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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

October 8, 1980

MEMORANDUM FOR:

Mr. Peter Tarnoff
Executive Secretary
Department of State

SUBJECT:

Micronesia Status Negotiations (S)

The President has reviewed and approved the revised Micronesian negotiating strategy outlined in the Chairman of the Micronesia Interagency Group's memo of September 17, 1980 to Dr. Brzezinski. In so doing, the President noted that he may not approve additional costs incurred as result of securing strategic denial for a longer period of time. Ambassador Rosenblatt should bear this in mind during his negotiations, and make every effort to keep additional costs to an absolute minimum. (S)

In addition, the President has approved Ambassador Rosenblatt's final request for funds to cover the 15-year period of free association as follows:

| | | |
|---|-----------------|------------------|
| Previously Authorized Base (Over 15 years) | \$1,950M | |
| Block Grant | + 257M | |
| Federal Categorical Grant Programs | + 57M | |
| Revised Base: | <u>\$2,264M</u> | (+312M, or +16%) |

OMB advises that in more specific detail the augmented funds and negotiating authority break down is as follows:

1. Block Grant Assistance +\$165 million over 15 years (\$11 million yearly average)
2. Inflation Adjustment for Item #1 +\$92 million over 15 years (estimated using maximum 7-percent adjusted)
3. Federal Program Ceiling +\$12 million annually over 15 years; for Federal categorical health and education grant programs; no inflation adjustment

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Review on October 8, 1986

Declassified/Released on 9/6/95
under provisions of E.O. 12958
by D. Van Tassel, National Security Council
(F87-249)

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4. Technical Assistance
Commitment

Micronesian Government qualification for U.S.G. technical assistance during association on same basis as other foreign governments under applicable Federal laws and policies, but priority to Micronesian governments over other foreign governments in granting such assistance for qualified projects; no commitment to specific projects or levels of funding

5. Federal Alternate Energy Programs

Commitment to complete 1) energy plan mandated by pending legislation (H.R. 7330), and 2) alternate energy projects begun prior to termination

6. Yap Coast Guard Station

Authority to enter a use and operating rights agreement at an annual fair-market rental value (currently about \$15,000 annually)

7. Policy Statement on Existing Federal Programs in the Trust Territory

Issuance of statement by the Department of the Interior confirming status quo (including, no phase-down of existing programs without prior consultation with Micronesian governments, and approval of Congress; no continuation of Federal programs unless provided for by the Compact)

8. Strategy

Offer rejected, offer withdrawn; offer completely withdrawn if not accepted on or by November 1, 1980 (C)

Christine Dodson
Christine Dodson
Staff Secretary

cc: Director of OMB

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