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CONFIDENTIAL

THE WHITE HOUSE

WASHINGTON

JAN 31 1975

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: ~~ROY L. ASH~~ AND HENRY A. KISSINGER *HK*
SUBJECT: Full Year P.L. 480 Decision

This memorandum presents two options for your decision on a full-year P.L. 480 program for 1975. The 1976 Budget currently reflects your earlier approval of a P.L. 480 program level of \$1.3 billion in total commodity costs. Secretary Kissinger has requested that you increase this to about \$1.5 billion. A final decision is needed now in order to announce the P.L. 480 program at tomorrow's press briefing and prior to the public release of the budget on Monday.

The State Department has consulted with Senators Hatfield and Humphrey on their amendment limiting Title I food aid to 30% for countries not on the UN list of those most seriously affected (MSA) by the rises in oil and food prices. The Senators are unwilling to consider Vietnam as an MSA or to loosen their 30% limitation by applying it against the total program rather than just Title I. In return for an increase in the overall level of food above the budget level, the Senators have agreed to:

- ° Exclude non-food commodities, mainly cotton and tobacco for Vietnam and Indonesia, from the limitation.
- ° Exclude 100,000 tons of rice for Vietnam, if it is provided to refugees there under the Title II program.

Further consultations with Congress are required to ensure the general acceptability of this understanding. A major uncertainty is the ability of Senators Humphrey and Hatfield to persuade other Senators (particularly Kennedy and Clark) who have made strong statements against loosening the 30% limitation, particularly with respect to Vietnam.

DECLASSIFIED

E.O. 12356, Sec. 3.4 (b)

White House Guide Lines, Feb. 24, 1983

By KBH NARS, Date 3/8/91

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The two options for your consideration are:

- ° The \$1,165 million outlay level you selected in December and which appears in the budget.
- ° A higher \$1,343 million outlay level which will provide for additional foreign policy needs and increase programs to MSA countries in line with the Humphrey/Hatfield understanding.

Dollar and commodity levels for each option are as follows:

	<u>Budget Level</u>	<u>Higher Level</u>
Budget Outlays (millions)	\$1,165	\$1,343
Commodity Costs (millions)	1,299	1,470
	<u>(millions of tons)</u>	
Wheat	3.2	4.0
Rice	1.0	1.0

Both levels meet basic requirements in the Middle East and probable needs in Vietnam, and both include a \$50 million reserve which would be used if Congress raises the ceiling on economic aid to Cambodia. The differences concern Chile, Korea, Indonesia and South Asia.

The current budget level

- ° Allows us to meet most of the requirement for Chile, but limits Korea to one-third of the minimum State/NSC believe necessary and provides no program for Indonesia.
- ° Permits large scale shipments to South Asia which will meet their needs and expectations in large part, but require them to take relatively more rice than they prefer or can best utilize.

The higher level

- Requires an increase of \$178 million in outlays over the amount shown in the budget.
- Adds \$97 million to meet foreign policy requirements in Chile, Korea, and Indonesia, if the agreement with Senators Humphrey and Hatfield holds up.
- Permits an increase in these programs by \$50 million, even if the Humphrey/Hatfield understanding falls apart.
- Permits \$43 million in Title II for refugee feeding in Vietnam if needed.
- Adds \$31 million to the MSA's, providing South Asia with large quantities of wheat, but less rice than under the budget level. In total this is more than we believe is needed through June but is necessary under the Humphrey/Hatfield formula (any excess could be applied to next year's needs).

The higher option is not likely to exert significant upward pressure on wheat prices, which have fallen by about 20% in the past six weeks. It does, however, represent a substantial increase in the budget at a time when we are advocating restraint in Federal expenditures outside the energy area.

Agency Positions

State/NSC support the higher option as necessary to meet basic foreign policy requirements. OMB supports the current budget level because it is most consistent with your budget policy.

Should you choose the higher option, but the Humphrey/Hatfield understanding not prove generally acceptable to key Congressmen, the Secretary of State will undertake to meet foreign policy requirements at the level of that option.

DECISION

Option 1 - The budget level of \$1,165 million

Option 2 - The higher level of \$1,343 million

AP7.

1975 P.L. 480 PROGRAM OPTIONS

<u>TITLE I</u>	<u>(Millions of Dollars)</u>	
	<u>Option I</u> <u>Budget Level</u>	<u>Option 2</u> <u>Higher Level</u>
Non-MSA's:		
Middle East	135	135
Vietnam	58	17
Korea	25	74
Chile	<u>49</u>	<u>54</u>
Subtotal	267	280
MSA's:		
Cambodia	89	89
Reserve	50	50
South Asia and other	<u>485</u>	<u>516</u>
Subtotal	624	655
<u>SUBTOTAL, TITLE I</u>	891	935
Non-food commodities: <u>a/</u>		
Vietnam	-	41
Indonesia	-	43
Carry-in (delayed 1974 shipments)	<u>56</u>	<u>56</u>
<u>TOTAL, TITLE I</u>	947	1,075
<u>TITLE II</u>	<u>352</u>	<u>395</u> <u>b/</u>
<u>TOTAL COMMODITY COSTS</u> ...	1,299	1,470
Freight costs	140	147
Receipts	<u>-274</u>	<u>-274</u>
<u>TOTAL P.L. 480 OUTLAYS</u> .	1,165	1,343
<hr/>		
Commodity levels (millions metric tons)		
Wheat	3.2	4.0
Rice	1.0	1.0

a/ Excluded from the 30/70 % limitation in Option 2 only, based on Humphrey/Hatfield understanding.

b/ Includes \$43 million for Vietnam refugees. If not required in Vietnam, \$43 million in commodities will be added to Title I for other commodities.

THE WHITE HOUSE
WASHINGTON

January 31, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: ROY L. ASH
HENRY A. KISSINGER

FROM: JERRY J. JOHNSON

SUBJECT: Full-Year P. L. 480 Decision

Your memorandum to the President of January 31 on the above subject has been reviewed and Option 2 -- the higher level of \$1,343 million -- was approved. The following notation was also indicated:

-- Roy should announce at morning briefing.

Please follow-up with the appropriate action.

Thank you.

cc: Don Rumsfeld

THE WHITE HOUSE
WASHINGTON

January 31, 1975

MEMORANDUM FOR: THE PRESIDENT

FROM:

~~ROY L. ASH~~

Based on your decision not to take any Q & A's at tomorrow's press briefing, I recommend that Ron Nessen announce your decision (if it is option II) tonight or tomorrow morning.

*Roy should
announce at
morning briefing -*