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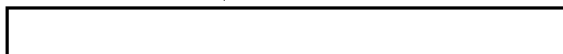
24 JUL 1967



MEMORANDUM FOR THE RECORD

SUBJECT: Meeting with Ambassador Holmes and Participating  
Members of the Special State-Defense Study Group

CIA PARTICIPANTS:



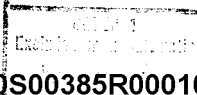
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1. Background: The Study Group has been engaged in producing a paper entitled, "Near East, North Africa, and the Horn of Africa -- A recommended American Strategy." The Office of Economic Research (OER) was committed to supply an annex entitled, "Economic Trends and Prospects," which was delivered to the Study Group on 14 July. The Study Group advised us on 20 July that the OER draft did not meet its needs, in spite of the fact that it adhered to an outline which had been submitted to the Study Group on or about 5 July, and to which no objection had been entered. On 21 July, the Study Group supplied OER with a new outline. The purpose of the meeting was to discuss the new outline and the time within which OER could supply the information requested by it.

2. Ambassador Holmes opened the meeting by saying he appreciated that OER had many other commitments, particularly during the Arab-Israeli war. He also noted that misunderstandings had arisen because of a breakdown of communication, apparently alluding, among other things, to the failure of the Study Group to object to the OER outline when it was presented. Ambassador Holmes expressed his appreciation for the Agency's cooperation.

3. I said that we had indeed been surprised to receive the revised outline on the 21st of July, in view of the apparent acceptability of our earlier outline. The Ambassador remarked that through an internal failure, he had never seen the original outline. I stated that it would be useful to review what had happened since it had some bearing on what could be done now. I pointed out that throughout, there had been a conflict between what the Study Group ideally required and the time the Study Group had given us to produce the annex. If an effort were to be made to revise the economic annex in accordance with the new outline, much

State Dept. review completed



more time would be required to do a decent job than had been available in the past. Moreover, there were some things which could not be done at all, because of a lack of basic data, and others which could only be done in a time span much beyond any which the Study Group could contemplate. Within these limitations, to undertake any kind of a decent revision would require six to eight weeks.

4. Ambassador Holmes then asked the members of the Group to comment on the possibility of holding up final distribution of the study until an economic annex could be produced in six to eight weeks. Several members, including Captain Alexander, OER, the Chief of Staff, said that the study really ought to be published in its final form within the next week or two to be of most use and that it would be better to do without an economic annex than to delay the paper for as much as two months. Mr. Lewis, the State representative, made the pertinent observation that it would perhaps be better if OER's assets were held in reserve for additional studies which might be generated by the main report.

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5. At this point [redacted] the CIA representative on the Study Group, made an unfortunate intervention. He urged that an economic annex be prepared in the period of time that I had specified, and that the main study go forward in the meantime without the annex. [redacted] pointed out that the main recommendations of the study could stand without the annex. He was supported by one other member of the Group.

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6. I remarked that the discussion so far had seemed to reveal two things. The first was that the main findings and recommendations of the Study Group paper were not very sensitive to the presence or absence of an economic annex. I suggested that if this were the case, and if it were also the case, as Ambassador Holmes had remarked earlier, that US economic policy initiatives could not be undertaken for some time, it might be better to scrub the economic annex, since there was no point in doing something which would not be of much use. If, on the other hand, a decision were made that an economic annex was necessary, then the conversation indicated that there was really no need for OER to adhere to a 6-8 week schedule, which had been based on a compromise between urgency and the time required to do a fuller job. Under these circumstances, it might be better if OER were to take three or four months to do the job.

7. Ambassador Holmes said that he was having a meeting at 3:30 with General Wheeler, who, according to Ambassador Holmes, has "managerial control" over the paper. He also was planning a meeting very soon with the Senior Policy Group. He proposed to lay the following two alternatives before General Wheeler and the Policy Group:

a. Publish the study very soon without an economic annex.

b. Publish the study very soon without an economic annex, but ask OER to supply one within three to four months for separate publication.

8. During the discussion, the Group agreed that there should be no separate petroleum annex, and also agreed that OER had never been asked to produce one. It was mutually agreed that the economic annex would contain a section on petroleum. This section would not, as Ambassador Holmes put it, discuss "petroleum qua petroleum," but only in the context of its effect on the growth and development prospects of the countries covered. This was essentially the treatment that had been given the subject in the OER paper submitted to the Study Group on 14 July.

9. It was agreed that if a decision were made to write a new economic annex, OER would not necessarily rigidly follow the Study Group outline on 21 July, but would conform to it as closely as possible.

10. Ambassador Holmes would like the new annex to have a section on the effects of the Arab-Israeli war on the economies of the countries covered, some additional sub-regional analysis, more projections, more detail on some of the countries, and a beefed up petroleum section. I pointed out, in this connection, that our resources were limited, and that we had been able to study only a few of the countries of the region in any detail. Moreover, in some cases, lack of data would necessitate a rather "thin" presentation.

Post-script, 25 July 1967.

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11. The above information was conveyed to the A/DD/I at a session immediately after the meeting. Later in the afternoon, [redacted] called to say that the meeting of the Senior Policy Group would not be held until 21 August. In the meantime, Ambassador Holmes had met with General Wheeler, and General Wheeler had said that it would be

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desirable to have an economic annex; therefore, we should go ahead. I expressed my concern to [redacted] that the agreement reached at the meeting - that the option would be put both to General Wheeler and the Senior Policy Group - had not been adhered to. I told him that I assumed he was acting as a CIA representative on the study group, and that I was sure he appreciated the differences between a unilateral decision by General Wheeler and one concurred in by the Senior Policy Group, on which the DCI sat. I told him that I would call this development to the attention of my principals, who could then decide whether to accept the situation or to speak further with General Wheeler and/or Ambassador Holmes. I told [redacted] that if a decision were made to go ahead with the annex, we would produce it in a 3 or 4 month period, as agreed to at the meeting.

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12. I called the A/DD/I and gave him the above information. Dr. Proctor concluded there was nothing we could do but go ahead with the annex. He asked me to advise [redacted] of this new development and of his decision, since [redacted] was going to a meeting at 10 o'clock today. Dr. Proctor also suggested that a draft following the new outline actually be written now so as to reveal the areas in which additional research was necessary. I conveyed all of this to [redacted] asked him to call [redacted] and give [redacted] our decision to proceed, and to repeat to [redacted] that we plan to take 3 or 4 months to do the job, per the decision at the meeting.

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Acting Deputy Director  
Economic Research

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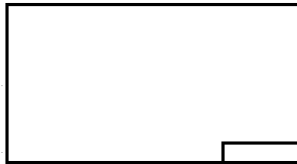
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I am sure completely with  
you memo  
Tomorrow I'll send you  
a copy of my memo on  
this morning's meeting



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