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THE VICE PRESIDENT
WASHINGTON

April 26, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT

SUBJECT: Visit to the Pacific

My visit to the Pacific will involve meetings with three of the five ASEAN nations, the Philippines, Thailand and Indonesia, and talks with our ANZUS partners, Australia and New Zealand. Press reports from these countries indicate that the visit is receiving good advance coverage with press speculation to the effect that I will be affirming your commitment to a full U.S. role in the Pacific. This will be the principal message that I will carry to each capital.

In my talks with Marcos, Suharto, and Kriangsak, I will stress our interest in closer consultations and cooperation with ASEAN. In Canberra and Wellington I will provide Prime Minister Fraser and Prime Minister Muldoon with our current assessment of major international political, economic, and security developments.

Food, energy, trade and our concern for human rights will be issues discussed in each of the five capitals. In the Philippines and Indonesia I will indicate our willingness to channel aid into cooperative programs to improve local food production. In Australia I will urge Fraser to contribute stocks to an international system of nationally held grain reserves. On energy, I will indicate to the ASEAN leaders our willingness to cooperate in energy planning and resource assessments.

The Philippines

In Manila, in addition to my talks with Marcos, I will call on the President of the Asian Development Bank to formally convey the U.S. pledge of \$445 million contribution to the \$2 billion replenishment of the Asian Development Fund during the 1979-82 period. I will sign five AID rural development loans. I will be meeting with members of the opposition, and I will give a short public address at Corregidor on the occasion of Bataan Day.

SECRET

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SECRET

2

The base negotiations will provide the principal focus for my discussions with Marcos. Recent talks have narrowed differences on the base issues, but money remains the potential stumbling block. In March Dave Newsom offered Marcos a five-year package of \$400 million (\$30 million MAP, \$150 security supporting assistance, and \$220 in FMS credits) as compensation for the bases. Marcos has not yet responded formally, though he and his colleagues characterized the offer as "disappointing". In my talks with him I will stress the political/Congressional limits on our ability to provide financial compensation. Should Marcos make a counter offer during our talks, and if there appears a serious possibility of moving forward toward an early agreement, I may "sweeten" our offer within the guidelines previously approved by the PRC (which allow us to add \$20 million in MAP and \$30 million in FMS credits over the five-year period) unless you perceive objections to that course of action. If some modest further increment should appear necessary and sufficient to nail down a favorable agreement on the spot I will seek your guidance by telegram.

RECOMMENDATION:

That you authorize me to sweeten our compensation offer to Marcos within the limits of the PRC guidelines should the discussion with Marcos so warrant.

Approve _____ Disapprove _____

Thailand

In my meetings with Prime Minister Kriangsak, I will convey your invitation to him to visit the U.S. during 1979, I will stress the importance we attach to future cooperation on narcotic control, and I will sign an AID rural health care loan.

Two issues require decision. On U.S. security assistance to Thailand, I would like to inform Kriangsak that the U.S. is prepared to sell an additional squadron of 18 F-5 aircraft. State recommends this course, as do DOD and the NSC Staff. (State paper at Tab A). On refugee cooperation, I would like to inform him of the decision you have already made to accept 25,000 refugees per year on a continuing basis. In addition, I hope to indicate U.S. willingness to locate several INS personnel in Thailand to expedite processing of refugees bound for the U.S., to provide "seed money" of \$1 to \$2 million to assist the Thais in formulating a longer term plan for resettlement of refugees, and to consider the acceptance of additional refugees beyond the current U.S. program once the Thai resettlement program is well established (paper at Tab B).

SECRET

SECRET

3

RECOMMENDATION:

1. That you approve sale of F-5 squadron to Thailand.

Approve _____ Disapprove _____

2. That you approve the INS and Thai rural resettlement elements of the refugee cooperation program outlined at Tab B.

Approve _____ Disapprove _____

Indonesia

In my talks with President Suharto and Vice President Malik, I will urge Indonesia to ratify the non-proliferation treaty, I will sign an AID rural electrification loan and I will underline our interests in cooperating in food production and energy programs.

On PL-480 assistance I plan to inform Suharto of our willingness to make available 45,000 tons of rice from U.S. FY 78 reserve allocations. This is not fully responsive to Indonesian requests, but is the best we can do without a supplemental.

There is one issue which requires your decision. First, I would like to inform President Suharto that the United States is prepared to approve the sale of a squadron of reconditioned A-4 aircraft.

The Defense Department urges approval of this transfer, given the modest capabilities of the aircraft requested, the more favorable aircraft decision I will have just conveyed to the Thais, and the fact that Indonesia's Air Force is aging rapidly.

I believe that since the underlying purpose of my visit is to affirm that we want to work with Indonesia, a positive response to Suharto would be in our interests. State has recommended a "half-yes" position (i.e. willingness to consider) which will lead us toward a favorable decision but forfeit the credit for it.

RECOMMENDATION:

1. That you approve the A-4 squadron sale to Indonesia.

Approve _____ Disapprove _____

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