MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report of Defense Activities

Legislative Affairs: This has been an extremely productive week for Defense issues on Capitol Hill. We have made progress on several of our major legislative proposals in both the House and Senate.

Of primary interest, House and Senate conferees continued to meet each day this week in working toward resolution of our FY 1983 Defense Authorization Bill. Although final action has not yet been completed on several of the major outstanding issues, including procurement of the MX missile and C-5 aircraft, we have achieved favorable results on other issues. The conferees have rejected or watered down several of the potentially troublesome "Buy America" amendments. On the former spouses issue, the Conference was successful in eliminating the Hance Amendment which would exempt community property states from all the serviceman's protections which we supported.

In further support of our strengthened Defense program, the House on Wednesday night passed our FY 1983 Military Construction Authorization Bill by a strong 332 to 57 vote. In this action the House wisely rejected an amendment that we had actively opposed which would prohibit U.S. support for NATO if any three NATO nations did not meet their 1977 pledge to increase defense spending in real terms by three percent. This amendment would have been very damaging to our relations with NATO members, so we made an intensive effort to telephone 30 key House members to indicate personally our firm opposition. We were very pleased to learn that the amendment was defeated 245 to 151.

We were also generally pleased with the action of the Senate this week in moving the FY 1982 Supplemental Appropriations Bill one step closer to becoming public law. Following Senate passage late Wednesday, the bill is now in the hands of a House-Senate Conference Committee. As you know, it is imperative that a bill be passed soon in order to provide badly needed funds for military pay to cover last year's military pay raises. These pay raises are partly responsible for the tremendous improvement in our recruitment and retention efforts. We will run out of appropriated funds for salaries August 18 if the Supplemental is not passed before then. As a result of extraordinary internal actions, and if we use all of our transfer authority, we could meet payroll until August 22. We are pushing strenuously for passage of a pay bill.
Although we appreciate the general level of Congressional support shown for the Defense portion of the Supplemental, the House and Senate have deferred action on many of our program Supplemental requests. This will likely result in increased costs and delays for some of our important Defense programs.

On Thursday, Frank met with the Senate Assistant Majority Leader and Defense Appropriations Subcommittee Chairman, Ted Stevens. Stevens was very cordial and is strongly pushing for passage of a Defense Appropriations Bill for FY 1983 before the election recess in order to avoid a Continuing Resolution. We offered him our full support because of the extreme hardships for military families and the increased costs which are created in a Continuing Resolution by the prohibition of new construction starts. Stevens expressed strong support for our attempts to bring about cost-saving management reforms to the Pentagon, as well as for the Administration's Defense build-up.

Tuesday, I gave a breakfast for Chairman Dick White and other members of the House Armed Services Investigations Subcommittee at the Pentagon. The purpose of the meeting was to discuss White's active interest in proposing legislation to reorganize the Joint Chiefs of Staff. After an exhaustive set of hearings, the Subcommittee reported a legislative proposal and the Full Committee approved White's bill. As I indicated to the Committee, we share their strong interest in reviewing the JCS structure. Toward that goal, I have directed General Vessey and the other members of the JCS to report to me by October 1 their personal recommendations and views on the various reorganization proposals now under consideration. The Committee has been very cooperative in giving General Vessey an opportunity to spend some time in his new position before being committed to long-term, substantive reforms. (U)

Visit of Israeli Labor Party Leader, Shimon Peres: On Tuesday, I met with Shimon Peres, leader of Israel's Labor Party. As expected, our primary topic of conversation was the Lebanon situation, and I took advantage of the opportunity to emphasize our strong support for the Habib mission. I also stressed the necessity of a complete ceasefire, to be fully observed by both sides, in order to allow for PLO withdrawal and establishment of a strong central Lebanese Government. I further reiterated the importance of a political, rather than a military, solution to the problems of West Beirut and an early resumption of the wider peace process.

Peres is an extremely reasonable, thoughtful man, and there is no doubt whatever that our relationship with Israel, and indeed the entire Mideast, would be vastly improved if he were Prime Minister. I believe he would seek better, closer relationships with Jordan and other moderate Arab countries, and would support our efforts to do the same. (C)