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OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

12 JUL 1976

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting between Hon. Mwai Kibaki, Kenyan Minister of Finance and Planning, and Hon. Donald Rumsfeld, US Secretary of Defense, at the Kenyan Ministry of Finance and Planning, 1145 Hours, 16 June 1976

Those present were:

Kenya

Minister Kibaki
Mr. Kiereini, Permanent Secy,
Ministry of Defense
Two other officials of the
Ministry of Finance &
Planning

'US

Secretary Rumsfeld
Amb. Marshall, US Amb., Kenya
Mr. **McAuliffe**, ASD/ISA
Mr. Greener, ASD/PA
Colonel Brooks, Mil. Asst. to SecDe

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Introductory Remarks

-- Secretary Rumsfeld: He is no stranger to economic planning in government, having had first hand experience in several positions.

-- Min. Kibaki: Control of the economy is difficult. The government must be seen to be "struggling" with it,. They tried price and wage controls once, but they did not work.

-- Sec. Rumsfeld-and 'Min. Kibaki: Both agreed that the free market system is the best solution,

-- Sec. Rumsfeld: He is visiting at the suggestion of President Ford. He wants to find out where the U.S. can **be helpful** and cooperative. Peace is our objective -- it can be maintained only through defensive capabilities which serve as a deterrent. He is interested in Kenya's problems with repayments.

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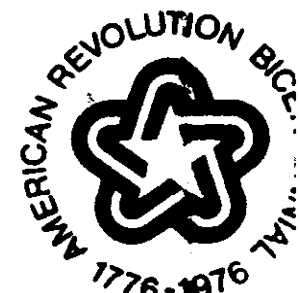
Kenyan Economy

-- Min. Kibaki: There have been significant changes within the past 10 years. Relations with their **neighbors have** had an

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Review/Declassify On: 31 Dec 2026
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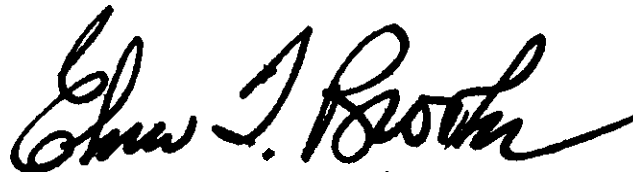
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effect. However, the standard of living improved. During the last three to four years, the economy worsened; brought on deficit spending. This also necessitated more financing arrangements for security assistance. They have now begun to think long term on defense expenditures, i.e., five years and longer. "A much larger portion of the budget will go to defense" in the future. They have "no choice at all." Neighboring countries' governments don't have to respond to their publics. Kenya's government does. Thus, their neighbors have a freer hand at allocating their resources.

-- Sec. Rumsfeld: The Soviets use **10-12** percent of the GNP for defense; the US uses 5.5%.

-- Sec. Rumsfeld: Mentioned the authorization of credits and the 10-year payback agreement as methods of alleviating Kenya's repayment problems.

-- Amb. Marshall: He has discussed these points with Min. Kibaki previously.



Elmer T. Brooks
Colonel, USAF
Military Assistant

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