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22 November 1988

MEMORANDUM FOR THE RECORD

SUBJECT: DCI/DDCI Meeting with Secretary of State Shultz, and
Messrs. Armacost, Kampelman, and Aramowitz.
22 November 1988 - 1100 hours - State Department

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The following subjects were discussed at the meeting.

1. The Secretary _____ seen that Mexican President Salinas is preparing a plan to devalue the peso. The Secretary noted that as part of the recent arrangement worked out between the U.S. and Mexico, if confidence in the peso is not strengthened by the deal, then the Mexicans would have to devalue quickly. The Secretary noted that the worst thing in the world is a plan to devalue, because any leak would be very destructive to the peso. He expressed obvious interest in any further information we collect on this, and any perspective we can provide to him

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3. The Secretary discussed in some detail the prospective Gorbachev trip to New York. The meeting apparently will be on Governor's Island. He said it was his experience that there is a certain rhythm to meetings with Gorbachev. They begin with pleasantries, proceed to a rough period with the bark off on one or another issues, then a period of sweetness and light, and finally the ending. _____

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He expected the rough period in this meeting to focus on Afghanistan. He said it was important that the U.S. have a strong and positive presentation which will enable him or the President to respond to Gorbachev and, in particular,

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to knock down the idea of a new international conference. The presentation should rake the Soviets over the coals but then say some things with respect to an interim government (without the present regime) and refugees that are of a more positive tone. He solicited any help that we could provide in helping Armacost put together this presentation. (ACTION: DDI: You should call Armacost to pursue this.) [REDACTED]

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The Secretary said that he expected the sweetness and light part of the meeting might focus on recent developments in southern Africa, where the Soviets have been helpful. He noted tensions between the Soviets and Cuba on southern Africa, and expressed an interest in our assembling bits and pieces of the relationship between the Soviets, the Cubans, and the Angolans on a whole range of issues, including perestroika, the Olympics, southern Africa, etc. The Secretary clearly was looking toward the possibility of a meeting in New York of the Angolan players at the time Gorbachev is there to sign an accord. He said it was altogether possible that there would be an initiative for a meeting that would involve Gorbachev, Reagan, Castro, Dos Santos, and Botha, and it was clear his enthusiasm was very limited for such a meeting. He appeared to have real reservations about President Reagan participating in such a meeting. He noted that the South Africans may well seek a meeting with President Reagan as a result of this accord and as a means of legitimizing themselves. Overall, he is interested in the perspectives of all these different players on a multi-party meeting, on the outcome in Angola, and how they may be approaching a prospective meeting in New York. [REDACTED]

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The DCI raised the question whether the Soviets might not talk to Savimbi directly, just as they have offered to talk to the Mujaheddin in Afghanistan.

With respect to the schedule, the Secretary noted that Crocker expects to hear today from the South Africans, and the parties will meet next week in Brazzaville to reach the final agreement. He expects, however, that the process will end in New York (because of the role of UN Resolution 435), where the Cubans, South Africans and Angolans would formalize the agreement with Crocker and the Soviets standing in the background.

All in all, he is interested in any intelligence that we might have on the Soviet approach to or agenda for the meeting with the President in New York, or any other information we would have on a multilateral meeting in New York on Angola. The bottom line is they are interested in any help we can provide them on how to handle the script on South Africa in the meeting with Gorbachev. (ACTION: DDI: Again, call Armacost.) [REDACTED]

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4. The Secretary raised the problem of biological weapons. Abramowitz chimed in that their concerns focus around the ease of obtaining the weapons and the specific countries that have active programs. He reminded the Secretary of the longstanding convention banning these weapons. The Secretary indicated his interest in including this issue in the Paris conference on chemical weapons. He suggested broadening the scope of his speech at that conference to include this problem. The DCI informed the Secretary of the forthcoming OSWR paper. The Secretary was interested and we promised to provide a clean draft of that paper in a few days. (ACTION: DDI: Get the DCI and I a draft as quickly as possible, and perhaps you can also raise this with Armacost.) [REDACTED]

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5. The DCI raised the question of the Kabul embassy and the danger that U.S. options to close it will be foreclosed after a period of time. [REDACTED]

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[REDACTED] Armacost said that several options were being forwarded to the Secretary in terms of further drawing down and underscored the quality of reporting coming out of Kabul, including from Glassman. Abramowitz also raised the question of the impact on the Soviets of closing the embassy -- that we would be suggesting we no longer bear any responsibility for what happens in Kabul. [REDACTED]

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7. Panama was discussed at some length. [REDACTED]

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[REDACTED] The DCI said that there is some fuzziness as to our objectives in Panama -- whether we are attempting to scare Noriega out of office, or whether we are trying to negotiate his departure. He said the indictment appears to be a major problem, with the White House now apparently having no interest in dropping it. He confirmed that there is no statute of limitations on the indictment, and therefore some positive action would have to be taken some time in the future to get it dismissed.

The DCI acknowledged that there is a divided view in CIA as to what might succeed. [REDACTED]

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[REDACTED] the DI's view was skepticism that Noriega would respond to any initiative. He said there is agreement, however, that, absent a decision to drop the indictment, not much would happen. He repeated that the White House does not seem to want to even discuss this issue. He also made reference to the new DI

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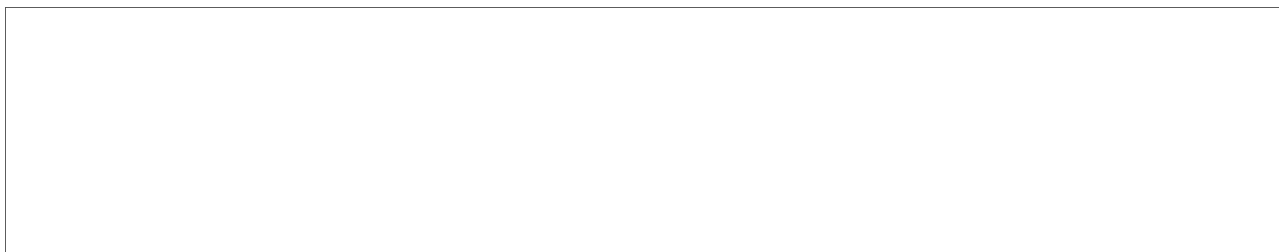
The Secretary responded that they had had a negotiating track, and the President, over the objections of the Vice President and Jim Baker, had authorized dropping the indictment. He said that now the Vice President is President-elect, he thought that President Reagan would defer to him on this, and undoubtedly would not drop the indictment. He said there was still some hope that by increasing the pressure they could get Noriega to go to Spain if we would promise not to go after him. The Secretary wondered whether Noriega would not be able to get a U.S. lawyer to pursue getting the indictment dropped, perhaps on the grounds of non-prosecution. The DCI clarified that as long as he was a fugitive, this probably would not wash, but there were other ways in which he could seek to get the indictment quashed. Both the Secretary and the DCI questioned the sufficiency of the indictment and whether it would stand up. The DCI mentioned the signal from Don Gregg as to the Vice President's staff's interest in getting this resolved before January 20.

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The Secretary concluded that in his view the best approach was to try to step up the pressure and increase Noriega's uncertainty. We should take advantage of the feelers we have had to see about the possibility of negotiations, recognizing all the while that the prospect for negotiations has become bleaker and there is less chance of success given the position we are in with respect to the indictment.

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9. On the Moscow embassy, the DCI reported [redacted] proposal to sell the embassy complex back to the Soviets. The DCI referred to the Dwayne Andreas' proposal that a group of businessmen buy the embassy complex. The Secretary said that Ambassador Matlock is exploring this possibility. [redacted]

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10. The Secretary reported that the Departmental investigation of the Cambodian leak is narrowing and that they are nearing the stage in which they will introduce the polygraph as part of the investigation. [redacted]

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11. The Secretary briefly mentioned the Iranian situation and noted [redacted]

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[redacted] that the Iranians have requested a delay in the claims session with Abe Sofaer, and they at the Department interpret this as suggesting that the Iranians are wrestling with what kind of approach to take to the U.S. [redacted]

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Robert M. Gates
Deputy Director of Central Intelligence

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