

THE WHITE HOUSE
WASHINGTON

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NATIONAL SECURITY COUNCIL MEETING

August 9, 1983, 11:02-11:55 a.m., Cabinet Room

SUBJECT: Mexico

PARTICIPANTS

The President

OMB

Mr. Joseph Wright

STATE

Secretary George P. Shultz
Asst. Secretary Langhorne Motley

CIA

Director William J. Casey
Mr. John Horton (NIO Latin America)

TREASURY

Secretary Donald T. Regan
Asst. Secretary Marc E. Leland

USTR

Amb. Robert Lighthizer
Miss Marian T. Barell (Latin America)

DEFENSE

Secretary Caspar W. Weinberger
Under Secretary Fred Ikle

JCS

ADM James D. Watkins
VADM Arthur S. Moreau, Jr.

JUSTICE

Attorney General William F. French

WHITE HOUSE

Mr. Edwin Meese III
Mr. Michael K. Deaver
Judge William P. Clark
Mr. Richard G. Darman
Mr. Michael McManus
Mr. Charles P. Tyson

COMMERCE

Secretary Malcolm Baldrige
Mr. Lionel H. Olmer

AGRICULTURE

Deputy Secretary Richard E. Lyng
Under Secretary Daniel Amstutz

OFFICE OF THE VICE PRESIDENT

Mr. Donald P. Gregg

ENERGY

Secretary Donald P. Hodel
Mr. George J. Bradley, Jr.

NSC

Mr. Robert M. Kimmitt
Mr. Alfonso F. Sapia-Bosch
Mr. William F. Martin

Minutes

William Clark opened the meeting by saying that the purpose was to discuss political and economic issues related to the President's forthcoming meeting with President de la Madrid in La Paz Mexico on August 14. He

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noted that de la Madrid had agreed to accept an intelligence briefing on Central America from US officials prior to the meeting between the Presidents. Clark then called on Secretary Shultz to give a political overview.

Secretary Shultz began by saying that President Reagan's approach to this and other meetings with Mexican Heads of State was much more substantive than meetings of the last Administration. There was much content to the upcoming meeting. Mexico is in a tough position. They are making solid progress in implementing their IMF program, but this has been at a cost of severe economic austerity measures. De la Madrid knows that the key to economic recovery is a close relationship with the United States. He is straightforward and tough-minded and is more direct in private meetings. Much of the success of this visit, therefore, will depend on the private meeting between the Presidents. Shultz concluded by noting that a joint statement was a good idea.

Secretary Regan then gave an economic overview. During the period 1977-81 Mexico achieved rapid economic expansion, but it was at a cost of high inflation and a large trade deficit. The rosy picture came to an end last year. The US had to come to the rescue by offering to prepay for oil for the SPR, provide CCC credits and arrange a BIS loan. Despite an impressive improvement in Mexico's balance of payments, economic growth is still forecast to be minus 6% this year. However, things are beginning to improve and ultimate success will depend on how well Mexico meet its IMF targets. The President should praise de la Madrid for his tough stand and urge him to stay the course.

Secretary Shultz then reviewed the political objectives for the visit. First, strengthen bilateral relations. Second, seek a trilateral meeting with Trudeau following the President's trip to East Asia and third, improve understanding and commitment on the part of Mexico to our Central American policy.

Secretary Shultz noted that there is a chance that we might get a regional solution and Mexico has a critical role to play in that process. They are the main patron of Nicaragua and are seriously concerned about the "export" of a revolution.

A tougher Mexican stance could be just the signal which is needed to make real progress. De la Madrid needs a non-military solution. If the US intervenes militarily, it will make his desire for closer ties to the US, so necessary for economic recovery, much harder to achieve. The President should be very direct and tough with de la Madrid in the private meeting and, somewhat softer in the expanded session. He should not say anything nice about Castro, only note that if Castro really wanted to be forthcoming he knows how to do it. Our objective out of this meeting is to get more direct Mexican support for our concerns -- both bilaterally and within the Contadora process.

Secretary Regan then outlined the following economic objectives: congratulate Mexico on meeting its IMF targets and urge continued adherence to the program; remind him of our past \$3 billion effort to assist Mexico in their time of dire need; note that we are able to offer an additional \$500 million in CCC credits and that we are working on additional EX-IM

- financing possibilities for our exports; encourage him to continue efforts to look outward towards trade as a means to increase economic growth and, in this respect, encourage a liberalization of trade barriers and membership in GATT; urge de la Madrid to continue efforts to diversify industry away from petroleum; and finally, underscore that the US led world recovery will help stimulate trade and imports of Mexican goods. The President should stress that he is strongly opposed to protectionist legislation.

Secretary Hodel then reviewed energy relations. Of most immediate importance was the opportunity to accept another 35,000-40,000 barrels of Mexican oil for the SPR. The President should avoid discussion of gas issues, but may want to note the positive cooperation we have between the two countries in scientific exchanges and joint R&D projects.

Secretary Baldrige followed by discussing the tremendous progress Mexico has made in reducing its trade deficit, however, much of the reduction has been US imports costing the US some 200,000 jobs. He noted that it is critical that Mexico be urged to reduce subsidies to the private sector firms which are generally fully capable of success in a totally free market environment.

William French Smith then reviewed the immigration issue. Mexico considers immigration a matter internal to each country and will probably not raise it in this bilateral meeting. He noted that we have had an excellent relation on drug enforcement and we should praise the Mexicans for their efforts and ask if we can have landing rights for drug enforcement efforts in the Yucatan.

Secretary Shultz noted that the situation in Central America could lead to a serious immigration problem for countries north, particularly Mexico and the US. The Mexicans may lose their safety valve -- jobless Mexicans heading North for better job opportunities -- if immigration becomes such an issue that the US must clamp down severely. At this point, the President noted that thousands of refugees had recently demonstrated in favor of US policy in San Francisco, but the media had failed to pick up this pro-Administration rally.

The President then asked if progress had been made on sewage problems. Assistant Secretary Motley said that Mexico was in the process of raising budget funds for clean up efforts. Bill Clark said that we would provide an update for the President on this issue later this week.

Bill Clark then asked for final summary comments. Secretary Weinberger said that there are no pressing military related issues to raise. We have good military to military relations. Ed Meese noted that there has recently been a new border crossing opened near San Diego. Deputy Secretary Lyng noted that Mexico is the third largest importer of US agriculture. Assistant Secretary Motley said that we are close to a solid environmental agreement with the Mexicans.

The meeting was adjourned at 11:55 a.m.

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MEMORANDUM

NATIONAL SECURITY COUNCIL

CHRON FILE

August 11, 1983

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INFORMATION

MEMORANDUM FOR ROBERT M. KIMMITT

FROM:

WILLIAM F. MARTIN *WFM/bm*
AL SAPIA-BOSCH *AL*

SUBJECT:

Minutes of 9 August NSC Meeting

Please find attached the minutes of the 9 August NSC meeting.

Attachment
As stated

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RMK

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