

THE SECRETARY OF STATE
WASHINGTON

June 22, 1971

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MEMORANDUM FOR THE PRESIDENT

Subject: Policy on AID Loans to Ecuador in
Light of the Fishing Vessel Controversy
and Law of the Sea Considerations

Since Ecuador began its large scale seizure of U.S. fishing vessels on January 11, 1971, we have held new U.S. AID commitments for Ecuador under review in accordance with Section 620(o) of the Foreign Assistance Act. This Section requires that such vessel seizures be taken into consideration in determining whether to furnish assistance to the seizing country (text attached).

The initiation of vessel seizures by Ecuador caught four AID loans totaling \$25.9 million between authorization and signature of loan agreements. These loans include \$7.2 million for Agricultural Diversification, \$5.1 million for Small Enterprise Assistance, \$3.6 million for Rural Electrification and a \$10 million Program Loan.

These loans have been developed over a considerable period of time and have important economic development implications. The delay in their consummation has jeopardized their utility and threatens to frustrate an excellent development program in Ecuador. It is therefore with considerable reluctance that we have delayed going forward with the signature of the loans.

We have felt it necessary to do so, however, because of the strong emotions generated by the fishing boat seizures and the evident extreme sensitivity of Congress on this issue. We have furthermore been concerned that proceeding with lending in the face of

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Ecuadorean vessel seizures might jeopardize the proposal we put forward on April 28 to resolve the dispute with Ecuador by obtaining legislative authority to reimburse fishermen for licenses purchased in anticipation of seizure.

It now appears that we have a significant opportunity to break the impasse on fishing and law of the sea questions with Ecuador. On June 2 the Ambassador of Ecuador brought to Assistant Secretary Meyer a message from Ecuadorean President Velasco Ibarra which represents a significant shift in the Ecuadorean attitude. The main points of President Velasco's message are:

- The GOE believes that its relations with the United States are caught up in a vicious circle. The key to breaking the circle and to establishment of more normal relations would be a lifting by the United States of the suspension of Ecuador from eligibility under the Foreign Military Sales Act imposed on January 18.
- In order to remove the obvious obstacles to lifting the suspension, President Velasco personally ordered that there be no seizures of U.S. fishing vessels from now through September 30.
- The GOE hopes that knowledge of this decision will make it possible for the United States to lift the Foreign Military Sales suspension. If the suspension is lifted, Ecuador would take the initiative with its partners, Peru and Chile, to obtain agreement on a proposal to be considered at a new session of the tripartite fishing conference. If Peru and Chile are not prepared to resume negotiations, Ecuador would consider bilateral negotiations.

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--President Velasco has directed an immediate review of Ecuadorean law with respect to maritime jurisdiction in order to clarify that the basic Ecuadorean claim is to a resource jurisdiction as contrasted with a form of territorial sea claim which would interfere with fundamental operating rights of U.S. security forces.

We cannot at this date be sure that President Velasco will follow up on the position reported by the Ecuadorean Ambassador, but we see the possibility of an important advance towards a solution of these long-standing and intractable vessel seizure problems. We intend to pursue this possibility vigorously.

The message from President Velasco could entail extremely serious political risks for him. If he is to fulfill his stated intentions, it is essential that we be in a position to make suitable responses and suitable U.S. compromises. The lifting of the Foreign Military Sales suspension is clearly important in Ecuadorean eyes, and if we wish to resume negotiations, we will have to face up to lifting the suspension.

Prior to that, however, I believe it would be most appropriate for us to begin to release the stalled AID loans as an indication of our desire to return to normal relationships with Ecuador. Therefore, I am instructing the Embassy in Quito to proceed with signature of the Agricultural Development loan at the earliest convenient moment. We will then consider on their technical merits negotiation and signature of the additional authorized loans as Ecuadorean intentions on the fishing and law of the sea considerations become apparent. We will also be proposing such other steps toward normalization of relations with Ecuador as our assessment of progress on these issues appears to warrant.


William P. Rogers

Attachment:

Text of Section 620(o) of the Foreign Assistance Act.

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