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WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
 - H - INTERNAL
 - I - INCOMING
- Date Correspondence Received (YY/MM/DD) 8/10/82

Name of Correspondent: Michael A. Daniels

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Encloses a monograph, "America's Strategic Challenge in Southeast Asia."

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Completion Date YY/MM/DD
<u>MS all</u>	ORIGINATOR	<u>8/06/82</u>	<u>CS</u>	<u>C 8/07/82</u>
<u>CO 80R6</u>	Referral Note: <u>A</u>	<u>8/07/82</u>		<u>C 8/07/82</u>
<u>CO HILL</u>	Referral Note: <u>A</u>	<u>8/07/82</u>	<u>AH</u>	<u>A 8/07/82</u>
	Referral Note: _____	<u>1 1</u>		<u>1 1</u>
	Referral Note: _____	<u>1 1</u>		<u>1 1</u>

ACTION CODES:

- A - Appropriate Action
- C - Comments
- D - Draft Response
- F - Fact Sheet
- I - Info Copy/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:

- A - Answered
- B - Non-Special Referral
- C - Completed
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Code	Date	Comment	Form
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- n - 0 - Unknown
- n - 1 - Ronald Wilson Reagan
- n - 2 - Ronald Reagan
- n - 3 - Ron
- n - 4 - Dutch
- n - 5 - Ron Reagan
- n - 6 - Ronald
- n - 7 - Ronnie

CLn - First Lady's Correspondence

- n - 1 - Nancy Reagan
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- n - 1 - Ronald Reagan - Nancy Reagan
- n - 2 - Ron - Nancy

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- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

002202

July 24, 1981

Dear Mr. Daniels:

On behalf of President Reagan, I would like to thank you for your letter in which you enclosed your monograph, "America's Strategic Challenge in Southeast Asia."

We hope you will understand that since so many educational and other worthy efforts are brought to the attention of the President, it is not possible for him to provide a contribution to the Foundation. This is not a reflection of the President's support of one project over another, but a policy that has been required by the volume of incoming requests of this nature.

Thank you again for writing. The President sends his best wishes.

Sincerely,

Anne Higgins
Director of Correspondence

Mr. Michael A. Daniels
President
International Public Policy
Foundation, Inc.
Suite 212
6845 Elm Street
McLean, VA 22101

AVH:LMS:ds II A-48

OK

COHILL
Bob
Annex
OK
Bob

Dear Mr. Daniels:

On behalf of President Reagan, I would like to thank you for your letter in which you enclosed your ~~copy~~ monograph, "America's Strategic Challenge in Southeast Asia."

~~The President is encouraged by the efforts of organizations, like yours, that ~~copy~~ educate the public in vital issues.~~

| *other* We hope you will understand that since so many educational and worthy efforts are brought to the attention of the President, it is not possible for him to provide a contribution to the Foundation. This is not a reflection of the President's support of one project over another, but a policy that has been required by the volume of incoming requests of this nature. |

Thank you again for writing. The President sends his best wishes.

Sincerely,
AVH

AVH:LMS:

Mr. Michael A. Daniels
President
International Public Policy Foundation, Inc.
6845 Elm Street
Suite 212
McLean, Virginia 22101

NATIONAL SECURITY COUNCIL

This should be handled by Presidential
correspondence as routine, it is not VIP
It is also address ^{ed} to the President not
Richard Allen. Thanks L.

25% COTTON CONTENT

International Public Policy Foundation, Inc.

Michael A. Daniels
PRESIDENT

37
R. Allen

June 18, 1981

The President
The White House
Washington, D.C. 20500

029525

Dear Mr. President:

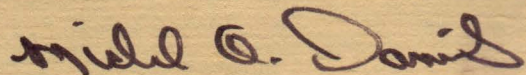
The International Public Policy Foundation, Inc. (IPPF) is enclosing a monograph, "America's Strategic Challenge in Southeast Asia," which is the first of a series of monographs the IPPF will be publishing for circulation to officials in government, private industry, educational foundations and institutions, and the news media.

The role of the IPPF is one of research, analysis and the preparation of topical materials in international affairs. Annual reports on foreign policies, defense, intelligence, and trade and monetary issues will be published. The IPPF views its primary purpose as educating young leaders of this country and the general public in these critical issues.

The Foundation is dependent upon public and private financial support to enable it to continue in its important educational role. Your contribution to the Foundation is tax deductible under Section 501(c)(3) of the Internal Revenue Code as IPPF is recognized as a publicly supported organization.

We welcome your comments, support, and assistance.

Sincerely yours,



Michael A. Daniels
President

MAD/vm

Enclosure

AMERICA'S STRATEGIC CHALLENGE IN SOUTHEAST ASIA

**By
Daniel C. Arnold
and
Michael A. Daniels**

INTERNATIONAL PUBLIC POLICY FOUNDATION, INC.

INTERNATIONAL PUBLIC POLICY FOUNDATION, INC.

The International Public Policy Foundation, Inc. (IPPF), headquartered in the Washington, D.C. area, is a tax exempt 501(c) (3), publicly supported organization. IPPF's purposes are the following:

- To educate the public in critical issues of national security, defense and international affairs.
- To bring together young leaders in the government, private industry and the communications industry in order to create a "meaningful" and "thoughtful" dialogue relating to national security, defense and international affairs issues.
- To produce informational materials which lend themselves to public policy guidance and adoption.
- To work with private voluntary organizations and other organizations in assisting such groups to build their own international affairs educational programs for their membership.

Views expressed in the Foundation's publications are those of the authors.

AMERICA'S STRATEGIC CHALLENGE IN SOUTHEAST ASIA

**By
Daniel C. Arnold
and
Michael A. Daniels**

INTERNATIONAL PUBLIC POLICY FOUNDATION, INC.

6845 Elm Street, Suite 212
McLean, Virginia 22101

U.S.S.R. and Asia



EXECUTIVE SUMMARY

The nations of non-communist Southeast Asia are facing serious security threats. The threat comes from two sources: internal subversion and aggression from Vietnam. Aggression from Vietnam is the most immediate threat and this threat is directed most clearly at Thailand.

The potential for widespread conflict is significantly greater today than it has been for a number of years and so too are the likely economic, political and military implications for the West. This situation poses a difficult challenge for the Reagan Administration.

We believe that the Reagan Administration should consider the following measures:

1. Strengthen Thailand through significantly increased military and economic assistance.
2. Increase economic and military assistance as necessary to the other ASEAN nations to further their stability while they continue economic and social development.
3. Rapidly build up the U.S. Navy and increase its presence in the region.
4. Strengthen regional bases and acquire additional facilities as needed. Negotiations with Australia should continue for such contingencies.
5. Persuade Japan to increase its defense budget so as to contribute to regional security and hence protect its vital interests.
6. Consult and collaborate with the PRC on matters of regional security.

7. Act to ensure that international organizations and U.S. relief agencies discontinue economic assistance to Vietnam while that country continues to occupy Kampuchea and Laos.
8. Actively support the ASEAN Foreign Ministers' call to the United Nations Secretary General to convene an International Conference on Kampuchea on the basis of United Nations General Assembly Resolution 35/6.
9. While efforts to achieve unity in the leadership of Khmer nationalist elements are matters for the Khmer people, the United States should actively support the current efforts to develop a coalition of non-communist Khmer leaders and the Khmer Rouge with the goal that this United Front could be established before the next United Nations General Assembly, and that this in turn would lead to an acceptable alternative to the Vietnamese controlled puppet regime. An acceptable alternative i.e., coalition government could recognize Vietnam's legitimate security concerns in the hope of expediting Hanoi's withdrawal.
10. Explore the feasibility of U.S. participation in a Southeast Asia-Pacific defense arrangement.

AMERICA'S STRATEGIC CHALLENGE IN SOUTHEAST ASIA

As they enter the decade of the eighties, the nations of non-communist Southeast Asia find themselves facing an increasingly grave security threat. This threat comes from two sources: internal subversion and aggression from Vietnam. Internal subversion is a problem which has beset the governments of non-communist Southeast Asia since the early fifties. Leaving aside Burma, which must be considered in a separate category from ASEAN, active communist insurgencies are underway today in Thailand, Malaysia and the Philippines. None pose a serious threat at the moment to the existing governments, yet all are destabilizing elements within their respective societies and have long-term potential for growth. These domestic insurgencies constitute a serious drain on national resources and could be utilized as vehicles for intervention by the neighboring communist states or other outside powers.

More threatening in the immediate future is the possibility of external aggression. This is a threat which is directed most clearly at Thailand but also carries serious implications for the other nations of peninsular Southeast Asia. The source of concern is Vietnam, which has an army of 200,000 men in Kampuchea and more than 40,000 men in Laos, with large well-equipped units operating along the Thai border. It is this more immediate threat that will be examined by this paper.

While political and military struggle is no stranger to Southeast Asia, today's confrontation is complicated by the Sino-Soviet dispute, the use of proxy forces, the growing numbers of refugees, whose support is a political as well as a humanitarian problem, the intense conflict between the Asian communist nations and a direct face-off between a reasonably coherent yet comparatively weak ASEAN bloc and an aggressive Soviet-Vietnamese alliance. The potential for widespread conflict is thus significantly greater today than it has been

for many years, and so too are the likely economic, political and military implications of such conflict for the West. As such, it is this array of security concerns that may well pose some of the most difficult challenges for the new Reagan Administration.

Before proceeding, however, it would be useful to examine the origins of this latest round of bloody confrontation in Southeast Asia. For centuries, the Vietnamese have coveted control over the whole of Indochina, and an Indochinese Federation under Vietnamese Communist leadership has been a major objective of Hanoi for fifty years. The genesis of the current leadership's aspirations goes back to the Vietnamese-led struggle against the French for independence in Indochina.

This objective was made clear in an early party document which stated that there was no place for a Lao or Kampuchean revolution on its own. The communists were able to exploit nationalist sentiments to gain popular support in the battle for independence against the French. This led to their victory at Dien Bien Phu and the Geneva Convention of 1954. The Geneva Convention provided for the independent and non-communist nations of South Vietnam, Laos and Cambodia and set the stage for the next phase of Vietnamese strategy: the overthrow of the non-communist governments and their replacement by communist regimes. This objective was achieved by the end of 1975.

On April 16, 1975, Vietnamese-supported communist forces occupied Kampuchea's capital, Phnom Penh, thus bringing an end to the U.S.-backed government of Lon Nol and establishing the Khmer Rouge government of Democratic Kampuchea (DK). In clear violation of the Paris Accords, Saigon was attacked and seized by North Vietnamese and Viet Cong forces two weeks later, on April 30th. The unification of North and South Vietnam was completed in August 1976 with the establishment of the Socialist Republic of Vietnam (SRV). *De facto* control over Laos was complete in December 1975, with the dissolution of the internationally recognized coalition government and the proclamation of the Lao People's Democratic Republic (LPDR). Hanoi's control over Laos was formalized with the signing of a 25-year Treaty of Friendship, Cooperation and Mutual Assistance on July 18, 1977.

Thus, shortly after the U.S. withdrawal from Southeast Asia in 1975, it appeared that Vietnam's long-sought objective of effective control over Indochina was well on its way to becoming a reality. However, Vietnam failed in its attempts to subvert the Khmer leadership and thereby extend the same control over Kampuchea that it had over Laos. The reasons for this are clear. The major factor was the unyielding nature of the Khmer Rouge leadership, with its

extremely radical and nationalistic policies. Another factor was Vietnam's falling out with the People's Republic of China (PRC), followed by strong Kampuchean backing of Peking's foreign policy and increased Chinese aid to Phomn Penh.

Disputes between Kampuchea and Vietnam soon erupted, mainly over the issues of alleged unclear frontier delineation and the large number of Kampuchean refugees that were fleeing the Pol Pot regime. Tensions increased between the two former communist allies to the point where serious clashes erupted in early 1977. Sporadic fighting continued throughout the year and into 1978, with Kampuchea drawing support from the PRC and Vietnam becoming more closely associated with the Soviet Union, while at the same time becoming increasingly distant from China.

In July 1978, Vietnam became a member of COMECON, and in November of the same year signed a 25-year Soviet-Vietnam Treaty of Friendship. Armed with the support of the Soviet Union, Vietnam invaded Kampuchea under the guise of coming to the aid of the Kampuchean National United Front for National Salvation (KNUFNS), which was a Vietnamese-organized and controlled creation, in order to overthrow the legal albeit oppressive Khmer Government. A People's Republic of Kampuchea (PRK) was proclaimed, followed by the now all too familiar signing of a Treaty of Friendship, thus attempting to legitimize the continued Vietnamese military occupation of Kampuchea.

Two months later, after repeated border skirmishes between the PRC and Vietnam, China invaded Vietnam. Casualties for both sides were heavy and caused severe damage to Vietnam's economy. Nonetheless, despite the combination of this damage and the continuing resistance of Khmer Rouge forces, there is no indication that Vietnam is willing to consider withdrawal from Kampuchea or Laos. In fact, there is a serious question whether Vietnam will stop its conquests here or be tempted to extend its influence elsewhere in the region, either through armed invasion or support for local insurgencies.

Thailand is now the front line state facing the Soviet-Vietnamese military alliance in Southeast Asia and would be the next target of direct or indirect aggression. Of the five member states of ASEAN (Thailand, Malaysia, Singapore, Indonesia, and the Philippines), Thailand is the closest to Vietnam, and only Thailand shares a common border with Vietnamese-occupied and controlled Kampuchea and Laos. For the moment Thailand's relations with Laos are not hostile despite the more than 40,000 Vietnamese troops in that country. Nonetheless, there are currently 150,000 Laotian refugees on Thai territory. Increasing the potential for external aggression is the claim that Laos has long laid to northeast Thailand, and the cultural and racial affinity between the Lao and the inhabitants of that region.

The most immediate threat, however, comes from Kampuchea, where more than seventeen Vietnamese divisions are attempting to consolidate military and political control over that country. It is important to note that through most of the last several hundred years, Kampuchea has served as a buffer between the two dominant powers of the region - Vietnam and Thailand. The Thais therefore view with alarm the sudden appearance of a large and well-equipped Vietnamese army adjacent to Thailand along a long and often ill-defined border. Although Thailand has attempted to remain neutral in the volatile Kampuchean conflict, for strategic reasons it is opposed to the unification of Indochina under Vietnamese authority and has therefore continued with ASEAN and the United Nations to recognize the Democratic Kampuchean government as the lawful government of Kampuchea.

This situation is greatly complicated by the unstable conditions prevailing along the Thai-Kampuchean border. Beginning in the summer of 1979, large numbers of Kampuchean refugees began entering Thailand, fleeing from the famine and warfare that had overwhelmed their country. For six months Thailand was virtually alone in coping with this influx. The eventual cooperation of a number of friendly governments and of the United Nations High Commissioner for Refugees (UNHCR), the International Committee of the Red Cross (ICRC), the United Nations Childrens Fund (UNICEF), the World Food Program (WFP), and a variety of private voluntary organizations led to a multilateralization of the support effort and now the basic human needs of Kampuchean refugees are being effectively met. With the humanitarian problem under control, however, an equally grave political problem remains.

As many as 200,000 Khmer are living in Thailand, primarily in camps administered by the UNHCR. These camps, the largest of which (Khao I Dang) hold 115,000, are located on or adjacent to the border. The border zone itself is under the authority of the Thai military, which maintains general security. Straddling the border, in an arid no-man's land, are a series of large squatter camps under the authority of the Khmer Serei, a loosely organized group of non-communist elements. While food and medical assistance is delivered to these camps, neither the Thai army nor the United Nations has any established presence there. Their 600,000 residents live under the authority and whim of the different camp leaders, who are notoriously corrupt and are given to fighting among themselves as much as against the communists. On a number of occasions, fighting has broken out between the Khmer Serei and the Thai army.

Also in the border area are separate camps occupied or dominated by the Khmer Rouge. At least 55,000 Khmer Rouge soldiers are

known to be operating inside Kampuchea, many in areas contiguous to the Thai border. A number of violent clashes have occurred between Khmer Rouge and Khmer Serei units, with considerable destruction and loss of life. More dangerous, however, is the large-scale fighting now taking place between Khmer Rouge and Vietnamese units. This fighting could at any time spill across the border into Thailand.

The most dangerous threat to Thai security thus comes from the large Vietnamese army poised just across the frontier. It is debatable whether the Vietnamese are prepared at this time to undertake a full-scale invasion of Thailand. More likely are limited incursions such as punitive raids or a series of hot pursuit operations. This would bring Vietnamese forces into direct contact with the Thai army, which would be forced to protect and defend Thailand's territorial integrity. Depending on the length and nature of such incursions, these engagements could possibly lead to U.S. involvement under the Manila Pact commitments.

This is a threat which is likely to increase rather than recede. Far from being invincible, the Vietnamese army is in tenuous control of Kampuchea. The Khmer Rouge clearly retain the military balance of power in Kampuchea. Nighttime travel in the rural areas is dangerous and in many areas of the country Vietnamese troops are restricted to garrison duty. The Vietnamese, armed with Soviet and captured American equipment, are finding much as the United States did in Vietnam, that technological superiority is not necessarily a viable answer to protracted guerrilla warfare. The Khmer Rouge, on the other hand, are believed to have stockpiles of Chinese-supplied food and equipment sufficient to last for many years. There is no reason to believe that they will give up their struggle.

A quick Vietnamese "mopping up" of Khmer Rouge opposition is therefore not feasible. Barring a political settlement, which for the moment is equally unlikely, warfare in Kampuchea will continue for the foreseeable future. This means that large numbers of Kampuchean refugees will be forced to remain in or near Thailand and that Khmer Rouge forces will continue to retreat to Thai territory for refuge and recuperation. As Vietnamese frustration inevitably mounts, the danger of punitive military action against Thailand will correspondingly increase. The Thai-Kampuchean border remains a volatile and extremely explosive area.

As previously mentioned, internal subversion has long been a threat to the non-communist nations of Southeast Asia. By far the most serious insurgent problem in the region exists in Thailand, where some 12,000 armed guerrillas are active. The activities of the Communist Party of Thailand (CPT) have since early 1979 been hampered by a loss of outside logistical and material support caused by

the intra-communist fighting in neighboring Kampuchea. The CPT has been disrupted and its operations scaled back. A resumption of outside support in the future is not unlikely, however, considering the close proximity of two Vietnamese controlled communist regimes and the basic infrastructure of the CPT within Thailand, which remains intact. Rural and possibly urban insurgency thus remains a serious threat to Thailand's stability in the long-term.

The whole of Southeast Asia is threatened today not only by Vietnamese imperialism but also by the broader wave of Soviet expansionism. While Hanoi, undoubtedly buoyed by the defeat of the U.S., is acting out of a sense of manifest destiny in its drive to dominate Southeast Asia, the Soviet Union is utilizing Vietnam as a dependent client and surrogate in order to pursue its global strategic objectives within the region.

To this extent, the Soviet Union is providing Hanoi with as much as \$6 million per day in military and economic assistance. Vietnam's own economy is so weak that the maintenance of its armies of occupation in Kampuchea and Laos would be impossible were it not for such Soviet support. It is this tremendous amount of material support provided by the Soviet Union, as well as its moral backing of Hanoi, that in great part is determining the current balance of power in the region. The humanitarian assistance provided by the West for Kampuchean relief has also aided the Vietnamese. From late 1979 through 1980, Western donor nations contributed over \$450 million to this program, of which the U.S.'s direct contribution amounted to almost \$130 million. Private Western donations from voluntary organizations amounted to more than \$100 million more. Those organizations that derive their support from the U.S. are indirectly being subsidized by the U.S. taxpayers because of their tax free status. While a portion of this assistance went to support refugees in Thailand, much of it has been used to help rebuild a shattered Kampuchea. Vietnam and Laos receive Western aid as well, much of which comes from U.S. funds, including those channeled through the United Nations. While the vast outpouring of Western generosity has gone a long way towards saving much of Kampuchea from starvation, it has allowed Vietnam to continue to occupy that nation with little responsibility for the welfare of the Kampuchean people. Furthermore, humanitarian aid has repeatedly been diverted by the Vietnamese to feed the Vietnamese Army. It is paradoxical that to the extent the U.S. and other nations provide humanitarian support to the Vietnamese and to the Khmer puppet Heng Samrin, that aid supports and thereby permits the Vietnamese to pursue their own order of priorities which unfortunately emphasize external military adventurism rather than improving the welfare of their people.

In order for Vietnam to consolidate its power, and for the Soviet Union to further project its power throughout the region and beyond, control over Thailand is mandatory and the likely next order of business. Geographic considerations alone do not reveal Thailand's full value to the Soviet Union and Vietnam. Thailand, one of the world's leading agricultural exporting nations, possesses a treasure of natural resources, many of which remain untapped, including potash, tin, tantalum (a strategic alloy used in the manufacture of aircraft), zinc, oil shale and offshore natural gas and oil.

Most, if not all of Asia's leaders, believe that if Thailand falls, it would be only a matter of time before Malaysia and Singapore met a similar fate, either through direct Vietnamese aggression or by increased support from Hanoi for internal communist subversion. Even if the non-communist governments were able to remain in power, they would be susceptible to "Finlandization." Communist control over peninsular Southeast Asia, be it *de jure* or *de facto* would have serious destabilizing effects upon Indonesia and the Philippines, both of which have a long history of communist insurgencies. Control over peninsular Southeast Asia would also permit the Soviet Union to command the strategic Strait of Malacca and be in a better position to interdict the vital neighboring Sunda, Lombok, and Makassar straits as well as other sea lanes vital to Australia and New Zealand. Finally, Soviet-Vietnamese domination over Southeast Asia would contribute to the Soviet objectives of containing the PRC and replacing the U.S. as the predominant influence in the region.

In pursuit of its broader strategic objectives, the Soviet Union has wasted little time in moving into the region militarily. The Soviet naval presence in Southeast Asia began in early 1979. Soviet ships did not play a direct role in the conflict between the PRC and Vietnam, apart from shuttling supplies and personnel along the coast of Vietnam to Haiphong. Their primary mission at the time was intelligence collection and monitoring. In addition, the ships probably were intended to deter any possible Chinese naval action against Vietnam and to provide a visible sign of Soviet commitment. Despite the subsequent Chinese withdrawal from Vietnamese territory in early March 1979, the Soviet naval presence in Vietnam and the South China Sea has assumed an increasing air of permanence.

Since early 1979, there have been an average of 16-18 surface units of the Soviet navy on station in Vietnamese waters and the South China Sea, with the force built around 4-5 major surface combatants and having up to three Intelligence Collectors. Submarines probably number around 5-6 units at any one time and include both conventional and nuclear powered vessels. The number of ships, especially combatants, can increase sharply for short periods of time

due to units passing through the area on their journey to and from the India Ocean. In late October 1980, a 4,500 ton floating drydock was reported to have been brought to Cam Rahn Bay. This, together with repair ships already assigned to the area, can give a maintenance capability similar to that existing in support of the Soviet Indian Ocean Squadron, thus indicating a possible Soviet intention to accord the same degree of permanence to the South China Sea Squadron.

Apart from ships, Soviet naval TU-95 (Bear D) maritime reconnaissance aircraft have been deployed for regular operations out of Cam Rahn Bay. At present it is likely that the principal mission of Soviet naval forces in Southeast Asia is to act as an instrument of state policy in peacetime, as well as a deterrent against the PRC and to give credibility to the Soviet-Vietnamese Treaty of Friendship.

The potential of the Soviet military presence in the region was brought home with great clarity in October 1980, when a Soviet naval task force suddenly left Cam Rahn Bay and entered the Gulf of Thailand. It made a two-day sweep in the centre of the Gulf, moving relatively close to Thai territorial waters as well as offshore oil/gas platforms. This force comprised the Guided Missile Aircraft Carrier MINSK, the Kara-class Guided Missile Cruiser PETROPAVLOVSK, the Krivak-class Frigate LETUCHKY and the Intelligence collector DEFLEKTOR. As a by-product of this political show of force, the Russians were able to utilize detection equipment on the DEFLEKTOR to gather comprehensive data on Thai radar and warning systems covering the Gulf area. This information has doubtless been made available to the Vietnamese. In the meantime, the Soviet Union is making a serious effort to develop the Vietnamese Navy into an effective proxy force. Since November 1978, the U.S.S.R. has already delivered at least 22 naval craft to the SRV, including one W-class submarine, two Petya-class frigates, two Osa-class missile boats and 12 other fast attack/patrol craft. The combination of increased Soviet naval capability in the region and Soviet upgrading of Vietnam's naval capability is ominous.

The implications for the United States are clear. These are:

1. Control over an agricultural and resource-rich region. Thailand is a significant agricultural producing nation and contains many valuable natural resources. So too, do the other member nations of ASEAN. For example, Indonesia produces roughly 1.6 MMb/d of oil, of which approximately 1.3 MMb/d is exported, primarily to Japan and the U.S., and has significant reserves of natural gas as well. Indonesia also has deposits of tin, and is rich in wood resources and rubber. Malaysia is rich in rubber, wood and tin, while having some deposits of petroleum. The Philippines has deposits of copper and other minerals

as well as timber and other agricultural products. The coming years have been predicted by many as an era of "resource wars." If such a prediction comes to pass, communist control over this region of wealth would be disastrous.

2. Control of Singapore in particular. Singapore is the world's fourth largest port and the second largest non-U.S. refining center after Rotterdam, producing 918,000 b/d. As such, its natural deep water harbor and its strategic location astride the Strait of Malacca make it particularly valuable. Singapore also ranks fourth as a non-communist center for petroleum product exports and is the seat of the Asian petroleum spot market. Finally, Singapore is a major bunkering facility, serving the Indian and Pacific Oceans.

3. Control over strategic straits and sea lanes. Communist control over peninsular Southeast Asia would make it far easier for the Soviet Union to control the adjacent strategic waterways, hence cutting major sea lanes connecting Europe and the Middle East to Japan and industrial northeast Asia, as well as those connecting the Asian subcontinent and the Pacific basin to the Western Hemisphere. This of course would have a severe effect, especially on Japan, South Korea and Taiwan, whose economies are almost totally dependent upon open sea lanes for exports of manufactured goods and imports of petroleum and other raw materials. To illustrate the importance of the strategic straits within the region, it is estimated (based on extrapolations from previous trends) that 6.6 MMb/d of oil pass through the Straits of Malacca, Sunda and Lombok — of which 4 MMb/d goes to Japan, 2.1 MMb/d to other Far East countries and about 500,000 b/d to the U.S. west coast and South America.

4. Disruption of communications and U.S. naval activity. Our trading partners and allies such as Japan, South Korea, New Zealand, and Australia would be severely challenged by communist control over these strategic waterways. Finally, U.S. naval activity out of Subic Bay and the adjacent Pacific area would be seriously challenged.

The Reagan Administration is faced with serious strategic challenges within the region. Both friend and potential foe will be watching for signs of U.S. resolve at this critical juncture. By way of conclusion, in support of non-communist, and therefore American, vital interests the Reagan Administration should consider the following measures:

1. Strengthen Thailand through significantly increased military and economic assistance.

2. Increase economic and military assistance as necessary to the other ASEAN nations to further their stability while they continue economic and social development.

3. Rapidly build up the U.S. Navy and increase its presence in the region.

4. Strengthen regional bases and acquire additional facilities as needed. Negotiations with Australia should continue for such contingencies.

5. Persuade Japan to increase its defense budget so as to contribute to regional security and hence protect its vital interests.

6. Consult and collaborate with the PRC on matters of regional security.

7. Act to ensure that international organizations and U.S. relief agencies discontinue economic assistance to Vietnam while that country continues to occupy Kampuchea and Laos.

8. Actively support the ASEAN Foreign Ministers' call to the United Nations Secretary General to convene an International Conference on Kampuchea on the basis of United General Assembly Resolution 35/6.

9. While efforts to achieve unity in the leadership of Khmer nationalist elements are matters for the Khmer people, the United States should actively support the current efforts to develop a coalition of non-communist Khmer leaders and the Khmer Rouge with the goal that this United Front could be established before the next United Nations General Assembly, and that this in turn would lead to an acceptable alternative to the Vietnamese controlled puppet regime. An acceptable alternative i.e., coalition government could recognize Vietnam's legitimate security concerns in the hope of expediting Hanoi's withdrawal.

10. Explore the feasibility of U.S. participation in a Southeast Asia-Pacific defense arrangement.

THE AUTHORS

Daniel C. Arnold

Daniel C. Arnold, 56, retired in 1979 from the Central Intelligence Agency after more than 35 years of service working on and in Asia. He is President of International Research Associates, Inc., a consulting firm that specializes in Asia.

Michael A. Daniels

Michael A. Daniels is the President of the International Public Policy Foundation, Inc. and President of the International Public Policy Research Corporation. He is a specialist in foreign affairs and national security planning. He is an attorney by training with emphasis on international law.

EOB/aj

ID # 029532

PU

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

O - OUTGOING

H - INTERNAL

I - INCOMING

Date Correspondence Received (YY/MM/DD) 8/106122

Name of Correspondent: Helen K. Humphries

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Writes concerning the overturning of the Public Utility Regulatory Policies Act (PURPA)

ROUTE TO:		ACTION	DISPOSITION		
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Completion Date YY/MM/DD
<u>FA Bask</u>		ORIGINATOR	<u>8/106123</u>	<u>CS</u>	<u>C 8/16/22</u>
<u>Doj</u>		Referral Note: <u>R</u>	<u>8/107107</u>		<u>A 8/107109</u>
		Referral Note:	<u>1 1</u>		<u>1 1</u>
		Referral Note:	<u>1 1</u>		<u>1 1</u>
		Referral Note:	<u>1 1</u>		<u>1 1</u>
		Referral Note:	<u>1 1</u>		<u>1 1</u>

ACTION CODES:

- A - Appropriate Action
- C - Comments
- D - Draft Response
- F - Fact Sheet
- I - Info Copy/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:

- A - Answered
- B - Non-Special Referral
- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:

- Type of Response = Initials of Signer
- Code = "A"
- Completion Date = Date of Outgoing

Comments: _____

Keep this worksheet attached to the original incoming letter.
 Send all routing updates to Central Reference (Room 75, OEOB).
 Always return completed correspondence record to Central Files.
 Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

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No. of Additional Correspondents: _____ Media: L Individual Codes: 2.500 _____

Prime Subject Code: PU _____ Secondary Subject Codes: BE 004 _____
ST 042 _____
LG BALMO _____

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C	_____	Time: _____	P- _____
DSP	_____	Time: _____	Media: _____

SIGNATURE CODES:

CPn - Presidential Correspondence

- n - 0 - Unknown
- n - 1 - Ronald Wilson Reagan
- n - 2 - Ronald Reagan
- n - 3 - Ron
- n - 4 - Dutch
- n - 5 - Ron Reagan
- n - 6 - Ronald
- n - 7 - Ronnie

CLn - First Lady's Correspondence

- n - 1 - Nancy Reagan
- n - 2 - Nancy
- n - 3 -

CBn - Presidential & First Lady's Correspondence

- n - 1 - Ronald Reagan - Nancy Reagan
- n - 2 - Ron - Nancy

MEDIA CODES:

- B - Box/package
- C - Copy
- D - Official document
- G - Message
- H - Handcarried
- L - Letter
- M - Mailgram
- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study



U.S. Department of Justice
Land and Natural Resources Division

Office of the Assistant Attorney General

Washington, D.C. 20530

09 JUL 1981

The Honorable Helen K. Humphries
Mayor of Balmorhea
Post Office Box 323
Balmorhea, Texas 79718

Dear Mayor Humphries:


I have been asked to respond to your letter of June 18, 1981, to President Reagan. In that letter, you express dissatisfaction with the government's decision to appeal Judge Harold Cox's decision invalidating the Public Utility Regulatory Policies Act directly to the United States Supreme Court.

The Solicitor General decided to appeal this case because, among other reasons, it is the general obligation of the Justice Department to defend the constitutionality of Congress' enactments. Moreover, federal law provides that appeals from district court decisions invalidating Acts of Congress are taken directly to the Supreme Court rather than the courts of appeals. Thus, no extraordinary action has been taken in this case.

As a fellow Texan, I can understand your concerns about the wisdom of the statute as a policy matter; however, the role of the Justice Department is to defend in court the statute as it presently exists. Of course, the Solicitor General's legal decision to appeal this case in no way forecloses Congress from considering the desirability of amending or repealing the statute. Under these circumstances, you may wish to make your views known to your elected representatives in Congress.

Thank you for your interest in this matter.

Sincerely,


Carol E. Dinkins
Assistant Attorney General
Land and Natural Resources Division

THE WHITE HOUSE OFFICE

REFERRAL

JULY 7, 1981

TO: DEPARTMENT OF JUSTICE

ACTION REQUESTED:
DIRECT REPLY, FURNISH INFO COPY

DESCRIPTION OF INCOMING:

ID: 029532

MEDIA: LETTER, DATED JUNE 18, 1981

TO: PRESIDENT REAGAN

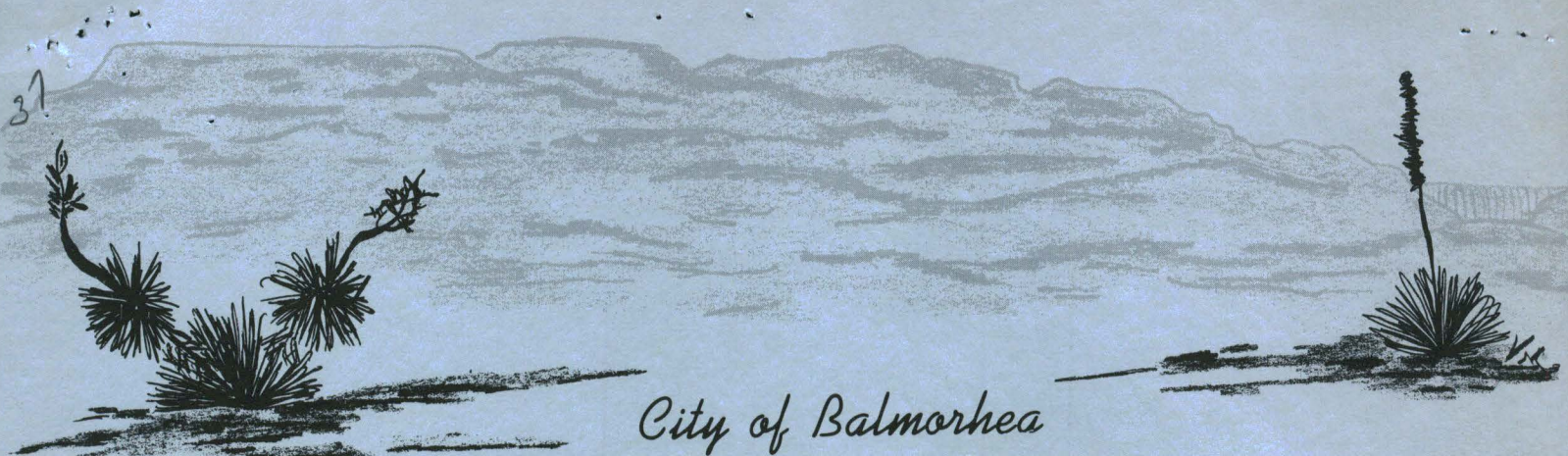
FROM: THE HONORABLE HELEN K. HUMPHRIES
MAYOR OF BALMORHEA
POST OFFICE BOX 323
BALMORHEA TX 79718

SUBJECT: WRITES CONCERNING THE OVERTURNING OF THE
PUBLIC UTILITY REGULATORY POLICIES ACT
(PURPA)

PROMPT ACTION IS ESSENTIAL -- IF REQUIRED ACTION HAS NOT BEEN
TAKEN WITHIN 9 WORKING DAYS OF RECEIPT, PLEASE TELEPHONE THE
UNDERSIGNED AT 456-7486.

RETURN BASIC CORRESPONDENCE, CONTROL SHEET AND COPY OF RESPONSE
(OR DRAFT) TO:
AGENCY LIAISON, ROOM 33, THE WHITE HOUSE

BY DIRECTION OF THE PRESIDENT:
LESLIE SORG
DIRECTOR OF AGENCY LIAISON
PRESIDENTIAL CORRESPONDENCE



City of Balmorhea

June 18, 1981

E. Baskovitz

Honorable Ronald Reagan
President of the United States of America
Washington, D.C. 20001

029532

Dear Sir:

I could not help but be concerned about the progress of over-
turning the Public Utility Regulatory Policies Act (PURPA).
Here again we have an effort by the Federal Government and one
effort in the State of Texas to take away the right for States
and Cities to have some say over the utility rates within their
jurisdiction.

This small City just went through the courts in Austin, Texas,
and the State Water Commission for a small rate increase in water
rates to a neighbor City. This cost us several thousand dollars
in legal fees as well as travel cost of 400 miles to and from
Austin, Texas. If every utility is to be regulated this way,
the small cities will just have to close. Bear in mind that our
local citizens will keep a close check on our regulating body
without having to go to the State Capital or Washington.

Please let us keep our rights--who else knows best what we need
when we need it and how much!

Do not think that the majority are not in agreement with your
budget program, or that they do not agree with cutting the wel-
fare system to rightful users. Every thinking American is behind
you on all this.

Wishing you success with your programs---

I remain,

Sincerely yours,

Helen K. Humphries, Mayor

ppn

LEVEL 2 - 1 OF 1 STORY

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May 28, 1979, UNITED STATES EDITION

PAGE 1

02990955

ws PU
HE008
JL002

SECTION: NATIONAL AFFAIRS; Pg. 40

LENGTH: 660 words

HEADLINE: SILKWOOD ' VINDICATED'

Karen

BYLINE: DENNIS A. WILLIAMS with PAMELA ELLIS SIMONS in Oklahoma City

BODY:

Every movement has its martyr. For opponents of nuclear power, that role has been filled by Karen Silkwood, a 28-year-old plutonium-plant worker who was killed in a car crash in 1974. Before she died, she had charged that an Oklahoma plutonium plant operated by the Kerr-McGee Corp. was unsafe and that she herself was contaminated with plutonium. Her family sued Kerr-McGee, and last week, after an eleven-week civil trial, a six-member Oklahoma City jury ordered the company to pay Silkwood's estate \$10.5 million in damages.

It was the first time the owners of a nuclear facility had been held liable for off-site radiation - and the decision could be a serious blow to the nuclear industry. Even before the verdict, U.S. district court Judge Frank Theis established a doctrine of "strict liability" for Kerr-McGee - meaning that it was not necessary to demonstrate that the company was negligent. It could be held liable for any harm resulting from Silkwood's contamination unless it could show that she had deliberately contaminated herself. Judge Theis also stripped away a traditional industry defense by telling the jurors that Kerr-McGee could be liable even if it met all government standards for permissible levels of radiation exposure.

PRECEDENTS: The judge's ruling brought bitter complaints from company attorneys, who vowed to appeal. But Silkwood lawyer and nuclear opponent Daniel Sheehan was jubilant, prediction that the precedents set would lead to millions of dollars in lawsuits against other plants around the country - and to "the beginning of the end of the nuclear industry." Said Silkwood's father proudly: "She was vindicated."

The central question in the trial was how Silkwood had become contaminated. Some of the urine samples she regularly took to the plant showed unusually large amounts of radiation. Kerr-McGee contended that she had stolen plutonium from the plant and doctored the samples at her apartment - but its attorneys were unable to prove the charge.

Also at issue was just how much harm, if any, was caused by the plutonium contamination actually found her body. Silkwood attorneys produced Dr. John Gofman, one of the first physicists to isolate plutonium, to testify that Karen had an instant "guarantee" of cancer based on her exposure. Kerr-McGee countered with witnesses who said there had been no documented case of plutonium cancer in humans. But one defense witness allowed under cross-examination that cancer was a possibility. There was also conflicting evidence on the safety standards in effect at the plant, which is now closed. Former employees said that the danger of cancer was never stressed and company reports to the old Atomic Energy Commission listed 93 instances in which plutonium particles were

© 1979 Newsweek, May 28, 1979

detected in the air inside the plant.

For all the grave technical testimony, the trial also provided some lively theatrics. Silkwood attorney Gerry Spence, who strutted in a suede jacket or denim vest, boots and wide-brimmed cowboy hat, pictured Silkwood as a "prophet." "How much did she know?" he crooned to the jury. "She knew too much." Company attorney Bill Paul protested the plaintiffs' wide-ranging antinuclear approach, at one point wondering aloud "how much that witness stand was a witness stand and how much it was a platform."

FALLOUT: The case will likely have a long half-life. Silkwood's lawyers have charged that Kerr-McGee conspired to violate her civil rights and those of other plant workers (many Silkwood supporters say her death was no accident). That part of their suit may be tried next year. Some nuclear opponents also plan to ask Congress to investigate Silkwood's contention that faulty fuel rods were being shipped from manufacturing plants to nuclear breeder-reactors. An if last week's verdict is upheld on appeal, Congress may be asked to limit the liability of all companies that operate nuclear installations.

GRAPHIC: Picture, Silkwood with her children: A \$10.5 million martyr, Alan Pogue

UNCLASSIFIED

CLASSIFICATION

CIRCLE ONE BELOW

MODE

PAGES 2

IMMEDIATE

DACOM # 39

RELEASER NZ

PRIORITY

DEX # _____

DTG 251826Z JUN 81

ROUTINE

TTY # _____

FROM/LOCATION/

1. RICHARD G. DARMAN

TO/LOCATION/TIME OF RECEIPT

1. CRAIG FULLER (RM 1802 CENTURY PLAZA HOTEL) / 251843Z JUN 81

2. FOR THE PRESIDENT

3. _____

4. _____

INFORMATION ADDRESSEES/LOCATION/TIME OF RECEIPT

1. _____

2. _____

SPECIAL INSTRUCTIONS/REMARKS:

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5/21/81

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* New York Times

Clipping re: 1977 Foreign Corrupt Practices Act

WHITE HOUSE SEEKS EASED BRIBERY ACT

Says 1977 Law Inhibits Business Abroad by U.S. Corporations

By JEFF GERTH
Special to The New York Times

WASHINGTON, May 20 — The Administration today proposed a significant relaxation of the 1977 Foreign Corrupt Practices Act, which was intended to prevent American companies from bribing foreign officials. The Administration argued that the existing legislation was making it difficult for the United States to compete in foreign markets.

The Administration's recommendations — which went beyond proposals already being considered in Congress to loosen the provisions of the 1977 act — would eliminate accounting regulations enforced by the Securities and Exchange Commission that require publicly owned corporations to keep accurate books and records on all transactions. A narrower category of offenses would fall under the bribery section enforced by the Justice Department.

The effect of the Administration's proposal would be to restrict the authority of the Government to enforce the 1977 act.

The Administration position was outlined in Senate testimony by the special trade representative, Bill Brock, who

Continued on Page D17, Column 3

Continued From Page A1

argued that the 1977 act was vague and had inhibited American businesses from effectively competing for foreign trade.

Under questioning by Senator William Proxmire, Democrat of Wisconsin, who supports the 1977 law, Mr. Brock and other witnesses, however, were hard put to cite documented examples of lost trade, particularly in the face of statistics that show a doubling of United States trade in the two years after the legislation was enacted.

The Foreign Corrupt Practices Act prohibits all American companies from bribing foreign officials to obtain business and also requires publicly held companies, which are registered with the S.E.C., to keep adequate books and records and maintain proper internal controls.

The two requirements were established in the 1977 act because of widespread disclosures at the time, often made after investigations by the S.E.C., that some of America's largest corporations, such as Lockheed and Gulf Oil, had secretly maintained large slush funds, made questionable payments to foreign officials or maintained off-the-book accounts. Some of those disclosures led to prosecutions under other statutes, such as the tax laws, while in other cases no action was taken.

In response to business complaints that the act was not clear enough, Senator John H. Chafee, Republican of Rhode Island, introduced a bill earlier this year that would narrow the definition of what is prohibited under both the accounting and bribery provisions.

Act Rarely Used

Despite the complaints about the act, it has rarely been used by the Government. The S.E.C. has yet to bring a case that relies solely on the legislation, and the Justice Department says it has brought only one criminal indict-

it and two civil injunctions under the statute.

Today's hearing, which was called to consider Senator Chafee's amendments, was held jointly by the subcommittee on international affairs and the subcommittee on securities of the Senate Committee on Banking, Housing and Urban Affairs.

Mr. Brock and other Administration witnesses from the State Department, Commerce Department and Justice Department, said they supported Senator Chafee's bill. But they added that they wanted to have the accounting provisions stricken entirely, rather than clarified, as Senator Chafee's amendment proposes.

Mr. Brock said the Administration did not intend to "endorse or condone bribery for any reason," but that clarification of the 1977 legislation "may be the most important trade issue before us."

Senator Proxmire, who said he thought that even the Chafee amendment would "gut the bribery law in many respects," asked Mr. Brock about other Administration testimony attesting to a "remarkable" growth in United States trade in the years since the act was passed.

Mr. Brock, saying a longer perspective was needed, cited figures showing that the United States' share of world trade had declined from 15 percent to 12 percent, since 1970, seven years before the Foreign Corrupt Practices Act was enacted.

Survey of Executives

While Mr. Brock declined to respond to a request by Senator Proxmire to "name a specific instance" of foreign trade lost because of the 1977 act, he referred frequently in his testimony to a study released earlier this year by the General Accounting Office, the investigative arm of Congress.

That study, which surveyed 250 top American companies, found that executives believed that they suffered a competitive disadvantage because of ambiguities in the act. The study also found that the law had resulted in widespread efforts by American companies to strengthen their codes of conduct and systems of internal accounting controls.

When questioned by Mr. Proxmire, Donald L. Scantlebury, the G.A.O. official responsible for the study, acknowledged that the survey was based on "opinions" submitted by the executives and that the G.A.O. had "no sound information" on their perceptions that the law had hampered foreign sales by American companies.

Mr. Brock called the accounting provisions, which apply to domestic and foreign transactions and which Congress adopted in 1977 based on standard accounting practices, "overly broad." He called for their elimination. The Administration also recommended that the prohibition against falsifying company records during a foreign bribe be consolidated with the antibribery section of the law.

Pu

**WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET**

- O - OUTGOING
- H - INTERNAL
- I - INCOMING

Date Correspondence Received (YY/MM/DD) 8/106 129

Name of Correspondent: Arden Eordahl

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Enclose a copy of his letter to Mrs. Joanna Rowelstad, who has compiled a series of essays on numerous topics, and wants to know if the President would be interested in her manuscript.

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response Code	Completion Date YY/MM/DD
<u>LA Frie</u>	<u>ORIGINATOR</u>	<u>8/106/29</u>	<u>NAN</u>	<u>8/108/03</u>
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_____	_____	<u>1 1</u>	_____	<u>1 1</u>
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_____	_____	<u>1 1</u>	_____	<u>1 1</u>

ACTION CODES:

- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be used as Enclosure
- I - Info Copy Only/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:

- A - Answered
- B - Non-Special Referral
- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:

- Type of Response = Initials of Signer
- Code = "A"
- Completion Date = Date of Outgoing

Comments: _____

Keep this worksheet attached to the original incoming letter.
Send all routing updates to Central Reference (Room 75, OEOB).
Always return completed correspondence record to Central Files.
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CLASSIFICATION SECTION

No. of Additional Correspondents: _____ Media: L Individual Codes: 1240 _____

Prime Subject Code: Pu _____ Secondary Subject Codes: PB 007 _____

PRESIDENTIAL REPLY

Code	Date	Comment	Form
C	_____	Time: _____	P- _____
DSP	_____	Time: _____	Media: _____

SIGNATURE CODES:

- CPn - Presidential Correspondence**
- n - 0 - Unknown
- n - 1 - Ronald Wilson Reagan
- n - 2 - Ronald Reagan
- n - 3 - Ron
- n - 4 - Dutch
- n - 5 - Ron Reagan
- n - 6 - Ronald
- n - 7 - Ronnie

- CLn - First Lady's Correspondence**
- n - 1 - Nancy Reagan
- n - 2 - Nancy
- n - 3 - Mrs. Ronald Reagan

- CBn - Presidential & First Lady's Correspondence**
- n - 1 - Ronald Reagan - Nancy Reagan
- n - 2 - Ron - Nancy

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- G - Message
- H - Handcarried
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- M - Mailgram
- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

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FOREIGN AFFAIRS

1ST DISTRICT, MINNESOTA

COUNTIES:
DAKOTA RICE
DODGE STEELE
FILLMORE WABASHA
GOODHUE WASHINGTON
HOUSTON WINONA
OLMSTED

CONGRESSMAN ARLEN ERDAHL
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

WASHINGTON OFFICE:
1518 LONGWORTH HOUSE OFFICE BUILDING
202-225-2271

DISTRICT OFFICES:
704 MARQUETTE BANK BUILDING
ROCHESTER, MINNESOTA 55901
507-288-2384

33 E. WENTWORTH AVENUE, ROOM 200
WEST ST. PAUL, MINNESOTA 55118
612-725-7716

June 19, 1981

030185

Max L. Friedersdorf
Assistant to the President for
Legislative Affairs
The White House
Washington, D. C. 20500

Dear Mr. Friedersdorf:

Enclosed is a copy of a letter written to a constituent,
Mrs. Joanna Rovelstad of Rochester, Minnesota, who has compiled a
series of essays on the topics listed on the attached sheets. She
has requested that I deliver the list to the President, and I
believe the letter to her is self-explanatory.

Thanks for your indulgence.

With best regards,

Sincerely,



ARLEN ERDAHL
Member of Congress

AE/cjj

Enclosures

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HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

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ROCHESTER, MINNESOTA 55901
507-288-2384

33 E. WENTWORTH AVENUE, ROOM 200
WEST ST. PAUL, MINNESOTA 55118
612-725-7716

June 19, 1981

Joanna Rovelstad
3910 Viola Road N. E.
Rochester, Minnesota 55901

Dear Mrs. Rovelstad:

This is in reference to your note asking that I deliver to President Reagan the list of topics included in your manuscript, and ascertain whether he would be interested in seeing the manuscript itself.

I am sure you know that the President of the United States has perhaps the most impossible schedule in the world! When opportunities are provided a Member of Congress to meet with him, it is usually at his request, and for discussion of specific matters within a brief time frame. I have not yet requested a private meeting with President Reagan for any reason. I am, however, forwarding your list of topics.

If your manuscript were to be published, I would be happy to forward a copy to the President. I know that you have expended a great deal of time and effort in compiling these stories and essays.

I also appreciate your sending me a copy of a letter to an editor regarding the closing of the Rochester State Hospital. While I share these concerns, this is a matter of State policy and is under State jurisdiction.

With kind regards,

Sincerely,

ARLEN ERDAHL
Member of Congress

AE/cjj

Homespun Yarn (cage)
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Computer

030470

1240

PU

WE003

FB006-01

THE WHITE HOUSE

WASHINGTON

June 29, 1981

DD

Dear Henry:

I was moved to send you a note after reading the article about you in last Sunday's Chicago Sun Times. Overall I think it was a nice piece. More importantly, it again emphasized the vital and important role you're playing as the leader of the pro-life movement in Congress. All of us owe you a deep debt of gratitude.

If there is ever anything I can do to help, please do not hesitate to contact me.

Kind personal regards.

Cordially,

Richard S. Williamson
Assistant to the President
for Intergovernmental Affairs

The Honorable Henry J. Hyde
United States House of Representatives
Washington, D.C. 20515

030512

4630

4610

PL

PP002

PP010-02

JL003-01

HE002

HE005

June 24, 1981

Dear Dr. Bluemle:

Thank you for your message to President Reagan.

It was good of you to send a copy of the May 1981 issue of Directions to the President. He and Mrs. Reagan are deeply grateful to all of the staff at George Washington University Hospital for the fine care the President received during his recuperation.

With the President and Mrs. Reagan's best wishes,

Sincerely,

Anne Higgins
Director of Correspondence

X
Lewis W. Bluemle, Jr., M.D.
President
X Thomas Jefferson University
Eleventh and Walnut Streets
Philadelphia, PA 19107

AVH:mak:sev:emb-15a

DRAFT/Date 7/7/81

RR/_____/_____/_____
(Drafter) (Rev. I) (Rev. II)

AVH/ MAK / rev
(Drafter) (Rev. I)

SPECIAL INSTRUCTIONS:

Enclosures:
(Type LABEL)

Other:

Dear Dr. Bleumbe :

Thank you for your message to President Reagan.

It was good of you to send a copy of ^{*the May 1981 issue of Descriptions*} ~~your newspaper~~ to the President.

^{*He*} ~~President~~ and Mrs. Reagan are deeply grateful to all of the staff at George Washington University Hospital for the fine care the President received during his recuperation.

With the President and Mrs. Reagan's best wishes,

Sincerely,

AVH

THOMAS JEFFERSON UNIVERSITY

Office of the
President

max

Philadelphia, 19107
(215) 928-6617



JMH

May 8, 1981

The Honorable Ronald Reagan
President of the United States
The White House
Washington, D. C. 20500

Dear Mr. President:

I was rather proud to realize that three of the doctors who attended you at George Washington University were graduates of Jefferson Medical College.

You and Mrs. Reagan may be interested in the lead article in the enclosed issue of Directions. It suggests that you were in good hands both medically and historically.

Sincerely,

Lewis W. Bluemle, Jr., M. D.
President

LWB:mdm
Enclosure

cc: Senator H. J. Heinz
Senator A. Spector
Secretary A. L. Lewis, Jr.
Secretary R. S. Schweiker

AN ACADEMIC HEALTH CENTER

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June 30, 1981

Dear Mr. Beers:

Thank you for your kind message and for sending me your amusing and original cartoons. Your expression of support and friendship means a great deal to me.

Hearing from people like you, who use their talents in a public-spirited way, convinces me of our ability to work together and accomplish our common goals. Your thoughtfulness is very much appreciated.

With best wishes,

Sincerely,

RONALD REAGAN *A*

X
Mr. Scooter Beers
Apartment A
1757 Ash
Fortuna, California 95540

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DRAFT/Date June 26, 1981

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AVH/ _____ / _____
(Drafter) (Rev. I)

SPECIAL INSTRUCTIONS:

Enclosures:
(Type LABEL)

Other:

S/PA

DEAR MR PRESIDENT; MY NAME IS
SCOOTER BEERS, I THOUGHT YOU MIGHT
LIKE A CHUCKLE IN YOUR BUSY DAY.

CONTRARY TO OTHER CARTOONISTS, I
SUPPORT YOUR POLICIES WHOLEHEARTEDLY

GOD BLESS YOU SIR,
AND GOOD LUCK.



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MEMORANDUM

NATIONAL SECURITY COUNCIL

INFORMATION

June 17, 1981

MEMORANDUM FOR RICHARD V. ALLEN

THROUGH: PHYLLIS KAMINSKY *PK*

FROM: DOUGLAS J. FEITH *DJF*

SUBJECT: The Magazine Oil Article
(June 22, 1981)

This week's Time Magazine (on page 65) characterizes me as "a critic of Saudi intentions," whatever that means. I had nothing to do with the Time story.

David Beckwith of Time, I am told, called Phyllis Kaminsky and requested an interview with me about oil. I received a message from Phyllis that an off-the-record interview was approved. Beckwith never called me for the interview.

By the way, I am not a critic of Saudi intentions. I am a critic of those who misconstrue Saudi intentions.

Attachment
Tab A The Time article

no matter!
RVA
6/20

NSC # 8103615

Problems for Oil Producers

A glut of crude causes tighter development budgets

Mexico, Britain, Ecuador, Malaysia. The list of oil-exporting nations that have cut their prices keeps growing longer. After years of feasting on high prices brought on by petroleum scarcity and soaring demand, the oil-producing states are discovering that the price of crude can go down as well as up. Drooping demand and a steadily swelling surplus production of some 2 million bbl. per day have created a miniglut that grows bigger by the week.

From the oilfields of Southeast Asia to the offshore drilling rigs of North Africa and the North Sea, petroleum prices are being pruned, pared and sometimes slashed as exporting nations find themselves scrambling to hold on to customers. Not even last week's Israeli air attack on Iraq's nuclear reactor outside Baghdad did much to firm up the weakening price of crude. Though sporadic calls for an oil embargo of the U.S. echoed through the Arab world, petroleum prices stayed stagnant on the bellwether spot market, where much of the world's current excess is traded daily. At approximately \$32 per bbl., spot market crude is now selling for nearly 20% less than last autumn.

Prices are sliding in large part because Saudi Arabia, which produces 10.3 million bbl. of crude oil daily, or 40% of all the output of the 13-nation Organization of Petroleum Exporting Countries, is intentionally forcing them lower. As long-time champions of steady, but moderate, rises in the price of oil, the Saudis have refused to mimic price hawks like Libya, Iran and Iraq. Instead, the Saudis for the past nine months have been pumping nearly 2 million bbl. per day above their self-imposed limit of 8.5 million bbl. daily in order to create an oil surplus and drive prices down.

For the United States, the slumping cost of crude will mean less inflation and at least moderately more growth than most experts had been forecasting for 1981 and 1982. Consumer prices will probably rise by about 10% for this year, as a whole, vs. projections of as much as 12% to 13% late in 1980. Lower oil prices may help the U.S. to avoid the recession in 1981 that many economists had also predicted.

Welcome as it is to some oil-importing nations, the weakening price of crude means an abundance of troubles for many oil exporters. Nations like Nigeria, Iran and Libya have year after year pushed the price of crude to ever higher peaks in order to finance ambitious development programs. Now the sagging demand for petroleum is crimping export earnings, cutting into government revenues, and in some cases even beginning to threaten the



Former Mexican Oil Chief Jorge Díaz Serrano

Oil revenues in 1980 amounted to some \$25 billion, or nearly 50% of the nation's entire economic output, but smaller oil receipts will be causing new problems. With an estimated \$5.5 billion in foreign loans already on its books, Nigeria now faces the unpleasant choice of adding perhaps \$3 billion more in international debts, or else drawing down its \$10 billion in foreign exchange reserves. Politically, the least attractive choice of all would be the one that makes the most economic sense—slowing the rate of government spending.

Mexico, which is not an OPEC member, finds itself in a similar bind. Since 1976, Mexican production has more than tripled, to 2.8 million bbl. daily, and the resulting revenues from exports have become the foundation of economic development. Mexico has now cut prices by \$4 per bbl. on both light and heavier grades of crude.

Yet no sooner did Jorge Díaz Serrano, the head of Mexico's state-owned oil company, Pemex, announce the cut than



continuation of many big industrialization projects.

One of the hardest hit nations is Nigeria. As sales have fallen off, Nigeria's output has slipped in recent months. Daily production is now running at little more than 1.6 million bbl., down nearly 30% from 1980 levels.

Endowed with only 30 years of proven reserves, the most populous and powerful nation in black Africa had been counting heavily on high prices to pay the cost of a colossal industrialization and agricultural development program designed to buoy the economy after the oil runs out. Since 1975, Nigeria has spent upwards of \$80 billion on economic development, and in the coming four years the government of President Alhaji Shehu Shagari wants to spend perhaps \$152 billion more. In 1981 alone, overall imports are expected to reach \$24 billion, mostly for heavy machinery, transportation equipment and food.

a political storm forced his resignation. Until last week, Serrano had been one of the leading candidates in next year's presidential election.

Mexico is expected to lose an estimated \$1.2 billion or so in foreign exchange earnings as a result of Díaz Serrano's action. To pay its bills, the nation will have to negotiate as much as \$1.2 billion in short-term credits from foreign lenders in the coming year. That could add five percentage points to an inflation rate that economists already foresee reaching 30% by year's end.

Higher inflation will put further downward pressure on the weak Mexican peso, which is being artificially supported on the world's money markets by the Mexican central bank. Devaluation would aid tourism, boost exports and help close a large trade deficit. But the last time a Mexican government undertook a major devaluation, in 1976, billions of dollars fled the country, inflation surged to

an annual rate of more than 50% and economic growth came to a halt. No Mexican government wants a repeat of the 1976 devaluation fiasco.

Britain, which has been counting on North Sea oil revenues to help lift it from the status of newly submerging nation, is also coming under pressure from falling prices. The Conservative government of Prime Minister Margaret Thatcher has been relying on up to \$9.5 billion in revenues from North Sea production to help balance its fiscal 1981 budget. But the weakening market has discouraged the state-owned British National Oil Co. from opening promising new fields to expand production.

Meanwhile, B.N.O.C. has now offered to trim the cost of its crude by \$2, to \$37.25 per bbl., in order to deter customers from seeking even cheaper deals elsewhere. The cut may not be steep enough. British Petroleum is holding out for a full \$5 per bbl. cut. These reductions could cost the British treasury millions of dollars in revenues, although the loss would be at least partially offset by the declining value of the pound. Oil prices are set in dollars and thus the British are now receiving more pounds for each barrel of oil.

As the world temporarily floats in a glut of oil caused by Saudi overproduction, more and more Western energy experts are asking themselves how much the desert kingdom actually has to produce to meet its own economic and political goals. Are the Saudis doing the West a favor by producing 10 million bbl. per day or are they doing themselves a favor?

Some critics of Saudi intentions, like Washington Lawyer Douglas J. Feith, a staff member of Ronald Reagan's National Security Council, assert that the Saudi Arabians simply could not afford to cut back much on output even if they wanted to. As Feith has argued, the Riyadh government needs every dollar it can get from its oil exports simply to pay the high cost of financing the nation's rapidly expanding economy.

Detailed studies by numerous other experts conclude, however, that the Saudis could cut back oil production by at least 2 million bbl. daily without feeling any financial pinch. Between 1980 and 1985, Saudi development plans call for \$142 billion in expenditure on such projects as the nation's huge petrochemical and refining complexes at Jubail and Yanbu, and the new \$1.7 billion university complex in Riyadh that is being built by Alabama Contractor Winton ("Red") Blount. Former CIA Analyst Walter McDonald, now a top Washington energy consultant, estimates that at \$32 per bbl. the Saudis need to produce only 5.3 million bbl. daily to cover all such domestic development expenditures. Thus, the world's current glut could vanish like a mirage in the desert if the Saudis suddenly decide to cut their production in half. —By Christopher Byron. Reported by David Beckwith/Washington and Jack E. White/Nairobi

Bankers Can Drop Anchor at Home

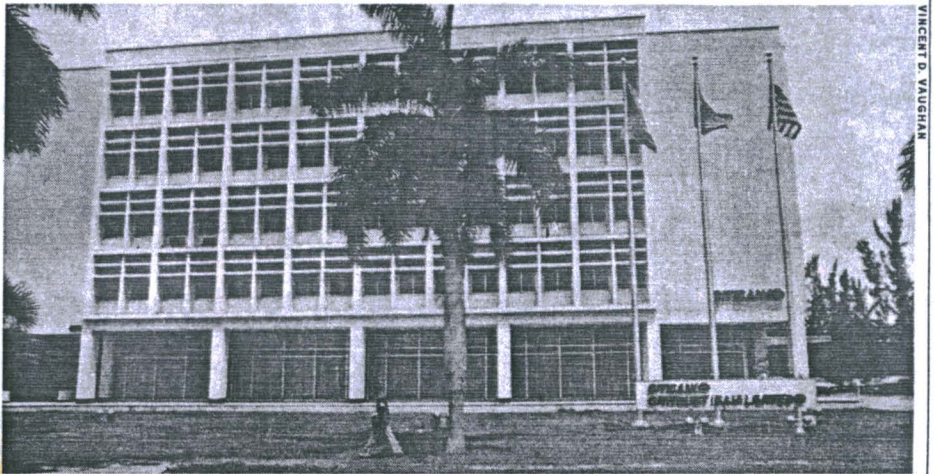
Washington lets offshore financiers set up shop in the U.S.

Global money flows freely, neatly skirting legal impediments of governments along the way and eventually arriving at its destination ready to do business. Some of the most successful repositories of this stateless money are the offshore branches of major U.S. banks in such out-of-the-way places as Bahrain in the Persian Gulf, the Bahamas and the Cayman Islands in the Caribbean. In all, more than \$1 trillion is held by banks and borrowers outside the U.S. in offshore banking bases set up by American and foreign banks.

Since the banks are not on U.S. soil, they are exempt from costly federal regulations, which helps them compete more aggressively with foreign banks for international business. But while these offshore banks have permitted U.S. financial institutions to fight for foreign accounts, they have created a disadvantage for New York City as a world financial center. In

will be \$100,000. U.S. banks are expected to set up I.B.F.s soon in New York, Connecticut, Florida, Georgia and Maryland, where state legislatures have already passed laws exempting such financial operations from local and state income taxes.

Perhaps the biggest winners from the Federal Reserve's action will be the twelve New York City banks that make up the Clearing House Association. They handle between \$180 billion and \$200 billion worth of domestic and international banking transactions daily through a computer link to the 100 largest overseas banks. John Lee, executive vice president of the association, anticipates a doubling during the next two years of such financial transactions, which might include, for example, Saudi Arabia paying for U.S. refinery equipment with offshore dollars. Says he: "We are gearing up for this expansion." All told, the relaxed regulations



New York-based Citibank's branch in Nassau, the Bahamas

Tropical climates for some of the most successful repositories of stateless dollars.

recent years, London, the heart of the large Eurodollar market, has jumped ahead of New York City in many foreign banking operations.

Last week, after years of intensive lobbying by large money center banks, the U.S. Federal Reserve authorized banks to set up international banking facilities (I.B.F.s) in the U.S. Banks will be permitted on Dec. 3 to create I.B.F.s that will be freed of the key regulations that govern U.S. institutions, namely minimum reserve requirements and limits on the level of interest that they can pay. The old system, for example, required banks to keep a portion of deposits, say 8%, in reserve with the Federal Reserve, regardless of whether the deposits came from domestic or foreign sources. On a foreign deposit of \$1 million, \$80,000 would have to be kept with the Fed, leaving the bank with only \$920,000 to lend.

The banks will do I.B.F. business mainly with corporate or government clients; the minimum deposit or withdrawal

should lure back some \$200 billion of the roughly \$600 billion U.S. banks have booked in their offshore branches.

Among the most ardent backers of the changes are the two New York monetary officials: Muriel Siebert, superintendent of banks of New York State, and Anthony Solomon, president of the New York Federal Reserve Bank. Said Solomon: "I would prefer to see foreign-based deposit and loan business serviced from U.S. shores."

New York bankers enthusiastically greeted the Fed's announcement. Said Norborne Berkeley Jr., president of Chemical Bank: "It's a significant step in closing the gap between London and New York." Said Willard Butcher, chairman of Chase Manhattan: "It's a plus for New York." Bankers looked forward to all the new business that should be coming their way from tropical climates. Said Chase Banker James Connelly: "A lot of sheiks may not know about Nassau, but they sure know about New York." ■

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KEYWORDS: SAUDI ARABIA

OIL

BECKWITH, DAVID

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SUBJECT: TIME MAGAZINE 22 JUN OIL ARTICLE

ACTION: FOR INFORMATION

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