

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 3, 1985

LAUX

CONFIDENTIAL

RCM HAS SEEN

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: DAVID N. LAUX *DL*

SUBJECT: September 4 Breakfast Item: Micronesia Compact

Mike Armacost says it is on track. Will R. Bell, Pam Truman and Mark F. are working on a legislative strategy. Zeder says he can sell admin position to Micronesians.

Defense put this item on the agenda, simply to alert all three principals to the fact that we must get the Compact through Congress by September 20, or we are headed for major troubles, and to get everyone behind a drive to push this through rapidly on National Security grounds.

Attached at Tab I is a State memorandum to you providing a report by Mike Armacost, as chairman of the recent IG's on Micronesia, on the status of the Compact and our legislative strategy. The key points are:

- 1) we need the Senate to enact ASAP after September 9, a "clean" bill that deviates from the President's proposal only as necessary and will allow us to achieve in Conference (before September 20) our main objectives.
- 2) we have agreed on a unified Administration position:
 - a) on tax matters, it accepts the changes made by the House Ways and Means and Senate Finance Committees;
 - b) on trade matters, it does not accept the House-approved version of the Compact, but restores the original Administration Compact's proposal of full Headnote 3(a) treatment for the freely associated states.

This is, incidentally, the position Senator Packwood agreed to, after telephone calls from you and the Vice President on August 1, which subsequently fell apart that evening after discussions involving his staff and Senator McClure.

Declassified/Released on 9/6/95
under provisions of E.O. 12958
by D. Van Tassel, National Security Council
(F87-244)

CONFIDENTIAL

Declassify on: OADR

CONFIDENTIAL

165

Reproduced at the Ronald Reagan Library

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 3, 1985

CONFIDENTIAL

RCM HAS SEEN

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: DAVID N. LAUX *DL*

SUBJECT: September 4 Breakfast Item: Micronesia Compact

Defense put this item on the agenda, simply to alert all three principals to the fact that we must get the Compact through Congress by September 20, or we are headed for major troubles, and to get everyone behind a drive to push this through rapidly on National Security grounds.

Attached at Tab I is a State memorandum to you providing a report by Mike Armacost, as chairman of the recent IG's on Micronesia, on the status of the Compact and our legislative strategy. The key points are:

- 1) we need the Senate to enact ASAP after September 9, a "clean" bill that deviates from the President's proposal only as necessary and will allow us to achieve in Conference (before September 20) our main objectives.
- 2) we have agreed on a unified Administration position:
 - a) on tax matters, it accepts the changes made by the House Ways and Means and Senate Finance Committees;
 - b) on trade matters, it does not accept the House-approved version of the Compact, but restores the original Administration Compact's proposal of full Headnote 3(a) treatment for the freely associated states.

This is, incidentally, the position Senator Packwood agreed to, after telephone calls from you and the Vice President on August 1, which subsequently fell apart that evening after discussions involving his staff and Senator McClure.

Declassified/Released *9/6/95*
under provisions of E.O. 12356
by D. Van Tassel, National Security Council
(F87-249)

CONFIDENTIAL
Declassify on: OADR

CONFIDENTIAL

(166)

Reproduced at the Ronald Reagan Library

CONFIDENTIAL
UNCLASSIFIED

CONFIDENTIAL

2

Interior is somewhat uncomfortable with full Headnote 3(a) treatment for the freely associated states because it gives them a status equal to present treatment for U.S. Territories and, depending upon the results of certain administrative actions being proposed by Customs, might ultimately be better than what the Territories have. Interior, nevertheless, is supporting the unified Administration position.

A series of working-level meetings are underway with the appropriate Congressional staffs to pave the way for rapid enactment of the Compact. However, the IG will almost certainly come forward shortly with recommendations for a few telephone calls to key Senators and Congressmen to be made by Secretaries Shultz, Weinberger, Hodel and yourself, and possibly even one by the President.

In the meantime, Armacost has asked for NSC approval of the Administration position and strategy for the Compact described in his memo at Tab I.

Gaston Sigur⁶⁵ and Chris Lehman⁶⁵ concur.

RECOMMENDATION:

That you discuss and approve Armacost's IG report at Tab I.

Approve FCM

Disapprove _____

Attachment

Tab I - Platt Memo to McFarlane of August 30, 1985

CONFIDENTIAL

UNCLASSIFIED