

Reproduced at the Ronald Reagan Library



UNCLASSIFIED

United States Department of State

Washington, D.C. 20520 6834

August 30, 1985

MEMORANDUM TO MR. ROBERT C. MCFARLANE
THE WHITE HOUSE

Subject: Congressional Strategy for the Micronesian Compact

As discussed in our memorandum of August 20, the Interagency Group on Micronesia has been convened by Under Secretary Michael Armacost, meeting as a special task force to coordinate Administration efforts to obtain Congressional approval of the Compact legislation.

In the meeting of the Interagency Group held in the Department of State on August 28, a report was adopted by the participants, acting on behalf of their agencies, which outlines a proposed Administration position on the legislation. A copy of the Group's report is attached.

Nicholas Platt
Nicholas Platt
Executive Secretary

Attachment:

At stated.

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

UNCLASSIFIED

169

Under Secretary of State
for Political Affairs

Washington, D.C. 20520

UNCLASSIFIED
~~CONFIDENTIAL~~

MEMORANDUM FOR MR. McFARLANE

FROM: Michael H. Armacost *MH*

SUBJECT: Report of Interagency Group No. 5 -- Micronesia

In response to your August 9 memorandum to Secretary Shultz, I have chaired several meetings of the Micronesia Interagency Group especially constituted to develop a strategy for securing full Congressional approval of the Compact of Free Association in September to allow for an October 1 implementation date. A key element in this formula will be the presentation to the Hill of a unified Administration position on the substantive issues raised in the House enacted version of the Compact legislation, particularly the trade and tax incentive amendments that have caused consternation among the Micronesians.

This report outlines an interagency consensus on the trade and tax issues and recommends White House coordination of the presentation of this position to the Hill and of our overall effort to secure an acceptable bill out of the Senate and a favorable conference outcome. Our conclusions and recommendations are these:

I. Compact strategy generally

We need the Senate to enact, as soon as possible after September 9, a "clean" bill that deviates from the President's proposal only as necessary to accommodate the Senate Energy Committee amendments and the Senate Finance Committee tax amendments. In conference, we will work with our allies, primarily the Senate conferees, to achieve three objectives:

1. Remove from the bill the House amendments which would add over \$100 million in programs and grants and revise provisions which limit Micronesian self-government.
2. Secure the desired outcome on the trade and tax provisions (see paragraph 2 below).
3. Procure post-trusteeship management legislation consistent with our preferred solution of an interagency function under State leadership.

Declassified/Released on 9/6/95
under provisions of E.O. 12356
by D. Van Tassel, National Security Council
(FB7-24A)

~~CONFIDENTIAL~~
UNCLASSIFIED

(168)

Reproduced at the Ronald Reagan Library



Reproduced at the Ronald Reagan Library

~~CONFIDENTIAL~~
UNCLASSIFIED

II. Tax and Trade issues

On tax matters, give the position of the House and our discussions with Senator Packwood, we recommend accepting the House Ways and Means/Senate Finance changes.

If necessary to secure Micronesian acquiescence, we recommend a performance-based offset package, tied to actual investment in the freely associated states, as an acceptable method to maintain the development incentive approach of the Compact. We will be developing tactics or handling this matter on the Hill, taking into account the various committee concerns.

On trade preferences, we recommend that the Administration maintain its position of support for application of Headnote 3(a) to the freely associated states. This position accords precisely with our Presidential guidance (NSDD 10) and is judged by Ambassador Zeder as necessary to secure Micronesian acceptance of the overall Compact package. It is acceptable to both Senators McClure and Packwood in terms of Senate approval. although Senator Packwood at the recess indicated that in conference he would accept the House position, plus allowing duty-free Tuna. Proposals to alter or diminish by legislation the effect of Headnote 3(a) could prove cumbersome and prejudicial to future Presidential discretion on trade regulation.

III. Hill contacts

Next week, as members of Congress return to Washington, we should begin White House and Cabinet-level communications with Senate and House members. Our Senate targets are the Majority Leader and Senators McClure and Packwood. In the House, we will remain in contact with Reps. Rostenkowski, Udall and Solarz in preparation for conference. The conference will need to be scheduled before September 19 because of foreign travel plans of several members. I will circulate a recommended call list and talking points in the next IG report.

RECOMMENDATION

The Interagency Group recommends that the NSC approve these findings as the Administration position regarding the Compact of Free Association and that it be used as guidance for all approaches to the Senate and the House.

~~CONFIDENTIAL~~
UNCLASSIFIED