

EXECUTIVE SECRETARIAT

Routing Slip

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		ACTION	INFO	DATE	INITIAL
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Remarks:

JBL
 Executive Secretary
 6/2/82
 Date

3537 (10-81)

State Dept. review completed.

82-31971



DEPARTMENT OF STATE

Washington, D.C. 20520

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June 1, 1982

- TO:
- NSC - Michael O. Wheeler
 - ACDA - Joseph Presel
 - Agriculture - Raymond Lett
 - AID - Gerald Pagano
 - CIA - [Redacted]
 - Defense - Col. John Stanford
 - JCS - Maj. Dennis Stanley
 - OMB - William Schneider
 - Treasury - David Pickford
 - UNA - Harvey Feldman
 - USTR - Richard Heimlich
 - Peace Corps - Everett Alvarez
 - OPIC - Thomas Clegg

25X1

SUBJECT: EA Regional Meeting on FY 1984 Foreign Assistance Proposal for East Asian and Pacific Countries

Attached is a paper summarizing the results of the meeting which was held on May 17, at the Department of State concerning our FY-1984 Foreign Assistance Proposals for East Asian and Pacific Countries.

L. Paul Bremer, III
Executive Secretary

Attachment:

As stated.

State Dept. review completed.

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(Declassified upon removal of CONFIDENTIAL Attachment)

GDS 6/1/88

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DEPARTMENT OF STATE

CONFIDENTIALMEMORANDUM

JBY spz/r

'82 MAY 22 P 11:43

May 22, 1982

CC: First Page

RA

TO: T - Mr. James Buckley

FROM: EA - John H. Holdridge

SUBJECT: EA Regional Meeting on FY 1984 Foreign Assistance Proposal for East Asian and Pacific Countries - Summarized Results

The meeting, held on May 17, 1982, and chaired by DAS Daniel O'Donohue, Bureau of East Asian and Pacific Affairs, Department of State, discussed US foreign policy objectives and priorities in East Asia relating them specifically to the funding requirements necessary to meet our priority objectives.

Except for Treasury's questioning the need for doubling Indonesia's FMS program from its \$30 million 1981 level, and OMB's concern for holding down all levels, the discussion revealed a strong general consensus on both our foreign policy objectives in the region and the funding levels necessary to achieve the objectives. Given the severe funding constraints which will probably govern the budgetary process, and the caveat that we are working to not exceed FY-1983 levels (as reiterated by OMB) except with the most compelling justification, it was agreed that we could meet our policy objectives in the Pacific with minor increases except for Korea and Thailand.

The largest increases over the FY 83 proposal recommended were for Korea (to \$300 million from \$210) and Thailand (\$50 million direct credits and \$75 million guaranteed credits from \$50 million direct credits and \$41 million guaranteed credits). These levels would be an important step in redressing the military imbalance between North and South Korea and would assist Thailand in initiating urgently needed purchases of advanced systems.

I should highlight our desire to encourage Burma's increasing propensity to emerge from its self-imposed isolation. We believe that our proposal for a new FMS program of some \$3 million in direct credits will be a cost-effective political signal while assisting Burma to meet some of their modest military purchasing requirements.

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The only exception to the general consensus on levels was concerning the PL 480 funding levels. There was agreement on straightlining Title II in Indonesia for FY 1984. AID questioned the desirability of funding Indonesia's PL 480 Title I program at \$20 million and this may remain an issue. There was also some discussion over PL 480 levels for the Philippines which may also remain an area of disagreement.

It was agreed at the meeting to refine fundamental objectives so as to give better focus to development and human rights. These changes are reflected in the attached revision to the discussion paper.

It was noted that the proposed levels (Increment I) of military assistance (FMS, ESF) would represent an increase in budget outlays of only \$5 million or some 4 1/2 percent over the FY 1983 proposal. This small increase would result from the proposed \$3 million in direct credits for Burma and the added \$2 million in ESF for Thailand. Most of the proposed increase is in guaranteed credits for Korea and Thailand which do not affect budget outlays. The base (minimum) and increment I (proposed) levels are attached.

In conclusion, I would like to express the Bureau's appreciation for the involvement and contributions of the other agencies to the formulation of the FY 1984 package. As you requested, we intend to make the process a truly interagency effort.

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FOREIGN POLICY OBJECTIVES PAPER TO SUPPORT INTERAGENCY
MEETING ON FY-1984 FOREIGN ASSISTANCE PROPOSAL FOR
EAST ASIAN AND PACIFIC COUNTRIES

The purpose of the interagency meeting scheduled for May 17, 1982, at the Department of State, is to discuss the integration of military and economic assistance for FY 1984 into a single strategic package - the Pacific Strategic component of our global strategy. Once we have agreed on how our regional priorities mesh with both the broad and specific foreign policy objectives outlined by the Secretary, program resources can be tailored logically to best support our priorities.

Upon conclusion of the interagency meeting on May 17, the Bureau of East Asian and Pacific Affairs will submit a written summary to the principals of the major points of consensus and issues for bilateral and multilateral assistance.

Program resources for East Asian and Pacific countries should be allocated to support the following regional foreign policy objectives:

-- Direct protection of our treaty relationships with recipient countries, i.e., the Philippines, Korea and Thailand. Assistance to these countries has the ancillary

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effect of strengthening our relationships with such other treaty allies as Japan, Australia and New Zealand which do not receive credit or grant assistance but do tend to view it as an indicator of our resolve to remain a Pacific power.

-- Strengthen the front-line states, Korea and Thailand, to help deter North Korean or Vietnamese aggression.

-- Maintain unhampered use of military facilities in the Philippines; enhance enroute access to facilities in other East Asian countries. Maintain liberal over-flight rights and ship visits.

-- Maintain and enhance defense relations with East Asian countries with strategic proximity to key sea lanes of communication in the region and those that link East Asia to the Indian Ocean and the Middle East. These include Indonesia, Malaysia, the Philippines, Singapore and Thailand. Aid to Thailand specifically strengthens our relationship with all the ASEAN countries.

-- Assure continued access to significant commercial markets and basic raw materials. This includes all of the ASEAN countries and Korea. East Asia's rapidly growing economies and their ties to the US are of increasing importance. Indonesia is noteworthy as an OPEC country which

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provides some six percent of US petroleum imports and generally plays a moderate role in the Non-aligned Movement (NAM), the Islamic Conference, and OPEC.

-- Insure that economic assistance serves an overall security/foreign policy objective, as well as furthering developmental goals designed to alleviate the economic and social degradation that can spawn domestic violence and invite external intervention. Self-confident, stable governments will be more inclined to improve their human rights situations. The U.S. recognizes that abuses undermine governmental legitimacy and often become a destabilizing factor.

-- Maintain and strengthen our ties in the South Pacific, thus blocking Soviet attempts to gain influence. Encouragement of Fiji's support of US peace initiatives in the Sinai and its participation in United Nations Peacekeeping Forces in Lebanon (UNIFIL) are cases in point. US assistance in improving the agricultural and fishing techniques of Pacific Island nations is a relatively low-cost investment in regional stability.

-- Strengthen ASEAN and US ties to ASEAN. ASEAN has emerged as a major force for stability in Southeast Asia and is of central importance to US interests in the region. Although US ties to ASEAN are strengthened primarily through our bilateral relations with ASEAN's member nations, some economic

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assistance to the region is an important signal of the importance which the US attaches to ASEAN per se.

-- Control refugee flows through continued assistance to and cooperation with Thailand and other countries of first asylum.

-- Impede the flow of narcotics, through support for suppression efforts by Burma and Thailand.

-- Encourage gradual improvement in relations with Burma; strategically located and emerging from self-imposed isolation, Burma has made clear it seeks closer ties with the US.

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PACIFIC STRATEGIC
 (\$ in millions)

Country	BASE					CUMULATIVE				
	FMSG	FMSD	ESF	DA	PL-480	FMSG	FMSD	ESF	DA	PL-480
Philippines	50	--	50	40	14					
Area	220	--	--	--	--					
Malayland	50	50	10	28	--					
Indonesia	55	--	--	65	24.8					
Malaysia	13	--	--	--	--					
Thailand	--	--	--	12.5	--					
TOTALS	388	50	60	145.5	38.8					

Note: Excludes DA for South Pacific and ASEAN, plus centrally funded Asia Regional Programs.

Excludes IMET which is done separately.

REMARKS: With the exception of DA for the Philippines and PL-480 for Indonesia, these are levels proposed for FY 1983 (with some adjustment for inflation). If these levels should prevail into FY 1984, the regional threats and needs remain relatively the same. Therefore, the proportional shares would remain the same.

If funds for the region were reduced below these minimum levels, the reductions would be spread proportionately. This chart is not a reflection of estimated requirements which will surely be higher considering the increasing Soviet, North Korean and Vietnamese threats.

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PACIFIC STRATEGIC
(\$ in millions)

Country	INCREMENT I					CUMULATIVE				
	FMSG	FMSD	ESF	DA	PL-480	FMSG	FMSD	ESF	DA	PL-480
Philippines	--	--	--	--	--	50	--	50	40	14
Korea	80	--	--	--	--	300	--	--	--	--
Thailand	25	--	2	3	--	75	50	12	31	--
Indonesia	5	--	--	7	--	60	--	--	72	24.8
Malaysia	2	--	--	--	--	15	--	--	--	--
Burma	-	3	--	2.5	--	--	3	--	15	--
TOTALS	97	3	2	12.5	--	500	53	62	158	38.8

The increased levels of FMS levels and direct credits for Korea will be an important step in redressing the military imbalance between North and South Korea, while providing some economic relief for a country whose payments to the U.S. on previous loans have long exceeded the FMS credits provided, at the same time that their military procurement requirements remain high.

The increased guaranteed credits along with the direct financing will assist Thailand to initiate urgently needed (in view of increasing Vietnamese activities and force improvements) major, multiyear purchases of advanced systems such as attack aircraft and integrated air defense and command and control systems.

The increased levels of development assistance will enhance military security by permitting more timely completion of projects designed to improve living standards.

The ESF increment would enhance socio-economic development of the poorer areas along the Lao and Kampuchean borders.