

MEMORANDUM

NATIONAL SECURITY COUNCIL

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April 3, 1978

INFORMATION

MEMORANDUM FOR: ZBIGNIEW BRZEZINSKI  
FROM: MIKE ARMACOST  
SUBJECT: Key Developments in Your Absence

A brief update on key issues:

(1) Japan. I have met with the Inter-agency Group on Japan to discuss preparations for Fukuda's visit. The policy and briefing papers are all laid on. On substance, the Inter-agency consensus still inclines on balance against any intervention measures to stabilize the value of the yen against the dollar. There is general agreement that our pre-eminent short-term objectives vis-a-vis Japan are (1) a sweetening of their MTN offer, and (2) a supplemental budget to produce additional stimulation of their economy in mid-year. I met with the Boston Consulting Group last week to review a micro-economic analysis they have underway on the Japanese economy. It looks at specific sectors where we can reasonably expect to increase our market shares. Jim Abegglen will sharpen up the briefing and present it to key Cabinet officers later this month. It will be a good prep course for the Summit. Incidentally, the yen hit 218 today. (C)

(2) Korea.

(A) Tripartite Talks. The Koreans unsurprisingly are unenthusiastic about the Yugoslavs idea. The initial response to Sneider was negative. Our objective has been to dispel Korean suspicions about our motives impressing this idea, while encouraging them to avoid taking a position which makes them appear diplomatically as intransigent as the North. I worked with State to provide Sneider instructions which authorize him to spin out some personal ideas as to how the agenda might be formulated to appeal to ROK interests. I still believe we made a serious error in giving the Yugoslavs the green light on this one. Already we have encouraged the GOY to inject itself further into this issue (which is unfortunate); we have created yet another bilateral issue with the ROK at an inauspicious moment; and we have revealed again a disposition to advance procedural suggestions without a clear idea of what we want to accomplish substantively. (S)

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(B) Kim Dong-jo Affair. The Koreans are ready to move slightly on this issue. When Ambassador Kim Yong-shik returns to Washington on Thursday we expect him to foreshadow a scenario in which Ambassador Kim will resign from the Blue House and indicate his readiness to "clear his name" with the Congressional Ethics Committees through some combination of phone calls and written statements. The Koreans are not prepared to allow any direct interrogations. Whether this gesture will satisfy Jaworski remains to be seen. I will sit in with Holbrooke when we hear Ambassador Kim's report from Seoul on Friday morning. (C)

(3) The Philippines -- Base Negotiations. Dave Newsom has returned and the Inter-agency Group met with him today to run over the next steps in the negotiating process. Prior to Dave's departure he received a second aide memoire from the Filipinos on the base question, and discussed the issues in some detail with Marcos, Romulo, Enrile, and others. He believes that the last aide memoire from the GOP exhibits some flexibility on key base issues such as control of Subic waters and the Subic watershed, as well as U.S. access to and control of facilities at John Hay and Wallace Air Station. Dave believes that we should accept their last aide memoire as a basis for further discussion, reaffirm our bottom line positions on the key issues, and establish procedures to determine the feasibility of some of their ideas on the base issues through exploratory discussions between our respective military officials. He foresees an effort to nail down general principles supplemented by detailed military-to-military understandings which might be appended as annexes to the agreement.

We will be drafting an aide memoire to respond to theirs sometime after their interim legislative elections on April 7. It now appears impossible to nail down an agreement by the time of the Mondale visit. (S)

(4) Mondale Trip. The Vice President reaffirmed to the Indonesian Ambassador this morning his resolve to reschedule the trip as soon after the vote on Panama as is feasible. Since Prime Minister Muldoon will be out of New Zealand between April 18 and May 4, a trip commencing on April 29 would have to start in Manila and end in Wellington in order to catch Muldoon at home. I have been pursuing a number of issues related to the Mondale trip during the past week. I have come up dry on several which lie unresolved in our regulatory process. I have asked Treasury to give us a status report on the IRS tax ruling on production sharing contracts in Indonesia. I may still need your help or David's on this one. I have just about finished a draft of the Mondale speech. (C)

(5) Micronesia. Peter Rosenblatt has scheduled the next round of talks with the Micronesian delegation in Hawaii beginning this Friday. The general principles he wishes to negotiate stretch to the limit the

authority provided in PD/NSC-11. I therefore worked with David to set up a PRC meeting on Micronesia tomorrow in order to assure that the Principals have a chance to endorse these principles prior to Rosenblatt's departure. You or David should chair the meeting. A memo's coming over tonight. (C)

(6) Asia PRC Meeting. A PRC meeting on Asia has been scheduled on Friday afternoon at 3:30. Mike and I have revised the paper, and it will be ready to distribute tomorrow. We need to talk to you in the morning about who should participate in the meeting. (C)

(7) Final Note. For what it's worth, your call to Holbrooke just prior to your departure had a salutary effect. It evidently chafed Dick, and we have managed to preserve a cordial and effective working relation with EA. (S)