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OFFICE OF THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

August 5, 1981

SECDEF EYES ONLY FILE

MEMORANDUM FOR THE RECORD

SUBJECT: State/DoD Breakfast, 5 August 1981

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Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: AUG 01 2019

Location: Pentagon

Participants: State

Defense

Secretary Haig
Deputy Secretary Clark
Woody Goldberg

Secretary Weinberger
Deputy Secretary Carlucci
Fred Ikle
Jay Rixse
Carl Smith

1. ~~(S/NF)~~ The breakfast opened with some general discussion regarding the resignation of Ambassador Neumann. Secretary Haig mentioned the Saudis had called to his attention some problems they were having with the Ambassador. He also mentioned that Prince Bandar had said the same thing during one of his visits. He then somewhat jokingly commented it was only after Neumann had resigned that he had become aware there had been major policy differences between the two of them.
2. ~~(S/NF)~~ Haig then reported on the recent Foreign Ministers meeting in Cancun which he characterized as fascinating. He said the most important of the various bilaterals he had conducted was with the Chinese, and this lasted slightly over an hour. The Chinese told him they had completed their internal assessment regarding what to do vis-a-vis the United States and Haig felt this assessment resulted in a positive feeling. Specifically, Huang Hua had told him they were very pleased with the Ottawa Communique because it had indicated the firm position taken by the United States and the reemergence of a strong U.S. role among the major powers.
3. ~~(S/NF)~~ Haig then turned to an item of concern to him regarding our preparation for dealing with the Chinese regarding arms and technology transfer. He said the Chinese had told him at Cancun they were getting very nervous regarding what we were doing with the list of materiel they had requested during the Carter Administration (this includes some forty items). Haig said he understood some twenty of these had already been approved and was curious about what was the delay, expressing his belief it was the same old bureaucracy in the Pentagon that was holding things up. Mr. Carlucci replied this was not the case, that we were moving out on the whole

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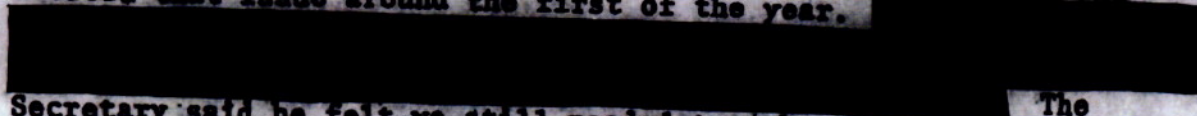
issue but that there were legitimate concerns on the part of those who had to review these cases as to the policy which should be adopted. He specifically said he had held a meeting on this the other day to determine the major problems and had directed that an IG get to work immediately, leading to a SIG which he would chair on or about the 21st of August in order to focus the issues which needed resolution and, if necessary, recommend an NSC meeting. Haig was not impressed by this and said we should have all the guidance we needed from the earlier NSC when the President enunciated our policy. Mr. Carlucci said what the President provided was only broad guidance noting the Chinese were no longer considered a hostile country and that things would be considered on a case by case basis. He went on to say that it was in this case by case review where the problem came up, and there were many of the systems or weapons on the list requested by the Chinese which might be considered offensive or even provide a technology which would help the Chinese in the nuclear weapons area. Haig rejoindered that we must be careful the bureaucrats do not put us in the same situation we were before the President made his decision. He went on to say he hoped we had approved twenty cases because that is what he told the Chinese at Cancun.

The Secretary then asked what was the driving factor in all this; Haig responded it was the forthcoming visit of the Chinese defense R&D chief. Haig said this visit has been postponed (by us) from August until September and that this postponement had made the Chinese nervous; at Cancun they had indicated they probably would not now come until we had given them the status of last year's request. ~~There then ensued some discussion about whether it would be a good idea for us to give them the status of the list because, if so, the visit would be simply pro forma.~~ Haig replied that, to the contrary, it was necessary for us to give them the status of the list so they would then know what out of that list they would want to buy. Haig went on to add that in addition to the items on the list last year, they had recently indicated three additional items they wanted: TOWs, I-HAWKS and a sophisticated submarine system. He said he saw no problem with the first two, but he would agree there might be some problems with the third item. Mr. Carlucci said that we would have to look at those on a case by case basis; they may be all right, but then again there may be some problems with them. Haig said there shouldn't really be a problem with anything on the list since all of the items were dual-use type items and could not be considered offensive or dangerous. He noted that Commerce had approved all the items on this list and that the problem was in Defense. Mr. Carlucci responded that Commerce tends to approve all license requests, and it was up to Defense to ascertain whether there was a national security implication.

4. ~~(S/TK)~~ The Secretary then raised the question of whether we should undertake some consultations with Taiwan regarding what we will be selling the Chinese. He also asked, if we chose not to consult with the Taiwanese before such a sale, whether we shouldn't take the defense needs of Taiwan into consideration in the decisions of what we were going to provide them in terms of their defense needs.

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Haig responded that he did not think we should do any consulting; rather, we needed to make the decision regarding the Chinese early in the fall and then decide what we needed to do with Taiwan and address that issue around the first of the year.



The Secretary said he felt we still needed to make some gesture. Haig responded that we still had the FX decision pending but that we need not consult. The Secretary said that such consultation need not be formal, but in order to "ease the pain," it might be a good idea unofficially to advise the Taiwanese we were going to be giving the I-HAWK, for example, to China, and thus allow the Taiwanese to "regret" rather than for them to find out about it and to object "furiously." He said this was just a suggestion.

5. ~~(S/NS)~~ Haig then said FXs for Taiwan led to the recent meeting they had had when they discussed Tom Jones' particular problem regarding F-5s and the fact the President suggested the need to ensure that Jones did not go out of business as a result of other arms sales. He said we had a fine line to walk here in that it was not in our interest to play up the F-5G as an excessively sophisticated or fancy weapons system which was good enough for the U.S. inventory; if we did make the F-5G decision regarding Taiwan, and we played it up as a sophisticated system suitable for the U.S. inventory, it only would undercut our relations with China.

Mr. Carlucci mentioned that Tom Jones' plea to have some F-5Gs in our inventory might be pushing things a little too much. He noted there were a lot of other countries around the world that were interested in this aircraft, and he cited the example of the Sudan for one. Haig responded that he agreed, but he did not want to have Jones go out of business and suggested that perhaps DoD might buy more of his aircraft as a Red Flag follow-on.

There was then some discussion about the fact the President needed to know more about the capabilities of this particular type of aircraft. Mr. Carlucci then asked that we pull together this information, including the capability of F-5Gs as compared to other aircraft, countries currently waiting for or seeking some of these aircraft, and other areas of potential sales. This could be put together in a way it could be used by the President; further it could show the importance of this aircraft to our security assistance program in general.

6. ~~(S/NS)~~ The Secretary then asked where things stood regarding our Security Assistance legislation. Haig said we were unlikely to see anything happen on the Hill until the fall. Fred Ikle then noted we would need a strong campaign at that time in order to get its passage. Mr. Carlucci mentioned that, if there was an NSC today, it would be useful to mention security assistance in the context of East-West policy.

The discussion then turned to the overall situation regarding East-West policy. Haig mentioned that OMB was talking once again

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about the need to cut the Defense budget in order to get money for other programs. The Secretary said that if this occurred he would be unable to face Schmidt or Apel again because of the pressure we had put on them to increase their own budget and the fact that we had "regretted" their recent decision to cut back on their own defense effort. He noted that, beyond this, it would have a serious effect on our friends and allies worldwide with regard to our reliability and would put us back into the same situation the previous Administration faced. Mr. Carlucci noted there was something even more than our reliability at stake and that had to do with the real vulnerability we would be facing by 1985 unless we achieved the strengthened Defense program. The Secretary commented that any change without regard to the policy implications could have severe implications. Mr. Carlucci added that there are many of those who see such defense cuts as the best route to forcing arms reductions, which many believe is the best way of bringing about real savings.

Haig then commented he was afraid we were slipping back into a "business as usual" posture. Specifically he cited the pressure from Agriculture to be more than forthcoming with regard to the U.S.-Soviet grain deal, the fact that Bill Brock was briefing on the need for us to unload our excess butter to New Zealand so that theirs could go to Europe which would then go to the USSR, and the recent decisions on the pipelayer deal with the Soviet Union. He suggested that these actions, when taken in the context of pressures to cut back on defense, lead us to have no meaningful foreign policy. The Secretary then asked if, with regard to the pipelayer deal, we had managed to get any caveats on the license to prevent Soviet end-use of these on their own pipeline. Haig responded he did not think that these caveats were added. The Secretary replied that any announcement so soon after Ottawa, without end-use restrictions, would be a significant problem. Haig said he did not like the idea of the pipelayer deal going through, but he had to support the President in this since the President, at Ottawa, had been unable to obtain any Japanese support for putting pressure on Kumatsu in order to prevent that company from picking up any contracts the U.S. would not fulfill for security reasons.

As a final item regarding defense cuts, Haig said Jim Baker was behind a lot of the press stories regarding the need to make these cuts.

7. ~~(S/NF)~~ Mr. Carlucci then asked if Dick Walters was going to be visiting Algeria in the near future. He asked this because, in recent conversations with the Moroccans, they were somewhat upset about Algeria's position on the Polisario, and had asked if we could put more pressure on the Algerians to be more flexible. Haig said Walters was not going to Algeria on any special mission and the last time he was there was in May. (Woody Goldberg called later in the afternoon to advise that Walters was in fact in Algiers at this time.)

8. ~~(S/NF)~~ Indicating he had to leave and get back to the office, Haig said there was a memorandum to the President that he would

like to leave with the Secretary for his review (he passed over a copy of a memorandum he had delivered yesterday in reclamation to the ERW decision taken last Friday). There then ensued a rather spirited discussion regarding the fact that Haig had provided this memo directly to the President without allowing the Secretary an opportunity to state his views. The Secretary stated he felt it was important that he make an input, but Haig said it would not be necessary. The Secretary did not agree, especially when he read that Haig was suggesting that the production decision could even be put off until next year. He noted that the production decision for ERW would be the same as one for any weapons system. He went on to say that, in a meeting he had with the French Ambassador, he had learned the French would not be upset if we made such a decision; and when he met with Manfred Woerner (CDU leader), there had been no concern expressed. Haig countered by saying that Woerner had made a point of telling him it would be a very bad decision to make at this time.

Haig went on to say that he wanted all to know he supported ERW, but he did not believe we could afford the kind of problems which would ensue if we made a decision at this time. Specifically, he made the point that if the Europeans see us as developing a weapon (ERW) which was going to be used in Europe, and then became aware of major strategic decisions which seemed, in their mind, to reduce the number of targets in the United States itself, it could have a disastrous effect. He said he would be willing to tell Congress we had more important decisions to make and that was the reason we had not chosen to implement the program already ongoing.

In sum, he said he felt the dangers of a positive decision were much greater than the dangers of a negative decision. The Secretary said he believed the exact opposite was true, and saw no reason why anyone should object to the fact we would make a production decision and that such weapons would be stockpiled only in the U.S. and Guam. Haig said he felt there was honestly no reason why they would object, but that fact notwithstanding, the Europeans would in fact do so, and he had to take larger Alliance concerns into consideration.


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The Special Assistant

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Chief, RDD, ESD, WHS
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