

TABLE 1

Eximbank Direct Loan
(Million Dollars)
May 31, 1979

	<u>Commitments Since 1958</u>	<u>Undisbursed Commitments</u>	<u>Principal Outstanding</u>	<u>Exposure</u>
Brazil	\$3,460	\$310	\$978	\$1,289
Mexico	2,911	692	652	1,344
Spain	2,260	286	886	1,172
South Korea	1,817	101	434	535
Venezuela	557	12	105	117
<u>Communist Countries</u>				
U.S.S.R.	469	0	452	452
Poland	315	34	191	225
Romania	101	21	76	97
Yugoslavia	836	96	486	582
Others:	32,712	3,900	7,180	10,080
TOTALS:	45,438	5,452	11,441	15,893

TABLE 2: TYPICAL CYCLE FOR A 10 YEAR EXIMBANK LOAN

	Year Number														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Commitment (No cash outflow) ^{1/}	X														
Export and disbursement (cash outflow) ^{2/}			1												
Grace period ^{3/}				X	X										
Repayment of commercial bank loan ^{4/}						1/5	1/5	1/5	1/5	1/5					
Repayment of Eximbank loan (cash inflow) ^{5/}											1/5	1/5	1/5	1/5	1/5

^{1/} Eximbank commitment, together with private bank loan, to finance a specified export (year 1).

^{2/} Disbursement of loan funds to finance the export (year 3); the gestation period for manufacture/assembly in the U.S. of material to be exported to communist countries may be less than the two years indicated but periods are frequently longer. For example, the \$469 million committed to the Soviet Union during the 1972-74, was not fully disbursed until the end of 1978.

^{3/} Disbursement is followed by a grace period during which the borrower pays interest, but no amortization of outstanding loan principal. (This grace period coincides with construction/installation and production activation phase of the export equipment in the country of the buyer.) While grace periods vary depending on the type of equipment exported, a two year grace period is typical for Eximbank loans.

^{4/} The ten year maturity assumption seems realistic in view of the OECD consensus on export credit terms which limits official credit maturities to less developed countries to ten years and the fact that current liquid market conditions tend to motivate the most liberal terms. China will undoubtedly qualify for these maturities.

^{5/} Principal amortization payments commence in year 6 for that portion of the export contract financed by private banks. Since it takes the longer term maturities, Eximbank principal repayments do not start until year 9 while interest payments continue throughout the life of each loan. Assuming five equal principal repayments, flowback of Eximbank capital typically occurs in years 9 through 15. On actual loans with different maturities, the payback will be faster or slower.

Table 3

Estimated Trade Effects of \$1.5 Billion of Eximbank Direct Loans to Peoples' Republic of China by 1984
(U.S. \$ Millions)

	1980	1981	1982	1983	1984	1985	1986 ^{7/}	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
<u>Commitments</u>																		
1. New annual ^{1/}	300	300	300	300	300	Z	Z	60	120	180	240	300	240	180	132	96	72	120
2. Undrawn cumulative end of year	300	600	600	600	600	300	Z	60	180	300	420	540	540	420	312	228	48	72
<u>Disbursement</u>																		
3. Annual ^{2/}	Z	Z	300	300	300	300	300	Z	Z	60	120	180	240	300	240	180	132	96
4. Cumulative	Z	Z	300	600	900	1200	1500	1500	1500	1560	1680	1860	2100	2400	2640	2820	2952	3048
<u>Principal Repayments^{3/}</u>																		
5. Annual	Z	Z	Z	Z	Z	Z	Z	60	120	180	240	300	240	180	252	154	72	120
<u>Principal Outstanding^{4/}</u>																		
6. end of year	Z	Z	300	600	900	1200	1500	1440	1320	1200	1080	960	960	1080	1068	1094	1154	1130
<u>Net Exposure^{5/}</u>																		
7. end of year	300	600	900	1200	1500	1500	1500	1500	1500	1500	1500	1500	1500	1500	1380	1322	1201	1202
<u>Total Export Financed^{6/}</u>																		
8. Annual	Z	Z	476	476	476	476	476	Z	Z	95	190	286	380	476	380	286	209	152
9. Cumulative	Z	Z	476	952	1428	1904	2380	2380	2380	2475	2665	2951	3331	3807	4187	4473	4682	4834

1/ Equals carryover undrawn commitment and new commitments less disbursements.

2/ Assumes two year lag between commitment and disbursements.

3/ Assumes typical Eximbank loan for 10 years with equal annual repayments of principal in years six through ten.

4/ Equals principal outstanding in previous year plus disbursements minus repayments in current year.

5/ Equals undrawn cumulative commitments plus principal outstanding.

6/ Assumes Eximbank continues to finance 63 percent of each export contract.

7/ Five year interim during which commercial bank portion of loan is repaid before Eximbank repayments start.

Table 4

Estimated Trade Effects of \$300 Million Eximbank Direct Loans to PRC Annually through the Year 2000
(U.S. \$ Millions)

	1980	1981	1982	1983	1984	1985	1986 ^{7/}	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
<u>Commitment</u>																		
1. New Annual	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300
2. Undrawn cumulative ^{1/} end of year	300	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600	600
<u>Disbursement^{2/}</u>																		
3. Annual	Z	Z	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300	300
4. Cumulative	Z	Z	300	600	900	1200	1500	1800	2100	2400	2700	3000	3300	3600	3900	4200	4500	4800
<u>Principal Repayment^{3/}</u>																		
5. Annual	Z	Z	Z	Z	Z	Z	Z	60	120	180	240	300	300	300	300	300	300	300
<u>Principal Outstanding^{4/}</u>																		
6. End of year	Z	Z	300	600	900	1200	1500	3420	3420	3540	3600	3600	3600	3600	3600	3600	3600	3600
<u>Net Exposure^{5/}</u>																		
7. End of year	300	600	900	1200	1500	1800	2100	3840	4020	4140	4200	4200	4200	4200	4200	4200	4200	4200
<u>Total Exports Financed^{6/}</u>																		
8. Annual	Z	Z	476	476	476	476	476	476	476	476	476	476	476	476	476	476	476	476
9. Cumulative	Z	Z	476	952	1428	1904	2380	4284	4760	5236	5712	6188	6064	7140	7616	8092	8568	9044

^{1/} Equals carryover undrawn commitment and new commitments less disbursements.

^{2/} Assumes two year lag between commitment and disbursements.

^{3/} Assumes typical Eximbank loan for 10 years with equal annual repayments of principal in years six through ten.

^{4/} Equals principal outstanding in previous year plus disbursements minus repayments in current year.

^{5/} Equals undrawn cumulative commitments plus principal outstanding.

^{6/} Assumes Eximbank continues to finance 63 percent of each export contract.

^{7/} Five year interim during which commercial bank portion of loan is repaid before Eximbank repayments start.

TABLE 5

Governmental Credit Lines Offered to PRC
(Billion Dollars)

<u>Country</u>	<u>Authorized</u>	<u>Terms</u>
France	\$ 6.9	7.25% up to 7 years 7.5% over 7 years
U.K.	2.5 ^{1/}	7.25% for 2-5 years
Canada	2.0	N.A.
Italy	1.0	N.A.
Japan	2.0	Eximbank, 6.25% for 10-15 years
Sweden	.350	N.A.
Australia	.045	N.A.
	<u>\$14.795</u>	

^{1/} Although bilateral credit framework agreement has not yet been signed, U.K. banks have committed loans totalling \$1.575 billion.

MEMORANDUM

OFFICE OF THE VICE PRESIDENT
WASHINGTON


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INFORMATION

Memo No. 691-79

August 16, 1979

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift 
SUBJECT: Foreign Policy Breakfast,
Friday, August 17, 1979

Warren Christopher will be substituting for Secretary Vance at the breakfast. (U)

Middle East

With the Strauss mission and Andrew Young's resignation, the Middle East will be a priority agenda item. It is possible that Christopher will have the first report from Strauss by the time of the breakfast. (C)

Pakistan

Zia's correspondence with the President and your visit to the PRC make Pakistan an important agenda item. How the President responds to Zia will tend to shape the manner in which you address our relationship with Pakistan in your talks with Deng and Hua. State is shooting to have a major options paper on Pakistan ready for review by Labor Day. (S)

Cuba/USSR

You should ask Harold Brown what public line Defense is planning to take on the nuclear submarine accompanying the Soviet task force en route to Cuba (were the submarine to be serviced while in port at Cuba, it would be a violation of the 1970 US-USSR agreement). Senator Stone is making the Soviet presence in Cuba a major public issue. (C)

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per 6/7/06 NSC/IT
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Your Visit to PRC

- Letter to Hua - By the time of your breakfast, Zbig may have signed forward a proposed letter from the President to Premier Hua. This letter, as you know, contains an invitation to visit the US "early in 1980 with the President's hope to visit the PRC later next year."
- EXIM - We have worked out a satisfactory credit arrangement presentation for you while in the PRC that has the concurrence of the OMB, State, EXIM and Treasury (relevant talking points are at Tab A).
- MFN - You will inform the Chinese that we will submit the Trade Agreement to the Congress before the end of the year.
- Friendly Nation Determination - State will make the determination prior to your visit. This opens the way for the hydroelectric agreement presuming that negotiations are successful.
- Export Controls - As of Thursday evening NSC advised there has been some progress on sensitive export items for the PRC approved by the President but held up within the government - e.g., the export of digital imagery processing equipment for analyzing data from satellites and the sale of small commercial jets (which contain sensitive items such as inertial navigational systems, and small jet engines suitable for cruise missiles). (S/S)

A general observation: important details such as proposed meetings with provincial leaders appear difficult for the Chinese, but we are still pressing them; you presently have two sessions with Deng and one session with Hua scheduled; you will address Beijing University and the Chinese are now indicating that the address will be covered on national T.V. in the PRC that evening; we are working with the Chinese to see if we can announce the Canton Consulate at the time of your visit -- for Harold Brown -- in your restricted sessions with the PRC leaders you will propose Harold Brown's visit (and you should thank Brown for the talking points he has personally signed over to you (Tab B). (S/S)

- Following up these major steps toward our economic normalization, our next goal should be to begin programs of official credit support for China's modernization programs. Our US Export-Import Bank Chairman, John Moore, discussed with Chinese Finance Minister Zhang in July a proposal to that end, with two aspects -- resolving outstanding Exim bank credits in China in step with opening new credits to China.
- I am pleased to inform you that President Carter has authorized me to propose to you the establishment of a US Export-Import Bank credit arrangement for China of \$2 billion to cover lending over a period of 2 to 5 years depending on the rate of utilization. If this amount is fully utilized before 5 years, we would be prepared to consider offering additional credits.
- We propose to incorporate into a joint agreement between us on these credit arrangements the refinancing of the \$35.7 million of outstanding claims which would then be repaid along with amounts owing under the new \$2 billion credit arrangement.
- I leave with you a brief paper summarizing the key features of our credit arrangement and claim settlement offer. A team of Exim Bank officials is prepared to come to China to reach agreement on the terms of this credit arrangement and official claims settlement at a mutually convenient time.

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per 6/7/06 NSC/lr
CS DATE 6/29/06

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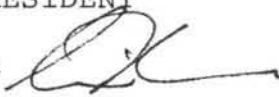
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INFORMATION

Memo No. 714-79

September 6, 1979

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift 
SUBJECT: Foreign Policy Breakfast,
Friday, September 7, 1979

US-USSR Relations

While I have not yet seen the text, it is my understanding that the Soviet response to our note on the Soviet brigade in Cuba is basically conciliatory. We are at a point in our relations with the Soviets where a very firm Presidential hand on the tiller is required. I do not believe the Soviets are overly concerned over the results of your China visit (after all, the results only mirror, in part, post cold war steps we took with them in the late '60s and early 70s). However, the Soviets presently are being good boys on SALT - they are heeding Bob Byrd's admonition not to sound off during the Senate debate, and they were very cordial to Joe Biden's delegation. And, the Soviets must be somewhat baffled by the current uproar over the brigade given the length of time it has been there.

My point for the breakfast is that the President must keep our long range objectives with the Soviets in clear focus. We should come up with a satisfactory solution to the brigade. The administration should continue to speak with a single voice publicly, while persuing full communications with the Soviets privately. Given the success of your China trip, it is not in our interests to have the US-USSR relationship totally sour. If the Administration is too hard on the USSR in its pursuit of short term tactical objectives, the Soviets could react negatively and the President could find himself in 1980 vulnerable to the charge that he had "blown" US handling of its relations with the super powers, tilting toward China, miscalculating the USSR, and mishandling US-USSR relations. (I do not have the feeling that anyone in the Administration is giving the President an updated overview

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Review 9/6/99

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of our relations with the Soviets and how we should best tend to our policy overall while working out a satisfactory solution to the brigade. Rather, I feel that the tendency is to gain satisfaction from beating up on the Soviets, proving that we can stay in step with the many, separate campaigning voices on Capitol Hill.)

Panama Canal Treaties Ceremonies

By separate memorandum I have advised you of Secretary Vance's recommendation that you head the U.S. delegation to the October 1st signing ceremonies in Panama, and I have recommended that you decline this invitation - given, in particular, the fact that you will be greeting Pope John Paul II in Boston on October 1. If Vance raises the Panama event, I recommend that you be prepared to state that he rather than you should head the U.S. delegation.

Middle East

I recommend that you ask Vance to review the results of the Begin-Sadat talks in Haifa. NOTE: Vice President Muborak arrives in Washington on Monday, September 10 for a physical examination and some 5 days of consultations. He is requesting appointments with you and the President. We will handle these through normal channels.

Your Visit to the PRC

For your reference I am attaching the single page summary of accomplishments which you sent yesterday to Bob Byrd, should you wish to review highlights of the visit during the breakfast.

I am working with Bill Smith and Madeline Albright to set up a breakfast briefing by you for members of the Congress next week.

White House Conference on Southern Africa

Following Jesse Jackson's return from South Africa earlier this summer and his meeting with the President, the President asked State to prepare recommendations on Jackson's proposal for a White House conference on southern Africa. Vance may discuss this at the breakfast. Based on my reading of the press, I have the feeling that the President has made a fairly firm commitment to Jackson. It is my understanding from Moose that State believes early 1980 is probably the best time for such a conference. Moose told me that he has also mentioned to Vance his hope that you will agree to address a Public Affairs Conference on Southern Africa in Detroit this December. Without commitment, I have asked Moose to send us State's recommendation.

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SUMMARY OF VISIT TO CHINA

The tone of my talks with Vice Premier Deng and Premier Hua was positive throughout. With normalization we have moved into a more mature relationship based on mutual respect. The Chinese attach great importance to the fact that we treat our bilateral relations on their own merits and do not link the PRC with the USSR in bilateral issues. On the trade agreement they understand the scheduling situation and are satisfied with the information that the agreement will be submitted to the Congress before the end of the year. They appreciate your leadership on this. Similarly, they are pleased that we will be seeking legislative authority before the end of the year to extend OPIC guarantees to the PRC. I advised Deng that we are prepared to offer a \$2 billion Exim credit arrangement on a case by case basis over the next 2-5 years. We agreed that the U.S. and PRC should resume civil air negotiations aimed at a bilateral civil air agreement this month, with the Chinese accepting our need for multiple carriers. While in Beijing I signed a 1980-81 Cultural Agreement and Hydroelectric Cooperation Agreement, the latter made possible by the Department of State's determination prior to my visit that the PRC is a "friendly nation" for the purpose of projects involving reimbursable assistance. Finally, with regard to Taiwan and our bilateral relations, I told Deng 1) that the PRC should take the lead in court actions aimed at recovering diplomatic property held by Taiwan in the United States and 2) on arms sales to Taiwan I advised that there would be no more this year but that we reserve the right to continue limited defensive arms sales in 1980 -- they reported this in their press.

On global issues, the Chinese see little prospect of improved relations with the USSR even though they are entering into Sino-Soviet talks this month. They are preoccupied with developments in Indochina. I was advised that they reserve the right to teach Vietnam a second lesson, but my talks would not seem to indicate that this is imminent. They attach importance to an independent Kampuchea, and to Vietnamese withdrawal from Kampuchea. While I restated our belief that a broad coalition is required in Kampuchea, they believe that Pol Pot -- unacceptable to us -- is the only effective resistance force.

On Korea, we both restated our positions. On Pakistan I stressed our concern over Pakistan's nuclear program, the likelihood that it will lead to increased tension between India and Pakistan, and that it will open fresh opportunities for Soviet caprice. Deng said that they would do what they could to help, but he was not optimistic that they could move Pakistan from its present course.

In summary, the talks were free-flowing and productive, with no lectures, and with the Chinese clearly interested in widening and deepening the bilateral relationship.

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ALJC-06-077
Dec 6/7/06 NSC/HR
W NARA DATE 8/29/96

OFFICE OF THE VICE PRESIDENT
WASHINGTON~~SECRET/SENSITIVE~~INFORMATION

Memo No. 742-79

September 13, 1979

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift 

SUBJECT: Foreign Policy Breakfast,
Friday, September 14, 1979

USSR Brigade in Cuba

On Wednesday, Ambassador Dobrynin told Secretary Vance that the USSR would require a list of specific questions from the U.S. on Soviet military units in Cuba. State is circulating its questions on Thursday within the U.S. agencies. These questions should be the focal point of the Friday breakfast, as they will point the direction of our position with the Soviets on this issue in the days and weeks ahead.

We face a multi-layered problem with the Soviets:

- (1) The President is politically committed to altering the status quo which he has said is unacceptable in Cuba.
- (2) We have to establish in a credible way that such Soviet troops as may remain in Cuba when this blows over pose no combatant/military threat to the U.S. or our friends in the western hemisphere.
- (3) At the same time that we meet these difficult problems, we have to face up to the USSR's role of training Cuba's expeditionary forces for their many virulent third world missions - and address the question of linkage of SALT II and the USSR/Cuban third world military strategy.

It is my guess that the Soviets will basically tell us the truth in response to any questions we may ask about the role of their forces in Cuba - namely, that they are training forces helping

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6/29/06

to train Cuba's military forces for defensive purposes. The Soviets, understandably, would see this as the most benign response they could give, overlooking the difficulties it gives us on Point 3 above.

I see the President's first priority as shaping our position with the Soviets so as to alter the status quo, and in this regard, I see Soviet/Cuban naval activities at Cienfuegos as the hottest problem. Scoop Jackson has made quite a point of the threat that Soviet/Cuban submarines operating out of Cuba would pose to our commerce -- and to us militarily. It is important that we get a Soviet commitment not to station submarines in Cuba and not to turn them over to Cubans. Secondly, it is important that we get some alteration of the Soviet brigade on land that will enable us to demonstrate action by the Soviets responsive to the President's insistence that the status quo be altered. If we can accomplish these objectives, the President should then be able to inform the American people that he is satisfied that the status quo has been altered, that the unit is a training unit which poses no direct military threat - and which does not constitute a base. If, in turn, this is possible, then the President should be able to take the position on the question of linkage between SALT II and Soviet/Cuban third world military activities that:

- SALT II is vital to US interests and should be judged on its own merits without linkage to other issues, and
- we will continue to oppose Soviet/Cuban militarily activities as effectively as possible.

Middle East

Secretary Vance should have a report on Bob Strauss' most recent Middle East mission. You may wish to note that you will be meeting with Mubarak at lunch and to ask if there is any position which should be stressed to the Egyptian Vice President.

Northern Ireland - Arms Sales to Great Britain

I have informed Vance's Executive Assistant of your view, one in keeping with Speaker O'Neill's, that we not resume arms sales to the Royal Ulster Constabulary (RUC). Vance, as you know, has informed the Speaker that we will not process applications for further RUC arms sales pending completion of our arms sales policy review in October.

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The proposed sales to the RUC are very small. If we do not make the sales, it will have little if any impact on the RUC's capabilities. In terms of domestic political opinion, we stand to lose far more than we might gain from such sales. Great Britain, in fact, attaches far more importance to our remaining neutral on the problems of Ulster than it does to such sales. You may wish to make the point at the breakfast that we should have no further sales to the RUC as we approach 1980.

Follow-Up to Your China Visit

It is my understanding from Oksenberg that "sanitized" memcons have been provided by the NSC to State, and that Zbig personally will provide Vance with the full memcons, including those sections of your conversations dealing with the most sensitive issues. Vance may wish to discuss the timing of visits by Majority Leader Byrd and Defense Secretary Brown. Your message to Woodcock asking that Deng extend an invitation for late 1979 is at Tab A. NSC's thinking on Secretary Brown's visit is that we should provide the Chinese with a date as soon as possible, that the week of November 19 is free on Brown's calendar, that this date should be set now, but that an announcement should not be made until closer to the time of the actual visit. You may wish to mention that yesterday you briefed key members of the House and Senate on the results of your visit, noting that the Trade Agreement will be submitted before November 1, and that OPIC legislation will also be sent up this year - with the President's concurrence, ask Zbig to make sure that the necessary follow-up steps are taken on both.

Premier Hua has accepted "with delight" the President's invitation for early next year. The President will have to come to a decision on preferred dates as soon as possible and extend a more specific invitation to the Chinese Premier.

Panama Visit

We are proceeding with preparations for the visit that you and Secretary Vance will make to Panama for the October 1 ceremonies. Jody announced the visit on Tuesday.

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OF IMMEDIATE
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FM THE WHITE HOUSE

TO USLO BEIJING

~~CONFIDENTIAL~~ VIA VOYAGER CHANNELS

DELIVER AT OPENING OF BUSINESS WWS1842

SEPTEMBER 5, 1979

TO: AMBASSADOR WOODCOCK

FROM: THE VICE PRESIDENT

THANKS FOR THE MARVELOUS SUPPORT YOU GAVE ME ON THE TRIP TO CHINA. PLEASE GIVE MY LOVE TO SHARON.

I TOLD BOB BYRD THAT VICE PREMIER DENG IS ANXIOUS TO HAVE HIM VISIT CHINA. DENG SAID EITHER I COULD RELAY THE INVITATION, OR DENG WOULD BE WILLING TO MAKE A FORMAL STATE INVITATION. BYRD PREFERS THE FORMAL INVITATION.

COULD YOU PLEASE ADVISE VICE PREMIER DENG THAT BYRD WOULD BE RESPONSIVE IF HE RECEIVES SUCH AN INVITATION AND VERY MUCH LOOKS FORWARD TO VISITING CHINA. I WOULD ANTICIPATE FOLLOWING THE ADJOURNMENT THIS FALL. THE SOONER THE INVITATION COULD BE OBTAINED THE BETTER.

INCIDENTALLY, SECRETARY VANCE SAID HE WOULD BE CALLING YOU BACK FOR CONSULTATION, PROBABLY AT THE END OF THE MONTH, IN CONJUNCTION WITH THE UN GENERAL ASSEMBLY.

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PAGE 21

OF 81

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per 6/7/06 NSC/7-
DATE 6/29/06

MEMORANDUM

OFFICE OF THE VICE PRESIDENT
WASHINGTON

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INFORMATION

Memo No. 778-79

September 19, 1979

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift 
SUBJECT: Foreign Policy Breakfast,
Friday, September 21, 1979, 7:30 a.m.

Cuba/USSR Breakfast

Once again this will be the main subject for discussion. It is my understanding that Vance will have presented to Dobrynin the following list of U.S. requirements:

- Actions the Soviets must take
 1. Disaggregate the brigade headquarters,
 2. Stop field exercises, and
 3. Disperse heavy equipment.
- Commitments the Soviets must state
 1. There are no other units with similar capabilities in Cuba,
 2. There will be no replacement of the brigade, and
 3. The 1962 and 1970 understandings are reaffirmed.

Given your assessment of the mood of many Senators and your views on the Soviet brigade, your participation in this discussion will be very important.

Our indications from the Soviets thus far are that they are not going to be very helpful in meeting our demands. This has caused various members of the Administration to focus priority attention on actions the U.S. should take in Cuba, vis-a-vis the USSR, and in third country areas to demonstrate that we are standing up to the Soviets.

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Review 9/19/99

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6/29/06

Hard thinking and good diplomacy are required at this point. In my view, if we are not careful, we will make our point with the Soviets and we will lose SALT II in the Senate. If we are careful, we will make our point with the Soviets and we will keep SALT II alive.

If, as anticipated, Dobrynin brings a negative, unhelpful Soviet response to the six points outlined above, the President will have to decide whether he wishes to go public quickly with his dissatisfaction (this course of action has already been signaled by the stories coming from the White House earlier this week), or he can keep the public side of the issue subordinated to further intense diplomatic activity designed to keep the pressure on the Soviets, both in terms of an improved, satisfactory response on the brigade and in terms of the impact of this issue on the US-USSR relationship.

The President must be seen as being in charge of this issue. Many Americans, and I believe many members of the Congress, are confused by the issue - briefly stated, they are not certain we have discovered anything new in Cuba and they wonder what the uproar is about. If the President moves quickly to condemn the Soviets for not responding satisfactorily on the brigade he will have lost that issue to the Soviets and, I fear, he will lose SALT.

Foreign Visitors

The State Department feels under growing pressure from a mounting number of countries to press for meetings between the President and foreign leaders. At the same time, the White House is working to protect the President's schedule to the degree possible. This has led Secretary Vance to forward the President a proposal for foreign visitors in the coming months (Tab A) which would eliminate the official visit/arrival ceremony/substantive meeting/meal format and substitute in its place hour-long office calls - recommended at two a month.

I think harder thought should be given to shaping the President's foreign visitor and foreign travel schedule in 1980. The President is committed to travelling to Rome for the next summit of the industrialized democracies; he has indicated that he wants to travel to China; he must extend an invitation to Premier Hua for an official visit in early 1980; he is scheduled to visit Canada this November; and he must focus on

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Prime Minister Thatcher's request for an official visit in late 1979 (I simply cannot imagine Thatcher or the British government permitting a U.K. Prime Minister to be squeezed into a non-ceremonial one-hour call on the occasion of that Prime Minister's first official visit to the U.S). I believe it would be a mistake to give State blanket approval for two foreign visitors a month. State's new non-ceremonial format is good, but it can only be put to use when the President's 1980 schedule permits, and the late '79/'80 foreign visitor schedule should be given a harder look as soon as possible. (Additionally, I would anticipate that under State's new two-a-month proposal, you would be under continuing pressure to host social events for the visitors).

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THE SECRETARY OF STATE
WASHINGTON

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September 18, 1979

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MEMORANDUM FOR: THE PRESIDENT
FROM: Cyrus Vance *CV*
SUBJECT: Foreign Visitors

I would like to suggest to you a regular program for Oval office meetings for key foreign visitors.

As I consider ways to increase the effectiveness of our diplomacy in coming months, I am struck with the fact that there is often no more persuasive means at our disposal, especially with the developing countries, than even brief visits with you. The extremely positive results coming out of your personal contacts with foreign leaders confirm the great utility of these meetings. I am fully aware of the heavy demands on your time, but I am increasingly conscious of the fact that our limited resources for economic and security assistance, in bilateral and multilateral programs, in the next two fiscal years place us in a weakened position when it comes to persuading certain leaders to heed our concerns and interests. Nevertheless, important decisions will be made soon in certain foreign areas - the Middle East, Latin America, Southeast Asia, Southern Africa - where personal diplomacy by you could make a significant difference. The West Europeans, especially the French and British, have shown that solid foreign policy dividends can result from a selective program of inviting key foreign leaders to pay short but substantive visits to their capitals.

I recommend, therefore, that you approve a program that could involve you in up to two office visits a month with key foreign leaders. The meetings would consist of a restricted, informal

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Per 6/27/06 NSC/IT
6/29/06

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hour long office call - without arrival ceremony or honors - to be followed by a lunch in the State Department that I would host. Zbig and I would consult on the list of visitors for your consideration and we would try to set the schedule only a month or two in advance in order to have flexibility in our recommendations. Any foreign visitors whom you receive under the Rockefeller/Council of Foreign Relations program could be part of this program, but the formal state visitors and repeat office callers (such as Begin, Khalil, Genscher, etc.) would not.

In the wake of the Non-Aligned summit in Havana and the period of the United Nations General Assembly in New York, there will be ample opportunity for you to make a significant impact on the attitudes and positions of many foreign leaders who are important to our interests. I strongly believe that the two hours a month that you might spend in such meetings would be time well spent in furthering our foreign policy objectives.

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MEMORANDUM

OFFICE OF THE VICE PRESIDENT
WASHINGTON


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INFORMATION

Memo No. 809-79

September 27, 1979

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift 
SUBJECT: Foreign Policy Breakfast,
Friday, September 28, 1979

NOTE: The President has invited DCI Turner and JCS Chairman Jones to participate in this breakfast.

Cuba/USSR Brigade

Vance will have had his second meeting with Gromyko, and there will have been the 8:30 p.m. White House meeting to review options prior to the Friday foreign policy breakfast.

If it has not already been resolved, I believe one of the key tactical questions to be addressed is steps required to keep Senator Church and other Senators from introducing Sense of the Senate resolutions formally linking the SALT II ratification to removal of the brigade.

There are now so many players getting involved in this issue - an issue where the President's personal leadership is so clearly required - that I do not have a clear picture of all of the options being considered. The President is planning an address to the nation early next week. I believe it would be a serious mistake for him to handle Soviet troops in Cuba as a growing black cloud of global dimensions that has the U.S. gravely concerned and that is causing us to reassess our position globally. In my opinion, the President should:

- provide a succinct report of what we have discovered in Cuba;
- state our position on the '62/'70 understandings (to deal with the submarine problem);

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- state the reasons we find the status quo unacceptable; and
- state the Cuba-related steps the President is taking to rectify the situation.

If the President handles this in this way, he will give those in the Senate and throughout the country searching for some way to support him the facts and the actions they need to support him. If next week he paints a larger, blacker, open-ended canvas, this "crisis" will grow in dimensions and he will not have solved any of his problems.

(None of the foregoing precludes our taking additional steps, not related to Cuba, to counter the Soviets - my point is that these should not be included in the President's public package. He wants to present a completed package with actions taken, not an open-ended, more-crisis-to-come package.)

It is the President's responsibility to give the Senate a policy and a package which can be publicly endorsed once he has announced it - this is vital for the diminishing SALT II prospects - it makes sense in terms of the facts as I know them in Cuba.

Your visit to Panama/Cuba-USSR Brigade

During the course of the breakfast you or Vance should raise with the President the issue of how you should depict US policy during your meetings in Panama (President Royo, General Torrijos, Andean Group Presidents, Costa Rican President). If you are authorized to take no more than a totally generalized, "the President will have some announcements shortly" position we may miss a chance to gain more support for our policies.

PRC-Brown Visit

It is my understanding that the Chinese have been informed that Secretary Brown will be available to visit the PRC as of October 20.

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MEMORANDUM

OFFICE OF THE VICE PRESIDENT
WASHINGTON

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INFORMATION

Memo No. 825-79

October 3, 1979

MEMORANDUM FOR DICK MOE

FROM: Denis Clift 

SUBJECT: Vice President's Luncheon with President

I am forwarding recommended talking points on foreign policy/national security for inclusion in the talker being prepared for the Vice President's October 4 luncheon with the President.

I have included a few points on the proposed SALT speech. Following our return from Panama I have spoken to David Aaron and Roger Molander. Roger is shooting to get a first draft of the speech by the afternoon of Thursday, October 4.

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INSERT FOR VICE PRESIDENT'S LUNCHEON WITH THE PRESIDENT

October 4, 1979

PANAMA TRIP

- Ceremonies went smoothly; you did the right thing with the treaties; but one has to have mixed feelings at an event such as the one in Panama.
- General Torrijos, in keeping with his recent practice, was nowhere to be seen. President Royo was in charge of the ceremonies with the General behind the scenes.
- Royo was very pleased by your letter. He had it printed in full in Panama's newspapers. The Panamanians clearly and genuinely are pleased by your historic actions, and their pleasure was mirrored in the words and reactions of the other Latin heads of state present -- e.g., Lopez-Portillo and Herrera of Venezuela.
- In my talks with Royo and his Vice President, they both made the point that they realize the need for continued American presence during the balance of the century. They need our help.

CENTRAL AMERICA

- There was great concern among the leaders present over developments in Central America. They are worried about Nicaragua and El Salvador.
- Royo, and Carazo of Costa Rica, stressed their belief that we must be more open, more direct, and more "theatrical" in our aid to Nicaragua. They feel we are being too subtle at present. We have to get through to the people not just the Junta that we are providing assistance. Carazo recalled the clasped hands symbol identifying US assistance under the Alliance for Progress. Royo felt that we should be equipping the Nicaraguans militarily. There is concern that if we do not move more dramatically the marxist elements will gain decisive control.
- With regard to El Salvador, Costa Rica's President Carazo - an impressive individual, and a friend of the US - made a specific request that Bowdler of State - who is very highly regarded - work more closely with the Christian Democrats to persuade them to behave realistically, and work more closely with Romero with the same aim, if there is to be any hope of elections next year.

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per 6/7/06 NSC/HF
DATE 6/29/06

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SOUTH AMERICA

- I met with the Presidents of the Andean Group -- Venezuela, Colombia, Peru, Bolivia, and Ecuador (represented by Foreign Minister) -- who asked me to tell you how pleased they are with the new Canal treaties. Turbay of Colombia, speaking for the group, made a very strong plea for a partnership between the U.S. and the Andean Group aimed at furthering our cooperation, and more importantly, preserving and encouraging the democratic process in South America.
- Turbay said there is grave uncertainty about the future in South America - Andean Group countries are being greatly hurt by inflation, and this, in turn, is imperiling the democratic governments - with the looming prospect of military takeovers if the democratic governments do not succeed.
- This was a genuine plea from these nations. It is significant. I think it important that the U.S. follow up on it. I have asked State and the NSC to prepare a paper for you on this which should be forwarded very soon by Zbig.

PRESIDENT'S SPEECH ON CUBA/USSR BRIGADE/SALT II

- Shortly before your speech on Monday night, I provided copies of your letter to Royo and the Andean Group Presidents, as well as Carazo, and Orfila of the OAS.
- The timing was such that we could only give a English language text, accordingly, I had no reaction from the recipients.
- I thought the speech set just the right tone, not only in terms of the actions you have announced, but also in terms of the importance you placed on proceeding with SALT II.

SALT SPEECH BY VICE PRESIDENT

- I think it would be useful if I were to follow on your initiative with a speech, perhaps next week, underscoring the importance of moving ahead with ratification of the SALT II agreement.

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MEMORANDUM

OFFICE OF THE VICE PRESIDENT
WASHINGTON

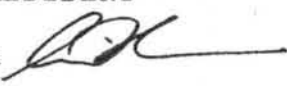
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INFORMATION

Memo No. 831-79

October 4, 1979

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift 
SUBJECT: Foreign Policy Breakfast,
Friday, October 4, 1979, 7:30 a.m.

Cuba/USSR Brigade

Lloyd Cutler was scheduled to meet with Senator Frank Church on Thursday, October 4 -- there should be a report on that meeting.

SALT II Speech

It is possible that Warren Christopher will ask the President if he has given favorable consideration to addressing the Atlantic Treaty Association in Washington on October 10. State attaches importance to a strong US "leadership/defense/SALT II" speech for consumption by western Europe. If the President does not wish to give this address, and if you still wish to give a speech early on on SALT II, I believe the Atlantic Treaty Association would be an excellent forum.

PRC/Trade/Brown Visit

You may wish to note that you spoke to Senator Byrd on Thursday and that he okayed the proposal of submitting the Trade Agreement on October 23. You may also wish to note Bill Safire's ridiculous article of October 4 on US defense contacts with the PRC.

Central America/Caribbean

State is battling OMB on a 1980 supplemental for Central America and the Caribbean, seeking additional money for Nicaragua, El Salvador and Honduras. You may wish to comment on the

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pessimism prevailing in the region and the urging that you received from Royo and Carazo to have the US give more aid more openly if there is to be any hope that forces of moderation will prevail. It is useful to read the Defense Intelligence Agency's current estimate of the growing Cuban presence in Nicaragua (Tab A) when considering the aid issue. There should be no illusions. If we are to have an impact, we are going to have to roll up our sleeves as a nation and get to work. This was our reading before you went to Panama. This was the message you received in Panama. I strongly believe, as I have advised in earlier papers, that top priority US attention and resources are going to be required if we are to avoid a political disaster - a major swing to the left - throughout the region. As you know, Manley of Jamaica, a major player in the Caribbean, is swinging dramatically toward Castro despite the non-communist character of the Jamaican people - and we are going to have no impact whatsoever if we limit ourselves to reductions in our assistance programs there, as was suggested in recent papers you have seen earlier this week. We should be deeply concerned. We should be moving hard. We have the Andean Presidents asking us to join with them in intensified dialogue. All the pieces are in place except for a good US policy. In this regard I was distressed to learn from State that consideration is being given to taking Phil Habib off his Caribbean assignment and nominating him, at least part time, for the Madrid CSCE job. Even I could do that job. I do not think Habib's talents should be wasted.

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MEMORANDUM

Office of the Vice President
WASHINGTON

Memo No. 1304-79

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October 11, 1979

MEMORANDUM FOR THE VICE PRESIDENT

FROM: Denis Clift

SUBJECT: Foreign Policy Breakfast, Friday, October 12, 1979, 7:30 a.m.

Brezhnev Speech

The U.S. response to Brezhnev's October 6 proposals for troop, tank and missiles reductions in Europe has been surprisingly well orchestrated -- with the President's press conference, your ATA speech and Zbig's speech to ATA later in the day. In my opinion the U.S. public line is excellent. We have, in fact, succeeded in pocketing Brezhnev's announced Soviet troop and tank withdrawals, while keeping the heat on the Soviets with regard to Backfire and the SS-20, and keeping the heat on our allies on the need for TNF modernization.

Behind the scenes, the Administration must develop a specific response to Brezhnev's actions for use in NATO, MBFR, and CSCE forums -- and for subsequent, public elaboration of our position. This task logically should fall to the NSC/PRC mechanism.

SALT

Lloyd Cutler has been working with Senator Church, and Church is scheduled to have spoken on the Senate floor during Thursday, October 11 -- spelling out his reservations in the wake of the President's Cuba/USSR brigade speech (Tab A -- see page 5).

(Al Eisele asked me yesterday for my thoughts on subject matter for your address to the Al Smith dinner -- I told him that I thought you might wish to build on the theme of the moral imperative that SALT II poses for U.S. world leadership.)

Middle East/Lebanon

As you know, the President has reacted somewhat negatively to Secretary Vance's detailed Lebanon scenario. It is my understanding from Tarnoff at State that Vance, in fact, is somewhat

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