

MEMORANDUM

## NATIONAL SECURITY COUNCIL

SECRET

May 20, 1971

MEMORANDUM FOR:

MR. KISSINGER

FROM:

RICHARD T. KENNEDY  
ERNEST JOHNSTONORIGINAL W/NOTES RETAINED BY  
WHITE HOUSE CLOSE FILE  
init. & date 6/12

SUBJECT:

Talking Points for your Meeting with  
Mr. Peterson on Friday, May 211. Generalized Tariff Preferences for Developing Countries

Mr. Peterson now holds an Operations Group memorandum for the President on further preference decisions. (See Johnston's memorandum of May 20 for NSC recommendations on the substance - Tab A.) You should strongly encourage Peterson to forward the memorandum to the President soon so that legislation can be submitted promptly. (The EC inaugurates its scheme on July 1.) Discourage as discreetly as possible any CIEP/SRG meeting as unlikely to reach agency agreement and as a cause for delay. Emphasize that we must go ahead with legislation incorporating the President's decisions on a broad open scheme. This is the only substantial chance we have to match the President's promises to Latin America. The Administration cannot back down on its commitments. (Stans is counselling Peterson to delay and to meet Congressional criticisms by falling to a much more restrictive preference scheme.)

2. China Trade Proposals

Peterson's reaction to the China trade package was to write directly to the President (Tab B) saying that if the President makes a generous decision on China, which Peterson supports, the announcement should be held up until the President and Chuck Colson gain political mileage by consulting with domestic interest groups. This is a very foggy proposal and, of course, opens a strong possibility of leaks that would scoop the White House announcement. The political credit will come anyhow. The best domestic and international results will come from a strong dramatic White House announcement. All the recommendations are for a generous package. You now have the package for forwarding. Suggest to Peterson that he and Colson consult now with the groups and find out what they want. Then when the announcement is made, immediately after the President's decision, it will look that the President has heeded their suggestions.

ON-FILE NSC RELEASE INSTRUCTIONS APPLY

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3. Sugar Legislation

The House Agriculture Committee is causing serious foreign policy damage with its sugar proposals. (See Nachmanoff's memorandum of May 19 - Tab C.) The Committee adopted amendments:

- Deducting \$20 a ton penalties on sugar imports from countries nationalizing U. S. properties or tuna boats (an amplified Grace amendment);
- Reallocating 200 to 250 thousand tons of sugar from the principal sugar suppliers to several other sugar suppliers;
- Reducing the Cuban reserve and removing its preference allocation to OAS countries.

Explain to Peterson the necessity for a strong Administration effort to reverse these actions. (He will have already talked with Rogers.) If necessary we may have to withdraw Administration support for the sugar bill if it alienates our sugar suppliers. (Both Peterson and Hardin would resist this strongly.)

4. Clearances and Peterson Participation

Al Haig has assured Peterson that the NSC will send him documents bearing on his responsibility. He also needs assurances on being brought in on NSC issues that affect his work. He feels bypassed. (We have assured his staff that we will work closely together, but because his staff is very small, it will be difficult for operators to get quick response.) On the other hand, his clearance record is also not perfect. (The Presidential instruction concerning Ambassador Kennedy's textile mission is an example - Tab D; and there also have been cables cleared without our knowledge.) Encourage him to work closely with your staff and assure him that the NSC staff will seek his views on economic issues.

5. Japan NSSM

Do not raise this subject. It is sore. Peterson has swallowed your decision not to issue a new NSSM directing that the economic section of the Japan study be submitted to the CIEP before it goes to the NSC. He had thought he had your promise to issue an amended NSSM. His staff, however, is now participating in the work, and Al Haig has assured him that we will

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meet the substance of his request (making sure that the CIEP Review Group can look at the economic issues before the SRG considers the paper in its entirety), even if we do not issue the amendment (Tab E).

6. Your Representation at the CIEP Review Group

Peterson's Review is at Under Secretary level and he wishes to keep it "Principals only" to the extent he can. This means General Haig would be the NSC member. This could put an unreasonable burden on General Haig both substantively and because of the demands on his time. Either the appropriate geographic operator or your economic staff officer (depending on the issue) should handle this for you. You might indicate that this is the way you would like to be represented.

7. David Kennedy's Trip to the Far East and Europe

Kennedy returned from the Far East ten days ago and has now gone to Europe. Ask Peterson's judgment on the prospects for successful textile negotiations in the Far East as a result of the Kennedy trip. Peterson wants to give the details directly to you.

8. Peterson's Inventory of Consultants and Studies

Peterson has asked for an inventory of all consultants and studies in the economic area. Helms expressed concern to you at the possibility of disclosing confidential relationships with the Agency (Tab F). You might explain to Peterson the nature of problems from CIA's viewpoint and suggest he withdraw the request to CIA for their consultants. (You said you would take Helms' problem up with Peterson.)

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