

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR JIM MCINTYRE

FROM: STU EIZENSTAT  
ZBIG BRZEZINSKI

SUBJECT: Linkage of vital funding for Micronesia to the status talks

Recently you reversed a decision and approved an Interior request for \$19.6 million in FY '80-'82 funding for the Trust Territory of the Pacific Islands. We joined agencies concerned with the Micronesian status negotiations in urging that you do so in view of the relationship between our meeting our trusteeship responsibilities through this assistance to the three new Micronesian governments and our future relationship with them.

Our negotiators believed that our willingness now to assist the governments in continuing power service and inter-island transportation and the Federated States of Micronesia (FSM) in establishing a national government was an essential pre-condition to the continued viability of the negotiations. Approval was considered critical for meeting our 1981 termination goal through a Compact of Free Association and preserving vital national security interests.

Unintentionally, we believe, the handling of the relationship between the \$19.6 million request and Compact approval by the FSM has created a situation that could thwart your intent in approving the request. Key Congressional (Jackson, Johnston, Inouye and Burton) and FSM leaders are incensed by the overt linkage that has developed between the two issues.

Our chief negotiator, Ambassador Rosenblatt, had discussed the contingency aspect of the request with the FSM lawyer both prior and subsequent to your approval. Rosenblatt's understanding that the linkage was not unacceptable led to his willingness to go along with it. FSM and Congressional leaders, however, are terming the requirement that has developed for Compact approval prior to the Administration request for the funds as "blackmail."

FSM leaders have maintained that while this crucial assistance could not guarantee Compact approval, it was essential for creating the internal climate within their loose federation that would permit initialing. President Nakayama stressed his desire for an expeditious resolution of the minor outstanding issues in the negotiations to our staff Saturday. He regards making the funding request contingent upon the Compact initialing as intolerable. However, he hopes that approval of the funding request combined with a resolution of the outstanding Compact issues will lead to an FSM decision to initial June 23.

The snafu that resulted from the overt linking of the two decisions can probably be ascribed to poor communications within the FSM rather than to bad faith. Whatever the reason, however, it can only be corrected through our willingness to abandon the contingency requirement.

If we do not delink the issues, it is very likely that the Hill will do it for us. Yates' subcommittee has already added \$13.6 million of the amount and Johnston is ready to seek that much and perhaps the additional \$6 million.

Hill initiatives, perhaps accompanied by criticism of the Administration posture, could have a quite deleterious effect on the negotiations. They would signal to elements in the fragile FSM that favor holding out for an even more generous Compact offer that they can expect a Congressional fix if they do so. They could also turn the tide against a June 23 decision to initial. However, if the next development is your approval of an Interior request for the appropriation prior to FSM consideration of the initialing, our negotiators believe there is a very strong likelihood the FSM will vote to initial.

Since it now seems probable that the Micronesian needs in question will be met either through Administration or Hill initiative, we are compelled to urge you to remove the condition that links this budget request to an FSM decision to initial. The Micronesian perception as to whether the Administration or the Congress has been responsive in this regard will be a critical element in our negotiations with them. The Hill perception as to our fairness in dealing with the Micronesians will be a critical element in their judgment of the negotiations we hope to complete this year, the product of which they will have to ratify.