

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)

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STATEMENT OF AGREED PRINCIPLES FOR FREE ASSOCIATION AND OF THE MUTUAL RIGHTS OF THE PEOPLES OF MICRONESIA AND THE UNITED STATES (WITH A PRINCIPLE-BY-PRINCIPLE ANALYSIS)

PRINCIPLE 1. AN AGREEMENT OF FREE ASSOCIATION WILL BE CONCLUDED ON A GOVERNMENT-TO-GOVERNMENT BASIS AND EXECUTED PRIOR TO TERMINATION OF THE UNITED NATIONS TRUSTEESHIP.

ANALYSIS. The scenerio is envisioned as follows:

(a) A single agreement of free association will be initialled by the USG and the negotiating commissions of however many Micronesian political entities emerge from the July 1978 Federated States of Micronesia constitutional referendum.

(b) Constitutional governments would be formed in each such entity, probably during 1979, and would sign the agreement with the U.S.

(c) The signed agreement would be approved by the Micronesian peoples in plebiscite (per Principle 2, below).

(d) Subsequent thereto, but prior to termination of the trusteeship, the agreement would be ratified by joint resolution of the two houses of the U.S. Congress.

PRINCIPLE 2. THE AGREEMENT OF FREE ASSOCIATION WILL BE PUT TO A U.N. OBSERVED PLEBISCITE IN WHICH THE PEOPLES OF MICRONESIA SHALL FREELY EXERCISE THEIR RIGHT OF SELF DETERMINATION.

ANALYSIS. Safeguards to assure the freedom of the plebiscite would be set forth in the agreement itself.

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PRINCIPLE 3. THE PEOPLES OF MICRONESIA WILL ENJOY FULL INTERNAL SELF-GOVERNMENT.

ANALYSIS. This principle was incorporated in the 1976 Draft Compact and has remained the consistent U.S. position.

PRINCIPLE 4. CONSTITUTIONAL ARRANGEMENTS FOR THE GOVERNANCE OF MICRONESIA SHALL BE IN ACCORD WITH THE POLITICAL STATUS OF FREE ASSOCIATION AS SET FORTH IN THESE PRINCIPLES.

ANALYSIS. The negotiating commissions will undertake to ensure that there will be no incompatibility between the Micronesian constitution(s) and the concept of free association embodied in these principles. This would resolve the long-standing disagreement between the Congress of Micronesia and the U.S. on this issue.

PRINCIPLE 5. THE UNITED STATES WILL HAVE FULL AUTHORITY AND RESPONSIBILITY FOR SECURITY AND DEFENSE MATTERS IN OR RELATING TO MICRONESIA. THIS AUTHORITY AND RESPONSIBILITY WILL BE ASSURED FOR 15 YEARS, AND THEREAFTER AS MUTUALLY AGREED. SPECIFIC LAND ARRANGEMENTS WILL REMAIN IN EFFECT ACCORDING TO THEIR TERMS WHICH SHALL BE NEGOTIATED PRIOR TO THE END OF THE TRUSTEESHIP AGREEMENT.

ANALYSIS. U.S. defense interests shall remain fully secured even if the political status of free association were to be terminated by either party prior to the expiration of its 15 year term. The separation of U.S. security interests from the political relationship with the Micronesians represents a fundamental departure from the past U.S. approach.

PRINCIPLE 6. CONSISTENT WITH THE STATUS OF FREE ASSOCIATION, THE PEOPLES OF MICRONESIA WILL HAVE AUTHORITY AND RESPONSIBILITY FOR THEIR FOREIGN AFFAIRS INCLUDING MARINE RESOURCES. THEY WILL UNDERTAKE TO CONSULT WITH THE UNITED STATES IN

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THE EXERCISE OF THIS AUTHORITY AND TO REFRAIN FROM ACTIONS WHICH THE UNITED STATES DETERMINES TO BE INCOMPATIBLE WITH ITS AUTHORITY AND RESPONSIBILITY FOR SECURITY AND DEFENSE MATTERS IN OR RELATING TO MICRONESIA. THE UNITED STATES MAY AGREE TO ACT ON BEHALF OF THE PEOPLES OF MICRONESIA IN THE AREA OF FOREIGN AFFAIRS AS MAY BE MUTUALLY AGREED FROM TIME TO TIME.

ANALYSIS. The Micronesian governments would assume authority and responsibility for their foreign affairs, including marine resources, subject to a consultation obligation and agreement to refrain from actions which the United States determined to be incompatible with its security and defense interests. The United States would therefore have a defense/security veto over Micronesian exercise of foreign affairs authority. Division of foreign affairs authority within the free association relationship is an important Micronesian negotiating position and State preferred that it be spelled out in such a way as to relieve the U.S. of responsibility in those areas in which it did not exercise authority. The Micronesian government(s) would remain less than fully sovereign or independent and would therefore be unable to dispatch plenipotentiary ambassadors or to become full members of the United Nations.

PRINCIPLE 7. THE AGREEMENT WILL PERMIT UNILATERAL TERMINATION OF THE FREE ASSOCIATION POLITICAL STATUS BY THE PROCESSES THROUGH WHICH IT WAS ENTERED AND SET FORTH IN THE AGREEMENT AND SUBJECT TO THE CONTINUATION OF UNITED STATES DEFENSE AUTHORITY AND RESPONSIBILITY AS SET FORTH IN PRINCIPLE 5.

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ANALYSIS. The Micronesians would be able to terminate the political status of free association unilaterally by plebiscite. The United States would be able to terminate unilaterally by decision of the U.S. Government. U.S. defense rights would, however, be guaranteed for at least 15 years, and U.S. land leases would be guaranteed for their full negotiated terms regardless of any change in political status. This concept accedes to the single most important Micronesian demand; the right to unilaterally alter their political status, which was first advanced in October 1969. It does so, however, without jeopardizing hard U.S. interests in strategic denial and the continuation of base rights in Kwajalein and possibly Palau.

PRINCIPLE 8. SHOULD THE UNITED STATES TERMINATE THE FREE ASSOCIATION RELATIONSHIP, ITS ECONOMIC ASSISTANCE TO MICRONESIA SHALL CONTINUE AT THE LEVELS AND FOR THE TERM INITIALLY AGREED. IF THE AGREEMENT IS OTHERWISE TERMINATED, THE AMOUNTS OF ECONOMIC ASSISTANCE FROM THE UNITED STATES SHALL BE RENEGOTIATED FOR THE REMAINDER OF THE TERM INITIALLY AGREED. UNITED STATES ECONOMIC ASSISTANCE SHALL BE SUBJECT TO THE APPROPRIATION AUTHORITY OF ITS CONGRESS.

ANALYSIS. The free association agreement would provide for economic assistance for 15 years. In order to (a) discharge the U.S. obligation to nurture the Micronesians toward self-sufficiency and to preserve the political stability of the area during this 15 year period, and (b) preserve U.S. defense interests guaranteed during the same period, financial assistance would continue undiminished in the unlikely event

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that the U.S. chose to unilaterally terminate the free association relationship. In the event of unilateral termination by a Micronesian government(s), the level of economic assistance to that government would be subject to renegotiation.

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