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NATIONAL SECURITY COUNCIL MEETING

DATE, TIME AND PLACE: November 23, 1982; 10:00 A.M.; the Cabinet Room

SUBJECT: Issues and Objectives for President's Latin American Trip

PARTICIPANTS:

The President

State
Secretary George P. Shultz
Amb. Thomas O. Enders

USUN
Amb. Jeane J. Kirkpatrick

Treasury
Secretary Donald T. Regan
Mr. Mark E. Leland

USTR
Mr. James Frierson

OSD
Secretary Caspar W. Weinberger
Deputy Secretary Frank C. Carlucci

JCS
Gen. John W. Vessey, Jr.

Commerce
Mr. Lionel Olmer

White House
Mr. Edwin Meese, III
Judge William P. Clark
Mr. Robert C. McFarlane
Adm. John M. Poindexter
Mr. Charles Tyson
Mr. David Gergen

Energy
Secretary Donald P. Hodel

NSC
Mr. Alfonso Sapia-Bosch
Col. Michael O. Wheeler

OMB
Dr. Alton Keel

CIA
Mr. William J. Casey

Minutes

Judge Clark opened the meeting. He asked Secretary Shultz for an overview of the countries to be visited and then a discussion on trade and commercial implications and defense and security aspects.

Secretary Shultz began the overview. He said the concept of paying attention to one's neighborhood is a good one. The timing for the trip is good. There are a lot of things to reinforce, and there are tremendous problems. The people will appreciate your presence,

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Mr. President. The principal problem in the area is financial in Latin America, particularly in Brazil. I am also impressed by the way democracy is taking hold in Latin America, particularly since you came to office. There are three major issues for the trip:

1. Support for Democracy.
2. Economic Development. Latin America enjoyed a tremendous sustained development over a long period of some six percent per year. Last year it was close to zero. Their borrowing practices have caught up.
3. Peace and Security. There are border issues in various parts of Latin America. The Falklands/Malvinas is one type. In Central America it is different; there we have Soviet-Cuban-inspired insurgencies. It is worth reflecting on the fact that from Canada south, there has been less war than in any other hemisphere, despite the problems in Central America. It is a record to preserve and something to point out in Central America.
 - a. Brazil has tremendous strategic importance.
 - b. Colombia has a big drug problem, but it is a democracy that has sustained changes and it works.
 - c. In the four Central American countries, the fat is in the fire. We must encourage democratic governments; we must have peace and security so they can have economic development. This is the overall picture for your trip.

Your trip will conclude the post-Falklands/Malvinas--our votes in the UN and OAS have helped. The British initially were unhappy with us over the UN vote, but they are now thanking us and will be glad over the long run that we have helped moderate this issue. We have, over many years, had a close military relationship in South America: weapons, training, in the US. This was extremely beneficial. It has dropped off dramatically. We are losing our close relations with the younger officers. Historically, we have sold 60 percent of their weapons; now it is only six percent. The close personal contacts have been the glue of our relations with these nations. They must be rebuilt. The key is Brazil; so the amount of time you are spending there is appropriate.

President Reagan: What about the West Point exchange--is that off now?

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General Vessey: Each Latin country has an opportunity to participate; very few do it. Paraguay has three candidates in the West Point Prep School. Most have dropped out; we cancelled Brazil and Guatemala.

Secretary Carlucci: This has to do with the Glenn/Symington amendment. The Brazilians can take our people, but we can't bring theirs in for training. Under Glenn/Symington, when a country is moving toward production of nuclear weapons, they can't get US training. We need an exception or a change in the law.

Ambassador Enders: There is a way around that. We propose to start a dialogue on nuclear issues with Brazil, and where they can make an accommodation is in the export of nuclear materials. We could also go back to Congress to change the law.

Judge Clark: We should do more tasking on this.

Secretary Weinberger: We need friends wherever we can get them.

Ambassador Kirkpatrick: Once we had a special relationship with Latin America. They are the only continent in the world where US companies and industry occupy a dominant position. We have systematically humiliated and imposed on a number of Latin American restrictions they feel as humiliating. They feel singled out. They feel we are the most important people in the world. These chronic hurt feelings are the most important single thing for you to focus on. You must reassure them that we respect them, that they are important to us, that we understand they feel badly. Your trip symbolizes this. If you do this, economic, political, and military problems can be solved more readily.

Secretary Shultz: US-Latin trade is \$81 billion; our trade with Europe is \$94 billion; with Canada it is \$86 billion. That's why we pay attention to your neighborhood; this is where the trade is. There were 77 million border crossings on the Canada-US border--this is a huge amount of interaction. We get more mileage out of being nice.

Judge Clark: As yet the press is saying that there are no issues of importance.

Mr. Casey: There is a reluctance to be identified too closely; there is the impending financial crisis, Cuban incursions. While outwardly Venezuela has turned away from the US, they are continuing to support us quietly. Panama, Colombia, and others look to strong US leadership. You have an opportunity to personalize this.

Secretary Shultz: This is a short rundown of the countries. Brazil: capitalistic, Cristian, anti-church with a frontier spirit when you

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get out of Rio. There is the nuclear problem; trade issues that are difficult to resolve; financial issues. But, Brazil is a fundamentally strong economy. It is a stabilizing force; it takes a low profile. We have some ideas that might be constructive such as an agreement for a bilateral group to discuss a wide range of issues: nuclear, trade--we want a report to present to both Presidents. This will help you to be in contact. This has not been finally nailed down.

Secretary Carlucci: They are anti-church--Cardinal Arns and the church are considered to be of the left. Your predecessor visited Cardinal Arns. While Brazil takes a low key note, they like to think of themselves as a big power and that they have a special relationship with us. We had a valued strategic dialogue, and we have lost a lot.

General Vessey: Our oldest relationship was with Brazil. Brazil sent troops to Italy in World War II; the relationship we established was very important to the older officers. We no longer have the contacts. Moreover, we don't have enough forces to patrol the South Atlantic; we need to reestablish this relationship.

President Reagan: Brazil was the takeoff point for our bombers to Dakar.

Secretary Shultz: The elections were real; the democratic process is at work. The government has basically maintained control; we are building on a theme of democracy.

General Vessey: Brazil is a giant--a twentieth century version of the US opening up the frontier. The Itaipu dam complex is a great project. It is a resource-rich country. The Amazon is big; everything about it is astonishing.

Ambassador Enders: They are going through a period such as we did last century of no entangling alliances. They will not provide us troops again. The Carter period convinced them not to have a security relationship. It should be a long-term goal to get back with the relationship; it could take five to ten years. Your visit, after 17 years of growth, will be decisive. The timing is good because they are ready for a reorientation.

Mr. Olmer: Growth in Latin America exceeds that of the developed nations. We have 15 anti-dumping cases with Brazil. They use subsidy programs to encourage exports. Some 40 percent of their exports receive subsidies. Last year they put in place restrictive practices on US imports: a ban on high tech items, surtaxes of 30-100 percent on goods from the US. These are ominous signs, and there are no easy solutions.

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Secretary Shultz: Colombia is dicier. The new President of Colombia seeks to differentiate himself from the US. It is a democracy--a Caribbean and South American country which has supported us as a donor. When we get CBI, Colombia may host a meeting. Narcotics is an issue; maybe 80 percent of their production comes to the US. Costa Rica is leading the charge in the democratic race. CBI means a lot to Monge.

President Reagan: I spoke with Rostenkowski this morning. He said all members went on the trip opposed but have come back with a sense of optimism. They liked what they found.

Secretary Shultz: We have an extradition treaty to sign with Costa Rica. El Salvador--you know the situation there better than I. We are encouraging their military effort. Certification will be hard. We have had support from the AFL-CIO that has been important. The case on the killers of the AFL-CIO advisers is open and shut. Their Foreign Minister was here last week and said they would put things right.

Judge Clark: Now to Honduras. We thought you might arrive by train.

Secretary Weinberger: We will either build a new airfield, get you a new plane or a new pilot.

Secretary Shultz: Honduras is a struggling democracy. It is important that we support them. President of Guatemala will come to Honduras to meet you. I have my fingers crossed on this one. We must make the effort to encourage movement toward democracy; they are doing better now than they have for a long time. But, don't throw your arms around him.

Secretary Regan: Now the bad news. Each has economic problems; severe balance of payments problems. Brazil needs to finance \$1.5 billion this year and \$5-6 billion next year. They have a gap of \$2-3 billion, and they will look to us for help. The IMF program will be hard for Brazil. It will restrict growth; they have to export more and import less. Since we are their ultimate leader, we should get good marks on this. What do we want in exchange?

Colombia has a growing problem in credits; it has a deficit of \$2.3 billion, and external debt of \$8 billion. So far they are meeting payments, but it will get harder. If they restrict narcotics, they will cut off their money.

All of Brazil's commodities are at the bottom of the market. It is the same with Costa Rica, which has gone to the IMF and has a \$100 million program. Costa Rica is asking the Paris Club to roll over

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its debt. Honduras is also in a bind. The total debt is \$2 billion; it pays 35 percent of its exports for debt. They will look to you for aid. We have problems in the Inter-American Development Bank; we are trying to graduate the larger countries so that the poorer ones can borrow more. They are resisting because of their problems; they can borrow heavily.

Secretary Shultz: The IMF programs won't work unless markets expand.

Secretary Weinberger: Not too many issues for me. The Salvadorans and Hondurans are working together with the latter providing a blocking force in hopes of capturing the guerrillas operating in El Salvador.

Honduras has been generally helpful. Guatemala is worried about Nicaragua, which is accumulating planes and tanks supplied by Cuba and the USSR. Costa Rica has no army, only a police force.

General Vessey: The US position has changed drastically from your predecessor. We could count on Brazil, Uruguay and Argentina for naval support, but we cannot now. The Soviets are gaining influence in Nicaragua. There are 30 pilots in training in Bulgaria; 20 will return soon from Czechoslovakia. We once had the basis for cooperation but we don't any longer because we treated these people as clients and not as partners.

Secretary Weinberger: All countries will want more military assistance; perhaps a coordinated union to encourage them to work together. We need an extra push to accomplish this.

There were no decisions taken at this meeting. The meeting adjourned at 10:58 A.M.

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