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ACTION: Amembassy CANBERRA PRIORITY 793

MAR 26 6 14 PM '65

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Deptel 743.

dated March 24

SS

President has signed reply/to Prime Minister Menzies letter of

G

SP

March 12. Text as follows (original pouched today), for your information.

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USIA

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TRSY

BEGIN TEXT: "We have now had a chance to give careful study to

your letter of March 12 concerning the effect on Australia of our balance of payments program. We fully understand the importance that your Government attaches to this matter, and appreciate the frankness with which you expressed your concern.

I am grateful, too, for your sympathetic understanding of the reasons which impelled us to take forceful action. We think it fair to claim that because of the special role of the dollar in international monetary arrangements, early and substantial improvement in the United States' balance of payments is in the interest not only of the United States, but also of the entire Free World. We are determined to eliminate the United States' international deficit, and I am happy to be able to say that the February 10 program already appears to be taking hold.

We understand, of course, that external capital is of great importance to Australia. In terms of the high standard of living of the Australian people, and the remarkable pace of advance during the past decade,

Drafted by: FE/SPA:TFConlon:rlw 3/26/65

Telegraphic transmission and classification approved by:

SPA - Francis T. Underhill

Clearance

FE - Mr. Clunan
S/S - Mr. Gordon
White House - Mr. Bator

Commerce - Mr. Kirby
OFE - Mr. Miller

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Australia must be counted one of the advanced countries of the world. But as you point out, yours is a country with a great potential for further development. As an old friend and ally, we have watched with admiration your record of achievement, and we know the importance of continued Australian success. We attach high value to the good economic relations between Australia and the United States.

In the present instance, we believe after careful review that our balance of payments program is not likely to have a serious adverse effect on the Australian economy. The part of the program supervised by the Secretary of Commerce is designed to avoid any undue disruption in the growth of sound business relationships. Indeed, I understand that certain large direct investments in the production of iron ore in Australia are planned for the near future. And in the case of loans by our banks and financial corporations, we intend to emphasize primarily the need to curb the outflow of such funds to industrialized countries already rich in reserves.

We believe, therefore, that this program will not impose undue strain on Australia. But it is always possible that specific actions under a program of this sort can have consequences for a friend that outweigh their value to the general program. I have asked the Secretary of the Treasury and the Secretary of Commerce to give a careful hearing to Australia's view in any particular case which might be of this sort.

On our general commercial relations, I can assure you again that a reduction in trade barriers, in agriculture as well as in industry, is a prime objective of United States policy. As I wrote you last August, our negotiators in the Kennedy Round will bend every effort to help bring the Geneva negotiations to a successful conclusion.

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Again, let me thank you for your letter and for your forthright statement of views." END TEXT.

White House does not plan to release text. If Australian Government wishes to release text, please ~~inform State Department~~ notify soonest ~~so that White House may be~~ informed prior release. EKD.

RUSK

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