FOR A SUBSTANTIAL AMOUNT OF ITS SUGAR PRODUCTION. HE ALSO APPARENTLY CAME DOWN HARD ON THE NEED GUYANA HAS FOR FOREIGN PRIVATE INVESTMENT AND THE REACTION IN CAPITAL MARKETS THAT WOULD INEVITABLY FOLLOW PREJUDICIAL MEASURES HERE. I BELIEVE HE ALSO SUGGESTED TO BURNHAM THAT HE SHOULD LOOK CAREFULLY AT VARIOUS ALTERNATIVE MEANS OF RAISING CAPITAL FOR EQUITY PARTICIPATION IN INDUSTRIES ALREADY ESTABLISHED IN GUYANA WHICH MIGHT BE PREFERABLE TO THE NATIONALIZATION ROUTE. WHILE HE MADE CLEAR TO BURNHAM THAT HE WAS NOT HERE TO NEGOTIATE ON BEHALF OF REYNOLDS BUT RATHER HOPED TO OFFER HIS GOOD OFFICES IN ACHIEVING AN AMICABLE ARRANGEMENT, THE JUSTICE APPARENTLY DID THROW OUT THE SUGGESTION THAT REYNOLDS MIGHT BE WILLING TO CONSTRUCT SIZEABLE CALCINED BAUXITE PROCESSING FACILITIES WHICH WOULD BE TURNED OVER 100 PERCENT TO THE GOG TO OPERATE WHILE LEAVING REYNOLDS PRESENT MINING OPERATIONS IN THE COMPANY'S HAND AS AT PRESENT. BURNHAM REPORTEDLY WAS INTERESTED AND AGREED THAT SUCH IMAGINATIVE PROPOSALS COULD BE DISCUSSED AT A LATER DATE.

5. JUSTICE GOLDBERG SAID HE DISCUSSED WITH BURNHAM THE REPORTS HE HAD HEARD BEFORE COMING HERE (THIS TO PROTECT US IN EMBASSY) THAT EASTERN EUROPEAN COUNTRIES OTHER THAN YUGOSLAVIA WERE MOVING IN WITH FINANCIAL, TECHNICAL AND PERSONNEL ASSISTANCE. BURNHAM APPARENTLY REASSURED HIM. WE HAD PREVIOUSLY TOLD HIM WE HAD NO BASIS TO ACCEPT SUCH REPORTS AS HAVING ANY VALIDITY.

6. BURNHAM APPARENTLY REPEATED TO JUSTICE GOLDBERG MANY OF THE CRITICISMS HE HAS MADE OF LATE REGARDING ALCAN'S ALLEGED INFLEXIBILITY. HE WAS ALSO OBVIOUSLY MIFFED BECAUSE JOHN J. MCCLOY, WHOM HE EXPECTED HERE TO INTERVENE ON BEHALF OF ALCAN, HAD DECIDED AT THE LAST MINUTE THAT HE HAD MORE IMPORTANT BUSINESS IN CONNECTION WITH THE SALT TALKS. HE TOLD THE JUSTICE HE COULD COUNT ON 7 TO 9 PPP VOTES IN FAVOR OF THE CONSTITUTIONAL AMENDMENTS HE WILL HAVE TO PUT THROUGH TO NATIONALIZE DEMBA EVEN IF CHEDDI JAGAN SHOULD OPPOSE THEM.

7. THE PRESS AND RADIO INEVITABLY LEARNED OF JUSTICE GOLDBERG'S PRESENCE AND ASKED QUESTIONS OF THE EMBASSY AND OF THE PRIME MINISTER'S PRESS OFFICER. WHILE NEITHER ISSUED ANY STATEMENT, IT WAS AGREED THAT QUERIES WOULD BE ANSWERED BY STRESSING THAT JUSTICE GOLDBERG WAS HERE AS A PRIVATE CITIZEN TO RENEW ACQUAINTANCES AND TO LOOK INTO THE SITUATION TO SEE WHETHER HE MIGHT BE OF ASSISTANCE IN BRINGING REYNOLDS AND THE GOG CLOSER TOGETHER.

THE PRESS HAS NOT YET PUBLISHED ANYTHING ABOUT THIS VISIT, ALTHOUGH THE RADIO MENTIONED IT BRIEFLY IN THESE TERMS. GP-3. KING

1 Source: National Archives, Nixon Presidential Materials, NSC Files, Box 785, Country Files, Latin America, Guyana, Vol. 1. Secret; Exdis; Priority. Justice Goldberg requested that this message be give no foreign dissemination. After Burnham's conversation with Goldberg, Burnham decided not to nationalize Reynolds, but would nationalized DEMBA. (Telegram 204 from Georgetown, February 17, ibid.)

373. Information Memorandum From the Director of the Office of Regional Economic Policy (Rogers) to the Assistant Secretary of State for Inter-American Affairs (Meyer), Washington, March 5, 1971.11. Source: National Archives, RG 59, ARA Deputy Assistant Secretary Subject and Country Files: Lot 74 D 343, Economic Policy Plans, Coordination, Guyana, 1970, 1971. Confidential. Sent for information. Drafted by King and Bittner; and cleared by Moser (ARA/ECP). Copies sent to Hurwitch, Szabo, Broderick, Freeman, Heller, Feldman, and Richardson (INR/RAR). The memorandum is an unsigned copy.

Memorandum
March 5, 1971

TO:

ARA - Mr. Charles A. Meyer

ARA - Mr. Robert A. Hurwitch

ARA - Mr. Daniel Szabo

ARA-LA/CAR - Mr. William D. Broderick

OPIC - Mr. Freeman

LA/DP - Mr. Jack Heller

FROM: ARA/ECP - J. T. Rogers

SUBJECT: Guyana - Bauxite Nationalization Act

Summary: On February 23, 1971 the GOG announced that it was nationalizing Alcan's bauxite subsidiary (Demba) because GOG demands for equity participation were not met. The proposed legislation does not specify Demba and can be used for Reynolds Metal (a U.S. corporation) as well. Compensation is to be paid from future profits, which depend on Guyana finding markets and technicians (or keeping existing ones) to keep the operation going. Reynolds' holdings are about \$20 million with an AID investment guarantee for \$16 million. The holdings represent only 10% of Reynolds' requirements for bauxite, though a higher percentage of calcined bauxite. Reynolds, therefore, has little incentive to negotiate to give GOG major equity especially as this could jeopardize its more important holdings in Jamaica. Rumors that Alcan may market the nationalized bauxite have had a disturbing effect in Jamaica, as anything which made the GOG action appear successful could put pressure on Jamaica government to come up with a comparable arrangement for the bauxite companies in Jamaica, despite substantial political and labor opposition to radical moves.

Background. Following several months of negotiating for majority "participation" by the GOG in Alcan's bauxite and alumina subsidiary (Demba), Prime Minister Burnham, on the first anniversary of the Cooperative Republic (February 23), bitterly attacked Alcan and Demba and announced the impending takeover of Demba holdings following legislative approval.

Prime Minister Burnham admitted that Alcan had agreed to 51% equity, but said negotiations had broken down on other issues.(1)

(1) Burnham said Alcan insisted GOG put up \$50 million for expansion, compensate with cash before taxes, and guarantee no better deal for other bauxite companies. Canadian sources say Alcan wanted GOG to borrow \$23 million from IBRD, GOG to get 70% of profits.

The proposed legislation, called the Bauxite Nationalization Act, 1971, amends the Constitution and makes other provisions for the "public ownership" of bauxite "undertakings" as necessary to secure "the interests of the people", and to "promote the development of the economy." Among other things, "compensation" as presently provided under the Constitution is made to conform with the terms contained in the Act.

Terms of nationalization provide that all assets and liabilities of the nationalized company (unless excepted) are transferred to the state, along with "actions" for and against the company. Related contracts, deeds, bonds, etc. "unless limited by law" are in full force.

Compensation. According to the proposed Act: (1) the State shall pay compensation as noted in (2) and (3) below or as may be agreed in writing between the State and the company. (2) Valuation is to be based on book value as of December 31, 1969, with any increase since then to be "other than by revaluation or reappraisal." (*sic*). (3) Compensation will be paid in annual installments beginning in 1972 out of annual profits from the carrying on of the nationalized undertaking by or on behalf of the state; provided that any annual installment shall not be less than 1/8 of profits for the preceding year after taxes.

The Guyana Development Corporation is the successor of "the company" with respect to employment.

An exploratory memorandum to the bill states that nationalization is authorized only where the Minister of Mines certifies that negotiations for participation by the state in the undertaking have failed to produce agreement.

Reaction in Guyana to the nationalization has been mixed, with some fearful of the effect on private investment, local and foreign. Reaction in Jamaica has been mostly negative, and limited to comments by the conservative press and by labor Leaders. Reports (as yet unestablished) that Alcan may offer to market its nationalized bauxite have had a disturbing effect in Jamaica, since anything which would give the Guyanese takeover apparent success would put pressure on the Jamaicans to produce an agreement comparable to the equity arrangement or to take even stronger action. The Canadian Government continues its hands-off policy, noting that negotiations for compensation between Alcan and the GOG are going on. There are indications that the Canadian Government may be more concerned about its position vis-a-vis U.S. investment in Canada, than in protecting Alcan's interests in Guyana, especially given the large U.S. ownership in Alcan. The Trinidadian Prime Minister is reportedly unsympathetic to Burnham.

The Position of Reynolds Metal Corp. in Guyana has not been made clear by the GOG, although former UN Ambassador Goldberg has approached the GOG on behalf of that company and subsequently provided Prime Minister Burnham information on the Hickenlooper Amendment and the Sugar Act. While Alcan is a Canadian corporation 48 per cent U.S.-owned, Reynolds is an American corporation. Alcan's holdings in Guyana are more extensive - \$100 million book value (est.) compared to about \$20 million for Reynolds. Reynolds also has an AID investment guarantee (now held by OPIC) against expropriation

and war for \$16.3 million. While Alcan depends on Demba for 1/3 of its bauxite requirements, Reynolds gets only 10% from its subsidiary. All in all, Reynolds may have less interest in negotiating an equity agreement, especially if it might establish an adverse precedent with regard to its more important holdings in Jamaica.

1 Source: National Archives, RG 59, ARA Deputy Assistant Secretary Subject and Country Files: Lot 74 D 343, Economic Policy Plans, Coordination, Guyana, 1970, 1971. Confidential. Sent for information. Drafted by King and Bittner; and cleared by Moser (ARA/ECP). Copies sent to Hurwitch, Szabo, Broderick, Freeman, Heller, Feldman, and Richardson (INR/RAR). The memorandum is an unsigned copy.

374. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to the Secretary of State Rogers and the Secretary of Defense Laird, Washington, March 17, 1971.11. Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files, (H-Files), Box H-181, NSSM Files, NSSM 117. Secret. A copy was sent to the Secretary of the Treasury, the Secretary of Commerce, the Chairman of the JCS, and the Chairman of the NSC Under Secretaries Committee. A covering memorandum from Kennedy to Kissinger noted that typically such memoranda are sent only to the Chairman of the Undersecretaries Committee, and sending the memorandum to the Secretaries of State and Defense was a new practice. Kissinger wrote on the bottom, "What I want is the directive to go to all agencies on that committee, as a directive [illegible] from me." Although the study was not found, the portion of the response to NSSM 117 that dealt with bauxite is published as Document 46.

THE WHITE HOUSE
WASHINGTON
March 17, 1971

MEMORANDUM FOR:

THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE

SUBJECT: Guyanese Nationalization Policies on Bauxite and Their Implications for U.S. Interests

The President has requested that the NSC Under Secretaries Committee assess the implications for U.S. interests of the nationalization policies on bauxite recently adopted by the Government of Guyana. The study should set forth the options open to the United States for protecting and advancing U.S. interests affected by Guyana's nationalization policy and also consider the impact of adoption of similar bauxite policies elsewhere in the Caribbean area.

Although this subject will be fully covered in NSSM 117 on U.S. Caribbean policy, the matter is of sufficient urgency that a preliminary consideration prior to completion of the NSSM is necessary. The study should be submitted no later than April 1, 1971.

[signed]
Henry A. Kissinger

cc: The Secretary of Treasury
The Secretary of Commerce
The Chairman, Joint Chiefs of Staff
The Chairman, NSC Under Secretaries Committee

1 Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files, (H-Files), Box H-181, NSSM Files, NSSM 117. Secret. A copy was sent to the Secretary of the Treasury, the Secretary of Commerce, the Chairman of the JCS, and the Chairman of the NSC Under Secretaries Committee. A covering memorandum from Kennedy to Kissinger noted that typically such memoranda are sent only to the Chairman of the Undersecretaries Committee, and sending the memorandum to the Secretaries of State and Defense was a new practice. Kissinger wrote on the bottom, "What I want is the directive to go to all agencies on that committee, as a directive [illegible] from me." Although the study was not found, the portion of the response to NSSM 117 that dealt with bauxite is published as Document 46.

375. Memorandum From the Assistant Secretary of State for Inter-American Affairs (Meyer) to the Undersecretary of State (Irwin), Washington, June 18, 1971.11. Source: National Archives, RG 59, Deputy Assistant Secretary, Subject and Country Files: Lot 73 D 395, Guyana. Secret; Exdis. It was drafted by Hurwich. The memorandum is an unsigned copy.

JUN 18 1971

TO: The Under Secretary

FROM: ARA - Charles A. Meyer

SUBJECT: Guyana

Before leaving tonight for a long-planned trip to Nicaragua and Guyana, I wish to register once again my concern over the effect of US actions upon the political situation in Guyana.

Most U officials dealing with the Guyanese political situation believe that only Forbes Burnham's method of vote counting and US extraordinary support for Burnham prevented Cheddi Jagan, a Moscow-lining avowed communist, from winning the Premiership of Guyana in the elections of December 1968. Since that time, Burnham's political position has eroded and it is the current consensus of inter-agency analysts that were free elections to be held in Guyana today, Jagan would be elected.

Although Burnham has adopted some economic policies that we find contrary to some of our interests and that from an economic standpoint are dubious at best, Burnham is not a Marxist, has manifested a generally friendly attitude toward the US, and has shown himself susceptible to our influence. For example, when he decided to establish diplomatic relations with the Soviet Union (a widespread practice these days in the hemisphere), he agreed at our urging not to permit the establishment of a resident Soviet mission in Guyana. A Guyana governed by Jagan would quickly become a hostile communist state and give the Soviet Union a firm foothold on the South American continent. To equate Burnham with Jagan, who most recently documented his political ideology by attending the 24th Soviet Communist Party meeting in Moscow at Soviet invitation, would make about as much political sense from the US standpoint as would equating the East Indian Jagan and the negro Burnham in cultural anthropological terms.

Given Burnham's present precarious political position and the possibility that a rival negro leader may emerge and split the black vote to the benefit of Jagan's solid East Indian support, the next general elections in Guyana, which are scheduled no later than December 1973, do not augur well for US interests. In this political context, US policies and actions are particularly significant. Burnham's political rival, Jagan, or any other that may emerge is closely watching for US signals of continuing or waning support for Burnham. In addition, our ability to influence Burnham is a function of our posture toward his government.

For these reasons we have, as you know, pursued a policy with regard to US economic assistance for Guyana of applying usual developmental and banking criteria, unless the assistance were required directly to bail Burnham out of his bauxite expropriation mess. The US abstention vote yesterday on Guyana's IBRD loan application was contrary to this policy and has already had one of the predicted results: Burnham summoned Ambassador King to protest our action formally and expressed his "deep concern" that the US appeared to have adopted an anti-Guyana position and he could only conclude that the US had embarked upon a new and unfriendly policy toward his country. I wish that I could be confident that other predicted effects which an abstention vote might cause will not come to pass: Jagan will be comforted; a potential black rival will be encouraged; and our influence with Burnham will be significantly eroded. I shall do what I can with Burnham during my visit.

You should know that Mr. BROE, the CIA Western Hemisphere division chief, after consulting with Mr. Helms made it a point of formal record with ARA last month that CIA opposed any US policy or action that could be detrimental to Burnham's political position. CIA has intimate knowledge of the political situation in Guyana [*text not declassified*]

1 Source: National Archives, RG 59, Deputy Assistant Secretary, Subject and Country Files: Lot 73 D 395, Guyana. Secret; Exdis. It was drafted by Hurwich. The memorandum is an unsigned copy.

376. Memorandum for the 40 Committee, Washington, July 9, 1971.11. Source: National Security Council, NSC Intelligence Files, Country Files, Guyana, 23 May 1969-6 February 1973. Secret; Sensitive; Eyes Only. A handwritten note at the bottom stated, "Telephonically approved by the 40 Committee on 3 April 1972." In a memorandum from Jessup, Kissinger indicated his approval the same day. (Ibid.)

9 JUL 1971

MEMORANDUM FOR: The 40 Committee

SUBJECT: Status Report --[*text not declassified*] Support to the People's National Congress Party of Guyana

1. Summary

A monthly subsidy of \$5,000 has been paid to Prime Minister Forbes Burnham of Guyana [*text not declassified*] since 1 July 1969. The 303 Committee, on 17 June 1969, approved the subsidy for two years subject to review at the end of the first year. Renewal was approved by the 40 Committee on 27 June 1970 on the grounds that the PNC was making satisfactory progress toward establishing a permanent party mechanism. [*text not declassified*] has no plans to seek renewal of the subsidy which expires on 30 June 1971.

The termination of this subsidy has been cleared with Ambassador King and the Department of State.

The purpose of the subsidy was to help Burnham build the People's National Congress Party (PNC) into an effective, permanent political organization. With the continuing threat of pro-Communist leader Cheddi Jagan, whose supporters outnumber those of Burnham's, the need was felt to assure the continuation of an effective party organization following the 1968 election victory by Burnham.

Burnham has understood from the outset that the subsidy would terminate this year. *[text not declassified]* in January 1971, Burnham was reminded of the termination date. At that time he stated that his party had improved its financial position considerably.

This report describes the progress that has been made by the PNC and notes the possibility that some other form of financial assistance to Burnham may become advisable with the approach of new elections, which must take place by March 1974 but can be called earlier at Burnham's discretion.

2. Status Report

[text not declassified] With the help of the subsidy, Burnham has made progress in developing his party as an effective political force; probably the most impressive evidence of this is the victories won in local elections during the past year after considerable grass roots campaign effort. *[text not declassified]*

The groundwork has been laid to allow Burnham's party to achieve relative financial solvency without resorting to schemes that entail unacceptable political risks. Burnham has succeeded in obtaining larger public contributions to the party from private sources. In addition, the PNC has continued to collect funds from the Greenland Investment Company, a holding company controlled by the party. There have been no politically embarrassing incidents connected with these fund-raising efforts by the PNC.

The PNC has made some inroads, albeit slight, in winning support from the East Indian community. Burnham is hampered, however, by the overwhelming loyalty, for racial reasons, of the East Indians for Jagan.

The subsidy has also allowed the U.S. Government to keep open a direct channel of communication with Burnham. This has had special advantages during the past year when Burnham's official relations with the U.S. have been somewhat strained as a result of his moving leftward in economic policy and towards a "Third World" position internationally. It is likely, for example, that the capability to present views directly to Burnham allowed us to moderate his outlook on the security dangers that would ensue if Burnham acceded to the Soviets' request for a resident Soviet Embassy in Georgetown. This was done *[text not declassified]* by passing documented information to Burnham on Soviet clandestine activities in Mexico and elsewhere in the Free World. Although non-resident diplomatic relations between Guyana and Moscow exist, Burnham has shown definite signs that he is now less interested in allowing a permanent Soviet mission to be established in his country. This is subject to change, however, if Burnham should come to feel it politically or economically expedient to make a deal with Moscow.

While the present subsidy thus expires, it is unlikely that either Burnham or the U.S. Government will wish to dispense with this confidential relationship of many years or that some level of funds may not be highly useful in the future for both sides. A meeting is being sought at an early date [text not declassified] to discuss the next phase of this relationship. [text not declassified] It is also possible that the tour d'horizon which we expect from this meeting, including Burnham's views of where he is going, will suggest that an insertion of funds is called for. In any event, Committee approval would be sought prior to any further commitments being made.

The outcome of the next election (which must be held no later than March 1974) would not be in real doubt; Burnham will win, if necessary by rigging the election. Our purpose in providing support would be to help make the voting result look more plausible through funding a sufficient level of pre-election organizational activity by Burnham's party to lend credence to the victory. Burnham's party will have to engage in a wide range of election campaign activity, including such things as a major effort in organizing the overseas vote in the United States and Great Britain as he did in 1968. The plausibility of the result will be important in gaining at least passive tolerance of Burnham's government among the East Indian population, who constitute more than half of the population.

3. Coordination

The conclusions in this status report have been cleared with Assistant Secretary of State for Inter-American Affairs Charles A. Meyer.

4. Recommendations

It is recommended that the Committee note the progress that has been made in strengthening the PNC and that the subsidy to the PNC will expire in June 1971 with no renewal requested. It is also recommended that the Committee take cognizance of the possibility that some different form of financial assistance to Prime Minister Burnham may be considered advisable in the near future. Cheddi Jagan, who is totally at Moscow's bidding, still poses a serious threat in Guyana; his East Indian supporters comprise a majority of the population and are increasing in numbers at a faster rate than the negroes. Burnham is still clearly preferable from our point of view.

1 Source: National Security Council, NSC Intelligence Files, Country Files, Guyana, 23 May 1969-6 February 1973. Secret; Sensitive; Eyes Only. A handwritten note at the bottom stated, "Telephonically approved by the 40 Committee on 3 April 1972." In a memorandum from Jessup, Kissinger indicated his approval the same day. (Ibid.)

377. Telegram 996 From the Embassy in Guyana to the Department of State, July 14, 1971, 1458Z.11. Source: National Archives, Nixon Presidential Materials, NSC Files, Box 785, Country Files, Latin America, Guyana, Vol. 1. Secret; Exdis. A stamped notation on the telegram indicates that it was received at the White House Situation Room at 4:39 p.m. on July 14.

TELEGRAM

Department of State

GEORGETOWN 0996

R 141458Z JUL 71

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC PRIORITY 5999

INFO EMBASSY KINGSTON

AMEMBASSY OTTAWA

GEORGETOWN 0996

SUBJECT: BAUXITE: ALCAN AND GOG REACH AGREEMENT

REF: GEORGETOWN: 0992

1. AT ABOUT 2200 LAST EVENING ALCAN AND GOG REACHED AGREEMENT ON COMPENSATION FOR FORMER'S SUBSIDIARY, DEMBA, WHICH WILL BE TAKEN OVER BY GOVERNMENT TOMORROW. VALUATION SET AT GDOLLARS 107 MILLION, INTEREST WILL BE PAID AT SIX PERCENT BEGINNING JANUARY 1, 1972 (IN OTHER WORDS, NO INTEREST WILL BE CHARGED, DURING LAST 5 AND ONE-HALF MONTHS OF THIS YEAR), COMPANY ASSUMES ALL CURRENT LIABILITIES, RILA FUNDS (RETIREMENT INSURANCE AND LIFE ASSURANCE) WILL BE REPATRIATED AS PREVIOUSLY AGREED, AND MARKETING ARRANGEMENTS FOR BALANCE 1971 WILL BE HONORED.

2. WHEN MINISTER STATE RAMPHAL CALLED ME TO ASK THAT I INFORM ARTHUR GOLDBERG, WHO DID NOT PARTICIPATE IN LAST NIGHT'S NEGOTIATING SESSION, I EXPRESSED SATISFACTION AND CONGRATULATED GOG ON ITS HANDLING OF THE PROBLEM. I ASKED IF THERE HAD BEEN ANY TALK OF FUTURE RELATIONSHIPS. HE REPLIED THAT "YESTERDAY AND TODAY AN ENTIRELY NEW CLIMATE OF RELATIONSHIP HAS DEVELOPED, MARKED BY NEW CONFIDENCE, AND I WOULD EXPECT THAT WE WILL BE DOING BUSINESS TOGETHER." I SAID I HOPED THE RHETORIC COULD BE KEPT DOWN; AND HE AGREED, ALTHOUGH HE ADDED THAT BURNHAM WAS TAKING A RISK, THAT THE OPPOSITION AND SOME ELEMENTS IN PNC WOULD ATTACK HIM AND OPPOSE THE AGREEMENT AS "SELLOUT" TO UNCLE SAM.

3. DAVIS SUBSEQUENTLY CALLED GOLDBERG TO CONFIRM WHAT RAMPHAL HAD TOLD ME. THEY HAD FRIENDLY TALK IN WHICH GOLDBERG PRAISED DAVIS' HANDLING OF WHOLE AFFAIR AND DAVIS IN TURN THANKED GOLDBERG FOR HIS CONTRIBUTIONS.

4. GOLDBERG SPOKE WITH BURNHAM THIS MORNING. PRIME MINISTER SEEMED PLEASED BUT A BIT SOBER. HE IS WORRIED ABOUT REACTION WHEN NEWS OF AGREEMENT BECOMES PUBLIC. GOLDBERG, INCIDENTALLY, REPEATED TO BURNHAM WHAT HE HAD SAID BEFORE, NAMELY THAT HE DID NOT RPT NOT AGREE ON COURSE BURNHAM HAD CHOSEN. BUT IN CIRCUMSTANCES HE COULD ONLY CONGRATULATE HIM ON HIS STATESMANSHIP IN REACHING CONSENSUAL AGREEMENT, WHICH WOULD HELP HIS INTERNATIONAL IMAGE, AND WISH HIM WELL.

5. BURNHAM MADE REFERENCE TO HIS TALK YESTERDAY WITH ROBERTS OF REYNOLDS, EXPRESSING SATISFACTION AND CONFIDENCE IN FUTURE RELATIONSHIPS, WITH THAT COMPANY.

6. AT AIRPORT THIS MORNING, DAVIS REFLECTED SATISFACTION WITH WAY BAD SITUATION HAD BEEN BROUGHT TO REASONABLE SOLUTION. VOLUNTEERED THAT NEW RELATIONSHIPS WHICH HAD BEEN ESTABLISHED LED HIM TO BELIEVE THAT "MANY AREAS OF COOPERATION WOULD BE POSSIBLE."

7. GOLDBERG LEFT ON ALCAN PLANE WITH DAVIS AND HIS PARTY AT ABOUT 0830. CAMPBELL AND ROXANE, LAST REMAINING DEMBA EXECUTIVES, LEFT MOMENTS LATER ON BOAC. SIGN ON DEMBA'S OFFICE BUILDING ACROSS THE STREET ALREADY TORN DOWN.

8. COMMENT: A) AGREEMENT COULD NOT HAVE BEEN REACHED WITHOUT PARTICIPATION OF SOMEONE LIKE ARTHUR GOLDBERG, WHICH I BELIEVE BOTH SIDES RECOGNIZE. HE REPEATEDLY BROUGHT THEM BACK TOGETHER AS THEY BEGAN TO DIVERGE, KEPT THEIR FOCUS ON ESSENTIAL ISSUES WHEN THEY TENDED GET BOGGED DOWN IN HAGGLING OVER DETAILS AND ADVISED EACH HOW TO DEAL WITH THE OTHER. KEY ELEMENT, OF COURSE, WAS CHANGE IN TIMING OF "SUMMIT" MEETING SO THAT THEY HAD MORE THAN FEW HOURS WORK OUT DIFFERENCES.

B) GOLDBERG'S PRESENCE NOT MENTIONED BY PRESS OR RADIO, UNDOUBTEDLY AT BURNHAM'S REQUEST, ALTHOUGH FACT THAT DAVIS HERE RECEIVED FAIRLY WIDE PLAY. HOWEVER, CHEDDI JAGAN ENCOUNTERED GOLDBERG YESTERDAY AS HE WAS LEAVING BURNHAM'S OFFICE AND CAN BE EXPECTED MAKE MUCH OF HIS PARTICIPATION IN ARRANGING "SELLOUT", WHICH HE IS SURE TO CALL AGREEMENT.

C) HAVE JUST LEARNED THAT PRESS RELEASE BEING PREPARED, THAT PAYMENT WILL RUN FOR 20 YEARS AND THAT "EFFECTIVE RATE" OF INTEREST WILL BE FOUR AND ONE-HALF PERCENT AFTER REDUCTION OF 25 PERCENT WITHHOLDING TAX. GP-3 KING

1 Source: National Archives, Nixon Presidential Materials, NSC Files, Box 785, Country Files, Latin America, Guyana, Vol. 1. Secret; Exdis. A stamped notation on the telegram indicates that it was received at the White House Situation Room at 4:39 p.m. on July 14.

378. Memorandum From the Ambassador to Guyana (King) to the Assistant Secretary of State for Inter-American Affairs (Meyer), Washington, September 20, 1971.11. Source: National Archives, Nixon Presidential Materials, NSC Files, Box 785, Country Files, Latin America, Guyana, Vol. 1. Confidential. On October 7, Eliot sent a copy to Kissinger. (Ibid.) Meyer discussed the negative ramifications of the U.S. abstention on the World Bank loan in Document 375.

Memorandum

TO: ARA - Mr. Meyer

FROM: Ambassador Spencer M. King [SMK initialed]

DATE: September 20, 1971

SUBJECT: Guyana

Although we foresaw well over a year ago that Prime Minister Burnham and his ruling party would swing to the left, the pace at which this now seems to be occurring is a bit surprising. A Communist Chinese trade delegation visited Georgetown last month and Burnham has indicated that diplomatic relations will be established in due course. He hopes for economic assistance. A Romanian trade delegation is due shortly. This will be followed by an East German group. Overtures are being made to open trading relations with Cuba. Diplomatic relations have been established recently with Peru and Chile.

When I saw Burnham to take my leave on September 6 I mentioned among the matters I would pursue in Washington Guyana's long-pending application for a highway loan. He said he was relieved to know it was still alive since it had become the unanimous view of his cabinet that the United States would not grant this or any other loan to Guyana "for political reasons". He claimed to have opposed the desire of some of his more radical colleagues to embark on an openly anti-American policy and to have argued that Guyana would have to turn to alternative sources for assistance or, lacking these, to get along without it.

I believe that an important factor in the development of these attitudes was the abstention by the United States representative when the World Bank considered an application for a sea-defense loan in mid-June. You will recall that Burnham's opening gambit in his conversation with you on June 22 was "Are you going to kill us?" and that he then discussed that abstention. Guyanese do not appreciate that the United States did not oppose the granting of the World Bank loan but only abstained on the basis that its consideration was premature pending a settlement of the ALCAN nationalization. In Guyanese minds, we opposed it. And this frightened them. They became skeptical of U.S. policies and motives, especially as nothing happened on the highway loan application. Hence their somewhat feverish search for new friends, new trading partners, and possible new sources of economic assistance.

1 Source: National Archives, Nixon Presidential Materials, NSC Files, Box 785, Country Files, Latin America, Guyana, Vol. 1. Confidential. On October 7, Eliot sent a copy to Kissinger. (Ibid.) Meyer discussed the negative ramifications of the U.S. abstention on the World Bank loan in Document 375.

379. Memorandum for the 40 Committee, Washington, November 14, 1972.11. Source: National Security Council, NSC Intelligence Files, Country Files, Guyana, 23 May 1969-6 February 1973. Secret; Sensitive; Eyes Only. A handwritten note at the bottom stated, "40 Committee Approved on 12 December 1972." Kissinger indicated his approval the same date in a memorandum from Ratliff dated December 5. In the memorandum, Ratliff concluded, "The key factor in this negative proposal is that Burnham has made it clear that he will win the election with or without our help." (Ibid.)

14 NOV 1972

MEMORANDUM FOR: The 40 Committee

SUBJECT: The Guyanese Elections

I. Summary.

The involvement of the United States Government in Guyanese politics has its origin in a 1962 exchange of letters between the President of the United States and the Prime Minister of Great Britain in which it was agreed that the then British Colony of Guiana should reach independence under the political leadership of someone other than Cheddi Jagan, the Moscow-line Communist leader of the East Indian majority. *[text not declassified]*

The only viable leadership alternative to Jagan at the time was Linden Forbes Burnham, political spokesman for the strong black minority in the country. As a result, Burnham and his party, the People's National Congress (PNC), received *[text not declassified]* support in the 1964 as well as 1968 national elections and won both elections. The covert support which was furnished Burnham *[text not declassified]* was a significant factor in his ability to defeat Jagan on both occasions.

Under the Guyanese constitution, the next national election must be held prior to March 1974. Because of Burnham's uninterrupted special relationship *[text not declassified]* since 1962, he has assumed that serious consideration will be given to supporting him and the PNC in the next election despite his pursuit in recent months of increasingly radical policies. Burnham has not been impressed to date by U.S. Government efforts to persuade him to moderate his current policies, particularly with respect to the proposed nationalization of the Guyanese bauxite industry. *[text not declassified]* in September 1972, Burnham made clear his intention to ignore, considerations, a firm warning plans to recognize Cuba and to because of domestic political that implementation of his nationalize the Reynolds bauxite operation in Guyana would seriously jeopardize his prospects for U.S. election. Burnham said that he could not be re-elected unless he had made some definite moves toward recognizing Cuba and negotiating for majority participation in the Reynolds bauxite operation prior to the election. In fact, he felt he would be able to win with greater ease having made these moves even though, in the process, he had to forego U.S. Government support.

On 30 October 1972, Burnham discussed with his advisors the advisability of requesting \$1,000,000.00 in special election funding from the People's Republic of China (PRC). No decision was reached as to whether or not the request should be made.

Balancing Burnham's current radical trajectory against the risks associated with manipulating a third election in his favor, leads to the present proposal that covert support be withheld from Burnham and his party in the forthcoming election. Should Burnham modify his attitude on key issues prior to the election, the 40 Committee would be advised of this development in order that it might re-evaluate the desirability of not providing covert support to him. In this connection it is interesting to note that Burnham has control over the machinery of government and is determined to use this power leverage to keep Jagan out of office.

[Omitted here are Section II, "Background;" Section III, "Proposal;" Section IV, "Coordination;" and Section V, "Cost."]

1 Source: National Security Council, NSC Intelligence Files, Country Files, Guyana, 23 May 1969-6 February 1973. Secret; Sensitive; Eyes Only. A handwritten note at the bottom stated, "40 Committee Approved on 12 December 1972." Kissinger indicated his approval the same date in a memorandum from Ratliff dated December 5. In the memorandum, Ratliff concluded, "The key factor in this negative proposal is that Burnham has made it clear that he will win the election with or without our help." (Ibid.)

*

Document 46 referred to in footnote of Document 374

46. Study Prepared by the National Security Council Interdepartmental Group for Inter-American Affairs, Washington, August 10, 1971.11. Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-214, NSSM Files, NSSM 117. Secret. NSSM 131 is published in Foreign Relations, 1969-1976, volume IV, Foreign Assistance, International Development, Trade Policies, 1969-1972, Document 155.

REVIEW OF U.S. POLICY IN THE CARIBBEAN AREA

Response, to NSSM-117

Prepared by National Security Council Interdepartmental Group for Inter-American Affairs (NSC-IG/ARA)

Table of Contents Page

I. Overview 1

A. Historical 15

B. Current Interests 17

II. Introduction 14

III. U.S. Interests

IV. Situation, Trends and Policy Environment

A. The Current Situation 20

B. Trends 21

C. Current Policy Environment 22

V. Present U.S. Involvement in Area

A. Political-Psychological 25

B. Security 26

C. Trade 29

D. Investment 30

E. Development Assistance 30

F. Immigration 31

VI. Major Policy Problems

A. Nationalism, Black Radicalism and Anti-Americanism 32

B. British Disengagement from the Caribbean

1. British Presence and Intentions 35

2. British Alternatives 36

3. Implications for the U.S. 37

C. Increase in Soviet Military Activities 42

D. U.S. Caribbean Base Requirements 45

E. Bauxite in the Caribbean

1. Summary of Problem 46

2. Importance of Caribbean Bauxite 48

3. U.S. Policy Options 51

F. How Best to React to Area's Social and Economic Problems, Needs and Aspirations

57

1. Nature of Future Trade Relations 59
2. Nature of U.S. Economic Assistance Programs 65
3. Regional Integration Efforts 68

VII. Recommendations 70

VIII. Annexes

Annex A - NSSM-108 Interests (Summary)

Annex B - U.S. Bases and Installations in Caribbean

Annex C - Intelligence Community Response to NSSA-117, The Situation and Trends in The Caribbean

Annex D - U.S. Trade Statistics

Annex E - U.S. Investment in Caribbean

Annex F - U.S. Immigration from Caribbean

Annex G - British Dependencies and Associated States in Caribbean

Annex H - Bauxite Outlook in Guyana, Jamaica and Surinam

Annex I - Barcelona Traction Company Case

[Omitted here are Sections I through VI, Part D.]

E. Bauxite in the Caribbean

1. Summary of Problem. Following three months of inconclusive negotiations with the company, Guyana on March 1 passed a bauxite nationalization law to permit it to take over the local subsidiary (DEMBA) of the Aluminum Co. of Canada (ALCAN). ALCAN is a Canadian corporation with about 46% ownership. The actual takeover occurred on July 15, but was immediately preceded by intensive high level negotiations which produced an agreement on compensation for the expropriated assets. Under the agreement, the Government of Guyana will pay \$53.8 million in equal installments over 20 years, with interest of 6 percent. Interest payments are subject to a 25 percent withholding tax. Up to 30% of payments due in any given year (up to 40% in the first year) may be deferred, but full payment of all such outstanding deferments must be made at the end of the fifth, tenth, fifteenth and twentieth years.

The compensation is recognized as an obligation of the Government of Guyana, and is to be covered by notes in two series; one covering the fixed portion of the debt and the second, any deferred portion. The notes are non-negotiable until 1977.

The precedent established in the ALCAN case may set the pattern for similar action against Reynolds Metals' \$31.5 million* investment in Guyana. Guyanese officials including Burnham, however, have offered assurances that action against Reynolds will not occur before 1972. OPIC holds a \$16.3 million investment guarantee covering the Reynolds investment. Moreover, the Guyanese action may trigger demands for increased local control and ownership of over \$1 billion of U.S. investment in bauxite and alumina located elsewhere in the Caribbean. Of this, almost \$650 million is in Jamaica and is covered by more than \$430 million in OPIC insurance against expropriation. The outlook for Jamaica and other Caribbean countries will depend in part upon the ability of Guyana to successfully operate the nationalized properties and market the output of bauxite and alumina.

[* "gross value" figures (total investment without regard to either appreciation or depreciation) are used throughout this paper for bauxite investments. Figures are

confidential and were furnished by the companies to the Office of Emergency Preparedness.]

Burnham is encountering a host of problems as a result of his own poor planning and, notwithstanding the compensation agreement, the prospects for a trouble-free operation are dim. To the extent that they remain so, it will tend to alleviate pressures for expropriation elsewhere in the region. With respect to Guyana's internal politics, however, total failure of the nationalization scheme could pose serious bilateral problems for us. Already Burnham's Marxist rival (Cheddi Jagan) is trying to capitalize on the government's troubles which he depicts as resulting from inept leadership, poor planning and the failure to take over the entire bauxite industry (i.e., the U.S.-owned Reynolds holdings). In fact, Jagan has hinted darkly of U.S.-Burnham collusion to save Reynolds from ALCAN's fate. In an atmosphere of growing labor unease and diminishing public confidence in the government's ability to successfully operate DEMBA, Burnham might move impulsively against Reynolds and adopt anti-U.S. positions in order to reassert his "progressive" credentials. The likelihood of this would be increased if he felt the USG were applying economic pressures on him. Even less attractive alternatives include Burnham's replacement by more extremist elements in his own party, or a Jagan return to power. In the latter event, Jagan would certainly nationalize Reynolds, and seek to align Guyana openly with USSR.

In Jamaica, neither the government nor the opposition is anxious to follow Burnham's lead, although both see some local equity participation in the bauxite industry as inevitable, and are searching for an acceptable formula. Both Jamaican party leaders fear that a Burnham "success" could create irresistible pressures on them to seek a similar arrangement.

In Surinam, there is no pressure at present for expropriation. Government leaders there have been critical of Burnham's actions. For a more detailed discussion of the situation and outlook in Guyana, Jamaica and Surinam, see Annex H.

2. Importance of Caribbean Bauxite.

(a) Bauxite imports are vital to U.S. We currently import nearly 90% of bauxite/alumina from the Caribbean, nearly half from Jamaica alone and an additional 20% from Surinam, on a content basis. Our Caribbean bauxite/alumina suppliers (in rank order) are Jamaica, Surinam, Dominican Republic, Guyana and Haiti.

Major expansion of bauxite/alumina capacity in Australia, and bauxite capacity in Guinea, and to a lesser extent in Brazil and elsewhere, will substantially increase alternative sources of bauxite/alumina supply by 1973-74. These expansions reflect to a large degree a projected increase in world demand for aluminum. Substitutions for U.S. imports of metallurgical grade bauxite from Guyana (about 3% of total U.S. imports) should not be difficult. Canada, which imports nearly half (on an alumina content basis) its bauxite/alumina from Guyana will face more of a problem, but Alcan apparently believes imports could be supplied from alternative sources with little difficulty given a two-year transitional period. Larger scale substitution for existing Caribbean bauxite/alumina production (particularly any large part of Jamaican production), would take several years and major additional capital investment. Moreover, transportation costs (port-to-port) from Australia at present are much higher.

The developing situation, even assuming the worst outcome (nationalization of the Jamaican bauxite industry without any agreement on compensation) would not necessarily threaten U.S. access to adequate supplies of bauxite/alumina. Given the lack of alternative buyers for

its ten million ton output, Jamaica needs our market as much as we need its bauxite, even though it might be able to sell a small part of its output elsewhere. The combination of stockpile availabilities, medium-term alternative sources for the U.S., and, in particular, Jamaica's relative lack of other buyers makes the access problem not a critical one. What could be affected, in the worst outcome situation, is terms. Jamaica might capitalize on the transportation cost differential and certain technical considerations to seek a higher price for the product it sells. Even short of nationalization, its demands on the companies could compel them to consider a price increase for aluminum.

U.S. industries depend upon Caribbean producers for calcined bauxite, a special type used for refractories, abrasives, and chemicals. Guyana and, to a lesser extent, Surinam, together enjoy practically a world monopoly in the production of refractory grades. If necessary, substitutions of other materials (alumina, kyanite or synthetic mullite) could be made for refractory purposes, but at a higher cost or loss of efficiency. Available information suggests that such substitutions would have only a marginal effect on the cost of steel or cement. Industries producing these materials are primary users of bricks made from refractory grade bauxite. At present, calcined bauxite is in short supply and alternative sources are not likely to be in large-scale production before 1974.

U.S. strategic interests are important, but do not appear to be threatened. Although a preliminary review of requirements for refractory bauxite indicates a potential growing deficit, this would not seriously impair industrial activity. Strategic needs for aluminum would not be threatened unless Jamaica and other Caribbean sources generally denied or greatly reduced U.S. access to bauxite and to alumina and aluminum. This contingency seems unlikely. Total annual mobilization requirements for bauxite are calculated to be 14.5 million dry tons, of which 48 percent depends on imports from Jamaica and 26 percent on imports from other Caribbean areas. The U.S. also depends on imports of 17 percent of its alumina requirements from the Caribbean area. Direct military requirements for aluminum would not be in question because they constitute only about 23 percent of total mobilization requirements, and would be seen to by the priority system already in effect under the Defense Production Act. The other 77 percent would be required, even in war, for transportation equipment, construction materials, food containers, etc. The Caribbean area is considered available as a source of supply during all three years of the war emergency planned for, unlike other overseas area, which are not considered available during the first year of a war. Under present stockpile procedures, which are being reexamined in an inter-agency study in NSC channels, supply from these Caribbean Sources is evaluated in terms of the following reliability percentages: Jamaica 100 percent; Guyana, Surinam, and the Dominican Republic, 75 percent; and Haiti 50 percent.

(b) U.S. bauxite investments in Caribbean exceed \$1 billion. Five U.S. corporations, Alcoa, Reynolds, Kaiser, Revere and Anaconda--are involved in bauxite/alumina production in the Caribbean. Combined total investment of these companies is estimated at over \$1 billion, \$650 million of which is in Jamaica. OPIC investment guarantees presently cover \$447.7 million but could reach \$544.3 million under existing agreements. The Aluminum Company of Canada, Ltd. (Alcan) also has substantial Caribbean interests. Although a Canadian firm, Alcan's top management is American and 46% of the company's shares (figure confidential) are held by U.S. investors.

(c) Status of U.S. inventories, U.S. consumption in 1970 of metallurgical and calcined bauxite, including refractory grade, was estimated at 16 million long dry tons. U.S. industry purchased from GSA some of the metallurgical grade bauxite which is excess to that required by the strategic objective. There is no excess of refractory grade bauxite in the

USG stockpile and negligible commercial stocks. Including these quantities of ore under contract but as yet not removed from GSA storage sites, commercial stocks of metallurgical grade equate to about five months current consumption. USG inventories hold an additional 3.9 million tons of metallurgical grade ore which is excess to that needed to meet the objective. With Congressional approval, this could be made available to meet non-wartime requirements. Should all imports of metallurgical grades be stopped and the U.S. industry forced to rely exclusively on the stockpile, differences between Jamaican and Surinam bauxite would require the industry to make technical production adjustments. Stockpile supplies not in excess of the strategic objective can, of course, be made available for the purpose of the "common defense" during peacetime; this criterion excludes other economic reasons. In a wartime situation, security of access to foreign bauxite supplies would become more critical.

U.S. Bauxite Stockpiles*

*All figures in long dry tons.

Type - Strategic Objective Inventory - Excess to Inventory

Metallurgical 10.3 million 14.2 million 3.9 million

Refractory 173,000 173,000 none

Type Strategic Objective Inventory Excess to Inventory

Metallurgical 10.3 million 14.2 million 3.9 million

Refractory 173,000 173,000 None

3. U.S. Policy Options. (Because of the intricate nature and the special importance of the bauxite problem, which involves relations with Canada as well as with three major Caribbean bauxite-producing nations and five major North American aluminum companies, a more detailed consideration of the options available to us is presented on this problem than for several of the others.)

a. Guyana. NOTE - These options are subject to revision in the light of decisions to be made on NSSM-131.

(Assumption: Reynolds will not face expropriation issue before 1972, but cannot hope to maintain the status quo indefinitely.)

Option 1. Diplomatic representations stressing general U.S. position re nationalization and compensation and problems that expropriation raises for GOG vis-a-vis USG. The primary objective would be to avoid any unilateral action by the GOG that would lead to expropriation of Reynolds; and secondarily to insure just compensation for Reynolds in the event of nationalization. This option would recognize the likelihood of an ultimate change in ownership patterns in Guyana, and would place priority on closely coordinating our actions with Reynolds and making private diplomatic representations to Burnham and the GOG when it appeared the GOG was taking any action inimical to our interests. We would hope expropriation could be avoided via negotiations, and we would encourage Reynolds to negotiate in good faith. However, we would not encourage the company to accept terms

that would constitute an unfavorable precedent for future changes in Jamaica, even if the alternative was expropriation and the OPIC guarantee had to be paid.

We would take a strong stand with the GOG on assuring prompt and adequate compensation for an American company as a principle of international law and in order to limit claims against OPIC.

Pro - Might help delay expropriation of Reynolds in Guyana and lead to better settlement terms in event of expropriation; might limit, although not necessarily avoid, claims against OPIC; could help assure access to calcined bauxite for at least an interim period; problems with the GOG would be less than under Option 2.

Con - May be interpreted by Jamaicans and others as showing lack of strong U.S. concern over expropriation route; may bring criticism from some U.S. bauxite companies as inadequate protection of their interests; existing settlement with ALCAN might be limiting factor on terms.

Option 2. Hard line approach on expropriation. This option would be predicated on the assumptions that an aggressive approach would help deter expropriation of Reynolds, but that, even if it did not, it would discourage similar actions elsewhere. It would place primary emphasis on discouraging emulation of GOG pattern, even at the risk of undermining Burnham's position vis-a-vis Jagan and limiting U.S. access to calcined bauxite. Under this policy the USG might use its influence to discourage U.S. firms from buying bauxite from Guyana or in any way cooperating with Guyana. Moreover, the USG might use its influence with foreign governments to limit foreign purchases and foreign assistance to the bauxite industry. It could also involve the use of public high-level statements critical of expropriation, designed to discourage nationalization of Reynolds.

Pro - Helps bring about economic difficulties for Burnham thus protecting position of U.S. bauxite companies in Jamaica and the rest of the Caribbean and reducing the possibility of OPIC having to pay claims in Jamaica; policy probably would be strongly supported by U.S. bauxite companies.

Con - Would precipitate action against Reynolds and incur likelihood of OPIC having to pay Reynolds' claim in Guyana; would adversely affect over-all U.S. relations with Guyana and possibly cause Guyana to look to Bloc countries for assistance; could push Burnham toward extremist policies; might strengthen Jagan's position; would lead to charges of economic imperialism by Guyana and others; U.S. would lose access to Guyana's calcined bauxite, which would bring strong protest from U.S. refractory industry; barring the unlikely assistance of ALCAN to him, Burnham, who has already run into lots of problems, will have serious difficulties in any event for same time.

Contingent Options. (Assumes ALCAN has already been expropriated and Reynolds is also facing negotiation or expropriation; the options are listed as contingent and are not necessarily mutually exclusive, because we cannot now be sure of the circumstances which might prevail at the time Reynolds would be called in. Therefore, no recommendations are made concerning these options, other than that they be carefully reexamined when the situation arises.)

1(a) Use our good offices to encourage both parties to achieve a negotiated-settlement that would keep Reynolds operating in Guyana. This option would accept a changed ownership pattern with probably at least majority ownership for the GoG; the possibility of better

compensation arrangements than offered to ALCAN; could include a proposal for expansion. It could involve our attempting to influence both the COG and Reynolds toward this end, without assurance of success.

Pro - If successful, would assure access to calcined bauxite; would avoid payment of claim against OPIC; could help maintain favorable relations with Burnham. Would not necessarily be prejudicial to U.S. interests in Jamaica, particularly if Guyana were having difficulties assimilating DEMBA.

Con - Could be used by Jamaicans and other countries as a precedent for demanding equity from bauxite companies; would probably be opposed by other U.S. bauxite companies; if agreement on terms acceptable to Reynolds may not be possible; if agreement reached, could strengthen Burnham's position of leadership in the Caribbean.

2(a) Strong representation to the COG stressing general U.S. position re nationalization and compensation. While seeking to avoid expropriation, the primary objective of this option would be that of assuring just compensation for Reynolds. It would be a concerted effort on this single issue. This policy would have to recognize that Guyana could only make compensation from future cash flow from bauxite/alumina operations thus accepting the principle of deferred compensation. The emphasis would be on a fair evaluation of assets and an acceptable formula for future payments. It might involve our urging Guyana to submit the compensation issue for international arbitration or judgment under the Convention for Settlement of International Investment Disputes, of which Guyana is a signatory.

Pro - Could lead to better settlement terms for Reynolds in event of expropriation than would be available without representations; might limit, although not necessarily avoid claims against OPIC; would probably be acceptable position as far as other U.S. bauxite companies are concerned.

Con - Would not assure continued access to calcined bauxite: risks of having to pay OPIC claims would be greater than under Option 1(a); runs likelihood of getting less adequate compensation than under 1(a).

3(a) Hardline Approach if Reynolds is Expropriated Without Prompt, Adequate and Effective Compensation. This approach, like Option 2 above, would emphasize sanctions against Guyana. It would include measures to compound Burnham's difficulties in running bauxite industry, and could include formal application of economic sanctions such as the suspension of assistance and sugar quota upon expiration of the six-month waiting period contemplated by statute.

Pros and Cons - Many of the pros and cons of Option 2 above would be applicable, but relations with Canada would not be an issue as a U.S. company would be involved. Although we would not be, concerned about precipitating action against Reynolds, which would be a fait accompli, this option would imply willingness to sacrifice compensator for Reynolds in Guyana--and corresponding loss to the U.S. Treasury under the OPIC guaranty--to protect larger investments in Jamaica and elsewhere. Application of formal economic sanctions, however, would require a finding by the President that Reynolds had exhausted all adequate legal remedies in Guyana and that GOG was not prepared to take other appropriate steps such as submitting the dispute to arbitration. Moreover, formal application of sanctions would aggravate the political costs foreseen under Option 2 above and would expose USG to charges in the UN of economic coercion in violation of the UNGA resolution on non-

intervention and the Declaration on Friendly Relations between States. Further, application of sanctions to Guyana while deferring such application against Peru (and possibly Chile) would expose U.S. to charges of racial discrimination with potentially wide repercussions. This charge would be even more serious if Reynolds and OPIC reject in Guyana terms that U.S. investors and OPIC have accepted in Chile or elsewhere.

[Omitted here are Sections IV, Part F through Section VIII.]

1 Source: National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-214, NSSM Files, NSSM 117. Secret. NSSM 131 is published in Foreign Relations, 1969-1976, volume IV, Foreign Assistance, International Development, Trade Policies, 1969-1972, Document 155.