

23100

~~SECRET~~

THE SECRETARY OF STATE
WASHINGTON

April 2, 1986

MEMORANDUM FOR: THE PRESIDENT

From : George P. Shultz *WPS*

1. Meeting With Peres. Dick Murphy, Tom Pickering, Herb Stein and Stan Fischer discussed bilateral economic issues in detail with Peres on Tuesday. Herb raised our concerns about the future of the GOI stabilization effort and Israel's failure to develop a coherent program to revive economic growth. Peres agreed to our suggestion that he send technical experts here to review Israel's stabilization and growth efforts and discuss next steps. He also proposed that US NATO forces expand their procurement from Israel by setting aside each year in a special account half of Israel's FMS interest repayments to the US (approximately \$500 million), and earmarking these funds for US purchases of goods and services in Israel. (S)

2. USSR Warship Off Pearl Harbor. During most of Wednesday a Soviet warship hovered beyond the three mile US territorial sea opposite Pearl Harbor, which it is entitled to do as an exercise of its freedom of navigation rights. The ship may legally cross the territorial sea continuously and expeditiously as long as it does not enter internal waters. We have told the Coast Guard to direct the Soviet ship to leave the sea if it stops or anchors there. The Soviets recently protested our March 13 exercise through its territorial sea off Sevastopol, and we have replied that this continuous crossing was within the bounds of our legitimate rights. (S)

3. Meeting with Japanese Ambassador. Ambassador Matsunaga called on Bill Schneider Wednesday to discuss trade issues and SDI. Matsunaga said Japan understands that US protectionism remains a real threat and recognizes the need for more market access and internal structural changes. Bill asked about potential Japanese participation in SDI. Matsunaga replied that the Japanese team which is now touring our SDI facilities will report its findings to the GOJ on April 10, but said that a decision on SDI is unlikely before the June Upper House elections. He added that Prime Minister Nakasone looks forward to discussing macroeconomic and East-West issues with you when he visits the US at the end of next week. (S)

4. Nicaragua - Costa Rica. We expect the thirteen Contadora and Central American foreign ministers to discuss the proposed Nicaraguan - Costa Rican border commission during their meetings this weekend. I have written them to convey our serious concern that such a bilateral agreement would undercut Contadora's efforts to achieve a comprehensive solution and would pressure Honduras to conclude a similar accord. Costa Rica's President Monge reportedly told Honduran President Azcona Tuesday that there is no agreement yet and that his government will make sure one is not reached in the near future. (S)

DECL:OADR

DECLASSIFIED

NLRR M284 #23100

~~SECRET~~

BY KML NARA DATE 10/7/10