

THE WHITE HOUSE
WASHINGTON

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June 6, 1979

Presidential Directive/NSC-49

TO: The Vice President
 The Secretary of State
 The Secretary of Defense

ALSO: The Attorney General
 The Secretary of the Interior
 The Secretary of Commerce
 The Secretary of Transportation
 The Director, Office of Management and Budget
 The United States Representative to the
 United Nations
 The Director of Central Intelligence
 The Chairman, Joint Chiefs of Staff
 The Office of Micronesian Status Negotiations

SUBJECT: Micronesian Status Negotiations (U)

The President has reviewed the recommendations of the Micronesia Inter-agency Group and has directed that the following financial arrangements replace the itemized list in PD/NSC-11. Aside from these modifications, the negotiating guidelines in PD/NSC-11 and PD/NSC-34 remain in force. (S)(u)

The Chief Negotiator is authorized to offer the following financial assistance, with the understanding that such assistance is contingent on the ultimate approval by the U. S. Congress: (S)(u)

1. No more than a \$75 million annual average in grant assistance for the first fifteen years after trusteeship termination. (S)(u)
2. No more than \$10 million annually for exclusive U. S. use of all land, waters, and airspace required by the Kwajalein Missile Range and its activities for no less than 15 years. (S)(u)
3. \$3 million annually for a U. S. contribution to a scholarship fund to finance post-secondary education of citizens of the three Micronesian entities in U. S. institutions. Continue eligibility after trusteeship termination so that those then enrolled in U. S. universities may finish their studies. (S)(u)

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Classified by Zbigniew Brzezinski
Review on June 4, 1985
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Declassified/Released on 9/6/95
under provisions of E.O. 12356
by D. Van Tassel, National Security Council
(F07-249)

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\$1 million annually for fishery zone surveillance and enforcement and a \$2 million one-time grant, either prior to or after termination, for the capital investment necessary for this program. (S)(u)

5. The dollar value annually of the Federal categorical health services and medical assistance programs applied to the Trust Territory of the Pacific Islands during the calendar year immediately preceding the termination date of the trusteeship (limited to \$2 million annually). (S)(u)

6. The negotiator may commit up to \$110 million annually for the first five years for the above five items with commensurately lower annual sums for the next ten years in order to maintain a 15-year annual average of \$91 million. (S)(u)

7. U. S. Postal, weather, FAA, CAB, and Communication Management services at the levels equivalent to those applicable to the Trust Territory of the Pacific Islands during the calendar year immediately preceding the termination date of the trusteeship. The Micronesia Interagency Group is authorized to approve the extension of limited additional U. S. technical services of like character on a case-by-case basis. (S)(u)

8. A U. S. commitment to completion of specific construction projects and to the use of military construction units (such as military Civil Action Teams in Palau) in lieu of direct cash grants for construction use in Palau is contingent on securing land use arrangements there. This is to be funded from the overall yearly grant. (S)(u)

9. \$15 million as a one-time transitional grant for relocation of the Trust Territory headquarters, to be negotiated by the High Commissioner and channeled through the Department of the Interior budget. This should be allocated for use before the trusteeship ends. (S)(u)

10. No more than \$750,000 to be spent by the U. S. Coast Guard to convert eighteen specified buoys in the Trust Territory to civilian use. (S)(u)

11. To accord special tax treatment to investment in Micronesia by U. S. persons and special tax treatment of U. S. income derived by Micronesian persons. (S)(u)

12. A U. S. commitment to provide disaster relief to the extent currently provided. (S)(u)

13. The \$3 million one-time payment previously authorized for Palau land leases is eliminated. The military land and operating rights required for U. S. defense purposes in Palau will be furnished without additional compensation as part of the overall economic package. (S)(u)

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14. Funding during the 15-year period of free association shall be adjusted for inflation as follows:

-- Annual adjustment of the lesser of the change in the Gross National Product Implicit Price Deflator or 3 percent.

-- Adjustment would be measured additively, not compounded.

-- The base number to be adjusted would be the amount originally authorized for the year in question.

-- Adjustment would commence in the sixth year.

-- There shall not be a review of financial arrangements at five-year intervals. (S) (u)

15. On the subject of claims resulting from the U. S. nuclear weapons testing program in the Northern Marshall Islands, the President has deferred his decision. A single memo containing views of all agencies should be submitted expeditiously. (S) (u)


Zbigniew Brzezinski

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THE WHITE HOUSE

WASHINGTON

December 28, 1979

ACTION

MEMORANDUM FOR:

THE PRESIDENT

FROM:

ZBIGNIEW BRZEZINSKI

SUBJECT:

Micronesia Status Negotiations (U)

On November 1, Congressmen Burton, Lagomarsino and Clausen wrote a very critical letter (Tab A) to Ambassador Rosenblatt, the Chief Negotiator for Micronesian Political Status Negotiations calling for postponement of the negotiations for a year. In his position as Chairman of the House Subcommittee on National Parks and Insular Affairs, Burton's support for a negotiated settlement (i.e., a Compact of Free Association) with the Micronesians is considered essential for House approval. In the period since Ambassador Rosenblatt received the letter, various members of the Executive Branch including the Domestic Policy Staff, the NSC, OMB, and the Department of the Interior have consulted with Chairman Burton. He has four conditions he feels must be met before he can support the Administration's position in the negotiations. The first, concerning which Palauan faction the USG should deal with, has already been solved. The other three will require your decision as they represent changes in the negotiating instructions you issued (PD/NSC-49, June 6, 1979). The need to make Decisions II and III depend on your initial decision as to whether or not to continue with the negotiations. (S)

I. The Future of the Negotiations

In their letter the three Congressmen enjoin Ambassador Rosenblatt from concluding the negotiations before the 1980 Presidential elections, and urge him to negotiate only ancillary agreements in the interim. As the ancillary agreements will be based on the Free Association Compact, this is in fact a call for postponing the negotiations for a year. (S)

(A) Interagency Position

The members of the Interagency Group on Micronesia (State, Interior, DOD, DOT, JCS, OMB, Justice, OMSN and the DPS) oppose a one-year suspension of the negotiations by the USG. In their view such suspension:

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- Would increase the cost of a future agreement;
- Would produce political instability and internal fragmentation in Micronesia;
- Would make your declared goal of 1981 for the termination of the Trusteeship virtually impossible.

RECOMMENDATION

The Micronesian Interagency Group and the DPS recommend that we proceed with the political status negotiations. If the negotiations are successful, we recommend that our negotiator initial the text, subject to a final interagency review after all subsidiary agreements are concluded. A formal signing and submission to the Congress would not take place until after the 1980 Presidential election. We would continue efforts to build support in Congress and to deal with Chairman Burton's concerns in this and other areas, in an effort to arrive at some accommodation with him. (S)

APPROVE ☒DISAPPROVE ☐ JII. The Level of Inflation Adjustment

Chairman Burton and the Micronesians believe that the currently authorized three percent inflation adjustment (which would start after the first five years) is inadequate, and propose formulas which are tied to the U.S. GNP price deflator. The Interagency Group on Micronesia also believes that unless the United States inflation adjustment offer is increased from the present three percent, there is little hope of reaching agreement. (S)

(A) Interagency Group Position

3/4 The Interagency Group, with the exception of OMB, recommends a maximum U.S. offer of a seven percent annual inflation adjustment or the change in the U.S. GNP price deflator (whichever is lower). The maximum average annual increase of seven percent over our present offer is \$24 million or \$362 million over 15 years. Seven percent would demonstrate an understanding for the fears of the Micronesians that a financial package which is acceptable today may be worth very little in the future because of inflation. It would also conform with Administration wage-price guidelines. The Chief Negotiator believes that the Micronesians will accept a seven percent adjustment. (S)

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SECRET(B) OMB Position

OMB believes the financial package offered the Micronesian negotiators last summer remains basically equitable. However, it concludes that some increased inflation adjustment is justified because of the diplomatic and political exigencies described above and OMB "best-guess" projections for Trust Territory funding over the next 15 years if a negotiated pact of the trusteeship is not achieved (a total cost of \$2.5 billion, with a present value of \$1.3 billion). Consequently, OMB proposes that a five percent inflation adjustment beginning Year 6 of free association should be authorized (the actual rate applied would be either five percent or the U.S. GNP price deflator, whichever was lower). OMB reasoning is spelled out in Tab C. (S)(u)

(C) RECOMMENDATION

That you authorize an increase in our inflation adjustment offer to the Micronesians to an annual additive seven percent or to the annual change in the U.S. GNP price deflator (whichever is lower).

APPROVE 7% _____ APPROVE 5% _____

III. Extension of Federal Programs

The Micronesians in general and Congressman Burton in particular have long insisted that U.S. economic assistance to Micronesia under free association contain a full complement of federal categorical programs, especially those in the health and education area, which now provide substantial support to the operations of the Trust Territory Government. The Trust Territory budget authorization bill which passed in the House provides for the permanent extension of all federal programs which apply now to the Trust Territory (FY 1979 dollar value for the approximately 60 programs is between \$20 and \$30 million) to Micronesia after termination of the Trusteeship Agreement. PD/NSC-49 does not authorize the extension of federal programs but does provide for a few federal services, e.g., postal service, weather service and disaster relief. (S)

The Federated States of Micronesia will almost certainly hold out for some consideration in this area. Most importantly, unless Congressman Burton is satisfied that (1) the possibility for the extension of Federal programs exists and (2) that he will be able to play a role in determining what these programs are, he will oppose the Compact. (S)

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SECRET(A) Interagency Position

To meet Micronesian and Congressional concern the Interagency Group proposes that the negotiating authority be amended to include USG consideration of a limited number of health and education programs under free association. These would be implemented upon a formal request by a Micronesian government and subsequent USG approval based on evidence that the programs would be tailored to Micronesian conditions and would meet a major health or education need that could not otherwise be met by block grant funding. While we are not fully confident that this approach will satisfy Burton, it should satisfy the Micronesians. (S)

(B) Interagency RECOMMENDATION

That you authorize language in the Compact by which the U.S. would agree to consider the extension of certain federal health and education programs, with Interior's concurrence being contingent upon the support for this recommendation by the DPS. The specific programs could be determined prior to the effective date of the Compact. (S)

APPROVE ✓

DISAPPROVE _____

Attachments

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MEMORANDUM

NATIONAL SECURITY COUNCIL

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September 22, 1980

ACTION

MEMORANDUM FOR: ZBIGNIEW BRZEZINSKI

FROM: DONALD GREGG *DG*

SUBJECT: Micronesia Negotiations (✓)

Attached at Tab A is a memorandum to you from Rozanne Ridgeway, in her capacity as Chairman of the Micronesia Interagency Group. The memorandum outlines the current negotiating strategy being given to Ambassador Rosenblatt, in an attempt to deal with the "strategic denial" issue insisted on by members of the Senate. (✓)

I fully approve of this strategy, as the only one with a chance of moving the negotiations forward to completion. (U)

RECOMMENDATION

I have drafted a memorandum summarizing the essence of the new negotiating strategy (Tab I). I recommend that you forward it to the President, for his information and endorsement. Ambassador Rosenblatt will feel in a far stronger position, as he undertakes his new and delicate negotiations, knowing that you and the President have reviewed the course he is about to undertake. (✓)

Attachments

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Long
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by D. Van Tassel, National Security Council
(F87-249)

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ORIGINAL CL BY Z. Brzezinski
☐ DECLASSIFY ON September 22, 1986
EXT BY NSA
REASON

DECLASSIFY ON: OADR

(63)

12/2

David

In my view, the
President doesn't need
to see this.

You should tell State
that progress to date is
satisfactory; they should
continue to negotiate; The
President would like to
sign the final agreement
before Jan 20. - if they
don't make it, the P
will not see it.

fine to mean ^{note} his

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(F87-249)

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MEMORANDUM

UNCLASSIFIED NATIONAL SECURITY COUNCIL
~~CONFIDENTIAL~~

December 31, 1979

ACTION

MEMORANDUM FOR: ZBIGNIEW BRZEZINSKI
FROM: DONALD GREGG *DG*
SUBJECT: Micronesia Packet

Attached hereto is a memo from you to Ambassador Rosenblatt telling him of the President's decisions. (Rosenblatt already knows the President's decisions, this paper is only a formality.) *(U)*

RECOMMENDATION

That you sign the attached memo at Tab A. (U)

Attachment

*20 August
11/2/80*

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(F87-249)

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THE COUNSELOR
DEPARTMENT OF STATE
WASHINGTON

MICRONESIA INTERAGENCY GROUP

September 26, 1980

UNCLASSIFIED~~CONFIDENTIAL~~ (Entire Text)

MEMORANDUM FOR: Dr. Zbigniew Brzezinski
The White House

FROM: Rozanne L. Ridgway, Chairman *MLH*

SUBJECT: Micronesia Status Negotiations

My memorandum of September 17 reported to you that Ambassador Peter R. Rosenblatt has requested a modest increase in his negotiating authority on economic issues for the Micronesian Status Negotiations. I wish to inform you that all members of the Interagency Group have supported this request, and that OMB Director McIntyre is sending to the President a memorandum recommending that this request be approved.

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Mr. D. Van Tassel National Security Council

(187-249)

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 1 1980

Jim
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J

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES T. MCINTYRE, Jr. *Jim*
SUBJECT: Timing of Micronesian Status Talks

You asked when the next round of the Micronesian status talks will be held. They are underway right now. Ambassador Rosenblatt, our chief negotiator, has been in Hawaii since last Saturday and is eagerly awaiting word on revision of his instructions. He reports that progress in the talks is stalled until you make a final decision on the issues presented in our September 27 memorandum to you. This round of talks is the last scheduled to be held before the election.

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(F87-249)

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GOVERNMENT OF THE MARSHALL ISLANDS

Office of the President

Majuro, Marshall Islands 96960

October 30, 1980

Ambassador Peter R. Rosenblatt
The U.S President's Personal Representative
Office of Micronesian Status Negotiations
Department of the Interior
Room 3356
Washington, D.C. 20240

Dear Peter:

The Government of the Marshall Islands is pleased that the essence of the proposals contained in President Kabua's letter to you of June 20, 1980, has now been accepted by the Government of the United States. We understand, however, that the Government of the United States would prefer to work out, in a separate agreement -- which will become effective simultaneously with the Compact --, the precise method of extending the rights and obligations specified in Section 311(b)(1) and (2) beyond the expiration of the term referred to in Section 452(a) or Section 453(a).

This approach is agreeable to the Government of the Marshall Islands, provided that:

(1) the terms of any such separate agreement are specifically satisfactory to Senators Jackson, Johnston, McClure and Hatfield;

(2) the arrangement is no more burdensome to the Government of the Marshall Islands than that contemplated in President Kabua's letter of June 20, 1980;

(3) the substantive arrangements are identical for the Marshall Islands, Palau and the Federated States of Micronesia; and

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Ambassador Peter R. Rosenblatt
October 30, 1980
Page Two

that (4) any separate agreement specifically provide
* "a material breach of the Compact of
Free Association by the Government of
the United States or the Government of
Palau, the Marshall Islands or the
Federated States of Micronesia, re-
spectively, shall entitle the non-
breaching Government to invoke the
breach as a ground for terminating
this agreement or suspending its
operation in whole or in part."

Sincerely yours,



Anton A. deBrum
Secretary of Foreign Affairs



Commission on Future Political Status and Transition
FEDERATED STATES OF MICRONESIA

P.O. BOX 429, PONAPE, CAROLINE IS. 96941 CABLE: FUTPOLSTATCOMM PONAPE

October 30, 1980

CHAIRMAN
Andon L. Amaraich

VICE-CHAIRMAN
Bailey Olter
Petrus Tun

EXECUTIVE DIRECTOR
Isaac V. Figir

**VICE-PRESIDENT OF THE
FEDERATED STATES OF
MICRONESIA, ex-officio**
Petrus Tun

STATE OF KOSRAE
Hiroshi Ismael
Jacob Nena

STATE OF PONAPE
Ivor A. Harris
Bailey Olter

STATE OF TRUK
Andon L. Amaraich
Sasao H. Goulard

STATE OF YAP
John A. Mangefel
Luke M. Tman

**COMMITTEE ON
FUTURE POLITICAL STATUS**
Bailey Olter, *Chairman*
Andon L. Amaraich
Hiroshi Ismael
John A. Mangefel

**COMMITTEE ON
TRANSITION**
Petrus Tun, *Chairman*
Sasao H. Goulard
Ivor A. Harris
Jacob Nena
Luke M. Tman

The Honorable Peter R. Rosenblatt
The President's Special Representative For
Micronesian Status Negotiations
Department of the Interior
18th and C Streets, N. W.
Washington, D. C. 20240

Dear Mr. Ambassador:

We understand that several United States Senators recently voiced concern that the Draft Compact of Free Association as initialled last January by the Marshall Islands Government contained no express provision for a long-term relationship between the Micronesian entities and the United States. The Senators emphasized that they have no desire to dictate the future political status of our peoples, nor the form of the Micronesian governments' relationship to the United States Government. Nevertheless, they indicated they believe the written documents which express the emerging Micronesian-United States relationship should evidence in some way the intention of the parties to create a lasting bond.

Let me say that, while our lengthy negotiations have brought many changes to the earlier draft versions of the Compact of Free Association, the people of Truk, Yap, Ponaape and Kosrae, who now comprise the Federated States of Micronesia, have not changed in their desire to retain close ties with the United States. I note also that the fifth Hilo Principle states with respect to the United States defense responsibility: "This authority and responsibility will be assured for 15 years, and thereafter as mutually agreed." Thus, our Commission fully anticipates that pursuant to the Hilo Principles and our common desires there will be discussions regarding a continuation of that relationship, including defense matters, on the basis of mutual agreement.

Such discussions would encompass the concerns expressed by the Senators and would focus attention on various Compact provisions, including Sections 354 and 454.

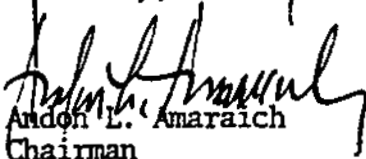
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(F87-249)

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We consider this subject far too important to address in haste, in the press of the many concluding details of the Compact negotiations. No one fairly can regard the topic of our future relationship as a matter of concluding detail. Thus, without commenting on any of the possible approaches advanced thus far, we wish, after our initialling of the Draft Compact, and prior to its signature and submission for approval, to explore the alternatives for a longer term relationship.

I hope that you find these comments and suggestions constructive. If you agree that they provide a basis for further discussion, I would appreciate your written confirmation.

Sincerely,


Andon L. Amaraich
Chairman



THE PRESIDENT'S PERSONAL REPRESENTATIVE
FOR MICRONESIAN STATUS NEGOTIATIONS
WASHINGTON, D.C. 20240

November 3, 1980

Honorable Andon Amaraich
Chairman, Commission on Future Political
Status and Transition
Ponape, E.C.I. 96941

Dear Chairman Amaraich:

Thank you for your letter of October 30. We appreciate your references to the FSM's desire for a lasting bond with the United States, in the defense context as well as others. We strongly concur in your judgment that the concerns of the United States senators to which you refer must be addressed prior to signature of the Compact. Moreover, we recognize the FSM's long-term concerns addressed in part in Section 454(a) particularly as they apply to discussions for the extension of the provisions of Title Three beyond the first 15 years which are contained in Section 354.

The provisions that will be required to meet the concerns expressed by the senators must, of course, still be negotiated, most probably in a side agreement. We know, however, from our conversations on the subject, that you and your colleagues recognize that the provisions of the Compact, including economic provisions, for the first 15 years are in all other respects complete as initialed except as explicitly set forth therein.

We do, indeed, find your letter constructive and look forward to joining with you in discussions relating to these subjects in the near future.

Sincerely,

Peter R. Rosenblatt
Ambassador

9/6/95
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by D. Van Tassel, National Security Council
(F87-249)

cc: James T. Stovall, Esq.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

October 8, 1980

MEMORANDUM FOR:

Mr. Peter Tarnoff
Executive Secretary
Department of State

SUBJECT: Micronesia Status Negotiations (C)

The President has reviewed and approved the revised Micronesian negotiating strategy outlined in the Chairman of the Micronesia Interagency Group's memo of September 17, 1980 to Dr. Brzezinski. In so doing, the President noted that he may not approve additional costs incurred as result of securing strategic denial for a longer period of time. Ambassador Rosenblatt should bear this in mind during his negotiations, and make every effort to keep additional costs to an absolute minimum. (C)

In addition, the President has approved Ambassador Rosenblatt's final request for funds to cover the 15-year period of free association as follows:

| | |
|------------------------------------|---------------------------|
| Previously Authorized Base | |
| (Over 15 years) | \$1,950M |
| Block Grant | + 257M |
| Federal Categorical Grant Programs | + 57M |
| Revised Base: | \$2,264M (+312M, or +16%) |

OMB advises that in more specific detail the augmented funds and negotiating authority break down is as follows:

1. Block Grant Assistance +\$165 million over 15 years (\$11 million yearly average)
2. Inflation Adjustment for Item #1 +\$92 million over 15 years (estimated using maximum 7-percent adjusted)
3. Federal Program Ceiling +\$12 million annually over 15 years; for Federal categorical health and education grant programs; no inflation adjustment

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Review on October 8, 1986

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|---|---|
| 4. Technical Assistance Commitment | Micronesian Government qualification for U.S.G. technical assistance during association on same basis as other foreign governments under applicable Federal laws and policies, but priority to Micronesian governments over other foreign governments in granting such assistance for qualified projects; no commitment to specific projects or levels of funding |
| 5. Federal Alternate Energy Programs | Commitment to complete 1) energy plan mandated by pending legislation (H.R. 7330), and 2) alternate energy projects begun prior to termination |
| 6. Yap Coast Guard Station | Authority to enter a use and operating rights agreement at an annual fair-market rental value (currently about \$15,000 annually) |
| 7. Policy Statement on Existing Federal Programs in the Trust Territory | Issuance of statement by the Department of the Interior confirming status quo (including, no phase-down of existing programs without prior consultation with Micronesian governments, and approval of Congress; no continuation of Federal programs unless provided for by the Compact) |
| 8. Strategy | Offer rejected, offer withdrawn; offer completely withdrawn if not accepted on or by November 1, 1980 (C) |


Christine Dodson
Staff Secretary

cc: Director of OMB

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