

OCTOBER 14, 1980

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

It is with pleasure that I sign into law the "Intelligence Authorization Act for Fiscal Year 1981." This legislation authorizes the appropriation of funds for our Intelligence Community. It is essential that I and those who aid me in the formulation of our nation's foreign policy make our decisions on the basis of accurate information about the capabilities and intentions of other countries and of forces that shape world events. I am pleased that the Congress has followed my recommendation and authorized sufficient funds to ensure that we continue to have the best intelligence service possible.

I am also pleased to note that this legislation contains authority for the payment of a death gratuity to the surviving dependents of intelligence personnel killed overseas as a result of hostile or terrorist activities, or in connection with an intelligence activity having a substantial element of risk. I pray that, in the future, situations will not arise that would necessitate use of this provision. It is important, however, that our intelligence officers overseas, who daily sacrifice the comforts of home to serve their country under sometimes difficult and dangerous circumstances, know that we as a nation stand behind them and will provide for the welfare of their families should tragedy strike.

In addition to providing funds for a strong intelligence service, S. 2597 also contains legislation that modifies the so-called "Hughes-Ryan Amendment" and establishes, for the first time in statute, a comprehensive system for Congressional oversight of intelligence activities. This legislation, which will help to ensure that U.S. intelligence activities are carried out effectively and in a manner that respects individual rights and liberties, was an important part of the comprehensive intelligence charter on which this Administration and the Congress have worked for over two years. Unfortunately, the press of other legislative matters prevented passage of the charter thus far in this session.

The oversight legislation that was passed does not seek to alter the respective authorities and responsibilities of the Executive and Legislative branches, but rather codifies the current practice and relationship that has developed between this Administration and the Senate and House Intelligence Committees over the past three years. This intent is evidenced by the language of the bill itself and the legislative history that stands behind it. It is noteworthy that, in capturing the current practice and relationship, the legislation preserves an important measure of flexibility for the President and the Executive Branch. It does so not only by recognizing the inherent constitutional authorities of both branches, but by recognizing that there are circumstances in which sensitive information may have to be shared

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(OVER)

only with a very limited number of Executive Branch officials, even though the Congressional oversight committees are authorized recipients of classified information. Circumstances of this nature have been rare in the past; I would expect them to be rare in the future. The legislation creates the expectation that a sense of care and a spirit of accommodation will continue to prevail in such cases.

I wish to thank Senators Birch Bayh, Dee Huddleston, Dan Inouye, Barry Goldwater, and Mac Mathias, and Congressmen Ed Boland, Clem Zablocki, Bill Burlison, and Ken Robinson for their significant roles in the passage of this legislation.

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tions described in section 102 unless the Director of Central Intelligence or the Secretary of Defense notifies the appropriate committees of Congress of the intent to make such obligation or expenditure not less than fifteen days before such obligation or expenditure is made.

RESTRICTION ON CONDUCT OF INTELLIGENCE ACTIVITIES

SEC. 104. Nothing contained in this Act shall be deemed to constitute authority for the conduct of any intelligence activity which is not otherwise authorized by the Constitution or laws of the United States.

AUTHORIZATION OF APPROPRIATIONS FOR COUNTERTERRORISM ACTIVITIES OF THE FEDERAL BUREAU OF INVESTIGATION

SEC. 105. In addition to the amounts authorized to be appropriated under section 101(9), there is authorized to be appropriated for fiscal year 1981 the sum of \$11,400,000 for the conduct of the activities of the Federal Bureau of Investigation to counter terrorism in the United States.

TITLE II—INTELLIGENCE COMMUNITY STAFF

AUTHORIZATION OF APPROPRIATIONS

SEC. 201. There is authorized to be appropriated for the Intelligence Community Staff for fiscal year 1981 the sum of \$17,824,000.

AUTHORIZATION OF PERSONNEL END-STRENGTH

SEC. 202. (a) The Intelligence Community Staff is authorized two hundred and forty-five full-time personnel as of September 30, 1981. Such personnel may be permanent employees of the Intelligence Community Staff or personnel detailed from other elements of the United States Government.

(b) During fiscal year 1981, personnel of the Intelligence Community Staff shall be selected so as to provide appropriate representation from elements of the United States Government engaged in intelligence and intelligence-related activities.

(c) During fiscal year 1981, any officer or employee of the United States or member of the Armed Forces who is detailed to the Intelligence Community Staff from another element of the United States Government shall be detailed on a reimbursable basis, except that any such officer, employee, or member may be detailed on a nonreimbursable basis for a period of less than one year for the performance of temporary functions as required by the Director of Central Intelligence.

INTELLIGENCE COMMUNITY STAFF ADMINISTERED IN SAME MANNER AS CENTRAL INTELLIGENCE AGENCY

SEC. 203. During fiscal year 1981, activities and personnel of the Intelligence Community Staff shall be subject to the provisions of the National Security Act of 1947 (50 U.S.C. 401 et seq.) and the Central Intelligence Agency Act of 1949 (50 U.S.C. 403a-403j) in the same manner as activities and personnel of the Central Intelligence Agency.

Ninety-sixth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Thursday, the third day of January,
one thousand nine hundred and eighty*

An Act

To authorize appropriations for fiscal year 1981 for the intelligence and intelligence-related activities of the United States Government, for the Intelligence Community Staff, and for the Central Intelligence Agency Retirement and Disability System, and for other purposes.

Be it enacted by the Senate and House of the Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Intelligence Authorization Act for Fiscal Year 1981".

TITLE I—INTELLIGENCE ACTIVITIES

AUTHORIZATION OF APPROPRIATIONS

SEC. 101. Funds are hereby authorized to be appropriated for fiscal year 1981 for the conduct of the intelligence and intelligence-related activities of the following agencies of the United States Government:

- (1) The Central Intelligence Agency.
- (2) The Department of Defense.
- (3) The Defense Intelligence Agency.
- (4) The National Security Agency.
- (5) The Department of the Army, the Department of the Navy, and the Department of the Air Force.
- (6) The Department of State.
- (7) The Department of the Treasury.
- (8) The Department of Energy.
- (9) The Federal Bureau of Investigation.
- (10) The Drug Enforcement Administration.

CLASSIFIED SCHEDULE OF AUTHORIZATIONS

SEC. 102. The amounts authorized to be appropriated under section 101, and the authorized personnel ceilings as of September 30, 1981, for the conduct of the intelligence and intelligence-related activities of the agencies listed in such section, are those specified in the classified Schedule of Authorizations prepared by the committee of conference to accompany S. 2597 of the 96th Congress. That Schedule of Authorizations shall be made available to the Committees on Appropriations of the Senate and House of Representatives and to the President. The President shall provide for suitable distribution of the schedule, or of appropriate portions of the Schedule, within the executive branch.

CONGRESSIONAL NOTIFICATION OF EXPENDITURES IN EXCESS OF PROGRAM AUTHORIZATIONS

SEC. 103. During fiscal year 1981, funds may not be obligated or expended for any program for which funds are authorized to be appropriated by section 101 in an amount in excess of the amount specified for that program in the classified Schedule of Authoriza-

TITLE III—CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM

AUTHORIZATION OF APPROPRIATIONS

SEC. 301. There is authorized to be appropriated for the Central Intelligence Agency Retirement and Disability Fund for fiscal year 1981 the sum of \$55,300,000.

TITLE IV—GENERAL PROVISIONS

FUNDS TRANSFERS BY THE SECRETARY OF DEFENSE

SEC. 401. (a) Chapter 4 of title 10, United States Code, is amended by adding at the end thereof the following new section:

“§140a. Secretary of Defense: funds transfers for foreign cryptologic support

“The Secretary of Defense may use funds available to the Department of Defense for intelligence and communications purposes to pay for the expenses of arrangements with foreign countries for cryptologic support. Payments under this section may be made without regard to section 3651 of the Revised Statutes of the United States (31 U.S.C. 543).”

(b) The table of sections at the beginning of such chapter is amended by adding at the end thereof the following new item:

“140a. Secretary of Defense: funds transfers for foreign cryptologic support.”

ADMINISTRATIVE PROVISIONS RELATING TO THE NATIONAL SECURITY AGENCY

SEC. 402. (a)(1) The Act entitled “An Act to provide certain administrative authorities for the National Security Agency, and for other purposes” approved May 29, 1959 (50 U.S.C. 402 note), is amended by adding at the end thereof the following new sections:

“SEC. 9. (a) Notwithstanding section 322 of the Act of June 30, 1932 (40 U.S.C. 278a), section 5536 of title 5, United States Code, and section 2675 of title 10, United States Code, the Director of the National Security Agency, on behalf of the Secretary of Defense, may lease real property outside the United States, for periods not exceeding ten years, for the use of the National Security Agency for special cryptologic activities and for housing for personnel assigned to such activities.

“(b) The Director of the National Security Agency, on behalf of the Secretary of Defense, may provide to certain civilian and military personnel of the Department of Defense who are assigned to special cryptologic activities outside the United States and who are designated by the Secretary of Defense for the purposes of this subsection—

“(1) allowances and benefits comparable to those provided by the Secretary of State to officers and employees of the Foreign Service under paragraphs (1), (2), (7), (9), (10), and (11) of section 911, and under sections 912, 914, 933, 941, 942, and 945, of the Foreign Service Act of 1946 (22 U.S.C. 1136 (1), (2), (7), (9), (10), (11), 1137, 1138a, 1148, 1156, 1157, 1160); and

“(2) housing (including heat, light, and household equipment) without cost to such personnel, if the Director of the National Security Agency, on behalf of the Secretary of Defense deter-

mines that it would be in the public interest to provide such housing.

"(c) The authority of the Director of the National Security Agency, on behalf of the Secretary of Defense, to make payments under subsections (a) and (b), and under contracts for leases entered into under subsection (a), is effective for any fiscal year only to the extent that appropriated funds are available for such purpose.

"SEC. 10. The Director of the National Security Agency, on behalf of the Secretary of Defense, may, without regard to section 4109(a)(2)(B) of title 5, United States Code, pay travel, transportation, storage, and subsistence expenses under chapter 57 of such title to civilian and military personnel of the Department of Defense who are assigned to duty outside the United States for a period of one year or longer which involves cryptologic training, language training, or related disciplines.

"SEC. 11. The Administrator of General Services, upon the application of the Director of the National Security Agency, may provide for the protection in accordance with section 3 of the Act of June 1, 1948 (40 U.S.C. 318b), of certain facilities (as designated by the Director of such Agency) which are under the administration and control of, or are used by, the National Security Agency in the same manner as if such facilities were property of the United States over which the United States has acquired exclusive or concurrent criminal jurisdiction."

(2) Such Act is further amended by inserting after the enacting clause the following: "That this Act may be cited as the 'National Security Agency Act of 1959'."

(b) Any individual who is liable to the United States for any overpayment which was made to or on behalf of such individual before October 1, 1980, under chapter 57 of title 5, United States Code, while such individual was an employee of or assigned to duty with the National Security Agency and which was subsequently determined to be subject to the limitations contained in section 4109(a)(2)(B) of such title is hereby relieved of liability to the United States for such overpayment.

AUTHORITY TO PAY DEATH GRATUITIES

SEC. 403. (a) The Central Intelligence Agency Act of 1949 (50 U.S.C. 403a-403j) is amended by adding at the end thereof the following new section:

"AUTHORITY TO PAY DEATH GRATUITIES

"SEC. 11. (a)(1) The Director may pay a gratuity to the surviving dependents of any officer or employee of the Agency who dies as a result of injuries (other than from disease) sustained outside the United States and whose death—

"(A) resulted from hostile or terrorist activities; or

"(B) occurred in connection with an intelligence activity having a substantial element of risk.

"(2) The provisions of this subsection shall apply with respect to deaths occurring after June 30, 1974.

"(b) Any payment under subsection (a)—

"(1) shall be in an amount equal to the amount of the annual salary of the officer or employee concerned at the time of death;

"(2) shall be considered a gift and shall be in lieu of payment of any lesser death gratuity authorized by any other Federal law; and

"(3) shall be made under the same conditions as apply to payments authorized by section 14 of the Act of August 1, 1956 (22 U.S.C. 2679a)."

(b)(1) Chapter 75 of title 10, United States Code, relating to death benefits, is amended by adding at the end thereof the following new section:

"§1489. Death gratuity: members and employees dying outside the United States while assigned to intelligence duties

"(a) The Secretary of Defense may pay a gratuity to the surviving dependents of any member of the Armed Forces or of any employee of the Department of Defense—

"(1) who—

"(A) is assigned to duty with an intelligence component of the Department of Defense and whose identity as such a member or employee is disguised or concealed; or

"(B) is within a category of individuals determined by the Secretary of Defense to be engaged in clandestine intelligence activities; and

"(2) who after the date of the enactment of this section dies as a result of injuries (excluding disease) sustained outside the United States and whose death—

"(A) resulted from hostile or terrorist activities; or

"(B) occurred in connection with an intelligence activity having a substantial element of risk.

"(b) Any payment under subsection (a)—

"(1) shall be in an amount equal to the amount of the annual basic pay or salary of the member or employee concerned at the time of death;

"(2) shall be considered a gift and shall be in lieu of payment of any lesser death gratuity authorized by this chapter or any other Federal law; and

"(3) shall be made under the same conditions as apply to payments authorized by section 14 of the Act of August 1, 1956 (22 U.S.C. 2679a)."

(2) The table of sections at the beginning of such chapter is amended by adding at the end thereof the following new item:

"Sec. 1489. Death gratuity: members and employees dying outside the United States while assigned to intelligence duties."

SPECIAL PROVISIONS RELATING TO THE WELFARE OF PERSONNEL OF THE CENTRAL INTELLIGENCE AGENCY

SEC. 404. The Central Intelligence Agency Act of 1949 is amended by adding after section 11 (as added by section 403(a)) the following new section:

"AUTHORITY TO ACCEPT GIFTS, DEVISES, AND BEQUESTS

"SEC. 12. (a) Subject to the provisions of this section, the Director may accept, hold, administer, and use gifts of money, securities, or other property whenever the Director determines it would be in the interest of the United States to do so. Any gift accepted under this section (and any income produced by any such gift) may be used only for artistic display or for purposes relating to the general welfare,

education, or recreation of employees or dependents of employees of the Agency or for similar purposes, and under no circumstances may such a gift (or any income produced by any such gift) be used for operational purposes. The Director may not accept any gift under this section which is expressly conditioned upon any expenditure not to be met from the gift itself or from income produced by the gift unless such expenditure has been authorized by law.

"(b) Unless otherwise restricted by the terms of the gift, the Director may sell or exchange, or invest or reinvest, any property which is accepted under this section, but any such investment may only be in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States.

"(c) There is hereby created on the books of the Treasury of the United States a fund into which gifts of money, securities, and other intangible property accepted under the authority of this section, and the earnings and proceeds thereof, shall be deposited. The assets of such fund shall be disbursed upon the order of the Director for the purposes specified in subsection (a) or (b).

"(d) For purposes of Federal income, estate, and gift taxes, gifts accepted by the Director under this section shall be considered to be to or for the use of the United States.

"(e) For the purposes of this section, the term 'gift' includes a bequest or devise."

AUTHORITY TO REMEDY UNJUSTIFIED PERSONNEL ACTIONS

SEC. 405. (a) Whenever the Director of Central Intelligence finds during fiscal year 1981 that an employee or former employee of the Central Intelligence Agency has unfairly had his career with the Agency adversely affected as a result of allegations concerning the loyalty to the United States of such employee or former employee, the Director may grant such employee or former employee such monetary or other relief (including reinstatement and promotion) as the Director considers appropriate in the interest of fairness.

(b) Any action of the Director under this section is not reviewable in any other forum or in any court.

(c) The authority of the Director to make payments under subsection (a) is effective only to the extent that appropriated funds are available for that purpose.

GRANTING OF ADVANCED DEGREE AT DEFENSE INTELLIGENCE SCHOOL

SEC. 406. (a) Part III of subtitle A of title 10, United States Code, is amended by adding at the end thereof the following new chapter:

"CHAPTER 108—GRANTING OF ADVANCED DEGREES AT DEPARTMENT OF DEFENSE SCHOOLS

"Sec.

"2161. Defense Intelligence School: master of science of strategic intelligence.

"§ 2161. Defense Intelligence School: master of science of strategic intelligence

"Under regulations prescribed by the Secretary of Defense, the Commandant of the Defense Intelligence School may, upon recommendation by the faculty of such school, confer the degree of master

of science of strategic intelligence upon graduates of the school who have fulfilled the requirements for that degree.”

(b) The table of chapters at the beginning of subtitle A of title 10, United States Code, and the table of chapters at the beginning of part III of such subtitle are each amended by inserting after the item relating to chapter 107 the following new item:

“108. Granting of Advanced Degrees at Department of Defense Schools 2161”.

CONGRESSIONAL OVERSIGHT OF INTELLIGENCE ACTIVITIES

SEC. 407. (a) Section 662 of the Foreign Assistance Act of 1961 (22 U.S.C. 2422) is amended—

(1) by striking out “(a)” before “No funds”;

(2) by striking out “and reports, in a timely fashion” and all that follows in subsection (a) and inserting in lieu thereof a period and the following: “Each such operation shall be considered a significant anticipated intelligence activity for the purpose of section 501 of the National Security Act of 1947.”; and

(3) by striking out subsection (b).

(b)(1) The National Security Act of 1947 (50 U.S.C. 401 et seq.) is amended by adding at the end thereof the following new title:

“TITLE V—ACCOUNTABILITY FOR INTELLIGENCE ACTIVITIES

“CONGRESSIONAL OVERSIGHT

“SEC. 501. (a) To the extent consistent with all applicable authorities and duties, including those conferred by the Constitution upon the executive and legislative branches of the Government, and to the extent consistent with due regard for the protection from unauthorized disclosure of classified information and information relating to intelligence sources and methods, the Director of Central Intelligence and the heads of all departments, agencies, and other entities of the United States involved in intelligence activities shall—

“(1) keep the Select Committee on Intelligence of the Senate and the Permanent Select Committee on Intelligence of the House of Representatives (hereinafter in this section referred to as the ‘intelligence committees’) fully and currently informed of all intelligence activities which are the responsibility of, are engaged in by, or are carried out for or on behalf of, any department, agency, or entity of the United States, including any significant anticipated intelligence activity, except that (A) the foregoing provision shall not require approval of the intelligence committees as a condition precedent to the initiation of any such anticipated intelligence activity, and (B) if the President determines it is essential to limit prior notice to meet extraordinary circumstances affecting vital interests of the United States, such notice shall be limited to the chairman and ranking minority members of the intelligence committees, the Speaker and minority leader of the House of Representatives, and the majority and minority leaders of the Senate;

“(2) furnish any information or material concerning intelligence activities which is in the possession, custody, or control of any department, agency, or entity of the United States and which is requested by either of the intelligence committees in order to carry out its authorized responsibilities; and

“(3) report in a timely fashion to the intelligence committees any illegal intelligence activity or significant intelligence failure and any corrective action that has been taken or is planned to be taken in connection with such illegal activity or failure.

“(b) The President shall fully inform the intelligence committees in a timely fashion of intelligence operations in foreign countries, other than activities intended solely for obtaining necessary intelligence, for which prior notice was not given under subsection (a) and shall provide a statement of the reasons for not giving prior notice.

“(c) The President and the intelligence committees shall each establish such procedures as may be necessary to carry out the provisions of subsections (a) and (b).

“(d) the House of Representatives and the Senate, in consultation with the Director of Central Intelligence, shall each establish, by rule or resolution of such House, procedures to protect from unauthorized disclosure all classified information and all information relating to intelligence sources and methods furnished to the intelligence committees or to Members of the Congress under this section. In accordance with such procedures, each of the intelligence committees shall promptly call to the attention of its respective House, or to any appropriate committee or committees of its respective House, any matter relating to intelligence activities requiring the attention of such House or such committee or committees.

“(e) Nothing in this Act shall be construed as authority to withhold information from the intelligence committees on the grounds that providing the information to the intelligence committees would constitute the unauthorized disclosure of classified information or information relating to intelligence sources and methods.”.

(2) The table of contents at the beginning of such Act is amended by adding at the end thereof the following:

“TITLE V—ACCOUNTABILITY FOR INTELLIGENCE ACTIVITIES

“Sec. 501. Congressional oversight.”.

INCREASES IN EMPLOYEE BENEFITS AUTHORIZED BY LAW

SEC. 408. Appropriations authorized by this Act for salary, pay, retirement, and other benefits for Federal employees may be increased by such additional or supplemental amounts as may be necessary for increases in such benefits authorized by law.

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*

~~SECRET/SENSITIVE/EYES ONLY~~

November 20, 1980

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift 

SUBJECT: Foreign Policy/National Security Developments

The following does not attempt to retrace the daily intelligence reports which have been sent to you via Ralph Crosby over the past week. It provides background on the President's important meetings with President-elect Reagan and Chancellor Schmidt, the hostage situation and efforts to lessen the impact of a new oil shortage crisis.

President's Meeting with President-elect

At the President's request Secretary Muskie has forwarded a review of the key foreign policy issues recommended for discussion with President-elect Reagan (Tab 1). These include:

- Saudi Arabia F-15 additional items;
- the Middle East peace process;
- Korea;
- El Salvador;
- Cuba;
- Conference on Disarmament in Europe;
- hostage crisis;
- Poland;
- International Energy Agency steps to face the prospect of growing oil shortages on the world market;
- NATO defense efforts.

Harold Brown's paper on NATO defense efforts is at Tab 2.

(I would note that the Muskie paper has had absolutely no distribution other than to Zbig and the President. It was provided to me by State for your eyes only.)


Oil Shortage

An additional paper prepared by Henry Owen for the President's meeting with Schmidt (Tab 3) provides further background and

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CLASSIFIED BY SOURCE

REVIEW ON NOVEMBER 20, 2000

DECLASSIFIED
per 7/24/06 NSC Htr.
NLSC-06-073
BY  NARA, DATE 8/7/06

recommended talking points on steps that might be taken by the oil consumer nations to cope with the oil shortages resulting from the Iran-Iraq war. This issue, it seems to me, is the most important issue the President will address in the coming weeks.

THE SECRETARY OF STATE
WASHINGTON

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November 19, 1980

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MEMORANDUM FOR: THE PRESIDENT

From: Edmund S. Muskie *[Signature]*
Subject: Your Meeting with Governor Reagan

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You have indicated that you intend to raise a number of important international issues in your meeting with Governor Reagan on November 20. I propose that you divide the subjects into two categories:
(1) Consultable Issues where an indication of support from the incoming Administration is desirable; and
(2) Information Issues where you inform Governor Reagan how you intend to proceed, leaving him an opportunity to comment if he wishes.

It would be of considerable value if Governor Reagan were to designate a person for me and Chris to contact in order to follow up on the issues that the two of you discuss, and to use if urgent consultations on other matters are needed. Richard Allen has been the channel to us on Iran and Kim Dae Jung, but we do not know whether he is the authorized representative of Governor Reagan on other sensitive foreign policy issues.

Attachment:

As stated.

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SENSITIVE
RDS-3 11/19/00

DECLASSIFIED
per 7/24/06 NSC 1hr
UCLC-06-073
BY: *DAS* NARA DATE *9/7/06*

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CONSULTABLE ISSUES

Saudi Arabia's Request for F-15 Enhancement Items and AWACS

For over a year the Saudis have been pressing us to provide bomb racks, conformal fuel pods, aerial refueling tankers and AIM-9L air-to-air missiles for the 60 F-15s and recently they have made firm their desire to purchase AWACS. On November 12 Defense Minister Prince Sultan pressed General Jones for a response in two weeks and indicated that the Saudi Government might cancel the F-15 purchase if we do not respond favorably. The F-15 enhancement issue has become a litmus test in our relationship. Saudi cooperation on oil pricing and production, as well as Saudi understanding for our Southeast Asia strategy and Middle East peace developments, could well be affected by our decisions on these items.

Of the items requested, all but the bomb racks would require Congressional notification under 36 (b), and we are committed to consult with the Congress before decisions are made on any of the items. The completion of Congressional consideration and delivery of any equipment approved would take place during the Reagan Administration. Our response to the Saudis should therefore convey a sense that Governor Reagan shares in any decision we might make on these requests. The President has stated publicly that he would not approve items which might give Saudi Arabia an offensive capability against Israel and has specifically cited bomb racks as an example. The Israelis will argue that all of the items except possibly the AIM-9L missiles and the AWACS have such offensive capability, while the Saudis will argue that they will, under no circumstances, use the F-15s offensively against Israel. Of the items requested:

-- The bomb racks are most controversial, are not provided for our own F-15s, although the Israelis are manufacturing them for theirs, and are the sole item on which the Saudis have indicated they might not expect an immediate response.

-- The AIM-9L missile is a new development in the Sidewinder air-to-air series, and while we have sold earlier versions of the AIM-9 to Saudi Arabia we have sold the AIM-9L only to some NATO countries, Australia, Japan and Israel.

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-- Conformal fuel pods would extend the range of the Saudi F-15s, and the Saudis have argued this is essential to their defensive needs in view of the changed strategic environment in the Gulf and South Arabia.

-- Air refueling capability for the F-15s involves providing the KC-135 tanker and raises essentially the same considerations as the conformal fuel pods except that introduction of the tanker into the Saudi inventory would involve substantial training and support services.

-- The AWACS is a highly complex system that we have refused Israel, but provided to the Shah, and have delivered to NATO countries. However, on the basis of our two AWACS deployments to Saudi Arabia, the Saudis are convinced that they require this system to achieve an adequate air defense.

There has been strong Congressional sentiment -- including Senators Byrd, Baker, Laxalt, Dole, and Warner -- against providing the F-15 enhancement items and AWACS to the Saudis on the basis of Israeli concerns that such equipment will increase the offensive capability of the aircraft. During the 1978 debate on the F-15 sale Harold Brown gave written assurances to Congress that we did not intend to provide equipment which would increase the range or the ground attack capability of the aircraft. The Administration also indicated in 1978 that we had no plans to sell AWACS to the Saudis. ||

The Middle East Peace Process

The Egyptians very reluctantly agreed to go through with the trilateral autonomy session on November 17 on the understanding that they would not be pressed for further trilateral meetings until they could get a sense of the next Administration's policy. The Egyptian position remains that in the light of the Knesset bill on Jerusalem they cannot agree to further trilateral meetings except for the purpose of preparing for a summit. No progress was made on our draft "Memorandum of Understanding" at the November 17 session; both sides declared it to be inadequate and both have clearly decided to dig in on their respective positions until they have a clearer sense of the new Administration's policies.

Although the autonomy negotiations have bogged down in recent months, the peace process launched at Camp David remains viable. It will be important for both sides to hear from the President-elect fairly soon that he intends to pursue

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the Camp David process. You may also wish to tell the President-elect that if it would contribute to the peace process, you are considering inviting Sadat and Begin to a Middle East summit before you leave office.

Finally, you may want to alert Governor Reagan to the dangers of a formal Israeli move to annex the Golan and urge him to signal concern at such a move to those Israeli Government representatives with whom the incoming Administration may be in touch.

Korea

You might express your appreciation to the President-elect for the public and private signals that he has authorized to the Korean Government supporting our stand on Kim Dae Jung. You may wish to mention our consultation with the Japanese on measures we would take if Kim is executed.

In addition to the Kim matter, some 800 active and former Korean politicians and party staff members have been banned from political activity. This may be a step preliminary to the conduct of a thorough review of individual situations. Upon appeal, which is permitted, many of these people may be reinstated. If a substantial number remain under the ban after the review, Governor Reagan may wish to consider commenting.

El Salvador

Conservative military leaders may try to use our election results as a pretext to move against the moderate elements in the ruling Junta. Recent indications are that the immediate danger may have receded but we are nonetheless concerned about the possibility of a rightist coup. Such a development would diminish even further the limited appeal of the Junta in El Salvador and abroad. Unless the incoming Administration resists overtures from the far-right and signals support for the Junta, a rightist coup before January 20 is likely, leaving the incoming Administration to deal with the consequences of a failure of the moderate alternative in El Salvador. A rightist coup in El Salvador also would increase Cuba's audience and role in Central America.

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Cuba

You have indicated that we should accept the Cuban offer to begin talks soon with us on an orderly departure program that would establish procedures and levels for regularized immigration from Cuba to the U.S. Since any agreement on such immigration flows will not be concluded until after January 20, 1981, you might want to tell Governor Reagan of our reasons for starting the conversations.

CDE

Now that the CSCE Conference has agreed on procedures, we may soon be faced with a decision of whether or not to join with our allies in supporting the French proposal for a Conference on Disarmament in Europe (which they have not yet tabled). There will be an SCC meeting Thursday afternoon which will provide interagency recommendations to you on the matter. Since the CDE could become an ongoing East-West arms control forum, you may want to tell Governor Reagan that we will be in touch with his advisors on the issue before making a final decision on whether to endorse CDE or to remain noncommittal.

INFORMATION ISSUES

Hostages in Iran

We have been keeping Dick Allen informed of our efforts to protect our vital interests in Iran and bring the hostages home safely and as quickly as possible. We will continue to brief Allen on developments. Our response to the Parliament's four conditions for the hostages' release, which was delivered to Iran by the Algerians, is being considered by the special Iranian Government committee charged with assessing the acceptability of our position. This committee has been meeting with the Algerian emissaries briefed by Warren Christopher last week in Algiers on the rationale for our position and the limits to our flexibility. We are inclined to believe serious consideration is being given to the substance of our response as we have learned that the committee is seeking expert advice on the legal constraints that affect our position and ability to be flexible.

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Given the continuing struggle between moderate and extremist revolutionary factions, we are unable to predict how the Iranian authorities will in fact react to our response, or when we might expect to hear from them.

Poland

You may want to brief the President-elect on the nature of our concerns about the economic situation. You have authorized me to ask the German, French and British Foreign Ministers how much their governments might provide if the U.S. were to agree to some additional CCC credits before the discussions on the rescheduling of Poland's debt begin early next year. We have warned the Soviets and their allies of the seriousness with which we would view any outside intervention in Poland. We have begun discussions with our key Western allies on the measures that we all would take if the Soviets or Polish authorities use force against the Polish trade unionists. You might want to mention that Governor Scranton's conversation in Moscow last week certainly left the Soviets in no doubt that the incoming Administration shares our concern about possible intervention in Poland.

IEA

You might want to review with the President-elect the steps we plan to take in the face of growing oil shortages on the world market.

The interruption of oil exports from Iraq and Iran into 1981 will risk an increase in the price of oil on the order of that which occurred in 1979. The economic consequences for the world economy would be severe. The U.S. and the major oil consuming nations have to move quickly to try to take pressure off the volatile spot market and to reduce demand for imported oil to make up for the shortfall. This week we will begin work in the International Energy Agency to develop an international approach to the problem. We intend to press for the setting of national oil import ceilings which would reduce demand for imports enough to cover the shortfall. Each IEA nation and France would adopt the domestic measures necessary to meet its ceiling. The U.S. will need to take strong, effective, domestic measures. (Such domestic measures might include the decontrol of the price of gas and compulsory industrial use of coal.) At IEA, we will also discuss how to help seriously affected nations such as Turkey and Portugal.

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NATO Defense Efforts

You will be receiving separately the memo that you asked Harold and me for to use in your meetings with Chancellor Schmidt and Governor Reagan.

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THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

18 NOV 1980

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Your Meeting with Chancellor Schmidt (U)

(C) In my talks last Thursday with MOD Apel it was clear that the Germans will not achieve 3% real growth in 1981 unless the Chancellor is persuaded. Therefore, I recommend that you raise the matter with him and have attached talking points that you may want to use.

(C) He faces, of course, the same sort of problem that we do. Concerned over inflation and increased Federal debt, he's trying to hold down public spending--and insisting that the Bundeswehr not be excepted. This leaves out of account, however: (1) steadily growing Soviet defense efforts, which create a growing gap between Warsaw Pact and NATO defense investment in particular; (2) Schmidt's own resulting pledge at the 1978 Washington Summit to the LTDP and 3% real annual defense budget growth; and (3) the major added gap created by the need to protect vital oil access to Southwest Asia and the consequent need for what Schmidt himself calls a more rational "division of labor".

(U) Further, especially in view of our many initiatives to strengthen NATO, we are entitled to insist that our key allies join in sharing the burden. As one German editorial said, Europe can't press detente while letting the Americans pay for deterrence. I pressed this argument on my fellow defense ministers at Brussels, stressing the divisive impact on the Alliance if the US (Congress in particular) saw that Europe was standing still on defense while the US was building up, largely to defend oil access far more vital to Europe than to us.

(C) When you press for 3% real growth it is likely that the Chancellor will respond with one or more of the following arguments.

- The 3% real growth formula is "arbitrary". It is true that this represented a purely political consensus on the most the traffic would bear, not an estimate of what is really needed. But even before SWA defense ministers and chiefs of staff would have contended that 3% real growth was insufficient to meet even NATO's priority requirements. In any event reaching 3% growth is clearly within the FRG's capabilities. The issue is not economic limits but political decisions on how much priority the FRG will give defense over other spending or anti-inflation measures (the same problem you confront, but have resolved differently).

DECLASSIFIED

per 7/24/06 NSC 14-
NSC 14-06 -013
BY: PMS - NARA, DATE 8/7/06

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- Germany has spent all that is really required to meet key NATO military requirements. They, even more than we, have underestimated price increases in defense procurement so that their modernization program is lagging even more: (1) Bonn is stretching out essential procurement of the Tornado aircraft, Leopard II tanks, and much other new equipment; (2) Germany plans to meet fully only half (82) of its 160 NATO Force Goals; (3) higher NATO Infrastructure spending, improved facilities for US forces in Germany, and sharing the costs of Host Nation Support for US reinforcements are three other important categories on which Schmidt can and should spend more (see below).
- Conscription enhances Germany's real contribution. This is a weak argument because it turns out that Germany's average cost per soldier (estimated at \$13,000 from their latest NATO submission) is not much lower than our \$15,000 average. And if the argument is financial, it should be noted that we're allocating over 5% of GNP for defense compared to Germany's 3.3% (or about 4% if Berlin costs, etc., are included). Therefore, Germany's case for holding down costs cannot legitimately hinge on our restoring the draft (which probably wouldn't save us money anyway). Our current problem is not accession but retention in the 6-12 year category.

(S) In Brussels last week I could not move Apel beyond a grudging admission that a supplemental to move 1981 defense spending up over 2% is conceivable. In fact, I think they expect to come up to 2.5%, but later as a result of quiet additions (done quietly to lull the SPD left-wing), coming so late as to be no help in setting an example for other allies--Belgium, the Netherlands, Norway, Denmark, etc. I frankly doubt that you can move Schmidt either, but your pressure on 3% may well convince him to help out now on the three associated measures cited below.

1. Greater NATO Infrastructure Spending. After a hard fight with the Germans, NATO had to settle for a one-third smaller five-year NATO Infrastructure program in May 1979 than the US favored. Now the NATO commanders badly need an add-on to cover (1) the effects of inflation; (2) added priority needs like Long Range Theater Nuclear Force bases; and (3) facilities for US reinforcement. If Schmidt wants rapid US reinforcement in a crisis he should honor his part of the "TransAtlantic Bargain" reached in the LTDP and stop stalling NATO decision on this matter. Moreover, this add-on would involve expenditures mostly in 1983 and beyond, not now, hence would not really affect the forthcoming FRG budget.

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2. Host Nation Support. Wartime support from mobilized German civil assets is another key part of the "Trans-Atlantic Bargain". A long negotiation has led to military-to-military agreement on a very substantial HNS package, which is ready for approval by the Federal Security Council if Schmidt will only place it on the agenda. The only remaining issue is peacetime cost-sharing, on which Apel agreed with me that the US could hardly pay peacetime personnel costs of German soldiers (lest we appear to be hiring mercenaries). We are prepared to pay such other costs as may be agreed because HNS would save us billions in peacetime structure for wartime support. Moreover, our need to reprogram US support for SWA contingencies makes this HNS deal a vital "division of labor" matter. If you could persuade Schmidt to agree on settling this issue by Christmas, it would be a significant achievement.

3. Improving US Troops' Quality of Life. We recently tabled in Bonn a prioritized list which included measures by which Germany could improve the quality of life for our troops and help restation our forces farther forward. We are unlikely to get all we asked for, largely because of the precedent it sets for similar French and British requests. You could point out that these measures appear to us to be low cost with high yield in good will. For example, "land swaps" of expensive casernes (now inside German cities) for rural sites, which are so much less expensive that the differential could finance new barracks, would cost Germans little. Admittedly they'd have to come up with the initial funding, because we need (and Congress won't fund) places to move into before we move out of the old ones.

(U) My own sense is that if you will press Schmidt hard on all four issues (you might also suggest he talk with me about them), we can at least get some movement on the last three--on which Ed Muskie and I can then follow up at the NATO meeting in December.

Harold Brown

Attachment

cc: The Secretary of State

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TALKING POINTS

Must take into account

- Growing Warsaw Pact - NATO gap in defense investment
- Our joint pledge to 3% real growth
- Need for "division of labor" in light of need to protect Persian Gulf oil

FRG failure to meet 3% commitment could

- Trigger parallel reductions by other allies, many of whom are already claiming difficulty making 3%
- Weaken NATO's bargaining positions in arms control negotiations, including MBFR, since Soviets would perceive NATO's force improvement effort slackening

In terms of direct impact on NATO military capabilities, we are particularly concerned about the impact on the ground forces, where the RDF diversion might necessitate a NATO-wide force expansion, as well as modernization, which is the emphasis in current FRG plans.

Thus, German attainment of 3% real growth is important

Key categories in which FRG can do more to make US forces more effective:

- Greater NATO Infrastructure Spending. NATO needs add-on to cover
 - inflation
 - added priority needs like LRTNF bases
 - facilities for US reinforcements

Most expenditures are beyond 1982

- More Host Nation Support
 - peacetime cost sharing resolvable
 - reorienting US support for SWA contingencies makes this vital
- Improving US troops' quality of life and moving them forward
 - low cost with high yield in good will

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THE WHITE HOUSE

WASHINGTON

November 18, 1980

~~CONFIDENTIAL~~INFORMATION

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY OWEN ~~VO~~

SUBJECT: Economic Aspects of Your Meeting
with Chancellor Schmidt (U)

Your meeting with Chancellor Schmidt offers a timely opportunity to draw German policy closer to ours on two economic issues. (U)

1. Oil. You will receive shortly a decision memorandum dealing with joint measures that we might propose to the IEA to avert sharp increases in world oil prices as a result of the Iraq-Iran war. Your advisers are unanimous in expecting the slow rise in spot market prices since the outbreak of that war to accelerate and to induce general OPEC price hikes when the oil market concludes that the war is likely to continue into 1981. Consequently, we are pressing for strong preventive IEA action before it is too late, including negotiation of national oil-import ceilings and intensified governmental pressure on the major oil companies to draw down their ample stocks and take care of Iraq's and Iran's former customers. We believe that these measures should be invoked at the IEA Ministers' meeting December 8-9, or as soon thereafter as the majority of IEA members comes to realize that the spot price rise is about to get out of control. The Germans and some other European governments are resisting serious joint action, claiming that the problem may go away and will only be worsened by IEA emergency action. EC Acting Energy Commissioner Davignon has asked that you press Schmidt on this. Talking Points:

-- I believe that the war between Iran and Iraq is likely to continue well into 1981. When the oil market comes to this conclusion, demand for oil on the spot market will rise. The escalation of spot prices, coming about the time buyers are negotiating for new term contracts for 1981, could readily spread to official OPEC prices -- thus repeating the 1979 disaster. (C)

-- The present comfortable stock situation will not prevent this: private stocks will be of little avail in suppressing a price explosion if the market gets jittery. (C)

-- We have concluded, therefore, that the IEA members should begin now to agree on a set of contingent national oil-import ceilings, to be made effective as soon as the Ministers conclude that the market is getting out of hand. (C)

~~CONFIDENTIAL~~

Review on November 18, 1986

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per 7/24/06 NSC Hr.
NLIC-04-073
BAC NARA, DATE 8/7/06

-- I hope the German delegation to the IEA Governing Board meeting at the end of this week will support this approach, so that the energy ministers will be able to act whenever this becomes necessary. (C)

-- We will couple this international action with pressure on our major oil companies to draw down stocks for the benefit of the former customers of Iran and Iraq. (C)

2. North-South Summit. Schmidt told Ambassador Stoessel in Bonn that he hopes that the US President will attend a North-South Summit meeting to be chaired by Lopez-Portillo in Mexico around June 1981. German officials are doubtful about the desirability of such a Summit, but Schmidt has to back it because of pressure from Brandt. We have indicated to other countries, in accordance with the instructions you gave me after the Venice Summit, that a US President would only attend if it seems likely that such a meeting could achieve sufficient substantive results to fulfill the large expectations that his attendance would arouse. This seems unlikely; the large role played in the recent preparatory meeting in Vienna by Algeria and like-minded states whose demands would be impossible for the US to accept, plus the invitations being issued to the Soviet Union and China, make it likely that such a meeting would turn into a propaganda circus, with the US being target #1. (C)

Talking Points: I doubt the proposed North-South Summit meeting can usefully be attended by the US President, unless there is clear evidence that it will produce useful substantive results. The US decision will, of course, be made by my successor. (C)

Schmidt Visit - White House Luncheon, November 20

Guest List

U.S. Executive Branch

The President

Vice President Mondale

Secretary of State Muskie

Dr. Brzezinski

Deputy Secretary of State Christopher

Mr. Jody Powell

Ambassador Walter J. Stoessel, Jr.

Ambassador Henry Owen

Assistant Secretary of State Vest

Mr. Robert Blackwill, NSC Staff Member

West German Party

Chancellor Helmut Schmidt

Minister of Foreign Affairs Hans-Dietrich Genscher

Ambassador Peter Hermes

Mr. Klaus Boelling, State Secretary and Chief of the
Press and Information Office

Mr. Berndt von Staden, Assistant Secretary for Political Affairs,
Federal Chancellery

Dr. Klaus Blech, Chief, Political Division, Ministry of
Foreign Affairs

Mr. Heinz Weber, Interpreter, Ministry of Foreign Affairs



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