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THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

August 3, 1979

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Significant Actions, Secretary and Deputy Secretary
of Defense (July 28-August 3, 1979)

SALT: I spoke about SALT II to 500 people in San Francisco on Monday, and 300 in Kansas City on Tuesday, along with press conferences and editorial board meetings. The speeches are rather routine by now, but I am impressed by the high quality and cogency of the comments and questions (and, of course, of the answers). Such activities provide useful feedback as well as serving to argue our case.

I think we should expect that many Senators undecided on SALT will adopt at least some of the views presented by Henry Kissinger on Tuesday. Indeed, many of his suggestions seemed anticipated by some of Senator Nunn's and others' proposals during the hearings last week. If we are careful, I believe that we can respond positively to most of these suggestions--without needing to go much beyond performing on our existing commitments on defense, and without danger of reopening major negotiations with the Soviets. You already have received some of my views on this, and I am now preparing a proposed response to the Nunn-Jackson-Tower letter for your consideration, and will start work on one for Metzenbaum, Tsongas, et al.

Egypt: Working level discussions with the Egyptian Navy in Alexandria on the sale of two Gearing-class destroyers were held during the first part of the week. The Egyptians expressed concern over some cost estimates, describing them as excessive and unacceptable. These issues will be addressed in detail during Assistant Secretary Dave McGiffert's trip to Cairo next week. He and his interagency team have asked their hosts for the fullest possible presentation on Egyptian strategy, missions, equipment replacement plans and future force structure. In exchange, the Egyptians will be briefed on U.S. arms sales laws and policies, progress on the \$1.5 billion program, and provided with information on the specific equipment they have identified as their priority needs. Drawing on this exchange we will attempt to structure a five-year equipment plan in the range up to \$2.5 billion, including the \$1.5 billion we've already committed for three years. The Egyptians will be reminded that we will be able to make no new commitments during this visit.

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Occupational Safety and Health Programs for Federal Agencies: The Department of Labor's continuing effort to regulate occupational safety and health programs in the Armed Forces is a matter of increasing concern. OSHA clearly was not intended to apply to the military departments and our General Counsel enumerated our strong objections to OMB in this and other regards last April. The wording of DoL's current proposed Executive Order continues to disregard our comments. It contains stringent language that would apply to the military departments. The thought of an OSHA representative on a deployed submarine directing the way in which operations should conform to safety regulations (admittedly an extreme example) boggles the mind. Charles Duncan, Graham Claytor and I have spoken to John White and Ray Marshall about this.

Major Funding Bills in Congress: The House Subcommittee on Department of Defense Appropriations is expected to report the bill to the House in September. A net reduction of \$2.2 billion to our request of \$129.6 billion is expected. The Senate Defense Appropriations Subcommittee has indicated that it will not mark up until there is an authorization conference report. Since House action on the FY 80 Authorization Bill has been held over until after the recess, timely action by both Houses is extremely critical if the authorization and appropriation legislation is to be passed before October 1. That is unlikely, so we might be faced with another last minute problem of paying uniformed personnel and civilians at that time.

Panama: Disagreement among key members of the conference committee continues to delay action implementing legislation on the Panama Canal Treaty. Contingency payments, property transfers, commission form, and labor provisions are yet to be resolved. While the legislation is expected prior to October 1, we have begun contingency planning to operate and defend the Canal in the absence of implementing legislation.

Central America Policy: The PRC met this week to discuss options available in Central America and to address directly the response to the Nicaraguan request for arms assistance. We are likely to be faced with conflicting goals in terms of advancing human rights, preventing insurgency or cross-border conflict, providing relief and helping development, staying out of the arms supply role, and keeping Castroism out of Central America. In my view, the latter needs to be recognized as the most important of the goals where there is a conflict.

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Confirmation of Charles Duncan: The prompt confirmation of Charles as Secretary of Energy is evidence of the high regard in which he is held on the Hill. The honeymoon will be over very soon, but both his reputation and ability will help put through your energy program. This mitigates the loss Defense will suffer. Graham Claytor, who will be a worthy successor, is expected to leave Transportation and replace Charles around the 22nd of August.

Harold Brown