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THE WHITE HOUSE
WASHINGTON

STAFF NOTES NO. 168

August 12, 1957

1. Indian Attitude toward Private Enterprise. -- Indian Finance Minister Krishnamanchari has told our Embassy that Nehru is giving him splendid support in his efforts to stimulate private enterprise, indicating that India has moved rapidly away from suspicion of foreign capital and hopes more will come soon. He added that the government no longer objects to large company earnings (and in fact wants them to increase tax revenues) and that no new nationalizations are expected except for some banks now largely owned by the states. In stressing India's wish to stimulate the private sector, the Minister noted that only the government was willing to take the necessary risks in some fields like steel and power. (C)

2. Negative UK Attitude on US Aviation Requests. -- We have expressed to the British our concern about their negative attitude toward two aviation route requests by US airlines. These involve a TWA route extension from London to Frankfurt and Zurich, which BOAC opposes, and a request that Northwest Airlines operate by charter one of the thrice-weekly Hong Kong-Taipei flights. Northwest in the past has been operating into Hong Kong under a different charter arrangement, and we have stressed to the British the political importance its disappearance from the route would have. The British have indicated that the latter question will be brought to the Prime Minister's attention, but have given no assurance as to a favorable outcome. (C)

3. British Nuclear Tests. -- The British have asked Defense to grant landing rights and furnish meteorological and food procurement support, as we did during operation GRAPPLE, for their fall tests at Christmas Island. The timing of public announcement in Britain and the nature and yield (expected to be in the megaton range) of devices to be tested are unknown. (TS)



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4. Redeployment of Marine Ground Forces from Japan. -- Seventh Fleet plans to redeploy Marine ground forces from Japan to Okinawa have been approved by the Executive Agent for the Pacific Theater. Under these plans, shore party, engineer and amphibian tractor units will move within two weeks, with remaining elements moving between September 20 and November 1, less a small roll-up detachment which will follow within 90 days. Fleet shipping will be used. (C)

5. Federal-State Relations. -- Jack Stambaugh and Wayne Warrington report that substantial progress was achieved at the weekend meeting of the Joint Federal-State Action Committee. The constructive attitude of the Governors toward both the purpose of the project and the specific proposals was encouraging. Although Governor Leader followed the pattern established after the President's Williamsburg speech, his efforts were relatively unsuccessful in the face of the enthusiastic sincerity of Governors Stratton, Daniel, and Dwinell. Secretary Anderson's leadership as chairman was particularly praised. The initial report to the President will be signed by December 1, and will include an agreement on a group of specific functions and tax sources to be relinquished by the Federal Government. Tentative agreements reached on these functions and sources at the meeting were substantially as reported in the press, although detailed formulae must be established in such areas as Old Age Assistance. Secretary Anderson will report to the President that all of the Governors except Leader were firm in their willingness to solve their school construction problems without Federal aid, which could conceivably provide the framework for a re-definition of the Administration's position, if desired. (Adm. Conf.)

6. State and Municipal Food and Drug Programs. -- HEW anticipates that long-range improvements will result from a study now underway on the effectiveness of State and municipal food and drug enforcement agencies. A preliminary survey to be completed in October may indicate the need for a more detailed examination; if so, the Association of Food and Drug Officials may seek the necessary funds from a philanthropic foundation. (Adm. Conf.)

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