

MEMORANDUM

4709

EXECUTIVE

FG-31-1

ST-51

PR-7

NATIONAL SECURITY COUNCIL

ACTION

July 9, 1975

MEMORANDUM FOR: GENERAL SCOWCROFT

FROM: JOHN A. FROEBE, JR.

SUBJECT: President's July 10 Meeting with
Republican Party Congressional
Leadership

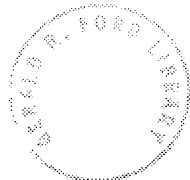
The memorandum at Tab I for your signature to Max Friedersdorf would forward brief talking points on the "Covenant to Establish the Commonwealth of the Northern Mariana Islands" for possible inclusion in the briefing memorandum for the President's meeting with the Republican Party Congressional leadership scheduled for Thursday, July 10, at 8:00 a.m. in the Cabinet Room.

*filed
10/1
7-9-75*

CB
Cathie Bennett concurs.

RECOMMENDATION

That you sign the memorandum at Tab I.



*Kathy - original hand-
carried morning of
July 10.*

RECEIVED
JUL 25 1975
CENTRAL FILES

COVENANT TO ESTABLISH A COMMONWEALTH OF THE NORTHERN
MARIANA ISLANDS

On July 1, you transmitted to the Congress a proposed Joint Resolution to provide for Congressional approval of the Covenant to Establish a Commonwealth of the Northern Mariana Islands. This will make the Mariana Islands, of which Guam is geographically a part, our first territorial acquisition since the Swains Islands in 1925. The House Committee on Interior and Insular Affairs will begin hearings on the Resolution on Monday, July 14. The full House is expected to vote on the Resolution on Monday, July 21. The Senate Interior Committee will take up the measure on July 23.

Both Ambassador Williams, your Personal Representative for Micronesian Status Negotiations, and Congressman Burton, Chairman of the House Interior and Insular Affairs Committee and our mainstay in the House throughout the negotiations, believe that your ~~explicit~~ support of the Resolution could prove decisive. During the last month, there has been increasing criticism in Congress and the press of the Marianas' acquisition, and it is no longer certain that passage of the Joint Resolution is assured without some show of support. Charges of American neo-imperialism and of new and more permanent U. S. security involvement in Asia have been the focus of the opposition. The New York Times and the Washington Post, which, since we signed the Covenant last February, ~~have tended to be neutral~~, have now joined the fray with critical editorials. ~~A separate memorandum recommends that you meet next week with selected Congressional leaders of both parties to ask their support for the Resolution.~~

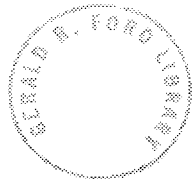
TALKING POINTS

1. The Joint Resolution approving our Commonwealth Covenant with the Northern Mariana Islands -- and which would accept the Mariana Islands as a new U. S. territory -- will be the subject of hearings in the House beginning July 14, and, I understand, will be voted on by the House on July 21. I understand further that the Senate will take up the Joint Resolution later the same ~~week~~ *within the next two weeks.*

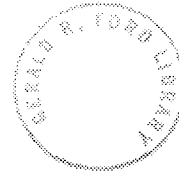
also intends to

had generally been identical since

later this month.



2. I want you to know that I strongly endorse this Covenant, and ask you for your approval of the Joint Resolution ~~on it~~. The U. S. has a clear interest in the Northern Mariana Islands, of which Guam is geographically a part. They are important to the credibility of our long-term position in Asia and the Pacific.



PARTICIPANTS

The President
The Vice President

SENATE

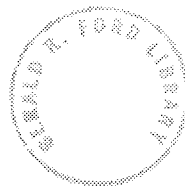
Mike Mansfield
Hugh Scott
Bob Byrd
Bob Griffin
Frank Moss
Carl Curtis

HOUSE

Carl Albert
Tip O'Neill
John Rhodes
John McFall
Bob Michel
Phil Burton
John Anderson

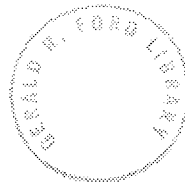
STAFF

Secretary of State Kissinger
Secretary of Commerce Morton
Secretary of the Interior Hathaway
Administrator of FEA Zarb
Don Rumsfeld
Bob Hartmann
Jack Marsh
Phil Buchen
Max Friedersdorf
Ron Nessen
Alan Greenspan
Jim Cannon
Jim Lynn
Bill Seidman
Dick Cheney
Vern Loen
Bill Kendall
Rod Hills



Agenda

8:00 - 8:15 A. M. (15 minutes)	President opens meeting and reviews energy situation and announces his plans.
8:15 - 8:20 A. M. (5 minutes)	President calls on Frank Zarb for additional comments on energy plan
8:20 - 8:30 A. M. (10 minutes)	President invites comments and/or questions by leaders.
8:30 - 8:35 A. M. (5 minutes)	President comments on regulatory reform meeting.
8:35 - 8:40 A. M. (10 minutes)	President calls on Rod Hills for comments on regulatory reform.
8:40 - 8:50 A. M. (10 minutes)	President reviews Turkish Aid issue and urges leaders to expedite House action, followed by swift conference consideration.
8:50 - 9:00 A. M. (10 minutes)	President calls on Secretary Kissinger for additional comments on Turkish arms embargo.
9:00 - 9:10 A. M. (10 minutes)	President invites leaders' comments and questions on Turkish aid.
9:10 - 9:15 A. M. (5 minutes)	President states support for Mariannas Islands Commonwealth agreement.
9:15 - 9:25 A. M. (10 minutes)	President invites comments from leaders.
9:25 - 9:30 A. M. (5 minutes)	President makes concluding remarks and closes meeting.

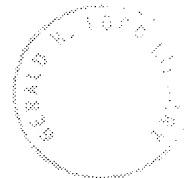


TALKING POINTS

1. Thank you for coming down this morning. I would like to discuss with you the decision I have reached on decontrolling old oil.
2. As you know our energy situation is serious and deteriorating.
 - ° Domestic oil production is 1 million barrels per day less than it was in early 1973.
 - ° The percentage of our imports from OPEC is rising, up from 50% in 1973 to 66% now.
 - ° Demand will pick up with the economic recovery and our imports will reach the point where we will be about twice as vulnerable to an embargo in 1977.
 - ° Unfortunately in the almost 6 months since I proposed a comprehensive energy program there has been no positive legislation passed by the Congress and sent to my desk.
3. Tomorrow I will submit to the Congress for the legislatively required 5 day review, my program for administrative decontrol of old oil. It is substantially modified from my original proposal to immediately decontrol old oil. It includes:
 - ° A gradual, 30 month phase out of old oil controls, ending January 31, 1978.
 - ° A cap on new oil prices at approximately \$13.50 per barrel to assure that any future OPEC price increases are not mirrored in domestic energy prices.
4. This decontrol proposal is one of the most important steps this country can take to reduce its growing dependence on foreign oil.
 - ° By 1985, it will stimulate an estimated 1.4 million barrels per day of increased production.
 - ° By 1977, in combination with the \$2 per barrel import fees I imposed, it will cut imports by almost 900,000 barrels per day.

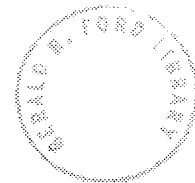


5. I urge the Congress to not disapprove this plan as it represents a reasonable compromise between my original desire for immediate decontrol and the much more gradual approach recommended by some members of Congress. Also, while I do not like the idea of establishing a third level of oil prices with a domestic price cap, I also recognize the legitimate concerns expressed about future OPEC price rises needlessly resulting in increased domestic prices.
6. The Congress is also now considering at least a 6 month extension of the Emergency Petroleum Allocation Act and I want to make my position on that extension clear.
 - ° I can only accept an extension if it includes an acceptable decontrol plan or if my administrative plan is accepted by the Congress.
 - ° Six months have already passed without concrete, positive action on decontrol and if I signed a 6 month extension, 6 more months would pass with no effective plan being enacted.
7. The provision reported by the House Interstate and Foreign Commerce Committee in H.R. 7014 is an unacceptable decontrol alternative.
 - ° It rolls back the price of new oil to between \$7.50 and \$8.50 per barrel and takes 5 years to phase out.
 - ° It establishes a needlessly complex 4-tier pricing system.
 - ° Imports would be 500,000 barrels per day higher in two years than if the current system was continued and over 1 million barrels per day higher than if my plan were accepted.
8. Similarly, the current extension of the petroleum allocation act which was reported by the Conference on H.R. 4035 and S.621 is unacceptable because it rolls back new oil prices and makes decontrol much more cumbersome to accomplish.
9. In summary, I would hope that the Congress would accept my decontrol plan and then send for my signature a simple extension of the Emergency Petroleum Allocation Act. I would also urge that an appropriate windfall profits tax with plowback be enacted quickly.



REGULATORY REFORM

As I promised in my Chamber of Commerce speech two months ago and discussed with you previously, I met last Thursday with the Commissioners of the ten Independent Regulatory Agencies. I think that the meeting was a success and that each participant benefitted from the discussion. During the course of the meeting, we delivered the message that inept or unwise regulation is a serious concern of the Executive, the Congress and--most importantly--the American people. Hopefully, the meeting and our follow-up activities will produce tangible results over the next few months. These should include improved cost-benefit analysis, reduced regulatory lag, more responsiveness to valid consumer concerns and increased reliance on competition. We will work closely with the Congress and the Regulatory Commissioners to achieve these objectives.



SECRET

BACKGROUND INFORMATION AND TALKING POINTS ON
RESTORATION OF MILITARY ASSISTANCE TO TURKEY

I. Background

On Friday, July 11, the House International Relations Committee voted 16 to 11 to report out an amended bill on Turkish military aid which would:

- remove the suspension with respect to defense articles and services for which Turkey has already signed contracts; and
- lift the embargo on commercial sales to Turkey.

Unfortunately, the bill as amended would prevent future military sales on a cash or credit basis by the U. S. Government until the next Foreign Assistance Act is acted upon by the Congress, probably not until the end of this year.

Although the bill represents an important first step, the restriction on future cash and credit sales will affect Turkey's ability to obtain fully the necessary sophisticated equipment and spares to meet her present NATO commitments effectively. This in turn increases the risk that Turkey may yet move against vital U. S. installations on Turkish soil and remain intransigent on the Cyprus issue. (Hopefully, when the House has taken action and the bill goes to conference, we can improve on this.)

The House International Relations Committee expects to file their report on Wednesday, July 16, with the Rules Committee receiving it on Thursday. Therefore, the bill is not expected to reach the House floor until Monday, July 21.

II. Talking Points

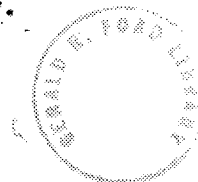
1. I want to congratulate the members of the House responsible for expediting Committee action on the Turkish military aid bill last Friday.
2. Doc Morgan, Bill Broomfield, Clem Zablocki and Lee Hamilton deserve high praise for their effort in getting a bill to the floor.
3. I am very disappointed that an amendment adopted by the Committee would prevent future US Government military sales on a cash or credit basis until perhaps the end of this year.

DECLASSIFIED
E.O. 12358, Sec. 3.4.

SECRET

MR 92-59 # 7 NSC 16 9/20/95

By 16311 NARA, Date 10/25/95

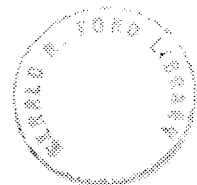


SECRET

- 2 -

4. However, we need action on Turkish military aid as soon as possible, and the bill should move ahead quickly.
5. As I emphasized in my July 9 letter to Speaker Albert, urgent action on Turkish military aid is essential. I would hope that you will be able to move the bill to the House floor without delay.

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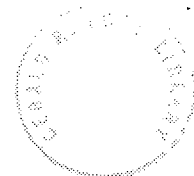
COVENANT TO ESTABLISH A COMMONWEALTH OF THE NORTHERN
MARIANA ISLANDS

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Both Ambassador Williams, your Personal Representative for Micronesian Status Negotiations, and Congressman Burton, Chairman of the House Interior and Insular Affairs Committee and our mainstay in the House throughout the negotiations, believe that your explicit support of the Resolution could prove decisive. During the last month, there has been increasing criticism in Congress and the press of the Marianas' acquisition, and passage of the Joint Resolution is no longer assured without some show of Presidential support. Charges of American neo-imperialism and of new and more permanent U. S. security involvement in Asia have been the focus of the opposition. The New York Times and the Washington Post, which since we signed the Covenant last February have tended to be neutral, have now joined the fray with critical editorials.

Late last week Chairman Burton introduced an alternate joint resolution (Tab B) on the Covenant which attached two provisions -- (1) authorization for payment of Marianas claims for World War II that have been adjudicated (the total is estimated at \$50 million); and (2) authorization for equal extension of Federal loan and assistance programs to principal U. S. territories (the cost of which is now being estimated by Interior and other agencies). The President's decision on amount would be subject to veto by either House.

-- OMB objects to both of these provisions on budgetary grounds, even though the proposed language only authorizes the President to take these actions. The budgetary impact could be substantial. You could suggest to Congressman Burton, whose support is important to House approval of the Covenant, that he meet with your representative to discuss the question.



TALKING POINTS

2

-- The Joint Resolution approving our Commonwealth Covenant with the Northern Mariana Islands -- and which would accept the Mariana Islands as a new U. S. territory -- will be the subject of hearings in the House beginning today and, I understand, will be voted on by the House on July 21. I understand further that the Senate will take up the Joint Resolution later the same week.

-- I want you to know that I strongly endorse this Covenant, and ask you for your approval of the Joint Resolution on it. The U. S. has a clear interest in the Northern Mariana Islands, of which Guam is geographically a part. They are important to our forward defense posture and our interests in Asia and the Pacific.

-- I understand Congressman Burton has proposed an alternate joint resolution that attaches two provisions -- authorization for payment of Marianas' claims from World War II that have been adjudicated, and authorization for equal extension of all Federal programs providing grants, loans, or assistance to principal U. S. territories. Both these provisions raise budgetary problems. In addition, I am concerned over the section providing for a single house veto over the benefits to be extended under the agreement. (To Congressman Burton) Phil, in light of these budgetary and constitutional questions surfaced by our preliminary analysis, would you be willing to meet with my representative to discuss these issues?

NSC CORRESPONDENCE PROFILE

DDC		RECD			LOG NBR	INITIAL ACTION Q
MO	DA	MO	DA	HR	7504677	
7	18	7	17	7		

TO: PRES _____ FROM: KISSINGER, H. _____

KISSINGER _____ COLBY, W. _____

SCOWCROFT _____ SCHLESINGER, J. _____

DAVIS _____ ST EX SEC _____

REFERENCE: _____ CIRCLE AS APPROPRIATE

UNCLAS LOG IN/OUT

NO FORN NOOIS

EYES ONLY EXOIS

CODEWORD

SENSITIVE

SUBJECT: *Report of Dept of Rep w/ Congressional Center to Repeal the Marshall Islands Resolution*

INTERNAL ROUTING AND DISTRIBUTION		ACTION	INFO	REC CY FOR	ACTION REQUIRED
ADVANCE CYS TO HAK/SCOWCROFT					MEMO FOR HAK
STAFF SECRETARY <i>Jarron</i>					MEMO FOR PRES
FAR EAST <i>Private</i>					REPLY FOR
SUB-SAHARAN AFRICA					APPROPRIATE ACTION
MID EAST / NO. AFRICA / SO. ASIA					MEMO TO
EUROPE / CANADA					RECOMMENDATIONS
LATIN AMERICA					JOINT MEMO
UNITED NATIONS					REFER TO FOR
ECONOMIC					ANY ACTION NECESSARY?
SCIENTIFIC					CONCURRENCE
PROGRAM ANALYSIS					DUE DATE:
NSC PLANNING					COMMENTS (INCLUDING SPECIAL INSTRUCTIONS) <i>Deep chit</i>
CONGRESSIONAL					
OCEANS POLICY					
INTELLIGENCE					

DATE	FROM	TO	S	SUBSEQUENT ACTION REQUIRED (OR TAKEN):	CY TO
7/18				<i>C. Jack to Jackie St. Mess to Jarron</i>	

DISPATCH *7/19/75 w/attached*

CY REQTS: SEE ABOVE PLUS: _____

NOTIFY _____ & DATE _____ BY _____

SPECIAL DISPOSITION: _____

CROSS REF W/ _____

SUSPENSE CY ATTACHED: FOLDER: _____

MICROFILM & FILE REQTS:

JUL 11 1975 BY *ME*

CRT ID: _____ SA SF

OPER *TH* HF NS

CLOSE *TH* WH EP

PA DV