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CITE _____

FROM: JACK MARSH

TO: DICK CHENEY

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THE WHITE HOUSE
WASHINGTON

~~SECRET~~
(When With
Attachments)

December 20, 1976

THE PRESIDENT HAS SEEN.....

MEMORANDUM FOR: THE PRESIDENT
FROM: JACK MARSH 

After the recent news account concerning the situation in Micronesia, I asked the IOB to give us a report on the situation because I understood it was not correctly reported by the press.

Attached is a report which was furnished in response to my request.

cc: Phil Buchen

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(When
With
Attachments)

ITEM WITHDRAWAL SHEET
WITHDRAWAL ID 00977

Collection/Series/Folder ID No. : 004700174
Reason for Withdrawal : NS, National security restriction
Type of Material : LET, Letter(s)
Creator's Name : Joseph Dennin
Creator's Title : Counsel
Receiver's Name : President
Description : re Washington Post article on CIA
intelligence activities in Micronesia
Creation Date : 12/14/1976
Volume (pages) : 2
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CIA Bugging Micronesian Negotiations

State Department Calls It Improper, Files an Objection

By Bob Woodward

Washington Post Staff Writer

The Central Intelligence Agency has regularly been conducting electronic surveillance against representatives of this country's last colony—the Pacific Island group of Micronesia, according to reliable sources.

The electronic surveillance has been used in the last four years to learn the Micronesian negotiating position in talks with the United States over the future status and perhaps eventual independence of the group of 2,200 strategically placed islands, which include the Marianas, Carolines and Marshalls.

Under a United Nations trusteeship created after World War II, the United States, as colonial administrator, has governed the islands while being formally committed to promoting future "self-government and independence."

The CIA and the State Department are currently locked in a sensitive, behind-the-scenes dispute over the legality and propriety of the surveillance, which is a relatively small CIA operation involving one or two phone taps and room bugs in Micronesia.

President Ford was informed several months ago of both the surveillance and the dispute. He did not resolve it but forwarded the matter to Attorney General Edward H. Levi for a legal opinion.

The Justice Department acknowledged yesterday that the Attorney General was reviewing a matter concerning Micronesia for the President but said it involved attorney-client privilege and there would be no public comment. The White House was asked for comment Friday but had provided none by late yesterday. CIA and State Department spokesmen could not be reached for comment.

Justice Department sources revealed last week that Levi is expected to leave the sensitive question to his successor in the Carter administration, although the Justice Department has already done substantial legal research on it.

The State Department this summer filed an objection with the White House, arguing that the surveillance is improper, in part because the United States is in effect negotiating with the Micronesians to become U.S. citizens.

CIA surveillance of U.S. citizens is prohibited by the CIA charter. The CIA contends that Micronesians are still foreigners and that it is the proper role of the CIA to gather intelligence abroad.

According to the sources, the CIA apparently wants to continue the surveillance in upcoming negotiating sessions.

The sources said U.S. negotiators have received regular intelligence reports on the Micronesian position, but apparently were not informed that the information was coming from electronic surveillance. This is a standard practice to give negotiators deniability.

Public disclosure of the surveillance, the sources said, could cause an uproar in the United Nations, where the United States has already come under attack for slowness in relinquishing its trusteeship.

Of 11 such U.N. trustee relationships set up after World War II, Micronesia is the only one that has not become independent from its administrative authority.

From the record it is clear that the United States has been reluctant to relinquish control over the islands.

Justice Department sources voiced some dismay that President Ford had not as a matter of policy ordered the electronic surveillance halted.

"It's a disgrace," said one. "To look at this issue in narrow legal terms is to miss the 'Ugly American' quality . . . for nearly 30 years we've been assigned a paternal role of trust with (the) islands . . . it's like bugging your children's telephone."

Two Justice Department sources made it clear they were willing to discuss the issue because they objected to the surveillance on moral grounds.

Another government source, however, said the issue has broader implications, touching on the role of the CIA in the wake of two years of investigations of the intelligence agencies.

The CIA has taken a battering, this source said, and will try to preserve its traditional intelligence-gathering methods everywhere. "They don't want their wings clipped any more."

Also, some high-level strategic planners believe Micronesia has significant potential military value in the post-Vietnam period, thus justifying CIA surveillance: if it helps maintain U.S. control of the islands.

If U.S. armed forces were compelled to withdraw from Japan, South Korea or the Philippines, the Micronesian Islands could become the westernmost defense position for U.S. bases.

Now, the only U.S. military base in Micronesia is a missile test area centered near the Kwajalein Atoll. The Pentagon has plans to build two more bases.

Micronesia has a population of about 110,000 on a total of about 700 square miles, about two-thirds the size of Rhode Island.

However, the islands are spread out over 3 million square miles, an area the size of the United States.

A high commissioner from the United States government in effect runs the islands, though the people elect a Congress which decides how to allocate some of their \$80 million in annual U.S. aid.

Since last spring's negotiating session, the Micronesians have taken a harder line and seek full independence sooner, while the United States has sought to dissolve the trusteeship more gradually. Under an arrangement called "free association," the United States would continue to manage the islands' foreign relations and defense matters for at least another 15 years.

The most recent CIA electronic surveillance was conducted in May and June of this year during the period of negotiations between President Ford's personal representative, F. Haydn Williams, and a team of nine Micronesian negotiators to Saipan, according to the sources.

Williams, who has since resigned, said Friday in an interview that he was not aware of the surveillance, but that it did not surprise him.

The State Department and its permanent representative on the islands provided him with regular intelligence reports on the Micronesian negotiating position, Williams said. They were useful, he said, because the Micronesians are tough negotiators.

He added, "But I was not aware of any activity by the United States through the CIA or any other agency to gather information covertly or from any surveillance."

Nonetheless, he said, "It doesn't surprise me at all that the United States in any negotiation would use any means to find out the position of the other side." He declined to comment on the propriety of surveillance.

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Williams resigned in July to become head of the San Francisco-based Asia Foundation. The foundation, a private organization which provides grants for study, had received money from the CIA prior to 1967, according to Williams.

President Ford has nominated the former U.S. Ambassador to South Vietnam, Graham A. Martin, to take Williams' place as chief negotiator. The Senate Foreign Relations Committee has blocked Martin's appointment, however, in part because of his controversial role as head of the embassy in Saigon during the April, 1975, U.S. evacuation.

According to Philip Manhard, a foreign service officer who is acting head of the U.S. negotiating team, the Micronesians had asked that the talks resume this week.

Manhard said he wanted to delay the session to January. "We might be able to have a bit more constructive meeting after the new administration comes in," he said.

Other government sources said part of the reason for the delay was a hope for a decision on whether the CIA surveillance would continue.

To a series of questions about the surveillance, Manhard each time said, "I'm just not familiar with that."

In March, the Marianas Islands, part of the Micronesian group, signed an agreement with the United States to become a U.S. territory in 1981. So the Marianas were not involved in the last negotiating session. Under the agreement, the Marianas' status would be similar to that of Guam, a U.S. possession.

Paul C. Warnke, a former senior Defense Department official and now a lawyer in private practice here, is the legal counsel for the Micronesians and has been heavily involved in the negotiations.

There is no indication whatsoever that Warnke was a subject of the surveillance or that he was aware of it.

Warnke said yesterday that the reported surveillance was "completely immoral, overreaching and taking unfair advantage of the other side." If the purpose was to divide the Micronesians, it apparently succeeded, he said, noting the separate agreement negotiated with the Marianas.

Warnke's name has been widely circulated as the new head of the CIA in the Carter administration. If he gets the job, he may get to decide whether to continue bugging his former clients.

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ITEM WITHDRAWAL SHEET
WITHDRAWAL ID 00980

Collection/Series/Folder ID No. : 004700174
Reason for Withdrawal : NS,National security restriction
Type of Material : MEM,Memo(s)
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