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THE WHITE HOUSE

WASHINGTON

June 7, 1980

re: Kathy

MEMORANDUM FOR STU EIZENSTAT

FROM: JEFFREY FARROW *JFR*

SUBJECT: Micronesian Negotiations

I held a breakfast this morning to try to resolve this latest problem in the Micronesian negotiations. Attending were Federated States of Micronesia President Nakayama; two state governors; FSM staff; NSC staffer Don Gregg; Acting Interior Assistant Secretary Wallace Green and Senate Energy Counsel Jim Beirne.

Without detailing for you the genesis of the FSM understanding that Ambassador Rosenblatt was attempting to buy approval of the Compact of Free Association with the \$21 million budget add which led to the Hill outrage yesterday, suffice it to say there was probably well-intentioned misunderstanding on both sides.

It blew up when the FSM leaders were shocked to learn in quick succession from Rosenblatt and OMB that the approval that they had been informed of, the \$21 million was linked to approval of the Compact. Since Nakayama had first related the issues when he initially discussed the budget add request with Andrus and since Rosenblatt had discussed the contingency aspect with the FSM lawyer both prior and subsequent to McIntyre's relenting on the issue, Rosenblatt was equally surprised by their reaction.

After clarifying how what transpired came about, the following was agreed to:

- o Issues related to our administration of the trusteeship will remain separate in our dealing with the FSM government from issues of future association. (Until the FSM government was created last May, Interior essentially ran the governments of the island states.)

- o You, Brzezinski and Andrus will attempt to rectify the merging of these issues Monday with an appeal to McIntyre to drop the linkage aspect that is holding the \$21 million budget request until the FSM negotiators initial the Compact.
- o Senator Johnston will separately seek funding for the \$21 million. (Other Senators, such as Inouye, will presumably support him.)
- o The FSM and the Senators concerned will continue to work on this between the parties involved rather than dragging others or the media into the matter.
- o The FSM leadership will work with Rosenblatt to resolve the few remaining Compact issues as soon as possible.

Kitty Schirmer privately advises that McIntyre will probably be ~~un~~willing to drop the linkage insofar as the \$8.7 million energy fuel supplemental funding is concerned but not for the FSM national government operations money nor the funding for the construction of the FSM capital.

Rosenblatt concurs with this approach and has set a Monday meeting to discuss the outstanding Compact problems. He will seek a goal ~~later~~ for the FSM leaders' Compact endorsement and a goal date for an Administration position on pre-termination funding but not link approval ~~of one item to another~~.