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# WITHDRAWAL SHEET

## Ronald Reagan Library

**Collection Name** EXECUTIVE SECRETARIAT, NSC: MEETING FILE

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**File Folder** NSC 00040 10 FEB 1982 (2)

SMF 8/14/2008

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**FOIA**

M2008-109

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
55454	MEMO	CLARK TO THE PRESIDENT RE NSC MEETING ON US STRATEGY FOR THE CARIBBEAN <i>R 10/8/2010 M109/1</i>	1	2/9/1982	B1
55455	OUTLINE	US CARIBBEAN BASIN POLICY <i>R 10/8/2010 M109/1</i>	5	ND	B1
55456	MEMO	FONTAINE ET AL TO CLARK RE NSC MEETING <i>R 10/8/2010 M109/1</i>	1	2/9/1982	B1
55457	OUTLINE	DUPLICATE OF 55455 <i>R 10/8/2010 M109/1</i>	5	ND	B1
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55459	OUTLINE	CARIBBEAN BASIN SPEECH <i>R 10/8/2010 M109/1</i>	1	ND	B1
55460	CHART	RE ACTION ITEMS <i>R 10/8/2010 M109/1</i>	2	ND	B1
55461	CHART	RE ACTION ITEMS <i>R 10/8/2010 M109/1</i>	1	ND	B1

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RECEIVED 09 FEB 82 15

TO CLARK

FROM FONTAINE

DOCDATE 09 FEB 82

NAU

09 FEB 82

CHILDRESS

09 FEB 82

KEYWORDS: CENTRAL AMERICA

CARIBBEAN

CBI

NSC

SUBJECT: PRES MEETING PAPERS & CLARK BRIEFING BOOK FOR 10 FEB NSC MEETING

ACTION: FWD TO PRES FOR INFO DUE: STATUS C FILES IFM O

FOR ACTION

FOR CONCURRENCE

FOR INFO

CLARK

COMMENTS

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	<i>C 2/11</i>	<i>noted by Pres</i>		

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<sup>6</sup>  
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# THE WHITE HOUSE

## NATIONAL SECURITY COUNCIL MEETING

9:30 AM

Wednesday, February 10, 1982

THE PRESIDENT

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*Smf 8/14/08*

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MEMORANDUM

INFORMATION

THE WHITE HOUSE  
WASHINGTON

February 9, 1982

FOR THE PRESIDENT

FROM: WILLIAM P. CLARK

SUBJECT: February 10 NSC Meeting on US Strategy for the Caribbean

Issue

Wednesday morning's NSC meeting will focus on our overall policy for the Caribbean region and our plans for implementation. Our policy has been one year in the making and has now emerged as a comprehensive one encompassing political, economic, and military measures for the region.

Discussion

Our overall objective is to promote positive and peaceful economic and political change consistent with US values and interests. Today, those interests are being subjected to a powerful combination of threats that are unprecedented in scope, severity and complexity.

The problems range from weak economies to often weaker political institutions which invite subversion by forces, indigenous and foreign, that are anti-democratic and openly anti-American.

To defeat these forces led by the Soviet Union and Cuba, we must make a long-term commitment to political and economic development while strengthening the internal security of the Caribbean countries.

Wednesday's NSC meeting will consist of an intelligence update, followed by a military and political assessment of the threats to US interests in the region. The political, economic, and military requirements for the region will then be presented. I will then outline decisions already made and pending regarding the Caribbean.

The major issue for decision at this NSC meeting will be the timing and content of your speech. The Departments of State and Defense, the NSDD-21 Management Group, and the NSC staff all strongly support a major speech in the immediate future which embraces all aspects of our regional strategy -- economic, political, and security.

The agenda does not call for detailed explanation of the CBI. The key to this effort, as Bill Brock will note, is the one-way free trade area, an unprecedented step in US trade policy. If we resist legislative pressures to modify it, the free trade area guarantees investors in the Caribbean duty-free access to US markets for a 12-year period. That will be a powerful incentive for private investment in the region.

Attachments

- Tab A US Caribbean Basin Policy
- Tab B Caribbean Basin Initiative

Review 2/9/1988

**DECLASSIFIED**  
**NLRR #55454**  
**BY kml NARA DATE 10/8/10**

~~SECRET~~

US Caribbean Basin Policy

- I. Objective: Our overall regional objective is to promote peaceful change, security and stability in the Caribbean Basin and to ensure that external forces hostile to US interests are kept out of the region. The central problems are poverty and a lack of economic development, weakness of pluralist political institutions, and subversion which exploits these conditions to impose totalitarian political control. Development, economic and political, is the long-term problem; subversion the short-term threat. Both must be addressed simultaneously to protect US interests.
  
- II. Background: Over the course of the past year, the President has set in motion a number of related initiatives designed to address regional problems. These include:
  - The Caribbean Basin Initiative (CBI), which calls for a major multilateral effort to aid the economic development of the region;
  - NSDD-17, "Cuba and Central America", which called for a number of measures to address the region's economic and security problems;
  - NSDD-21, "Responding to FLOGGERS in Cuba", which set in motion a number of measures designed to undercut increasing Cuban capabilities to coerce democratic states and promote subversion in the region;
  - 506 A Presidential Determination to allocate an additional \$55 M in grant aid for El Salvador;
  - Radio Marti, a program to establish a facility to broadcast to Cuba;
  - Security Assistance supplemental for FY 82 with a substantial component for Central America.

NSDD-21 chartered an interagency management group to implement NSDD-21 measures. The responsibilities of this group will be expanded to encompass oversight and integration of all matters relating to the Caribbean Basin.
  
- III. General Strategy. Our general strategy is to accelerate economic and social progress in the region, nurture the evolution of pluralist democratic institutions, and safeguard the security of the Caribbean countries from external subversion as our efforts bear fruit. Our task is to be successful in all three areas if we are to reverse the adverse trends in the region and, at the same time, present a credible program to Congress and the American people.

DECLASSIFIED

NLRR M109 # 55455

BY KML NARA DATE 10/8/10

The measures mandated in the documents outlined above represent a vigorous new chapter in our efforts to deal with the mounting problems in the region. In order to maximize their effectiveness, these measures must fit together.

A. Accelerate Economic Development in Friendly States

A major US program of trade, investment and aid (the Caribbean Basin Initiative) has been developed, designed to:

- assure duty-free access to US markets for the long term, spurring trade and investment activities in the Caribbean;
- increase tax incentives for investment and enhance the overall investment and market climate for economic growth;
- increase concessional assistance to projects that enable and support self-sustaining commercial activities within the country and in the regional economy.

We are also appealing to US Allies and international institutions to increase economic support for the Caribbean area.

B. Nurture the Evolution of Political Democracy Through:

- sustained support for free and internationally credible elections throughout the region. The elections in El Salvador are particularly crucial in our overall program for Central America;
- support and indeed champion the democratic process throughout the region through Radio Marti, parliamentary exchanges, etc.;
- strong backing for the Central American Democratic community;
- encouragement of Venezuela and Colombia to take more frequent and active positions in support of free elections and democratic processes;
- seeking public support of the Vatican for democratic processes in the Caribbean;
- influencing our friends in Europe and elsewhere to be supportive of our approach;

- maintaining political pressure on Cuba by restricting the activities of the Cuban Mission to the UN and by closing the Cuban Interests Section in Washington.

C. Regional Security

Measures mandated in NSDD-17 and NSDD-21 include:

- exploiting Soviet vulnerabilities worldwide;
- implementing plans to raise the sense of threat in Cuba through military means;
- creating the capability to deploy rapidly tactical aircraft to the Western Caribbean. DOD will program \$25 M for improvements in regional airfields;
- increasing readiness of defense capabilities in the southwestern US;
- Caribbean Basin contingency plans;
- providing military training for indigenous units and leaders, both in and out of country;
- implementing measures to tighten the embargo on Cuba in order to make it less economically feasible for Cuba to continue to support regional subversion.

IV. Program of Implementation. In order to ensure maximum effectiveness of these measures, our program of implementation should have the following features:

- specific measures should be considered in two discrete categories:
  - those measures which are sustained over a long period of time, such as the economic program;
  - those measures which are designed to peak at a specific point in time, such as exercises in the Caribbean;
- Our program must be phased over time. Measures must be implemented in a sequential fashion, allowing sufficient time between specific measures to permit a modification of Cuban, Nicaraguan, and/or Soviet behavior;
- security measures must be clearly linked, along a public and policy audit trail, to the aggression and subversion sponsored by Cuba and its Soviet patron;



In implementing these measures, the Management Group, assigned the task of managing the implementation of the various initiatives, must come to grips with several issues immediately. First, it must prepare a vigorous and effective public affairs strategy which will elevate public understanding of the nature of the threat and engender public support of our overall program.

Concurrently, we must move ahead with a legislative strategy designed to keep key members of the Congress informed as necessary and to promote needed legislation (e.g., CBI funding, repeal of the Clark Amendment, grant aid package for the Caribbean). The public affairs strategy and the legislative strategy require immediate attention. The Management Group should effect close liaison with the Legislative Strategy Group and appropriate public affairs personnel.

V. Sequence of Initiatives.

-- February

- initiation of actions to curtail the activities of the Cuban Mission to the United Nations;
- initiation of economic measures, including
  - blacklisting ships which trade with Cuba
  - curtailing tourism
  - putting pressure on US companies and third countries which handle US goods to Cuba
  - announcing intention not to renew the fishing agreement in September
- delivery of a speech by the President outlining our general rationale and approach. This speech should be modeled after the Poland speech in which the President laid out the problem, outlined an initial set of measures, and promised more to come if the situation did not change;
- submission of CBI legislation to Congress;
- beginning of basing discussions with regional states;
- orchestration of Central American Democratic Community calls on Nicaragua not to import further offensive weapons;
- introduction of repeal of Clark Amendment.

## -- March

- vigorously support El Salvador elections;
- close the Cuba Interests Section in Washington;
- follow up on the Haig-Gromyko talks by informing the Soviets that we have completed our review of the 1962 understandings and that we find that Soviet action has made them meaningless;
- submit Security Assistance supplemental to Congress;
- present CBI program to Nassau Four meeting and discuss assistance programs of other donors;
- press for Congressional authorization of \$10 million for Radio Marti.

## -- April

- support formation of transitional government in El Salvador;
- encourage Salvadoran Constituent Assembly to invite FMLN/FAR to present their views;
- initiate broadcasts of Radio Marti;
- announce security assistance package for Central America;
- initiate ELASTIC FENCE activities;
- support CDAC ministerial meeting to assess Central American situation.

## -- May (probably point of highest Cuban economic vulnerability)

- bring ELASTIC FENCE activities to their high point to coincide with Cuban harvest requirements;
- encourage UNITA activities against the Cubans in Angola;
- increase flow of weapons to Afghan Freedom Fighters.

## -- June/July

- reassess success of NSDD-21.

Tab B

## CONTENTS OF THE CARIBBEAN BASIN INITIATIVE

The Trade Policy Committee and its Caribbean working group have reached agreement on an action program for the Caribbean consisting of seven principal government initiatives. In summary these are:

### 1. Measures to Liberalize Trade.

#### A. Free Trade Area.

We will seek legislative authority to grant beneficiaries in the Caribbean Basin across-the-board, duty-free treatment for 12 years under a program distinct from the Generalized System of Preferences. All products will receive duty-free access with the exception of most textiles and apparel. The scope of the exception is being worked out.

The free trade arrangement will include a safeguard mechanism to ensure that increased imports do not injure domestic industries or workers. Affected U.S. domestic interests (or the Government itself) may petition to trigger the safeguard process which will require a finding that increased imports from the Caribbean Basin are a substantial cause of serious injury or threat thereof before relief would be granted. However, the safeguard system for the CBI would differ from the normal Section 201-203 system in that the determination by the USITC of injury will be required in no longer than 90 days, rather than the 180 days now permitted under Section 201. There will also be a requirement for quicker Presidential decision on the USITC findings, i.e., the Administration will have only 30 days in which to decide on the recommendation of the USITC. In cases of perishable agricultural products, a system is being designed to allow even faster determinations.

The origin rules under the Free Trade Arrangement are an important factor in determining the accessibility of duty-free access for Basin countries many of which are resource poor. We will retain most of the rules from GSP except the requirement of a minimum percentage of local value added will be reduced from 35 to 25 percent. Inputs from American possessions in the Caribbean will be treated as Caribbean products for purposes of the rules of origin.

The President will have discretion to designate countries in the Caribbean Basin for the Free Trade Area subject to many of

the same caveats as in the GSP system (non-designation of Communist countries, and countries which expropriate without compensation, or which discriminate against U.S. exports). The President will also take into account economic criteria such as the attitude of the beneficiaries towards private enterprise and the policies that recipient countries are pursuing to promote their own development. The United States Government will enter into discussions with the Caribbean Basin countries to develop such self-help objectives.

There will be no further qualifications on the granting of duty free access except with respect to the treatment of sugar. The major suppliers will be subject to tariff rate quotas of 200,000 tons with the exception of the Dominican Republic, which will be subject to a tariff rate quota based on 1979-81 average shipments (roughly 600,000 tons). Smaller suppliers will be subject to either GSP limits or tariff rate quotas. An acceleration in the safeguard procedure will be sought for the Secretary of Agriculture to limit entry of imports in the event that the sugar program is threatened. During consultations preceeding the designation of CBI beneficiaries, we will seek assurances from major suppliers that they would not subsidize or otherwise encourage increased sugar production and will take steps to prevent transshipment of sugar to the United States.

The Free Trade Arrangement will require the US to seek a GATT waiver.

B. Other trade measures are:

In the context of the administration of our textile program, the Trade Policy Committee has approved the concept of more favorable treatment for Caribbean Basin textile exports in the context of bilateral and multilateral arrangements governing international trade in textiles.

If the quota provision of the Meat Act is triggered, we will consider treating Basin countries in meat allocation and shortfall provisions as favorably as possible.

We are exploring the possibility of initiating discussions with the governments of Jamaica and the Dominican Republic and with air carriers on the establishment of customs and IMS pre-clearance facilities in those countries.

2. Measures to Reduce Investment Risk, particularly through Tax Incentives and Bilateral Investment Treaties.

We will seek Congressional authorization to grant U.S. investors in the Caribbean Basin region a tax credit of up to 10 percent of the amount of fixed-asset investment in the countries of the region. The system would operate in much the same fashion as does the tax credit for investment currently in effect in the United States. The incentive will be granted by executive agreement to individual countries for a 5 year period, after which further extension of the credit could be

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achieved through a tax treaty. The credit would permit U.S. business to reduce their net tax liability in the United States.

We will continue to seek to negotiate double taxation treaties with interested Caribbean Basin countries. A principal request of the Caribbean Basin countries has been to include convention tax exemption in any double taxation treaties. Any negotiation of such exemption will involve close Congressional consultation.

To further reduce investment risks we are offering to negotiate bilateral investment treaties with the nations of the region. The first such agreement is being negotiated with Panama.

We will also work with the Multilateral Development Banks and with the private sector to develop an insurance facility to supplement OPIC's noncommercial investment risks operation in the area.

### 3. Measures to Expand Credit to the Private Sector.

The private sector in many Caribbean Basin countries faces increased difficulty in obtaining short-term credit to finance normal foreign trade operations. To relieve this credit squeeze the Export-Import Bank will expand protection for short-term credit from U.S. banks to local commercial banks for use by private importers in the creditworthy countries of the Caribbean Basin region. In addition, it will extend its coverage, which is currently available only to U.S. banks, to indigenous commercial banks in creditworthy countries.

Since the Export-Import Bank program cannot operate in more limited cases which do not meet its standard of "reasonable assurance of repayment", the CBI will include an emergency Trade Credit Insurance Program under the AID program to reactivate the flow of short-term credit from U.S. banks to the private sector in Basin countries suffering from critical economic and/or political stability problems.

### 4. Increased Bilateral Assistance in FY 1982 through a Supplemental Appropriation to Provide Emergency Assistance with Economic Support Funds (See Attached Table).

The Administration will seek \$300 million in supplemental Economic Support Funds emergency assistance under the Foreign Assistance Act, as amended, to certain of the Caribbean Basin countries. Allocations are expected to be up to \$100 million to El Salvador, \$75 million to Costa Rica, \$50 million to Jamaica, \$40 million to the Dominican Republic, \$25 million to Honduras, and \$10 million to Belize.

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Precipitous economic deterioration, paralleled in several countries by severe political turmoil has plunged several Basin countries into crisis. Significant bridge financing is necessary to facilitate reforms and meet the financial emergency.

The program vehicles which would be used to channel these funds to each country, together with the policy conditions expected to be met, are being developed.

Generally, the ESF assistance will be made available through the banking system for financing essential imports of raw materials, intermediate goods, and spare parts for private sector firms. Typically the local currency counterpart generated by the foreign exchange will be used to create revolving credit lines to the private sector for working capital and other local cost needs.

Since the purpose of the assistance is to stimulate overall economic policy measures necessary to achieve recovery, it will be conditioned on stabilization and economic policy measures necessary to achieve recovery.

5. A \$250 Million Increase in Assistance in FY 1983 Over FY 1981 Levels (See Attached Table).

For the next three or four years, the major concern within the Caribbean Basin program must be to assist the Caribbean Basin countries in correcting their external economic disequilibria through sound stabilization programs. At the same time, resources must be channeled into activities that quickly revive agricultural and industrial production and create employment. New projects in basic social services will receive less emphasis in the short-term, although this area will continue to receive attention from the AID pipeline and from selected new development activities.

In the later phase of the Caribbean Basin Initiative, the focus will shift toward longer-term development problems. There will be less need to focus on stabilization, although some stabilization assistance may still be needed in some countries.

6. Measures to Strengthen the Private Sectors Ability to Exploit CBI Created Opportunitites.

We are designing private sector development strategies for each country which combine private, public and voluntary organization's resources in imaginative new programs. Currently, several interagency task forces are working to develop ways to support regional trading companies, provide assistance to comply with U.S. health and sanitary regulations, improve transportation links, and in general to remove public and private national and regional impediments to

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private sector development. Their recommendations for action are done between 1 March and 1 April.

7. Measures for Puerto Rico and the Virgin Islands.

Tab I lists measures to assure that U.S. possessions in the Caribbean will benefit from the CBI and will contribute to its implementation in the region.

FY 1981-83 U.S. BILATERAL ASSISTANCE

TO THE CARIBBEAN BASIN

	FY 1981	FY 1982 OYB	FY 1982 SUPP	FY 1982 TOTAL	FY 1983
Caribbean Basin	471.0	612.5	300.0	912.5	720.5
DA	168.4	211.1	-	211.1	217.6
ESF	143.4	140.0	300.0	440.0	324.0
PL480 I	62.2	88.9	-	88.9	94.0
II	46.5	34.5	-	34.5	26.9
Direct	420.5	474.5	300.0	774.5	662.5
HIG	50.5	138.0	-	138.0	58.0
Indirect	50.5	138.0	-	138.0	58.0



# MEASURES FOR PUERTO RICO AND THE VIRGIN ISLANDS

## I. Rum

To ensure the duty free treatment of CBI rum does not reduce the possessions' excise tax revenues, the U.S. will transfer to the possessions the same rate of excise taxes per unit collected on imported rum as on their rum. Currently this amounts to the full excise tax of \$10.50 a gallon. This measure does not address any future possible change in excise tax payments nor does it commit Treasury to any level of excise payments to the possessions other than to ensure that imported rum will be treated as rum produced in the possessions for purposes of excise tax payments to the possessions. The legislation will also require the President, in the event the formula is altered to the detriment of the possessions, to take measures to compensate the possessions for any detriment effect, including the possibility of a snapback in the MFN rate.

USTR negotiators will seek commitments from Caribbean countries that they will continue to supply molasses to the possessions on commercial terms.

## II. Tax Incentives

The President's message to Congress forwarding CBI implementation legislation will recognize the necessity of providing the benefits to the possessions of the investment tax credit and accelerated cost recovery system deductions through leasing or another vehicle.

Treasury will complete its study by the time of the CBI submission to Congress to determine if the Virgin Islands' request to reduce from 30 percent to 10 percent withholding in remittances from the Virgin Islands can be included as part of the CBI.

## III. Safeguards

In preparing FTA legislation, we will assure that Puerto Rico and the Virgin Islands have standing to petition under the CBI safeguard mechanism. Injury to a particular region will be covered in the same manner as under the 1974 Trade Act.

## IV. Customs

a. Rules of Origin - For purposes of rules of origin in the Free Trade Area, value added from the possessions will be treated as indigenous Caribbean inputs.

b. Value Added - As part of the CBI legislation, the Administration will propose amendment of Headnote 3(a) of the

Tariff Schedule of the United States to provide duty-free treatment of Virgin Island exports whose foreign content does not exceed 70 percent of the declared customs value. Currently the maximum foreign content is 50 percent.

c. Duty free Import of Liquor - As part of CBI legislation the Administration will propose amendment of the tariff schedule to permit visitors returning from U.S. territories to import duty free and free of excise tax an additional liter of locally produced alcoholic beverages.

#### V. Local Trade Problems

If requested by Puerto Rico, we will consider proposals for special arrangements to assist industry in Puerto Rico threatened by loss of local markets from additional Caribbean imports.

#### VI. Agriculture

a. Additional Rum Revenues - Puerto Rico has informed us that it plans to use a large part of any additional revenues they receive from excise taxes on foreign rum to contribute to the competitiveness of Puerto Rican agriculture.

b. Crop Insurance - The Department of Agriculture will extend to Puerto Rico through the Federal Crop Insurance Corporation its reinsurance program no later than mid-1983 provided certain technical problems can be overcome.

c. Price Supports for Rice - The Department of Agriculture will extend to Puerto Rico price supports for rice.

d. Puerto Rican Agricultural Development - The Departments of Agriculture and State, and AID should consult with Puerto Rican officials on ways in which assistance can be given to improving the productivity of Puerto Rican agriculture and to integrating its agricultural development strategy with the strategy for the Basin generally. We are working with Puerto Rico to expand use of the Tropical Agriculture Research Center in Puerto Rico.

#### VII. Textiles.

Textiles and apparel will be excluded from the FTA for reasons that have nothing to do with the impact of the CBI on Puerto Rico. But this exclusion permits Puerto Rico to maintain its tariff advantage over Caribbean exports in this important sector.

#### VIII. Transportation

a. Air Negotiations - In the development of the U.S. position for future bilateral air treaty negotiations, account will be taken of the importance of increasing foreign carrier entry

into San Juan. In future negotiations involving routes to and from Puerto Rico, there should be close consultation between Puerto Rican officials and U.S. negotiators. An agreement with Canada for Canadian-Puerto Rican air routes is a principal Puerto Rican request in the context of the CBI. The negotiators are instructed to do their utmost to obtain this objective in the next round or two of U.S.-Canadian negotiations. This information should be treated as confidential.

b. Cruise Ship - Transportation will complete consultation by the time of CBI submission to Congress to determine if the Administration will, as part of the CBI, seek legislation exempting limitations on foreign passenger ships originating from the mainland, when they stopover at Puerto Rican ports, so long as no comparable service is provided by U.S. flag vessels.

c. St. Thomas Airport - The Department of Transportation will continue to work with relevant agencies to provide support for the completion of the airport and will hold discussions on this matter with Virgin Island officials.

a. Aid Procurement - Aid will make a strong effort to secure material inputs, technical assistance contracting and institutional support from Puerto Rico and the Virgin Islands.

b. Eastern Caribbean Center - As part of the CBI, the Administration will propose in FY 1982 the appropriation of \$150,000 for an Eastern Caribbean Center for Educational, Cultural, Technical and Scientific Interchange at the College of the Virgin Islands. (Authorization of these funds have already passed the House.)

#### X. Environmental Regulations

EPA will review at Puerto Rico's and the Virgin Island's request and support, where appropriate, greater flexibility and cost benefit balancing in the application of its regulations to the Islands.

#### XI. Crude Refinery Facility.

If justified by feasibility studies, the Departments of State and Energy will indicate to Venezuela the interest of Puerto Rico in developing its CORCO facilities to handle heavy crude. State Department will assist DOE in bringing to the attention of the region the possibility of using CORCO facilities for heavy crude refining and the export of lighter crudes or products to the region.

#### XII. Consultations.

Puerto Rican and Virgin Island officials are deeply interested in participating in the design and implementation of the CBI. The U.S. Government has in fact, consulted very closely with these officials on all aspects of the CBI and intends to continue to do so.

5-16-82

## MEMORANDUM

## NATIONAL SECURITY COUNCIL

February 9, 1982

~~SECRET~~ACTION

MEMORANDUM FOR WILLIAM P. CLARK

FROM: ROGER FONTAINE *RF*  
 HENRY NAU *HN*  
 RICHARD CHILDRESS *RC*  
 CHRIS SHOEMAKER *CS*

SIGNED

SUBJECT: NSC Meeting

Attached at Tab I is a memo for the President outlining the issues for the February 10 NSC meeting on the Caribbean and Central America.

The meeting will consist of an intelligence update, the threat to the region, military, economic and political requirements, and a summary of decisions made and pending. You should introduce the issues, address the measures taken / measures pending, and begin the discussion on the timing and scope of a Presidential speech.

We believe it is critical for the President to lay out our overall policy toward the region to the American people and to put forward his personal commitment to peace and security in the region as soon as possible. We are rapidly losing the initiative.

RECOMMENDATION

That you sign the memo to the President at Tab I.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

## Attachments

Tab I Memo to the President  
 Tab A US Caribbean Basin Policy  
 Tab B Caribbean Basin Initiative  
 Tab II NSC Discussion Paper  
 Tab III Agenda (To be provided after 5:00 p.m. meeting today)  
 Tab IV Suggested Talking Points for Your Use  
 Tab V Speech Outline

~~SECRET~~

Review Feb. 9, 1988

DECLASSIFIED

NLRR M109 # 55456

BY KML NARA DATE 10/2/10

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~~CLASSIFIED~~

*Contents destroyed  
BOM*

# THE WHITE HOUSE

## NATIONAL SECURITY COUNCIL MEETING

9:30 AM

Wednesday, February 10, 1982

MR. ROBERT MC FARLANE

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OF CLASSIFIED ENCLOSURES

*smf 8/14/08*

~~CLASSIFIED~~

~~CLASSIFIED~~

*Contents  
destroyed BTM*

# THE WHITE HOUSE

## NATIONAL SECURITY COUNCIL MEETING

9:30 AM

Wednesday, February 10, 1982

MR. MICHAEL DEAVER

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OF CLASSIFIED ENCLOSURES

*enf 8/17/88*

~~CLASSIFIED~~

~~CLASSIFIED~~

~~Pages attached~~  
~~rest of contents~~  
~~destroyed (BIM)~~

# THE WHITE HOUSE

## NATIONAL SECURITY COUNCIL MEETING

9:30 AM

Wednesday, February 10, 1982

JUDGE WILLIAM P. CLARK

UNCLASSIFIED ON 11/11/01  
BY 60322 UCBAW/STP

and 2/14/08

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~~SECRET~~

AGENDA  
 NATIONAL SECURITY COUNCIL MEETING  
 CABINET ROOM  
 9:30-11:30 A.M.  
 Wednesday, February 10, 1982

CARIBBEAN BASIN

- I. Introduction of Issues - Judge Clark *Job IV*
- II. Intelligence Update - William Casey
- III. Military Threat/Military Requirements in the Area - Admiral Hayward
- IV. Economic Requirements - Bill Brock
- V. Regional Strategy - Tom Enders
- VI. Presidential Speech - Judge Clark *already a lot of chips* *refer to charts full time next year*
  - A. Rationale for Speech
  - B. Elements of Speech *Pres includes*
    - 1. Economic
    - 2. Political
    - 3. Security
- VII. Recommendations for Subsequent Decision

*only decision today*  
*left tomorrow night*  
*being in week's time?*

DISCUSSION

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 Sec. 3.4(b), E.O. 12958, as amended  
 White House Guidelines, Sept. 11, 2006  
 BY NARA *smf*, DATE 8/14/08

US Caribbean Basin Policy

- I. Objective: Our overall regional objective is to promote peaceful change, security and stability in the Caribbean Basin and to ensure that external forces hostile to US interests are kept out of the region. The central problems are poverty and a lack of economic development, weakness of pluralist political institutions, and subversion which exploits these conditions to impose totalitarian political control. Development, economic and political, is the long-term problem; subversion the short-term threat. Both must be addressed simultaneously to protect US interests.
- II. Background: Over the course of the past year, the President has set in motion a number of related initiatives designed to address regional problems. These include:
- The Caribbean Basin Initiative (CBI), which calls for a major multilateral effort to aid the economic development of the region;
  - NSDD-17, "Cuba and Central America", which called for a number of measures to address the region's economic and security problems;
  - NSDD-21, "Responding to FLOGGERS in Cuba", which set in motion a number of measures designed to undercut increasing Cuban capabilities to coerce democratic states and promote subversion in the region;
  - 506 A Presidential Determination to allocate an additional \$55 M in grant aid for El Salvador;
  - Radio Marti, a program to establish a facility to broadcast to Cuba;
  - Security Assistance supplemental for FY 82 with a substantial component for Central America.

NSDD-21 chartered an interagency management group to implement NSDD-21 measures. The responsibilities of this group will be expanded to encompass oversight and integration of all matters relating to the Caribbean Basin.

- III. General Strategy. Our general strategy is to accelerate economic and social progress in the region, nurture the evolution of pluralist democratic institutions, and safeguard the security of the Caribbean countries from external subversion as our efforts bear fruit. Our task is to be successful in all three areas if we are to reverse the adverse trends in the region and, at the same time, present a credible program to Congress and the American people.

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NLRR M109 #55457

The measures mandated in the documents outlined above represent a vigorous new chapter in our efforts to deal with the mounting problems in the region. In order to maximize their effectiveness, these measures must fit together.

A. Accelerate Economic Development in Friendly States

A major US program of trade, investment and aid (the Caribbean Basin Initiative) has been developed, designed to:

- assure duty-free access to US markets for the long term, spurring trade and investment activities in the Caribbean;
- increase tax incentives for investment and enhance the overall investment and market climate for economic growth;
- increase concessional assistance to projects that enable and support self-sustaining commercial activities within the country and in the regional economy.

We are also appealing to US Allies and international institutions to increase economic support for the Caribbean area.

B. Nurture the Evolution of Political Democracy Through:

- sustained support for free and internationally credible elections throughout the region. The elections in El Salvador are particularly crucial in our overall program for Central America;
- support and indeed champion the democratic process throughout the region through Radio Marti, parliamentary exchanges, etc.;
- strong backing for the Central American Democratic community;
- encouragement of Venezuela and Colombia to take more frequent and active positions in support of free elections and democratic processes;
- seeking public support of the Vatican for democratic processes in the Caribbean;
- influencing our friends in Europe and elsewhere to be supportive of our approach;

- maintaining political pressure on Cuba by restricting the activities of the Cuban Mission to the UN and by closing the Cuban Interests Section in Washington.

C. Regional Security

Measures mandated in NSDD-17 and NSDD-21 include:

- exploiting Soviet vulnerabilities worldwide;
- implementing plans to raise the sense of threat in Cuba through military means;
- creating the capability to deploy rapidly tactical aircraft to the Western Caribbean. DOD will program \$25 M for improvements in regional airfields;
- increasing readiness of defense capabilities in the southwestern US;
- Caribbean Basin contingency plans;
- providing military training for indigenous units and leaders, both in and out of country;
- implementing measures to tighten the embargo on Cuba in order to make it less economically feasible for Cuba to continue to support regional subversion.

IV. Program of Implementation. In order to ensure maximum effectiveness of these measures, our program of implementation should have the following features:

- specific measures should be considered in two discrete categories:
  - those measures which are sustained over a long period of time, such as the economic program;
  - those measures which are designed to peak at a specific point in time, such as exercises in the Caribbean;
- Our program must be phased over time. Measures must be implemented in a sequential fashion, allowing sufficient time between specific measures to permit a modification of Cuban, Nicaraguan, and/or Soviet behavior;
- security measures must be clearly linked, along a public and policy audit trail, to the aggression and subversion sponsored by Cuba and its Soviet patron;

In implementing these measures, the Management Group, assigned the task of managing the implementation of the various initiatives, must come to grips with several issues immediately. First, it must prepare a vigorous and effective public affairs strategy which will elevate public understanding of the nature of the threat and engender public support of our overall program.

Concurrently, we must move ahead with a legislative strategy designed to keep key members of the Congress informed as necessary and to promote needed legislation (e.g., CBI funding, repeal of the Clark Amendment, grant aid package for the Caribbean). The public affairs strategy and the legislative strategy require immediate attention. The Management Group should effect close liaison with the Legislative Strategy Group and appropriate public affairs personnel.

V. Sequence of Initiatives.

-- February

- initiation of actions to curtail the activities of the Cuban Mission to the United Nations;
- initiation of economic measures, including
  - blacklisting ships which trade with Cuba
  - curtailing tourism
  - putting pressure on US companies and third countries which handle US goods to Cuba
  - announcing intention not to renew the fishing agreement in September
- delivery of a speech by the President outlining our general rationale and approach. This speech should be modeled after the Poland speech in which the President laid out the problem, outlined an initial set of measures, and promised more to come if the situation did not change;
- submission of CBI legislation to Congress;
- beginning of basing discussions with regional states;
- orchestration of Central American Democratic Community calls on Nicaragua not to import further offensive weapons;
- introduction of repeal of Clark Amendment.

-- March

- vigorously support El Salvador elections;
- close the Cuba Interests Section in Washington;
- follow up on the Haig-Gromyko talks by informing the Soviets that we have completed our review of the 1962 understandings and that we find that Soviet action has made them meaningless;
- submit Security Assistance supplemental to Congress;
- present CBI program to Nassau Four meeting and discuss assistance programs of other donors;
- press for Congressional authorization of \$10 million for Radio Marti.

-- April

- support formation of transitional government in El Salvador;
- encourage Salvadoran Constituent Assembly to invite FMLN/FAR to present their views;
- initiate broadcasts of Radio Marti;
- announce security assistance package for Central America;
- initiate ELASTIC FENCE activities;
- support CDAC ministerial meeting to assess Central American situation.

-- May (probably point of highest Cuban economic vulnerability)

- bring ELASTIC FENCE activities to their high point to coincide with Cuban harvest requirements;
- encourage UNITA activities against the Cubans in Angola;
- increase flow of weapons to Afghan Freedom Fighters.

-- June/July

- reassess success of NSDD-21.

## CONTENTS OF THE CARIBBEAN BASIN INITIATIVE

The Trade Policy Committee and its Caribbean working group have reached agreement on an action program for the Caribbean consisting of seven principal government initiatives. In summary these are:

1. Measures to Liberalize Trade.

A. Free Trade Area.

We will seek legislative authority to grant beneficiaries in the Caribbean Basin across-the-board, duty-free treatment for 12 years under a program distinct from the Generalized System of Preferences. All products will receive duty-free access with the exception of most textiles and apparel. The scope of the exception is being worked out.

The free trade arrangement will include a safeguard mechanism to ensure that increased imports do not injure domestic industries or workers. Affected U.S. domestic interests (or the Government itself) may petition to trigger the safeguard process which will require a finding that increased imports from the Caribbean Basin are a substantial cause of serious injury or threat thereof before relief would be granted. However, the safeguard system for the CBI would differ from the normal Section 201-203 system in that the determination by the USITC of injury will be required in no longer than 90 days, rather than the 180 days now permitted under Section 201. There will also be a requirement for quicker Presidential decision on the USITC findings, i.e., the Administration will have only 30 days in which to decide on the recommendation of the USITC. In cases of perishable agricultural products, a system is being designed to allow even faster determinations.

The origin rules under the Free Trade Arrangement are an important factor in determining the accessibility of duty-free access for Basin countries many of which are resource poor. We will retain most of the rules from GSP except the requirement of a minimum percentage of local value added will be reduced from 35 to 25 percent. Inputs from American possessions in the Caribbean will be treated as Caribbean products for purposes of the rules of origin.

The President will have discretion to designate countries in the Caribbean Basin for the Free Trade Area subject to many of

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the same caveats as in the GSP system (non-designation of Communist countries, and countries which expropriate without compensation, or which discriminate against U.S. exports). The President will also take into account economic criteria such as the attitude of the beneficiaries towards private enterprise and the policies that recipient countries are pursuing to promote their own development. The United States Government will enter into discussions with the Caribbean Basin countries to develop such self-help objectives.

There will be no further qualifications on the granting of duty free access except with respect to the treatment of sugar. The major suppliers will be subject to tariff rate quotas of 200,000 tons with the exception of the Dominican Republic, which will be subject to a tariff rate quota based on 1979-81 average shipments (roughly 600,000 tons). Smaller suppliers will be subject to either GSP limits or tariff rate quotas. An acceleration in the safeguard procedure will be sought for the Secretary of Agriculture to limit entry of imports in the event that the sugar program is threatened. During consultations preceeding the designation of CBI beneficiaries, we will seek assurances from major suppliers that they would not subsidize or otherwise encourage increased sugar production and will take steps to prevent transshipment of sugar to the United States.

The Free Trade Arrangement will require the US to seek a GATT waiver.

B. Other trade measures are:

In the context of the administration of our textile program, the Trade Policy Committee has approved the concept of more favorable treatment for Caribbean Basin textile exports in the context of bilateral and multilateral arrangements governing international trade in textiles.

If the quota provision of the Meat Act is triggered, we will consider treating Basin countries in meat allocation and shortfall provisions as favorably as possible.

We are exploring the possibility of initiating discussions with the governments of Jamaica and the Dominican Republic and with air carriers on the establishment of customs and INS pre-clearance facilities in those countries.

2. Measures to Reduce Investment Risk, particularly through Tax Incentives and Bilateral Investment Treaties.

We will seek Congressional authorization to grant U.S. investors in the Caribbean Basin region a tax credit of up to 10 percent of the amount of fixed-asset investment in the countries of the region. The system would operate in much the same fashion as does the tax credit for investment currently in effect in the United States. The incentive will be granted by executive agreement to individual countries for a 5 year period, after which further extension of the credit could be



achieved through a tax treaty. The credit would permit U.S. business to reduce their net tax liability in the United States.

We will continue to seek to negotiate double taxation treaties with interested Caribbean Basin countries. A principal request of the Caribbean Basin countries has been to include convention tax exemption in any double taxation treaties. Any negotiation of such exemption will involve close Congressional consultation.

To further reduce investment risks we are offering to negotiate bilateral investment treaties with the nations of the region. The first such agreement is being negotiated with Panama.

We will also work with the Multilateral Development Banks and with the private sector to develop an insurance facility to supplement OPIC's noncommercial investment risks operation in the area.

### 3. Measures to Expand Credit to the Private Sector.

The private sector in many Caribbean Basin countries faces increased difficulty in obtaining short-term credit to finance normal foreign trade operations. To relieve this credit squeeze the Export-Import Bank will expand protection for short-term credit from U.S. banks to local commercial banks for use by private importers in the creditworthy countries of the Caribbean Basin region. In addition, it will extend its coverage, which is currently available only to U.S. banks, to indigenous commercial banks in creditworthy countries.

Since the Export-Import Bank program cannot operate in more limited cases which do not meet its standard of "reasonable assurance of repayment", the CBI will include an emergency Trade Credit Insurance Program under the AID program to reactivate the flow of short-term credit from U.S. banks to the private sector in Basin countries suffering from critical economic and/or political stability problems.

### 4. Increased Bilateral Assistance in FY 1982 through a Supplemental Appropriation to Provide Emergency Assistance with Economic Support Funds (See Attached Table).

The Administration will seek \$300 million in supplemental Economic Support Funds emergency assistance under the Foreign Assistance Act, as amended, to certain of the Caribbean Basin countries. Allocations are expected to be up to \$100 million to El Salvador, \$75 million to Costa Rica, \$50 million to Jamaica, \$40 million to the Dominican Republic, \$25 million to Honduras, and \$10 million to Belize.

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Precipitous economic deterioration, paralleled in several countries by severe political turmoil has plunged several Basin countries into crisis. Significant bridge financing is necessary to facilitate reforms and meet the financial emergency.

The program vehicles which would be used to channel these funds to each country, together with the policy conditions expected to be met, are being developed.

Generally, the ESF assistance will be made available through the banking system for financing essential imports of raw materials, intermediate goods, and spare parts for private sector firms. Typically the local currency counterpart generated by the foreign exchange will be used to create revolving credit lines to the private sector for working capital and other local cost needs.

Since the purpose of the assistance is to stimulate overall economic policy measures necessary to achieve recovery, it will be conditioned on stabilization and economic policy measures necessary to achieve recovery.

5. A \$250 Million Increase in Assistance in FY 1983 Over FY 1981 Levels (See Attached Table).

For the next three or four years, the major concern within the Caribbean Basin program must be to assist the Caribbean Basin countries in correcting their external economic disequilibria through sound stabilization programs. At the same time, resources must be channeled into activities that quickly revive agricultural and industrial production and create employment. New projects in basic social services will receive less emphasis in the short-term, although this area will continue to receive attention from the AID pipeline and from selected new development activities.

In the later phase of the Caribbean Basin Initiative, the focus will shift toward longer-term development problems. There will be less need to focus on stabilization, although some stabilization assistance may still be needed in some countries.

6. Measures to Strengthen the Private Sectors Ability to Exploit CBI Created Opportunitites.

We are designing private sector development strategies for each country which combine private, public and voluntary organization's resources in imaginative new programs. Currently, several interagency task forces are working to develop ways to support regional trading companies, provide assistance to comply with U.S. health and sanitary regulations, improve transportation links, and in general to remove public and private national and regional impediments to

private sector development. Their recommendations for action are done between 1 March and 1 April.

7. Measures for Puerto Rico and the Virgin Islands.

Tab I lists measures to assure that U.S. possessions in the Caribbean will benefit from the CBI and will contribute to its implementation in the region.

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FY 1981-83 U.S. BILATERAL ASSISTANCE  
TO THE CARIBBEAN BASIN

	FY 1981	FY 1982 OYB	FY 1982 SUPP	FY 1982 TOTAL	FY 1983
Caribbean Basin	471.0	612.5	300.0	912.5	720.5
DA	168.4	211.1	-	211.1	217.6
ESF	143.4	140.0	300.0	440.0	324.0
PL480 I	62.2	88.9	-	88.9	94.0
II	46.5	34.5	-	34.5	26.9
Direct	420.5	474.5	300.0	774.5	662.5
HIG	50.5	138.0	-	138.0	58.0
Indirect	50.5	138.0	-	138.0	58.0

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## MEASURES FOR PUERTO RICO AND THE VIRGIN ISLANDS

### I. Rum

To ensure the duty free treatment of CBI rum does not reduce the possessions' excise tax revenues, the U.S. will transfer to the possessions the same rate of excise taxes per unit collected on imported rum as on their rum. Currently this amounts to the full excise tax of \$10.50 a gallon. This measure does not address any future possible change in excise tax payments nor does it commit Treasury to any level of excise payments to the possessions other than to ensure that imported rum will be treated as rum produced in the possessions for purposes of excise tax payments to the possessions. The legislation will also require the President, in the event the formula is altered to the detriment of the possessions, to take measures to compensate the possessions for any detriment effect, including the possibility of a snapback in the MFN rate.

USTR negotiators will seek commitments from Caribbean countries that they will continue to supply molasses to the possessions on commercial terms.

### II. Tax Incentives

The President's message to Congress forwarding CBI implementation legislation will recognize the necessity of providing the benefits to the possessions of the investment tax credit and accelerated cost recovery system deductions through leasing or another vehicle.

Treasury will complete its study by the time of the CBI submission to Congress to determine if the Virgin Islands' request to reduce from 30 percent to 10 percent withholding in remittances from the Virgin Islands can be included as part of the CBI.

### III. Safeguards

In preparing FTA legislation, we will assure that Puerto Rico and the Virgin Islands have standing to petition under the CBI safeguard mechanism. Injury to a particular region will be covered in the same manner as under the 1974 Trade Act.

### IV. Customs

a. Rules of Origin - For purposes of rules of origin in the Free Trade Area, value added from the possessions will be treated as indigenous Caribbean inputs.

b. Value Added - As part of the CBI legislation, the Administration will propose amendment of Headnote 3(a) of the

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Tariff Schedule of the United States to provide duty-free treatment of Virgin Island exports whose foreign content does not exceed 70 percent of the declared customs value. Currently the maximum foreign content is 50 percent.

c. Duty free Import of Liquor - As part of CBI legislation the Administration will propose amendment of the tariff schedule to permit visitors returning from U.S. territories to import duty free and free of excise tax an additional liter of locally produced alcoholic beverages.

#### V. Local Trade Problems

If requested by Puerto Rico, we will consider proposals for special arrangements to assist industry in Puerto Rico threatened by loss of local markets from additional Caribbean imports.

#### VI. Agriculture

a. Additional Rum Revenues - Puerto Rico has informed us that it plans to use a large part of any additional revenues they receive from excise taxes on foreign rum to contribute to the competitiveness of Puerto Rican agriculture.

b. Crop Insurance - The Department of Agriculture will extend to Puerto Rico through the Federal Crop Insurance Corporation its reinsurance program no later than mid-1983 provided certain technical problems can be overcome.

c. Price Supports for Rice - The Department of Agriculture will extend to Puerto Rico price supports for rice.

d. Puerto Rican Agricultural Development - The Departments of Agriculture and State, and AID should consult with Puerto Rican officials on ways in which assistance can be given to improving the productivity of Puerto Rican agriculture and to integrating its agricultural development strategy with the strategy for the Basin generally. We are working with Puerto Rico to expand use of the Tropical Agriculture Research Center in Puerto Rico.

#### VII. Textiles.

Textiles and apparel will be excluded from the FTA for reasons that have nothing to do with the impact of the CBI on Puerto Rico. But this exclusion permits Puerto Rico to maintain its tariff advantage over Caribbean exports in this important sector.

#### VIII. Transportation

a. Air Negotiations - In the development of the U.S. position for future bilateral air treaty negotiations, account will be taken of the importance of increasing foreign carrier entry

into San Juan. In future negotiations involving routes to and from Puerto Rico, there should be close consultation between Puerto Rican officials and U.S. negotiators. An agreement with Canada for Canadian-Puerto Rican air routes is a principal Puerto Rican request in the context of the CBI. The negotiators are instructed to do their utmost to obtain this objective in the next round or two of U.S.-Canadian negotiations. This information should be treated as confidential.

b. Cruise Ship - Transportation will complete consultation by the time of CBI submission to Congress to determine if the Administration will, as part of the CBI, seek legislation exempting limitations on foreign passenger ships originating from the mainland, when they stopover at Puerto Rican ports, so long as no comparable service is provided by U.S. flag vessels.

c. St. Thomas Airport - The Department of Transportation will continue to work with relevant agencies to provide support for the completion of the airport and will hold discussions on this matter with Virgin Island officials.

a. Aid Procurement - Aid will make a strong effort to secure material inputs, technical assistance contracting and institutional support from Puerto Rico and the Virgin Islands.

b. Eastern Caribbean Center - As part of the CBI, the Administration will propose in FY 1982 the appropriation of \$150,000 for an Eastern Caribbean Center for Educational, Cultural, Technical and Scientific Interchange at the College of the Virgin Islands. (Authorization of these funds have already passed the House.)

#### X. Environmental Regulations

EPA will review at Puerto Rico's and the Virgin Island's request and support, where appropriate, greater flexibility and cost benefit balancing in the application of its regulations to the Islands.

#### XI. Crude Refinery Facility.

If justified by feasibility studies, the Departments of State and Energy will indicate to Venezuela the interest of Puerto Rico in developing its CORCO facilities to handle heavy crude. State Department will assist DOE in bringing to the attention of the region the possibility of using CORCO facilities for heavy crude refining and the export of lighter crudes or products to the region.

#### XII. Consultations.

Puerto Rican and Virgin Island officials are deeply interested in participating in the design and implementation of the CBI. The U.S. Government has in fact, consulted very closely with these officials on all aspects of the CBI and intends to continue to do so.



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DISCUSSION PAPER FOR NSC MEETING  
February 10, 1982

The NSC will meet on Wednesday, February 10, 1982, at 9:30 a.m. to review all aspects of our Caribbean Basin policy and discuss a strategy for implementation.

Overall Central American/Caribbean Policy (Tab A)

US policy toward the Central American/Caribbean region reflects the most fundamental U.S. national security interests. The greater Caribbean is to us what the Mediterranean is to Europe. In the postwar period, the United States has been free to pursue global interests in part because we enjoyed a secure Western Hemisphere. This is no longer the case. In the Central American/Caribbean regions today, the United States faces a powerful combination of threats -- from economic despair that breeds violence, political weakness that invites subversion, and externally supported efforts that exploit underdevelopment and seek to shift the military and political balance on America's southern border.

In face of these threats, the overriding US objective is to promote peaceful economic and political change in the region that is compatible with our fundamental values and interests. To achieve this objective, we must make a far-reaching commitment to development in the region while simultaneously strengthening the security of Caribbean Basin countries and ensuring that external forces hostile to US national security interests are excluded. US strategy, therefore, addresses a range of problems -- economic, political/diplomatic, and military -- over both the short and the long term.

Poverty and political disaffection constitute the long-term problems confronting American interests, while externally inspired subversion from the Soviet Union and its clients Cuba, Nicaragua, and Grenada, which feeds on these problems, represents the immediate and potentially unprecedented threat to basic US security interests on its southern border. Measures to deal with the security threat are now more urgent than ever, as we launch a major US economic and political program for the region which will accelerate the escape from poverty and political instability.

Caribbean Basin Initiative (CBI) (Tab B)

The Caribbean Basin Initiative (CBI) represents an unprecedented American program to deal with the long-term economic and political development of the Caribbean Basin region. The US Trade Representative and the Trade Policy Committee have led the long and painstaking effort to formulate this Initiative and has already approved its key features. These features are set out in the paper at Tab B and include:

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NLRR M109 #55458

BY KML NARA DATE 10/8/10

- One way Free Trade Area (FTA) and other measures to liberalize trade.
- Tax incentives and bilateral investment treaties to stimulate private investment.
- Supplemental US economic assistance in FY82 (\$300m) and increased US economic assistance in FY83 over FY81 (by some \$250m).
- Measures to expand commercial credit to the private sector in the Caribbean Basin.
- Measures to strengthen the ability of the private sector in the Caribbean to exploit CBI opportunities.
- Compensatory measures for Puerto Rico and the Virgin Islands.

The CBI, however, is more than a list of measures. It has a core without which it has much less significance for US national interests and without which the other measures lose much of their impact. This core is the one way Free Trade Area offering duty free access across the board to the US market for Caribbean Basin products over a 12 year period. The one exception is textile and apparel products and in this case, the Trade Policy Committee has agreed that Caribbean Basin suppliers will receive more favorable treatment in the context of bilateral and multilateral arrangements governing international trade in textiles.

An FTA of this sort is a totally new element in American postwar trade policy. It is the single most important factor promising the acceleration of investment and development in the Caribbean area. This measure, supported by other incentives in the program, guarantees investors over the lifetime of their investment entry to American markets for their exports. Although some 87 percent of Caribbean exports already enter American markets free of duty under the Generalized System of Preferences (GSP), these exports can lose this duty free treatment from year to year depending upon the competitive need limit. This uncertainty over access to the US market inhibits investment. The FTA eliminates this fundamental constraint on investment and development in the region.

By the same token, the FTA can be weakened and uncertainty can re-emerge if products other than textiles are excluded from the FTA or if the safeguard mechanism for the FTA is altered so as to exclude products from duty free treatment on grounds other than those currently applied to all US imports (i.e., Section 201 treatment under the 1974 Trade Act). Thus, in the legislation to authorize the CBI, it is imperative that we resist efforts to exclude other products or to modify the safeguard mechanism. Only if the FTA survives in tact, do the other incentives in the CBI have

much significance and the CBI package as a whole measure up to the serious and fundamental threat we face in the Caribbean and Central America to US national security interests.

President's Speech

Due to existing Congressional opposition, potentially hostile public opinion, and the continuing and mounting violence in El Salvador, we risk defeat of the economic and security initiatives essential to the success of our overall policy. There is general interagency consensus that to ensure the initiative remains with us, the President needs to give a public policy speech on the region which encompasses all three primary components of our strategy: economic, political/diplomatic and military. State has recommended such a speech be given this week or early in the week of February 15, 1982.

Follow-up Mechanisms

US strategy toward Central American and the Caribbean has the highest priority in the Administration's foreign policy and legislative program for 1982. To ensure that the policy is implemented continuously and effectively, the following structures will be created:

1. Central Management Committee chaired by the State Department will have responsibility for all policy elements of our Central American/Caribbean strategy -- political/diplomatic, military and economic.
2. A CBI subcommittee of the Central Management Committee chaired by USTR will have responsibility for the policy integrity and further policy development of the Caribbean Basin Initiative.
3. The White House Chief of Staff will chair a legislative strategy group and a public affairs group which will oversee all legislative and media/public aspects of the implementation of the Central American/Caribbean strategy. The Central Management Committee will provide appropriate policy personnel to liaise with these groups.

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AGENDA  
NATIONAL SECURITY COUNCIL MEETING  
CABINET ROOM  
9:30-11:30 A.M.  
Wednesday, February 10, 1982

CARIBBEAN BASIN

- I. Introduction of Issues - Judge Clark
- II. Intelligence Update - CIA
- III. Military Threat from the Area - CJCS
- IV. Political Overview - Tom Enders
- V. Military Requirements to Curtail Export of Revolution -  
Frank Carlucci
- VI. Economic Requirements - Bill Brock
- VII. Summary of Decisions (Made and Pending) - Judge Clark
- VIII. Presidential Speech - Judge Clark
  - A. Rationale for Speech
  - B. Elements of Speech
    - 1. Economic
    - 2. Political
    - 3. Security
- X. Recommendations for Subsequent Decision

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DECLASSIFIED  
Sec.3A(b), E.O. 12958, as amended  
White House Guidelines, Sept. 11, 2006  
BY NARA *Amf*, DATE *3/14/08*

SUGGESTED TALKING POINTS FOR JUDGE CLARK

I. Introductory Remarks.

- We are now at a watershed in U.S. foreign policy.
- We are considering a comprehensive political, economic and military strategy for the Caribbean region for the first time since the elaboration of the Monroe Doctrine.
- By Caribbean region I mean not only the insular Caribbean, but Central America as well plus countries of the northern rim of South America. In other words, our neighbors.
- Such a strategy is consistent with the high priority this Administration has always placed on this hemisphere.
- Our strategy is rooted in the most fundamental national security interests and concerns of this country.
- The greater Caribbean is to us what the Mediterranean is to Europe. It is our frontyard. (Not our backyard -- a metaphor which suggests an area of marginal concern.)
- In the postwar period, the U.S. has been free to pursue and protect our global interests because we enjoyed a secure Western Hemisphere.
- That is no longer the case entirely. If we continue to drift it will not be true at all, and that will have major impact on our ability to meet our global obligations.

- In the region today, we are faced with a combination of threats. No one instrument of U.S. foreign policy can deal with them successfully.
- The problems range from weak economies to often weaker political institutions which invite subversion by forces, indigenous and foreign, that are anti-democratic and avowedly anti-American.
- The chief instigators are Cuba and its patron, the Soviet Union. But this by no means exhausts the lists of troublemakers who work with Havana and Moscow. We must in the 1980s add Nicaragua and Grenada to the list as well as Viet Nam, Libya and the PLO. Others, primarily Warsaw Pact members, are making their contribution too.
- It is a formidable political, military, economic, propaganda apparatus facing us with new targets of opportunity being developed all the time.
- Others in this room will be more explicit regarding the nature of the threat, but it is clear the threat to the Caribbean is unprecedented in severity and proximity and complexity.
- By contrast, the Nazi threat in the 1930s and 1940s and the Castro threat in the 1960s were more limited in scope, with fewer resources being expended. The strategies

were of a less sophisticated nature, and were employed for a shorter period of time.

-- Our approach must match and exceed our adversaries in all of the above. In particular, our strategy must be sustained and sustainable. There will be no quick fix. And it won't be cheap.

-- Our overriding objective is to promote peaceful and positive economic and political change within the region -- change that is compatible with this country's interests and values.

-- To do that we must make a long-term commitment to political and economic development while strengthening the internal security of the Caribbean region countries -- ensuring at the same time that hostile and totalitarian forces are defeated.

II. Measures taken; measures pending (to be presented following the economic requirements overview)

● We have already acted on the following:

-- We are now providing training in the United States for El Salvadoran military units.

- You have approved the release of additional military equipment, including helicopters, to El Salvador under Section 506, and some deliveries have been made.
- We have increased intelligence collection on Cuba after the discovery of additional MIG-23s on the island.
- Secretary Haig has delivered a demarche to the Soviets on the MIG-23s in Cuba and the possible deployment of fighter aircraft to Nicaragua.
- We have developed contingency plans for action against Cuba.
- We have prepared contingency plans for action against Cuban forces should they be introduced into Central America.
- We have also drawn up contingency plans for dealing with the delivery of advanced aircraft into Nicaragua.
- We have also prepared plans for a series of military exercises in the Caribbean that are designed to increase the sense of threat to Cuba.
- We continue to support materially democratic elements in Nicaragua.
- We have created an interagency management group under State's chairmanship that oversees implementation of regional policy.



-- We have appointed a Presidential commission to expedite Radio Marti.

-- We are fostering a Central American democratic coalition of states aimed at containing Nicaragua. This coalition released its statement of purpose on January 27.

● The following have been approved but await final review and implementation:

-- Carrying out planned military exercises that would increase the sense of threat to Cuba.

-- Preparing the capability to deploy rapidly tactical aircraft in the Western Caribbean.

-- Increasing defense capabilities in the southeastern United States.

-- Making an all-out effort to repeal the Clark Amendment.

-- Supplying additional military assistance to Somalia.

-- Imposing new restraints on Cuba's U.N. mission.

-- Closing of the Cuban interests section in Washington.

-- Providing additional economic sanctions against Cuba.

- Announcing economic and military assistance supplemental to selected countries in the Caribbean / Central America.
- Creating a public affairs legislative strategy group in the White House.
- Agreement to implement a free trade area for Caribbean imports to the US (except textiles); a ten percent investment tax credit for investment in the Caribbean; and higher levels of aid through an FY 82 supplemental and FY 83 aid appropriations.

III. The President's Speech (to be addressed immediately following measures taken / measures pending)

- There are two issues which need to be addressed:
  - What should the structure of the speech be?
  - When should it be delivered?
- To be most effective, your speech needs to be a broad statement of our overall regional strategy embracing all three primary components: economic measures, political development, regional security. Only if the speech focuses on all three areas will the wisdom of the strategy and the reinforcing qualities of the specific initiatives be apparent.

-- The speech needs to be given as soon as possible -- that is, this month. The longer we wait for you to articulate our regional strategy, the greater the likelihood will become of our policy being blocked by negative public opinion and Congressional opposition fueled by adverse and one-sided media reporting.

-- In light of these considerations, the speech should have several parts. It should include:

- Overall regional objectives stressing the twin problems of economic and political underdevelopment and externally supported subversion.
- Next, it should address the threat to regional stability and security.
- Third, it should outline the three components of our strategy including:
  - acceleration of economic development
  - enhancing the evolution of political democracy
  - addressing regional security
- Finally, the speech should outline our plan of implementation to include the need for appropriate legislation.

I. Regional Objectives

Our overall regional objective is to promote peaceful change, security and stability in the Caribbean Basin and to ensure that external forces hostile to US interests are excluded. Under-development is the long-term problem of the region; subversion is the short-term threat. Both must be addressed in order to meet our objectives.

II. Threats to Regional Stability and Security

Economic underdevelopment and the absence of strong political institutions have created conditions in which externally sponsored subversion and aggression threaten the region. Poverty and political disaffection allow military subversion from the Soviet Union and its clients, Cuba and Nicaragua. The threat is reinforced by the success of the leftist propaganda campaign which has over and over again been telling the "big lie." In the near term, problems of subversion must be met immediately and the seeds for longer-term political and economic development must be sown simultaneously.

III. US Strategy

To respond to these threats, our strategy must proceed along three basic lines. The economic and political measures attack the fundamental problem; the security actions attack subversion which threatens the development process.

A. Acceleration of economic development in friendly states

-- The Caribbean Basin Initiative serves this purpose.

B. Enhancing the evolution of political democracy

Our efforts center on support for free and internationally credible elections in all states, particularly in El Salvador in March. Other measures in this area include:

- Radio Marti
- Strong support for Central American community
- Carrying our message to our friends and Allies

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NLRR M109 #55459

BY KML NARA DATE 10/8/10

I. Regional Objectives

- promote peaceful change
- encourage economic and political development
- help neutralize subversion

*Chart 1*

II. Threats

- economic underdevelopment
- weak political institutions
- externally-sponsored subversion.

III. U.S. Strategy (Three-pronged Approach)

- acceleration of economic development (CBI)
- enhancement of evolution of political democracy (elections, ~~radio~~ Marti, CADDC)
- provide regional security (FMS supplemental, 506A determination)

*Chart 2*

IV. Implementation

- mutually supporting measures designed to encourage political and economic development
- must proceed on numerous fronts at the same time. All measures are crucial; none can be neglected
- need help from Congress
- need help from American people

25

55460

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<u>ITEM</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>ACTION</u>
Economic measures against Cuba (21/PE-3)		X-----					State
Base Access Talks (Honduras, Colombia, Jamaica?) (21/MI-3)		X-----					State
Tighten Cuba embargo (17-7)		X-----					State
CADC support ES elections; requests Nicaragua not import further heavy offensive weapons		X-----					State
Support Nicaraguan Democratic Forces (17-9)		X-----					CIA
Approach Castro re our Agenda		X					State
Introduce repeal of Clark Amendment (21/PE-5)		X-----					State
Introduce CB mil assistance supplemental		X-----					DOD
Lay down markers w/Soviets, Nicaraguans, Cubans on introduction of MiGs into Nicaragua		X					State
Second FonMin Meeting on CBI; bring Colombia in; ask others put offers on table (21/MI-5)			X				State
Salvadoran army offensive to preempt guerrilla efforts to disrupt elections			X				State

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NLRR # 55460

BY KML NARA DATE 10/18/10

~~SECRET/SENSITIVE~~

<u>ITEM</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>ACTION</u>
First guerrilla activity in Nicaragua(17-4)			X				CIA
Constituent Assembly elections in El Salvador			X				State
Defense of southeastern U.S. (21/MI-4)			X-----				DOD
Formation transitional govt in El Salvador				X			State
Salvadoran Constituent Assembly invites FMLN/FAR to present their views				X			State
Ministerial Meeting of CADC w/Venezuela Colombia and US to assess C.A. situation				X			State
Final Congressional action on CBI and emergency aid measures				X			State
Peak of military maneuvers/other measures to increase sense of insecurity in Cuba (2-carrier exercise) (21/MI-2)				X			DOD
Final discussion w/Cubans, followed-if discussions sterile--by closing of Cuban Interests Section (21/PE-4)				X			State

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Presidential Speech on the Caribbean

I. Threats to US Interests

The Caribbean Basin is an area of critical importance to the United States.

- It represents a key route for oil flow to the US.
- The Panama Canal carries a substantial percentage of maritime commerce.
- The region contains a vast reservoir of minerals and other resources needed for the economic health of the West.
- The region represents a testing ground for US ability to protect its acknowledged vital interests.
- Economic underdevelopment and the absence of strong political institutions have created conditions in which externally sponsored subversion and aggression threaten the region. Poverty and political disaffection allow military subversion from the Soviet Union and its clients, Cuba and Nicaragua. Economic and political development can only occur in a stable and secure environment. In the near term, problems of subversion must be met immediately and the seeds for longer-term political and economic development must be sown simultaneously.

II. Regional Objectives

Our overall regional objective is to promote peaceful change, security and stability in the Caribbean Basin, and to ensure that external forces hostile to US interests are excluded. Underdevelopment is the long-term problem of the region; subversion is the short-term threat. Hence, there is a minimum requirement for security in the region, behind which our efforts can go forward to promote the economic development and strengthening of political institutions of these countries.

III. US Strategy

To respond to these threats, our strategy must proceed along three basic lines. The economic and political measures attack the fundamental problem; the security actions attack subversion which threatens the development process.

A. Acceleration of economic development in friendly states

- The Caribbean Basin Initiative serves this purpose.



B. Enhancing the evolution of political democracy

Our efforts center on support for free and internationally credible elections in all states, particularly in El Salvador in March. Other measures in this area include:

- Radio Marti
- Strong support for Central American community
- Carrying our message to our friends and Allies

C. Regional security

In this area our efforts are designed to address the near-term problems first. Measures include specific initiatives designed to strengthen military capabilities of friendly governments in the region and at the same time to provide powerful disincentives for Cuba and Nicaragua to continue to export subversion.

IV. Implementation

Our objectives in these measures require a phased program of implementation. We will in the course of the next few weeks submit legislation to Congress to help in the areas of economic development and the evolution of political democracy. This approach to fundamental problems in the region should be given center stage in our presentation to Congress and the public. At the same time we will begin a series of increasingly strong measures to ensure that the region is sufficiently secure and stable to allow economic growth and political development.

1970 (10/1)

I. Regional Objectives

- promote peaceful change
- encourage economic and political development
- help neutralize subversion

*Chart 1*

II. Threats

- economic underdevelopment
- weak political institutions
- externally-sponsored subversion

III. U.S. Strategy (Three-pronged Approach)

- acceleration of economic development (CBI)
- enhancement of evolution of political democracy (elections, ~~radio~~ Marti, CADC)
- provide regional security (FMS supplemental, 506A determination)

*Chart 2*

IV. Implementation

- mutually supporting measures designed to encourage political and economic development
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- need help from Congress
- need help from American people

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# 1. of 6  
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V... (Jan 10)

NLRR M109 #55461

BY KML NARA DATE 10/8/10

(Draft) Cuba/Central America: The Next Six Months

<u>ITEM</u> (NSDD)	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>ACTION</u>
Presidential Certification	X						State
506(a) Action (17-3)	X						DOD
Enhanced Intelligence Collection (17-5)	X-----						CIA
Monitor GRN actions private sector (17-6)	X-----						State
Contingency Plans: Cuba/Nicaragua (17-10)	X-----						DOD
Improved Military Preparedness (17-11)	X-----						DOD
Intelligence Collection - Cuba (21/MI-1)	X-----						DOD
Haig/Gromyko (21/PE-1)	X						State
President's Speech-CBI (17-1)		X					WH
Public/Legislative Task Force (17-1)		X-----					WH
Radio Marti action (21/PE-2)		X--(interim report 3/15)-----					State
FY 83 budget economic/security assistance		X-----					State
Emergency economic assistance FY 82 (17-2)		X-----					State
Discourage SI support to Nicaragua		X-----					
Restrict Cuban UN Mission (21/PE-7)		X					State

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RDS 2,3 2/9/02

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