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MJD 1/14/2008

File Folder NSC 00010 28 MAY 1981 (1/2)

FOIA

F03-003/1

Box Number 1

SKINNER

5

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
48853	MINUTES	RE NSC MEETING <i>R 10/16/2012 M109/1</i>	10	5/28/1981	B1
48857	MEMO	RICHARD ALLEN TO NSC RE MEETING <i>R 10/8/2010 M109/1</i>	2	5/26/1981	B1
48860	DISCUSSION MEMO	RE CARIBBEAN BASIN <i>R 10/8/2010 M109/1</i>	2	ND	B1
48862	DISCUSSION MEMO	RE CARIBBEAN BASIN INITIATIVE <i>R 10/8/2010 M109/1</i>	2	ND	B1
48864	MEMO	RICHARD ALLEN TO ALEXANDER HAIG, ET AL RE NSC DISCUSSION <i>R 10/8/2010 M109/1</i>	1	ND	B1
48867	MEMO	JIM LILLEY TO RICHARD ALLEN RE AGENDA ITEMS <i>R 10/8/2010 M109/1</i>	1	2/26/1981	B1
48869	PAPER	RE AGENDA ITEMS <i>R 10/8/2010 M109/1</i>	3	ND	B1
48870	MEMO	CHRIS SHOEMAKER TO RICHARD ALLEN RE NSC MEETING <i>R 10/8/2010 M109/1</i>	2	2/27/1981	B1

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48871	MEMO	RICHARD ALLEN TO NSC RE MEETING <i>R 10/8/2010 M109/1</i>	2	5/28/1981	B1
48872	MEMO	RICHARD ALLEN TO NSC RE MEETING <i>R 10/8/2010 M109/1</i>	1	ND	B1

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NATIONAL SECURITY COUNCIL MEETING

Thursday, May 28, 1981

TIME AND PLACE: 1:30-2:30 p.m.
The Cabinet Room

SUBJECT: US Policy for Caribbean Basin, US Relations
with the PRC, and Sinai Multinational Force
(S)

PARTICIPANTS:

The President

The Vice President

State
Secretary Alexander Haig
Deputy Secretary William F. Clark

Defense
Secretary Caspar Weinberger
Deputy Secretary Frank Carlucci

Commerce
Secretary Malcolm Baldrige

CIA
Director William Casey

JCS
General David Jones
Lt General John Pustay

ACDA
Director-Designee Eugene Rostow

White House
Edwin Meese III
James Baker
Michael Deaver
Richard V. Allen
Janet Colson

OMB
Associate Director William Schneider

NSC
Mr. James Lilley
Mr. Roger Fontaine
Maj. Robert Kimmitt
Maj. Christopher Shoemaker

Office of the Vice President
ADM Daniel J. Murphy

MINUTES OF MEETING

Mr. Allen began the meeting by outlining the agenda items. They were: Caribbean Basin policy, US relations with the PRC, arms transfer policies, and funding for the Multinational Force for the Sinai. He noted that decisions need to be taken only on the first issue; the other issues need preliminary discussion only. (S)

Issue 1 -- Caribbean Basin Paper

Mr. Allen said that at Secretary Haig's request the Caribbean paper should be taken up first. Last week it was reviewed, but this time the paper needed discussing.

Secretary Haig stated that what the US needed was a comprehensive long-term strategy to restore stability to the region. The three elements of the plan are (1) increased security assistance to the region; (2) comprehensive Caribbean Basin economic plan; and (3) firm measures to deal with Cuba.

The paper, the Secretary added, focuses on the first two issues. There is general agreement on the need for further security assistance. There are some questions being raised on the economic plan.

Nevertheless, we need to address both problems at the same time. We especially need the economic program as a backdrop to get support of Allies in Europe and Mexico and Venezuela.

The plan calls for a framework for cooperation with Canada, Mexico and Venezuela with the smaller countries of the Caribbean Basin. It would involve one-way free trade, promotion of foreign and domestic private investment and increased official capital flows. It is a long-term policy whose effect would be felt in FY 1983, and the amount involved is \$300-400 million.

The Secretary emphasized that we must act now to prevent further adverse propaganda, and he urged the President to approve the concept. If so, we can begin the consultative process.

Secretary Haig added that \$20 million in military sales and training would be needed in addition to the money being spent in El Salvador.

Secretary Haig expects contributions from other nations: Japan, Brazil, even Chile, and Argentina, plus the Europeans.

In this respect, this new approach differs from the Marshall Plan and the Alliance for Progress.

And again, the plan gives us the backdrop to do the tougher things. Finally, the Cuba paper will be ready for next week, though it is not a conclusive paper.

Mr. Allen asked if the Caribbean plan would be discussed with Lopez Portillo.

Secretary Haig said yes, it should be a key agenda item. Policy has already been discussed with the Venezuelans.

Mr. Allen recalled that Prime Minister Seaga of Jamaica had discussed this concept in January with even dollar amounts being assigned to countries. Could we involve Seaga in this in a public way?

The President observed that this plan would bring together the two continents. He very much would like to go to our friends with this while it is in the working level and thus elicit their views. The President made two other points. First, if we opened with the social end of it and then brought in the security element, this would avoid the stigma of gun boat diplomacy. "Throw the sweet end out first." The second point was that as the immigration discussion showed, if we did have a "baby Marshall Plan" for countries like Haiti, the economic refugees we now pick out of the water would have an incentive to stay home.

Secretary Haig observed that was precisely our intention. Moreover, countries now criticizing us would be in no position not to join in.

Mr. Schneider of OMB stated the concept was visionary, but OMB's concern was over a specific resource commitment. How are we going to allocate our available resources? Can we defer decision on this until we sort out FY 83?

Secretary Haig understood the problem, but the rough figure can be estimated to be \$300-400 million.

Secretary Weinberger believed the plan to be positive and affirmative, and it would have a multiplier effect. It would be hard to argue against it. Getting the private sector engaged will make it even better.

Mr. Allen asked if this can be advanced in Ottawa.

Secretary Haig said yes, after consultations with key Latin American states.

Secretary Weinberger argued that we should not wait too long for an announcement. The Lopez Portillo visit would be a good opportunity.

Mr. Allen asked if it should be a presidential announcement.

Secretary Weinberger said yes.

Director Casey suggested it should be done soon because there is now an organized campaign worldwide to make the US the villain in Central America.

Mr. Allen suggested that we have a coordinated, White House directed effort. Cabinet members and others should mention it in speeches, Qs & As, TV appearances.

Secretary Weinberger suggested that before a public announcement is made, it should be run by the ambassadors of the affected countries. He added this would be our response to the North-South rhetoric.

The President accepted the concept, and added "all signals are go."

Mr. Baker with the others agreed that we should also notify the major proposed participants before a public announcement was made.

Secretary Haig said we can move after the Lopez Portillo visit and the Venezuelans' and Canadians' acceptance.

Deputy Secretary Clark said Trudeau had already approved the concept. He also suggested avoiding using the term Marshall Plan because it is not a unilateral plan at all.

Mr. Allen observed the Japanese have already agreed to pay for a feasibility study on a Sea Level canal. Their interests in the Caribbean are increasing, and we will get their support.

Mr. Meese stated that if we got our priorities straight now, the budget question will resolve itself. It won't be an add-on figure because the Caribbean plan will have a high priority.

The President observed finally that he did not want it called the Reagan Plan. He already had a bridge named after him in Illinois, and a bar in Ireland.

Issue 2 -- China Policy

Mr. Allen introduced this issue by saying that this is a preliminary discussion only, and we will discuss five questions which have been put before you. This is not intended to take precedence over papers that we know are underway, but to complement what is going on in interagency groups. Next week

we hope to have a decision on these items and still have time to consider the whole question of China before the Secretary leaves for China. The five items under discussion will be:

- (1) Technology transfer to the PRC
- (2) Arms sales to Taiwan
- (3) China, Cambodia, Vietnam and the US role therein
- (4) China and Taiwan policy
- (5) Security relations with Peking

The NSC will meet on or about 4 June, and the China matters will be taken up again. If the process is more or less completed, then we can still reconsider the matters until the Secretary's departure. All of you are aware of the President's basic views, and we look forward to hearing from State, Commerce and Defense.

Secretary Haig said that it is somewhat premature to deal with five options, as there is a meeting on it this afternoon. But we can discuss matters in a preliminary way. On the first issue, there are, in fact, highly restrictive export controls on China which treat it like the USSR. While we are selling to countries like India on a much more liberal basis, these countries are in fact allied with the Soviet Union. The Chinese, on the other hand, are in the front line against the USSR and are fighting the Vietnamese. In the previous Administration, Carter made many promises to liberalize these controls, and Brzezinski had given almost a *carte blanche* in Peking. What we do must be done in full cognizance of what we plan to do on Taiwan. What we do with Peking will soften their resistance on Taiwan for what we plan to do later in the year. It is important to eliminate these restrictions which are offensive to China and to change China's status and not to treat it as a strategic adversary, which it is not.

The bureaucracy still views Communist China as the USSR, and we would like to get your approval for a liberalization of export controls. This liberalization option will be spelled out when the interagency review is over. But I must emphasize this is a very sensitive matter, and we cannot afford to have it leak. The final decision should be made by only a very few people and the decision held closely.

The President asked what is Japan's position.

Secretary Haig responded that the Japanese would not necessarily object to a liberalization of our exchange controls with China, as they could also benefit from this.

Secretary Weinberger pointed out that there would be a limitation to defensive weapons. We just want to get China off the prohibitive list, and we would look carefully at each item on a case-by-case basis. We must realize that Taiwan is a firm and strong ally, and we cannot preclude doing what we have to do for Taiwan. Ultimately, we cannot waiver from what we must do.

The President agreed with that principle.

Secretary Haig asked where we go on Taiwan.

Mr. Allen said that we should give the President a clear choice, but Secretary Baldrige has some comments on technology transfer to the PRC.

Secretary Baldrige said that the question is how far we should go in technology transfer.

Secretary Haig pointed out that what we are talking about is dual-based stuff--military and industrial, and placing the People's Republic of China in a different category from the USSR, and the items would be reviewed on a case-by-case basis.

Secretary Baldrige said that he is concerned about the fact that trade goes up and then tends to fall apart, as they do not have the infrastructure and the absorptive capability to handle advanced technology. He does not want to go too fast on this, but believes that if we handle it on a case-by-case basis, that would be all right.

Secretary Haig argued that there is a clear psychological value in raising the restrictions on China. They have felt this to be an insulting matter to be categorized as the Soviet Union.

Mr. Rostow said yes, China should be changed to a friendly and non-allied country, and we should encourage these exports to stabilize things in the Pacific. In our control process, we lack the clear-cut policy from the high levels, or real guidance. The lower levels do not sabotage the system; they just don't know what the top levels want. We must give them the word. Secretary Haig is right in moving concurrently on Taiwan, but we have these problems. The USSR pressures ourselves and our allies not to export to China, and China in turn pressures us and our allies not to export to Taiwan. We have to move both quietly and deliberately and ignore the noises from both sides.

Mr. Allen asked about arms sales to Taiwan.

Secretary Haig responded that we ought to be in-phase on this issue, and we should wait for Departmental advice on this. There is a separate paper in preparation on the Taiwan Relations Act, and what we should do about it. We are not moving on the advanced aircraft now and probably should not until after Peking and discussions. We look towards the end of the year. As you know, former President Ford got hit heavily in Peking. The Party Plenum is coming up, and any action we take in this respect could damage Deng, and he could fall. But we are going to sell defensive weapons to Taiwan, but it depends upon when we do it.

Mr. Allen emphasized that it is important to stress to the Chinese over and over again the Taiwan Relations Act.

Secretary Haig said that there is some pressure to move on the aircraft before we leave for Peking.

Mr. Meese argued that no decision should be made before Secretary Haig goes to Peking, that it is something for the future. That if we move on this before Peking, then you are taking over a completed decision. It is better to face this with some ambiguity on the sale.

Secretary Haig said that if we were to sell an F-16 or F-18, it would be difficult. They are now using an F-5E as an advanced aircraft. The new model of the F-5 would cause less problems, as it would be an extension of the current aircraft.

Mr. Meese said that this is probably not the time to raise arms sales in the Congress. There are a number of major arms sales there now--El Salvador, Venezuela, Pakistan--and we really don't need another one at this point.

Mr. Allen said that he doesn't really see that there is a contradiction here.

Secretary Haig said that the F-5G is probably a more cost-effective aircraft for Taiwan, but it is probably not the time to push it.

Director Casey said that we have a CIA report to the effect that you could never give enough planes to Taiwan to deal with China's air force. Probably a better way to go is to build up Taiwan's ground air defense. In this way they would be better prepared to deal with China.

Mr. Allen agreed. Taiwan should have more for air defense. This whole discussion we are having should crystallize matters for a decision next week. Now, we have China, Cambodia and Vietnam. Border incidents have intensified recently; Pol Pot's resistance is picking up, and Son Sann was here in the United States recently and had media treatment. The concern is that he will be swallowed by Pol Pot. So far we have been backing ASEAN, which is looking for a solution to the matter.

The President said that the Chinese are linked to Pol Pot, and back him as far as he knows. The US could not link up with this man. He has already murdered half of the Cambodians, and if he ever got back, he probably would murder the other half.

Secretary Haig said that the Chinese know that Pol Pot is not the answer, but there are nuances in this matter of a united front versus a third-party arrangement.

Secretary Haig recommended that we go very, very slowly on this. The Chinese have kept Pol Pot's Cambodians going, but in his view Hanoi can never win this fight, and there is no great hurry for us to take any specific action. We should support ASEAN, and he will be in ASEAN and will take this up with them. He will tell them what he discussed in China. He believes that the Chinese will go for a coalition where the Pol Pot people can win, but we have to be on guard on this matter.

Mr. Allen then said that there are two additional items on the list which we will allow to pass today and we will conclude this next week. One of the principal questions is how far do we go in our security relationship with China. We have in fact already in part discussed this question today.

Issue 3 -- Multinational Force in Sinai

Mr. Allen introduced this issue, citing the need to address the cost of the multinational force as negotiations continue. He pointed out that cost estimates already have increased from \$60 million to \$225 million. We know the costs may go up further due to inflation and other factors. We do not yet know where the money will come from to pay for this force. Even though the exact nature and composition of this force has not yet been determined, it is important that we examine, in a preliminary way, costs and their impact on the budget process.

Secretary Haig said that the costs to the US Government are not yet fully calculable because of a number of uncertainties. We do not yet know how much different parties will contribute and how much the US will pay by itself. We do know that the force we are talking about consists of three battalions (2500 men), of which one battalion and some support elements (1000 men) will be US. We also know that in FY 81 we will need \$10 million, \$3 million for the Director General's office and \$7 million for long-term procurement.

Sadat has said publicly that we cannot use existing Israeli facilities, but he will probably allow some limited use. Israel and Egypt have agreed to equal cost-sharing with the US, but it is very likely that we will have to bear most of the costs. In FY 82, we estimate that we will need approximately \$130 million in one-time start-up costs and then \$95 million in recurring annual costs. These figures assume that we will pay for everything. If DOD absorbs some of the costs and other developed states contributing units do likewise, the costs will come down. We need to acknowledge, however, that we will probably have to pay for the contribution of Third World states, and we should be tongue-in-cheek about the Israeli and Egyptian commitments as well. This means we will need a supplemental in FY 82.

We should bear in mind that the agreement we are about to reach is of historical proportions. The Carter Administration, which committed us to establishing this force, was completely unable to make progress on the negotiations. It is only President Reagan's credibility that has allowed negotiations to progress.

The President then asked about personnel costs. Aren't we just relocating troops and equipment that we would have to pay for anyway? So, aren't the personnel costs listed artificial?

Secretary Weinberger agreed, but pointed out that we were taking one US battalion effectively out of our available force structure.

The President argued that a battalion in the Sinai is a strategic advantage, because it is in the area in which we will probably have to fight.

Secretary Weinberger pointed out there are severe restrictions in what the US unit can and cannot do and therefore would probably not be available in an emergency.

The President said that, in an emergency, we would simply tell the Egyptians and Israelis that the troops are "going on leave" and move them where they are needed.

Secretary Haig agreed with this and said that, in private conversations, Sadat had encouraged the contingency role of the US unit. Sadat wanted the US unit to be available along the Red Sea littoral, the Horn of Africa, or other places.

Secretary Weinberger then suggested that OMB produce recommendations on how we should proceed.

Mr. Schneider said that, in OMB's view, the US will probably be stuck with the whole bill. Because of the policy issues involved, OMB supports the MNF, but OMB should have a role as the budget planning is developed. He asked for specific procedures:

- OMB would like details of the budget supplemental which will be proposed.
- OMB should clear on any Congressional consultations before they take place.
- DOD should be prepared to justify why DOD money is being used for peacekeeping operations, a break from tradition.
- OMB should be informed of changes in the agreement which have budget implications.

The President summarized his position by saying that we will not have a larger Army as a result of this deployment to the Sinai. We will simply pay for the same forces in a different location. Therefore, the costs may be somewhat misleading.

Issue 4 -- Arms Transfer Policy

Mr. Allen said that because of the Cabinet meeting we would not have time to discuss the arms transfer policy. We would, however, take up the issue next week which will allow one more week for interagency deliberations.

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NATIONAL SECURITY COUNCIL MEETING:

<u>DATE:</u>	<u>SUBJECT:</u>	<u>PARTICIPANTS:</u>
5/28/81	Sinai China Caribbean Basin Arms Transfer	The President The Vice President Admiral Daniel J. Murphy <u>State:</u> Secretary Alexander M. Haig, Jr. Dep Sec William P. Clark <u>OSD:</u> Secretary Caspar W. Weinberger Dep Sec Frank C. Carlucci <u>Commerce:</u> Secretary Malcolm H. Baldrige <u>CIA:</u> Mr. William J. Casey <u>OMB:</u> Mr. William Schneider <u>JCS:</u> General David C. Jones Lt General John S. Pustay <u>White House:</u> Mr. Edwin Meese III Mr. James A. Baker III Mr. Michael K. Deaver Mr. Richard V. Allen Ms. Janet Colson <u>NSC:</u> Mr. James Lilley Mr. Roger Fontaine Maj Chris Shoemaker Maj Robert Kimmitt

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CARIBBEAN

SUBJECT AGENDA FOR MAY 28 NSC MTG

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MEMORANDUM FOR THE VICE PRESIDENT
THE SECRETARY OF STATE
THE SECRETARY OF DEFENSE
THE DIRECTOR OF CENTRAL INTELLIGENCE
THE COUNSELLOR TO THE PRESIDENT
CHIEF OF STAFF AND ASSISTANT TO THE PRESIDENT
ASSISTANT TO THE PRESIDENT AND
DEPUTY CHIEF OF STAFF
CHAIRMAN, JOINT CHIEFS OF STAFF
U.S. REPRESENTATIVE TO THE UNITED NATIONS
ASSOCIATE DIRECTOR FOR NATIONAL SECURITY
AND INTERNATIONAL AFFAIRS, OFFICE OF
MANAGEMENT AND BUDGET

SUBJECT: National Security Council Meeting
Thursday, May 28, 1981, 1:30 p.m.

There will be an NSC Meeting Thursday at 1:30 p.m.

Agenda items:

1. China Policy (For preliminary discussion)
2. Multinational Force for the Sinai
3. Arms Transfer Policy
4. Caribbean Basin Policy

At Tab A is a short paper referring to Item 1 of the Agenda. These points and others which you wish to be raised will be discussed briefly at the NSC Meeting on Thursday. A draft Decision Memorandum should be prepared and submitted by the close of business Monday, June 1, in anticipation of further discussion at an NSC Meeting to be held June 4 at 1:30 p.m. In view of the travel schedule of The Secretary of State, it is important that this submission date be observed.

At Tab B is a brief note on Item 2 of the Agenda.

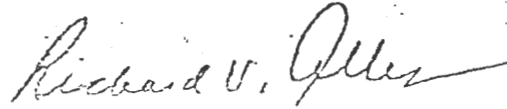
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- 2 -

A brief paper on Item 3 will be transmitted to you by May 27th. The paper for Item 4 was distributed at the NSC Meeting on Friday, May 22.

FOR THE PRESIDENT:



Richard V. Allen
Assistant to the President
For National Security Affairs

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NSC DISCUSSION PAPER

48860

BY KML NARA DATE 10/8/10

U.S. POLICY IN THE CARIBBEAN BASIN

Major U.S. political and security interests in the Caribbean Basin are threatened by the current Cuban offensive and the appearance of two Cuban clients in Nicaragua and Grenada.

The first response required of us is to give threatened countries the means to defend themselves. We have begun to do so in El Salvador. But \$20 million in additional security assistance in FY 83 will be required for other countries.

NSC authorization is requested to seek that assistance through the budget process.

The second response required is to keep Cuba on the defensive. Actions to accomplish that will be presented to the NSC next week.

The third response, for which NSC authorization is requested today, is to develop a plan to stimulate free enterprise, promote economic growth and build political support for U.S. policy in the Basin in order to reduce opportunities for Cuban export of violence and subversion. The plan would aim at:

- Helping countries build popular support needed to defeat and forestall Cuban-sponsored insurgencies;
- Engaging Mexico (now working at cross purposes with us in Central America), Venezuela, Canada, the Europeans and Japanese and multilateral banks in a broad positive enterprise, while we do what is necessary to make sure the insurgencies fail;
- Helping to build broader Congressional and public support and understanding for our policy in Central America and heading off the threat of crippling conditions on aid to El Salvador and a new Clark Amendment for Central America;
- Lessening the incentive to illegal migration to the U.S. by stimulating productive economic activity in the Caribbean Basin.

The plan would emphasize use and expansion of private sector resources in these countries and would consist of:

- Phased movement to one-way free trade (with appropriate safeguards for sensitive industries);
- Promotion of foreign and domestic private investment in the area through new regional insurance schemes and codes of investment treatment;

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NSC DISCUSSION PAPER Page 2

- Some increased official capital flows for balance of payment and key project assistance on a transitional basis.

We would not describe this as a "Marshall Plan" for the Basin. That term would put the emphasis on official assistance, while we want to put it on private enterprise and trade. It also suggests that economic growth also can overcome insurgencies, while we know that revolutions are made by revolutionaries, who must be defeated militarily and politically. Economic growth needed for the long run, often creates conditions in the short run that revolutionaries can exploit. These programs are therefore not a substitute for efforts to enhance security.

U.S. participation in a Caribbean Basin plan would be dependent on that of others. Canada should join in the trade preferences, along with Venezuela and Mexico (on a symbolic basis). Other donors and the international agencies should share the burden of official assistance (our share might be \$300-400 million beginning in FY 1983). Recipient countries in the Basin should provide the protection for free enterprise necessary for growth. We would exclude Nicaragua and Grenada and any other Cuban clients from receiving benefits from us. We would make sure that countries friendly to us, like Jamaica, would be included.

There are obstacles to success. The Mexicans will be chary about being involved with us: with them we should emphasize (a) that we are building on the Mexican-Venezuelan oil facility which serves most countries in the Basin, and (b) that this is a collective enterprise, not a big U.S. initiative. Sensitive domestic industries (especially apparel) and their unions would have to be reassured. And the recipients would have to overcome traditional jealousies as well as rescind domestic obstacles to private enterprise.

With Presidential approval, we will staff this proposal out with the domestic agencies (USTR, Commerce, AID, OMB, and Treasury), and consult with Congress and foreign countries.

Meanwhile we recommend that the President seek to engage Lopez-Portillo with this concept while he is here. One possible vehicle for launching the plan might be the tripartite meeting with Trudeau and Lopez-Portillo (Trudeau says that he would welcome a Caribbean Basin focus). Even if the Mexicans do not engage, others will, and the plan should go forward. A major conference (say in Jamaica) might be called for a year from now to make commitments.

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NSC Discussion Paper

Caribbean Basin Initiative: Implementation Plan

On May 28 the NSC decided to prepare and launch an initiative to stimulate growth in Central America and the Caribbean through additional trade preferences, regional mechanisms to protect and stimulate private investment, and additional official assistance.

The more we are able to get others to join us in launching the initiative, the greater will be the chances of success--and the greater the support in Congress. With this in mind, the appropriate scenario might be:

- June 1. A Task Force, perhaps headed by Ambassador Brock, begins to vet initiative. Objective would be to develop firm concepts for submission to Congress and foreign governments, not detailed proposals (latter might be needed only in 1982).
- June 6. Secretary Haig and Ambassador Brock inform Congressional leadership that President will raise possibility of the initiative with Lopez Portillo and with others. We will return for detailed consultations as idea develops and before launching.
- June 8-9. President raises idea with Lopez Portillo, emphasizing that U.S. ideas build on Mexican/Venezuelan oil facility for the Caribbean Basin, the collective nature of the enterprise, and U.S. willingness to adapt to the ideas of others. President would present concept as a contribution to making Cancun a success. The basic message to Lopez Portillo would be: let us emphasize what we have in common in Central America, not what divides us. President proposes a meeting in July to launch idea. But a negative or non-committal reaction from Lopez Portillo should not deter us.
- June 10-20. (A) Consultations with Congressional committees. We would emphasize that U.S. would provide trade and aid benefits only if others do, and only if recipients take measures to encourage domestic

~~CONFIDENTIAL~~

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BY KML NARA DATE 10/8/10

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-2-

and foreign private investment. Scope of eventual preferences would be left imprecise, and we would note the need for safeguards for sensitive industries. (B) Approaches to Canada, Venezuela, Brazil, Argentina and Colombia (by special envoy), Germany, Britain, France, Italy and Japan (through ambassadors). Special envoy to visit Puerto Rican Governor Carlos Barcelo Romero, who knows idea is being developed but needs visible reassurance.

RECEIVED 26 MAY 81 17

TO ALLEN

FROM SHOEMAKER

DOC DATE 26 MAY 81

SCHWEITZER

26 MAY 81

UNCLASSIFIED UPON REQUEST BY
OF ASSISTED ENCLOSURES

*mj
1/14/08*

KEYWORDS: ISRAEL

EGYPT

MILITARY POSTURE

SUBJECT: NSC DISCUSSION ON THE SINAI MULTINATIONAL FORCE

ACTION: FOR DECISION

DUE: 27 MAY 81 STATUS C FILES IFM C

FOR ACTION

FOR COMMENT

FOR INFO

ALLEN

KEMP

LENZ

COMMENTS

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LOG 8102970

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ACTION OFFICER (S) ASSIGNED ACTION REQUIRED DUE COPIES TO

C 7/22 orig not returned to nscls

DISPATCH

W/ATTCH FILE (C)

Copy

I

NATIONAL SECURITY COUNCIL

~~SECRET~~

May 26, 1981

ACTION

MEMORANDUM FOR RICHARD V. ALLEN
 THROUGH ROBERT SCHWEITZER *RS*
 FROM: CHRIS SHOEMAKER *S*
 SUBJECT: NSC Discussion on the Sinai Multinational
 Force *(S)*

At today's staff meeting you asked for a memorandum to State, Defense and the DCI on the Sinai multinational force. This is attached at Tab I. *(S)*

Because of the short notice, you may want to consider an advance phone call. *(U)*

RECOMMENDATION

That you sign the memorandum at Tab I. *(U)*

Approve _____ Disapprove _____

DECLASSIFIED
 White House Guidelines, August 26, 1997
 By *11/12* NARA, Date *11/16/07*

Attachment

Tab I Memorandum for your signature.

~~SECRET~~

Review May 26, 1987

~~SECRET~~

THE WHITE HOUSE

WASHINGTON

488641

~~SECRET~~

MEMORANDUM FOR THE HONORABLE ALEXANDER M. HAIG, JR.
The Secretary of State

THE HONORABLE CASPAR WEINBERGER
The Secretary of Defense

THE HONORABLE WILLIAM J. CASEY
The Director of Central Intelligence

SUBJECT: NSC Discussion on the Sinai Multinational
Force (S)

As negotiations on the composition and funding of the multinational force for the Sinai develop, it is important that the President be apprised of the costs associated with the force. At the meeting of the NSC on Thursday, May 28, this item will be discussed. The Department of State, in coordination with the Department of Defense, should prepare a brief paper which provides cost estimates and the cost sharing agreements which have been reached with Israel and Egypt. (S)

FOR THE PRESIDENT:

Richard V. Allen
Assistant to the President
For National Security Affairs

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Review 5/26/87

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NLRR #109 #48864

BY KML NARA DATE 10/8/10

RECEIVED 26 MAY 81 12

TO ALLEN

FROM LILLEY

DOC DATE 26 MAY 81

UNCLASSIFIED UPON REMOVAL OF
CLASSIFIED ENCLOSURES

*MPD
1/14/08*

KEYWORDS: CHINA P R

NSC

AGENDA

SUBJECT: AGENDA ITEMS FOR 28 MAY NSC MTG

ACTION: FOR DECISION

DUE:

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FOR ACTION

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FOR INFO

ALLEN

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ASSIGNED

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5/27 "OBE" per RVA notation

JL, LZ

C 5/28 Action completed under 3049

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(C)

Staff memo to
APNSA.

7/14

I don't understand why
the memos to the ~~the~~ A-PN SA from Staj
and to Pres would be treated
differently under in ISC
meeting, material than
it is in the NSDD's &
NSSD's.

1 CC Attached

#3025

81 MAY 26 AM 11:37

JANET COLSON

Jr

BUD NANCE

Jan 26/1245

DICK ALLEN

Two - 2

ONE

IRENE DERUS

Jr 27/5904

JANET COLSON

BUD NANCE

On 27/

KAY

CY TO VP

SHOW CC

CY TO MEESE

SHOW CC

CY TO BAKER

SHOW CC

CY TO DEAVER

SHOW CC

CY TO BRADY

SHOW CC

48867

MEMORANDUM

NATIONAL SECURITY COUNCIL

03025

~~CONFIDENTIAL~~
~~WIT SECRET~~
~~ATTACHMENT~~

(Handwritten mark)

ACT ON

May 26, 1981

MEMORANDUM FOR RICHARD V. ALLEN

FROM: JIM LILLEY *(Signature)*

SUBJECT: China Agenda Items for NSC Meeting, 28 May *(C)*

Attached is a paper prepared by me containing five items on China which should be distributed before the NSC meeting on 28 May for consideration by the participants. I have broken it down to five essential questions which should be addressed before Secretary Haig leaves for China on 11 June. *(C)*

I propose that these five items be distributed prior to the meeting and discussed at the meeting. State would then draft five decision memoranda which would be submitted to the President for decision prior to the next meeting on Thursday, 4 June. State is, of course, preparing papers on many of these subjects, but I believe that these questions will crystalize their thinking on what we consider to be important. (U)

I believe that you should require concise decision memoranda by State with the participation of all NSC members. (U)

RECOMMENDATION: That the attached paper be distributed to NSC principals immediately on 26 May so that there will be 48 hours to address these questions prior to the meeting. *(C)*

_____ Approve _____ Disapprove

Attachment
as

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~~WIT SECRET~~
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Received on 5/26/87

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NLRR M109 #48867
BY KML NARA DATE 10/8/10

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NLRR M109 # 48869

BY KML NARA DATE 10/8/10

1. Technology Transfer Levels for China

Background: China is now in Category "P" which places it theoretically slightly above the USSR but well below India. This system has not worked well and new policy is necessary. These factors should be considered in drafting the decision memorandum:

- China's reliability and importance as a strategic asset;
- Enhancement of American business competitiveness in the China market;
- Decreasing government intervention in the licensing process;
- International repercussions of altering US licensing procedures. (S)

Problem: Present several options for NSC decision. These options would start from maintenance of current status to upgrading China to friendly non-allied status which would permit expanded sales of dual-use technology and equipment to China. (S)

2. Arm Sales to Taiwan

Background: Since this Administration has taken office, no arms sales have been made to Taiwan. Peking has registered strong objections to any future sales. We are, however, committed to resume sales - by our campaign statements and by our sense of obligation. Taiwan wants advanced weaponry, including an anti-ship missile and a new aircraft. These are largely for psychological reasons. Its military needs, according to CIA, do not require an advanced aircraft. (S)

Problem:

- What level of sales should be made to Taiwan?
- When should such sales commence and how should they be integrated into our policy toward the PRC?
- What should we and should we not say in Peking to the PRC on this question? (S)

3. China/Cambodia/Vietnam

Background: Chinese Vietnamese border incidents have intensified recently but intelligence reports no hard evidence of a buildup for a major confrontation. Cambodia resistance is picking up. Pol Pot's Communists have had some limited success militarily and a non-communist group under Son Sann has developed some political momentum. Vietnam as usual is in bad shape economically and ASEAN (Thai, Singapore, Malaysia, Indonesia, Philippines), our good friends in Asia, are turning heat on Vietnam by calling for a UN-sponsored meeting on Cambodia and

~~SECRET~~

by supporting Cambodian resistance through Thailand. (S)

Problem: China could pressure the US to take a more active role in supporting Cambodian resistance as part of our worldwide policy of confronting the Soviet Union and its surrogates' aggression.

-- How far should the US go in supporting Cambodian resistance and what should we or should we not say to China on this?

-- What position should the US take if Vietnam-China hostilities expand either into intensified protracted warfare or larger scale incursions and invasions in the border area?

-- What will US position be if Vietnam strikes a knockout blow at Cambodian resistance centers in Thailand?

-- Can a division of labor be achieved with China continuing its military support for Pol Pot while the US and ASEAN build up Son Sann politically? (S)

4. China/Taiwan

Background: China and Taiwan are continuing with a troubling political confrontation but with gradually increasing commercial and personal ties. Although the situation in the Taiwan Straits remains calm, each side has overcommitted military forces against the other, and Taiwan, and Peking to a much lesser extent, are projecting military needs in terms of the threat from the other. The larger threat is the Soviet Union and more concentration is necessary from them on that. China and Taiwan have complementary economies in some respects as well as common needs for more energy resources. Peking for its own reasons has sought US help on "reunification." Taiwan remains opposed to this. (S)

Problem:

-- What should be the US role in this complicated situation?

-- Are there positive moves the US can make in constructing a framework for future cooperation?

-- What should the US say with respect to reunification, keeping in mind our principles:

- No use of force by either side;
- No coercion on Taiwan to participate;
- Protection of US basic interests in this area. (S)

5. Security Relationship with Peking

The reopening of US-Chinese relations in 1971 was in large part due to parallel interest in checking Soviet power. This has remained a

key ingredient in the relationship today. China has tied down 25 percent of Soviet ground forces - its military is however backward and China has recently subordinated defense to civilian needs in budgeting. In part for symbolic reasons China would like to increase military cooperation with the US. (S)

Problem:

-- How far should the US go during Secretary Haig's trip to sustain momentum of military relationship first started by Kissinger in intelligence briefings, and expanded under Ford and Carter?

-- Should the US consider weapons and weapons technology sales to China?

-- How would this increase China's capability against the USSR?

-- To what extent would such sales provide US additional leverage in China?

-- What would be the reaction of our allies and friends, especially Japan, ASEAN and Taiwan?

-- Can moves short of military sales be made which would still enhance our security relationship? (S)

RECEIVED 27 MAY 81 17

TO ALLEN

FROM LENZ

DOCDATE 27 MAY 81

KEYWORDS: NSC

BALDRIDGE, M

SUBJECT: PARTICIPATION OF COMMERCE SECRETARY BALDRIDGE IN MAY 28 NSC MTG

ACTION: FOR DECISION

DUE: 28 MAY 81 STATUS C FILES IF

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	C 5/27	BVA approved reexam		
		handled by phone by Colson		

*C 5/27 BVA approved reexam
 handled by phone by Colson* ✓

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Staff memo to
AFNSA

MEMORANDUM

NATIONAL SECURITY COUNCIL

ACTION

May 27, 1981

MEMORANDUM FOR: RICHARD V. ALLEN

FROM: ALLEN J. LENZ *AL*

SUBJECT: Participation of Commerce Secretary Baldrige
in Thursday May 28 NSC Meeting

The Commerce Department has learned (not from me) that the export control policy vis-a-via China is on tomorrow's NSC Meeting agenda.

Given that much of the material to be covered on that item is in Commerce's area of responsibility and with knowledge of the minor State-Commerce turf battle that has developed on the issue, and in consideration of the need for Commerce support in effectively implementing the policies adopted, there are manifold potential benefits in including Commerce in the NSC Meeting on this issue.

Jim Lilley and State (John Holdridge) concur in inviting Commerce in for this issue.

RECOMMENDATION

That Secretary Baldrige be invited to participate in the NSC Meeting on the issue of our export control policy toward China.

Approve ✓ Disapprove

RVA did by phone - for that issue only.

81 MAY 27 P 3:40

JANET COLSON

BUD NANCE

DICK ALLEN

IRENE DERUS

JANET COLSON

BUD NANCE

KAY

CY TO VP

CY TO MEESE

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TO ALLEN

FROM SHOEMAKER

DOC DATE 27 MAY 81

SCHWEITZER

27 MAY 81

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CLASSIFIED ENCLOSURES~~

*M77
11/4/28*

KEYWORDS: ISRAEL

EGYPT

NSC

SINAI

SUBJECT: BACKGROUND FOR 28 MAY NSC MTG RE SINAI MULTINATIONAL MILITARY FORCE

ACTION: FWD TO PRES FOR INFO

DUE: 28 MAY 81 STATUS C

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C 5/29 Noted by TRWA

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memos from staff to
APNSA + from APNSA
to Pres.

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MEMORANDUM

3007 *af*

48870

NATIONAL SECURITY COUNCIL

May 27, 1981

~~SECRET~~/SENSITIVE

INFORMATION

MEMORANDUM FOR RICHARD V. ALLEN

THROUGH: ROBERT SCHWEITZER

KCS

STILL w/o Joint STATO-DEF Paper but Defense is ready - STATO'S LATEST - 137225 M. For costs

FROM: CHRIS SHOEMAKER *CS*

SUBJECT: NSC Meeting: Sinai Multinational Force (S)

At the NSC meeting on Thursday, the issue of the multinational force for the Sinai will be discussed. At Tab I is our input on this issue for your memo to the President. (S)

BACKGROUND. President Carter committed the US to ensuring the establishment of a multinational force (MNF) to police the Sinai after Israel's final withdrawal in 1982. This commitment was then promptly forgotten until the new Administration came into office. (S) *(STATO'S NEW ACRONYM IS MFO - Multinational Force and Observers)*

At the March 19 NSC meeting, State presented a paper outlining the approach to the MNF problem. It called for a multinational force of three battalions, one of which would be US, and the other two provided by third countries. The costs were estimated to be \$60 million per year, divided equally among the US, Egypt, and Israel. (S)

Since that time, two factors have become clear:

-- It is likely that the annual costs will be much higher than \$60 million; they will be perhaps as much as \$200 million.

-- Neither Israel nor Egypt expects to pay very much to support the MNF. (S)

Taken together, this means that the US could end up paying \$200 million per year for the force, a ten-fold increase over the \$20 million laid out in the March State paper. (S)

OBJECTIVES. In the NSC discussion of this issue, several objectives should be sought.

-- The President should be apprised of the budgetary impact of this program;

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Review 5/27/1987

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NLRR M109 # 48870
BY KML NARA DATE 10/8/10

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-- He should provide guidance to State on how much we should be willing to spend;

-- a basic decision should be made on whether this money will be taken out of current programs or treated as a special "add-on" as was the original Egypt-Israel peace package. (S)

Attachment

TAB I NSC Input for NSC Meeting

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3007

THE WHITE HOUSE

WASHINGTON

48871

~~SECRET~~/SENSITIVE

NATIONAL SECURITY COUNCIL MEETING

Thursday, May 28, 1981
9:00 a.m. (30 Minutes)
The Cabinet Room

FROM: Richard V. Allen

I. PURPOSE

Discuss Administration's policies toward China, the Caribbean Basin, and arms sales. In addition, the funding implications of the Sinai multinational force will be discussed. (S)

II. BACKGROUND

D. Multinational Force for the Sinai

At the March 19 meeting of the NSC, you approved the concept of using US forces for the Sinai peacekeeping force and a general plan for seeking the participation of other states. Since then, considerable progress has been made in working out details with Israel and Egypt. However, the funding of the force is still a major issue. The force could cost more than \$200 million per year, and the US may be forced to pay for virtually all of it. The NSC needs to understand the budgetary implications of the agreement now being finalized. (S)

III. ISSUES FOR DISCUSSION

- Ask Secretary Haig for his assessment of whether or not there will be an even distribution of costs among Israel, Egypt, and the US.
- Ask Secretary Weinberger how he prepares to fund various construction projects as well as the US contingent.

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Review 5/28/1987

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NLRR M109 # 48871

BY KML NARA DATE 10/8/10

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- Ask David Stockman what the impact of this unplanned expenditure will be in the budget for FY 82.
- Ask State and OMB how they propose to fund the program.
- Point out that it is very likely that whatever the cost estimates are now, they will probably go higher due to inflation and unforeseen costs. (S)

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4887C

NATIONAL SECURITY COUNCIL MEETING

DECLASSIFIED

Friday, May 22, 1981
9:00 a.m. (60 Minutes)
The Cabinet Room

NLRR M109 #48872

BY KML NARA DATE 10/8/10

FROM: Richard V. Allen

I. PURPOSE

To discuss U.S. policy toward Central America and the Caribbean.

II. BACKGROUND

U.S. Policy In Central America And The Caribbean

Secretary Haig will present the broad outlines of a provisional plan for meeting the Cuban threat in Central America and the Caribbean. To meet that threat requires strong efforts to deal internally with the challenge, i.e., measures to control or prevent armed insurgency and to promote improved political, economic and social conditions. These steps will be complemented by measures to alter Cuban and Soviet policy in the region. Finally, the plan includes initiatives to generate support for our policies in the U.S., our Allies, and in world opinion generally.

Decisions to be taken by the NSC

NSC approval is sought for the interdepartmental paper on U.S. policy toward Central America and the Caribbean. Specifically, the NSC is requested

- (1) to approve the general strategy presented in the interagency paper of March 23;
- (2) to approve in principle enhanced resource and policy commitment to the region, with specific programs and resource levels to be determined within the interagency process at a later date;
- (3) to authorize the Department of State to begin consultations with Congress, our Allies and key countries in Latin America and the Caribbean concerning our proposed policies; and
- (4) to authorize the interagency group, subsequent to the above consultations, to develop specific courses of action, risk assessments and funding requirements within the general guidelines of the approved package and return to the SIG or NSC for further consideration before actions are undertaken.

#3007

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JANET COLSON	_____		
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DICK ALLEN	_____		
IRENE DERUS	_____		
JANET COLSON	_____		
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CY TO MEESE	_____	SHOW CC	_____
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CY TO DEAVER	_____	SHOW CC	_____
CY TO BRADY	_____	SHOW CC	_____