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DEPARTMENT OF STATE

Washington, D.C. 20520

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April 11, 1969

TO : Interior - Mrs. Farrington
 Interior - Mr. Helm
 DOD/ISA - Mr. Dexter
 DOD/JCS - Rear Admiral Epes
 White House - Mr. Sneider

FROM : State (IO/UNP) - Elizabeth Ann Brown

SUBJECT: First Drafts of the Contribution to the Proposed Policy Paper on the Future of the TTPI

Attached are the drafts submitted to date as agreed on the basis of the outline discussed at the subcommittee meeting of April 1. As you will note, several sections assigned to State have not yet been completed. We hope to have drafts of these sections ready to distribute at the Monday meeting. In any case, Sections E 1, 2 and 3, the most critical portions of the State contribution, are attached.

As a reminder, our meeting is now scheduled for Monday, April 14, 1969 at 3:30 PM in Room 6323 at the State Department.

Attachments: drafts

cc: H - Mr. White
 L - Mr. Boyd
 EA/ANZ - Mr. Moore
 J/PM - Mr. Wolf
 C - Mr. McHenry
 U - Mr. Ruser
 IO - Mr. De Palma

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more discussion
re. Guam
more re. what we
expect in Okinawa

Future of the TTPI

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B. Premises

1. Increased rather than diminished defense interests.

a. The security of the United States will continue to depend in large part on US ability to monitor and control, as necessary, the sea and air space of the Pacific Ocean area and to meet and counter communist strength in the forward Asian-Pacific regions. The TTPI, under US sovereignty, would contribute to the accomplishment of these objectives.

b. It is essential, upon cessation of hostilities in South Vietnam, that redeployment of US Forces assures a US military force posture which will permit rapid and decisive reaction to any Asian communist aggression. For this reason, the posthostilities posture of US Forces could be enhanced significantly by the option for military bases and associated facilities in the TTPI.

c. The United States should continue to oppose any withdrawal of US Forces from our present Pacific forward base structure. However, if the intensifying political pressures cause future denial or curtailment in the use of our forward

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bases, the TTPI provides the only real estate, with the exception of Guam, on which the required capability to project US power into the western Pacific could be based. Current US control of the TTPI, favorable balance of payments considerations, and potential for US sovereignty offer the possibilities of long-term stability required for planning and development of a base structure. This is increasingly important with the withdrawal of UK Forces east of Suez.

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Additionally, adequate storage facilities in the TTPI could allow reduction of stocks at non-US locations which could reduce US foreign exchange expenditures.

e. Kwajalein will remain strategically significant in view of facilities associated with DOD research and development programs.

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f. In addition to the strategic importance of the TTPI for future US military development, the location and expense of the TTPI make it imperative that we continue to deny these islands to possible enemies. The TTPI, in the hands of unfriendly powers, would present a formidable threat to the security of the United States. In particular, the vulnerability of Guam, surrounded by the TTPI, would be significantly increased.

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D. 1.

~~E~~d. The security needs of the U.S. for the TTPI will be met, basically, by U.S. control of the Islands which is not subject to challenge either by the residents of the TTPI, other countries, or the United Nations. To meet this requirement, U.S. sovereignty over the TTPI is necessary.

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D. 2.

E b. Our military base requirements will be met if the U.S. Congress can take land for military purposes on the same basis that it may do so within the states and territories of the United States. Further, the United States must have the right to use the land without restrictions of any kind. These rights would be subject to the requirement set forth in the Fifth Amendment to the U.S. Constitution, providing for just compensation where such lands are taken from private owners for public use.

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E 4. U.S. sovereignty over the TTPI is required to obtain ^{an} adequate degree of control and security in the area for national defense purposes. Any arrangement giving the TTPI residents the option to terminate their association with the U.S. would ^{not} meet this requirement. Security requirements would be met by any given status - statehood, territory, or other - provided that U.S. sovereign powers over lands within its jurisdiction were complete and unrestricted. Among other powers this would provide the U.S. with the following vital powers associated with national defense: a) unrestricted use of land in the TTPI when required for public purposes, including national defense; b) control of immigration; c) the application of internal security laws; and d) control of all relations with foreign powers, as necessary.

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E. Requirements for Status - Discussion

2. Micronesian thinking - degree of latitude

Micronesian consideration of the political future of the Trust Territory is a recent phenomenon. At the end of World War II the Micronesians were shattered people who had not participated in the administration of the former Japanese Mandate. The style of administration had been to leave indigenous village life largely in the hands of the Micronesians while the administrative structure of the Japanese was super-imposed on top. The scattered geography, differing cultures and languages, made, and make Micronesian unity difficult. However, little or no effort was apparently made to imbue the Micronesians with any concept of "Micronesia" beyond the immediate village.

The American administration, on the other hand, embarked upon a program of developing district concepts through locally selected district legislatures, later through a program of chartering municipalities, and, beginning in the mid-1950s, first steps were taken which led to the development of a territory-wide political consciousness. In 1956 the High Commissioner established the "Inter-District Advisory Committee to the High Commissioner." This body, originally appointed, evolved into the Congress of Micronesia. The several provisions of the Order 2882 (1964), establishing the Congress, were discussed with the "Council of Micronesia" (as the Committee had become known in the early 1960s) and the Council was given the opportunity to make known its views on critical questions, such as bi-cameralism vs. unicameralism.

The development of the Congress of Micronesia, the substantial expansion of educational opportunities during the last decade, and the increasing ease of inter-district travel, have contributed to a rapid growth of Micronesian

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identity, especially among the younger political leaders. This sense of Micronesian identity probably does not spread far beyond the political personalities associated with the Congress of Micronesia and the higher echelons of the executive branch. However, the establishment of locally-owned private newspapers with Peace Corps Volunteer editorial and writing assistance has been an influence in spreading the concept.

Concurrently with this intra-territorial development and the termination of trusteeships elsewhere in the world, the Congress of Micronesia has turned to its own examination of political alternatives. Originally intended to be a "companion" status commission to the proposed United States commission, a six-member (one from each district) Micronesian Status Commission was formed in the fall of 1967. It filed an interim report at the 1968 regular session of the Congress of Micronesia and was granted a one-year extension. Its members have just completed a tour of the Pacific, including American and Western Samoa, New Guinea, Fiji, and Okinawa. The final report is due in July 1969 at the regular session of the Congress of Micronesia.

The Interim Report outlined several tentative conclusions:

(A) "Would a divided territory be any more politically, socially, or economically advantageous than to preserve or keep the territory as a whole? Tentative conclusions of the Commission would seem to indicate an answer in the negative."

(B) "There are four broad categories of political alternatives open to Micronesia. These are: (1) independence, (2) a 'free associated state' of a protectorate status, (3) integration in some form of the relationship with a sovereign nation, and (4) remaining as a Trust Territory."

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The Commission listed some pros and cons with respect to each status:

Independence

- Pro - - would allow Micronesia to pick its own way in the world.
- - would have the right to be admitted into the . . . United Nations.
 - - her right to speak and the weight of her vote would be the same as for other nations.
 - - Internally, Micronesians would be the high policy makers for their own people.
 - - The Congress of Micronesia would be the national legislature and an executive department of as yet undetermined structure would enforce the laws.
 - - Micronesians would have to answer only to themselves for their successes or failures.
- Con - - to maintain the pace of development at its present level, a source of continuing funding would have to be found.
- - Cessation of outside funding would be a disastrous setback.
 - - Foreign aid from individual nations usually carries with it an implied form of reciprocity -- such as support at the United Nations, defense treaties, and so forth.
 - - Independence . . . would mean that those Americans and other foreign nationals who are presently serving in the Trust Territory Government would go home.
 - - Micronesia does not have enough properly trained and experienced native citizens to assume the executive and technical positions which would be vacated.

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- - Will the economic structure of Micronesia be strong enough to sustain, without outside help, the fiscal needs of the government?

Free Associated State

- - Many questions under "independence" answered, but new ones arise.
- - with what nation will Micronesia associate?
- - what will the terms of that association be?
 - * could put restrictions on foreign relations,
 - * could put restrictions on internal activities,
 - * could either signatory alter or terminate the agreement?

Integration with a major power

- - Logical choice is with the United States.
- - Integration with another country is possible but no compelling argument for it has yet been raised.
- - kind of relationships with the United States
 - * Commonwealth (specifically Commonwealth of Puerto Rico)
 - * Unincorporated territory
 - "Next step up on the scale of closer and closer relationships with the United States." The Status Commission saw several steps or evolutionary possibilities in this status.
 - * Incorporated territory -
 - "It is the highest status next to statehood." The Constitution of the United States applied fully to its citizens and self-government is almost complete in an incorporated territory."

Trust Territory

- Pro - - Public exposure would force the United States Congress to expedite the development of the territory.

-- Resolution of the status question would hasten development by establishing with certainty the relationship with the United States and the world.

The interim report also pointed out, in connection with a historical discussion of Guam, that an effort to include measures to protect the lands and businesses of Guamanians in the 1950 Organic Act was unsuccessful. The Guamanian witnesses at the Congressional hearings did not strongly defend the provision and it was deleted as "contrary to American principles of equality."

Since the issuance of the interim report, the Status Commission has engaged the services of Australian Professor J. W. Davidson who worked with Western Samoa, Nauru and the Cook Islands in evolving the independence of the first two. Davidson's influence seems to be felt in pointing out that independence is not necessarily the only solution; that "loose association" patterned after the Cook Islands arrangement, might be possible; and that the American three-branch system is not necessarily suited to Micronesian needs. (In a speech in Truk, he is quoted as favoring independence, but not favoring any form of "integration" with the United States.)

On current attitudes, some Micronesian Congressmen have stated that independence is the only status to seek. Independence is possible and, if necessary, the United States can be charged enough for military bases to meet the costs of independence.

Others, particularly the Status Commission, seem to hold out "loose association," -- otherwise not defined -- as the preferable solution. This would appear to involve United States aid and sufficient base rentals to meet the costs of a substantially "Micronesian" governmental structure, as yet undescribed, but possibly patterned after a parliamentary system.

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The United States has as yet been unable to offer a specific status. Some of the Status Commission members have been quoted as not liking the Samoan status as too American. Others have expressed a distaste for the Guamanian status.

One overriding concern will color all Micronesian thinking about the political future -- the scarce land resource and the Micronesian close and continuing concern for the land. Any status which threatens, or appears to threaten, Micronesian control over the land, or which raises the specter of unrestrained alienation to "foreigners" will find scant acceptance. The observation about the Guam Organic Act provisions with respect to lands was meant to be a flag of warning.

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E. Requirements for Status - Discussion

3. Congressional thinking - degree of latitude

If the basic objective remains one of affiliating the Trust Territory in some permanent association with the United States, the legislative formulation of that association will be the responsibility of the Committees on Interior and Insular Affairs. Theirs is the legislative responsibility for territorial oversight. If the final status were some independent or "loose association" arrangement, the responsibility might be largely that of the Foreign Affairs Committees. In the House, the Foreign Affairs Committee has expressed interest in the future of the Trust Territory; the Interior Committees, however, have been the ones which have handled legislation affecting the territory (primarily authorization bills).

The thinking of the key members of both Committees will be crucial in developing a plan of action. In the Senate, the Territories Subcommittee Chairman, Senator Burdick, visited the Trust Territory (accompanied by Senators Moss and Metcalf) about a year ago. As a result of that trip they sponsored several items of legislation intended to be helpful to the Trust Territory. The Senate Committee also recommended enactment of the Status Commission proposal of the last Congress and Senators Burdick, Fong, Hatfield, Inouye, Jackson and Mansfield, have introduced a similar measure in the 91st Congress. This Committee has in the past recognized the strategic interests of the United States in the Trust Territory. It is likely to recognize any reasonable form of association with the United States.

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The House Interior Committee has similarly been concerned about the development of the territory and recognizes the strategic interest. However, the ranking members have not recently visited Micronesia. During executive hearings in the last Congress, ranking members consistently expressed the view that the territory should remain associated with the United States, but the extensive discussions revealed no consensus as to what that status might be. One ranking member (no longer on the Committee) felt strongly that the territory should be divided up immediately, or at least the Marianas should be annexed to Guam immediately. The House Committee did not act on the status commission proposal in large part because it was convinced that the Executive Agencies were not agreed upon the ultimate status.

The status of an "incorporated territory" constitutes a promise of ultimate statehood. The ranking membership of the Interior Committees are veterans of the long Alaska and Hawaii statehood efforts; they are unlikely to be agreeable to conferring that status on the Trust Territory, especially if it has not been conferred on Guam, the Virgin Islands, or American Samoa.

The "commonwealth" concept seems to be equally disfavored. Whether the lack of favor is the result of features of the commonwealth status or whether the Committee feels it has "lost control," a duplication of the commonwealth solution for Puerto Rico is not likely to be successful.

There remains some version of territorial status ranging from the unincorporated "unorganized" status of American Samoa, to the more complex and sophisticated status of Guam and the Virgin Islands (elective Governors in 1970). The ranking members appear to be firm believers in a territorial "evolution" and would probably opt for the "less advanced" status at first.

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F. Requirements for Administration

2. Military Base Problems

a. Handling of land acquisition beginning now.

Government land acquisition, particularly United States military land acquisition, is a sore point in the Trust Territory. During and immediately following World War II, the American occupying forces took lands for military and administrative uses. Some were former Japanese lands; others were claimed by Micronesians. Compensation for these uses, however, has been a long-drawn-out affair. Compensation generally was not paid until the mid-1950s and in the case of Kwajalein, not until the early 1960s and then only after protracted and, at times, acrimonious negotiations. The Eniwetok and Bikini takings of 1946 were not compensated for until 1956 and currently there is feeling among some Micronesians that the compensation was inadequate. In the Marianas, military land takings were compensated for through "land exchanges." These are now alleged to have been unfair and inadequate. Elsewhere, continuing land use was paid for on a single lump-sum payment for indefinite use rights -- the highest payment having been \$350 an acre. In most districts there is some "military retention" land.

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The United States actually claims no title to lands in the Trust Territory. Its military bases and other non-military facilities are based upon use permits issued by the Trust Territory Government for either Trust Territory public lands or lands acquired from the private owner. Thus, the Trust Territory Government frequently appears as the instrument of the American military in land takings.

Much of the problem is historical; the Trust Territory Code now provides, if negotiation fails, for condemnation proceedings with relatively prompt payment of judicially determined "fair compensation." Recent land takings, almost wholly in the Kwajalein area, have been on the basis of negotiation or condemnation with prompt payment. However, this history colors Micronesian attitudes toward anticipated or possible future military requirements and is partially responsible for the determination of the Congress of Micronesia to enact a new eminent domain statute which would in effect give the Congress of Micronesia a "veto" over military land takings.

The total land area in military retention status is a small portion of the total acreage (447,507 acres) in the Trust Territory. It is classed as follows:

Held in use for public purposes	1,502
Leased to Micronesian citizens	1,473
Leased to non-Micronesian citizens	1,321
Retained for military use	9,376

Active use of military lands is currently confined to the Marshall Islands, one of the more land-poor districts. In other districts, military activities are negative -- no active use is made of retention lands -- or are the subject of speculation and fear on the part of the Micronesians.

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3. Economic Progress

a. Appropriations -- including extent of Micronesian control.

The Order creating the Congress of Micronesia, granted the new legislature extensive legislative authority, comparable to the legislature of any territory of the United States, and appropriation authority with respect to local revenues. These are limited. However, the order also gave the Congress of Micronesia the authority to review the proposed budget to be submitted to the United States Congress and to make recommendations concerning it. Recommendations not adopted by the High Commissioner are required to be sent to the Secretary of the Interior.

In practice, except for the initial budget, there is little evidence of the Congress having been given a meaningful opportunity to participate in the budget process insofar as the "Federal" portion is concerned. The institution of the PPB system with its different cycle and the problems involved in hurriedly drafting new and higher budgets, based upon increased authorizations, have contributed to the problem. The fact remains, however, that the Congress of Micronesia has not actively associated itself with the programs or projects in the Federal budget. The Executive Branch has, apparently, not been active in recommending to the Congress of Micronesia the use of its revenues. The result has, on occasion, been a series of projects which have received little attention from the Executive Branch or which are impracticable in terms of concept or funding.

The net effect has been to enhance the Micronesian view of the Executive Branch as the "American administration" and the Congress of Micronesia as the

"Micronesian government." A symptom was the resolution asking the United States Congress to grant \$3.00 for every \$1.00 that the Congress of Micronesia raised so as to give the Congress of Micronesia some funds to appropriate. The critical effort should be to participate in the overall budget process, especially in the allocation of the programs funded through the United States Congress. The Congress of Micronesia has created a planning committee which is charged with the responsibility of working in the PPB effort and the budget review. This effort needs to be reciprocated by the Executive Branch.

Micronesians have recently participated in the hearing process before the Appropriations Committees (1969 and 1970 hearings). This can be expanded to include hearings in the fall before the Bureau of the Budget. Micronesians should be actively and publicly identified with the overall governmental effort in the Trust Territory.

b. Domestic and foreign investment.

Investment by non-Micronesians or non-American citizens is not permitted. Investment by Americans is encouraged although first emphasis has been placed on Micronesian economic development. Criteria applied to proposed American investments include:

- (1) the economic need for the service or activity to be performed.
- (2) the degree to which such an operation effects a new increase in exports or a net decrease in imports.
- (3) the extent of participation by Micronesian citizens at the outset and planned for the future in personnel make-up at the management and lower levels and the provisions for personnel training.

- (4) the willingness of the promoters for joint U.S.-Micronesian ownership of the venture; and
- (5) the lack of capability, financial, technical and managerial, or otherwise, on the part of the Micronesians to operate such a business presently or within the reasonable future.

Domestic economic activity has been fostered through a loan to trading companies dating from the early 1950s which in the 1960s was converted into an economic development loan fund. As of June 30, 1968, there were 247 businesses licensed to engage in importing, exporting, wholesaling, and retailing. They had assets valued at \$12,700,000 and gross revenues of \$14,238,000. They employed in excess of 2,500 Micronesians (payroll of \$2,101,000) and 324 non-Micronesians (payroll of \$713,325).

Major non-Micronesian investments in the Trust Territory are the Van Camp fish-freezing plant in Palau; the Tinian cattle ranch and the Royal Taga hotel on Saipan; the Mobil Oil venture which supplies petroleum products throughout the territory; the airline venture with its associated hotel commitments; and the sea transportation franchise. An American phosphate venture has just withdrawn because of lack of economical deposits.

Tourism and marine resources represent the primary economic potentials other than the construction industry based in large part on government facility requirements. However, the uncertain political status of the territory and the fact it is beyond the tariff wall of the United States have served to inhibit American investment. The territory needs capital and manpower; few Micronesians have the skills to permit them to occupy higher managerial positions. In addition to the importation of capital, importation of skills is also required.

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H. Program of Action

1. Re Status

a. Proposed manner of handling Congressional problem

The United States Congress should be included in the planning process at the earliest possible date. Since the Congress alone can put into effect the proposed status for Micronesia, its guidelines, or the limits of acceptability, should be ascertained early on.

It is recommended that key members of both parties of the two Interior Committees be invited to participate in Working Group meetings. At the minimum, they should be kept currently apprised of the project and developments as the plan of action progresses. A rebuff at the hands of the United States Congress may well be interpreted by the Micronesians as rejection.

b. Proposed manner of dealing with Micronesians

Before any pronouncement is made with respect to the Micronesian political future, an attempt should be made to hold advance consultation with the Congress of Micronesia, probably through the Status Commission. Preferably, this should be done by the High Commissioner although, depending upon the timing of his appointment, some official with clear and visible authority to speak for the President might substitute in the meantime.

To the extent possible, such consultation should be in the form of obtaining Micronesian ideas and seeking to get a definition of the "loose association" now being discussed by the Status Commission. Major efforts should be made to incorporate such ideas within the limits of acceptability set by the United States Congress. An essential of such consultation is a certain expression that association with the United States, upon appropriately defined terms, would be welcomed.

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2. Re Administration

c. Structure of future advisory role to self-governing territory.

This topic requires some definition in terms of the ultimate status of the Trust Territory. If it should become a territory of the United States, a term here used to cover any number of possibilities, the relationships of the territory on the one hand and the United States Federal Government on the other, would be fairly well spelled out by precedent. The method of choosing the chief executive, the designation of a Federal agency for coordination and overall supervision, and the representation, if any, in the United States Congress, would define such structure.

d. Increased economic assistance -- government and private.

Governmental economic assistance to development needs to take three forms. The first is the provision of the essential infrastructure which will support the development of local resources and the investment of private capital. A high priority should be given water systems, particularly at district centers and other major population centers; reliable power systems adequate to meet the demands of the local population and the new commercial or industrial enterprises; sewage systems to serve the major centers and to avoid pollution of shores and lagoons; and adequate transportation and communication systems. Preliminary plans have been drawn for many of these projects and some are underway.

The second form is the creation of a climate conducive to investment. Until the 1960s, American investment was discouraged; it is now encouraged. The American tariff wall and the uncertain political status

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are inhibiting factors. While Micronesian participation in American economic ventures is necessary and desirable, investment will not be encouraged if it appears to promise ultimate "nationalization" or "expropriation."

The third area of assistance is through the establishment of economic development loan funds. The existing loan fund is restricted to Micronesian entrepreneurs. Its operation has generally been conservative, but it has a relatively high delinquency rate. Much of its operation has been on the basis of preliminary bank screening or on bank guarantees. A policy examination needs to be made as to whether this loan fund should be managed on a more daring and high-risk basis to stimulate more Micronesian businesses.

There is pending before the United States Congress a bill to create a \$5,000,000 economic development loan fund. This fund, if established, should be available to American investors, under appropriate standards, who either have not the capital for investment or who are unable to obtain it from private sources. The bill does provide for the drafting of a development plan before funds are appropriated.

Several Federal programs might be extended to the Trust Territory, such as the Small Business Act which has already been extended. A major problem here, however, is the need to adopt standards which do not always fit the needs of the Fifty States and the problem, in any loan proposal, of security for the loan. At present land is not available as security because of the restrictions on the alienation of lands.

- e. Coordination of efforts and information
 - (i) In Washington
 - (ii) Between Washington and the Trust Territory of the Pacific Islands

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Executive Order No. 11021 vests in the Secretary of the Interior the basic responsibility for "the administration of civil government in all of the trust territory, and all executive, legislative, and judicial authority necessary for that administration" The coordination of efforts in Washington, unless the Executive Order is to be revised, should, therefore, be assigned to the Secretary of the Interior. The vehicles for such coordination could be the Under Secretary's Committee and, more specifically, the working group created by that Committee.

The coordination of efforts between the Trust Territory and Washington should be between the High Commissioner and the Secretary of the Interior. The High Commissioner should be able to speak for the President and the United States and his views and recommendations be given major weight in Washington. He needs also a clear definition of his responsibilities and the person, or organization, to whom he is primarily responsible. The problems of distance and communication are such that he cannot be expected to operate effectively if responsible to a number of masters.

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H. 2. Re Administration

- a. Personnel
- b. Micronesianization of governing structure

The consistent policy of the Interior Department administration has been to bring Micronesians increasingly into the governmental structure. The employment of Americans has generally been confined to the higher managerial or skilled levels. Simultaneously efforts, sometimes sporadic, have been made to up-grade Micronesian personnel to take over posts formerly held by Americans.

In May, 1951, the Civil Service Commission determined that United States citizens recruited in the United States for employment in the Trust Territory are performing a function of the Government of the United States and are, therefore employees of the United States, subject to the laws affecting United States Government personnel. In 1964 and in 1967 this ruling was modified, at the request of the Department, to permit the hiring of education personnel, health personnel, and public works personnel on a non-Federal contract basis and without civil service status. The rationale was based upon a stated intention to reduce Federal employment in the Trust Territory and to move toward a single employment system for all employees.

Arguments in favor of civil service status for American employees are (1) the civil service rosters provide a pre-screened source of recruits; (2) civil service status facilitates the rotation of employees from the Trust Territory to other assignments after the tour of duty in Micronesia; (3) it provides a personnel management system for the selection, supervision, and termination of employees with classification and pay standards; and (4) many

functions of the Trust Territory Government operation are closely and inextricably related to Federal Government functions or operations.

Arguments against civil service status are (1) the recruitment process is time-consuming; (2) employees are secure in their jobs and not amenable to direction; (3) it is expensive, time-consuming and otherwise difficult to fire unsatisfactory or incompetent employees; (4) the fringe benefits that go with civil service status are unnecessary or expensive in the Trust Territory; and (5) contract employees can be had at lower salaries and benefits than civil service employees.

Arguments in favor of contract status are generally the converse of the civil service arguments: (1) some better candidates are not on civil service rosters; (2) it is not always easy or possible to "rotate" employees from the Trust Territory; (3) employees can be fired without the interminable civil service processes; and (4) each employee is paid only what he contracts for, not what the U.S. Civil Service system calls for.

The counter arguments are: (1) even contract employees need some standard to measure performance and firing without demonstrated cause is really not possible; (2) the fear of being fired is not the sole spur to good performance; (3) contract employees sooner or later will compare notes with adverse results if employment is not actually on some clearly understood personnel management system.

The essential problem is lack of a firm, clear sense of direction at the top levels of management and the establishment of clear policy guides against which performance can be measured. An employee must have a very clear,

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definite understanding of just exactly what his job entails; know precisely what is expected of him; be aware of the importance of his position to the accomplishment of objectives; and be made unmistakably aware that substandard performance will not be tolerated. There must be communication between him and his superior to instill a feeling of acceptance and belonging, to insure that he is performing as expected and to keep him currently aware of changes in policies, programs and attitudes with respect to his responsibilities. Even those employees who are dynamic leaders may become quite lackadaisical in time if the above conditions do not exist.

Regardless of what system or systems may be adopted for American personnel in the Trust Territory, the mounting of expanded programs will require an increased -- not decreased -- number of Americans in the government. This will be particularly true if the efforts to train Micronesians to hold increasingly more complex and responsible jobs, are to bear fruit.

Micronization of the governing structure requires some definition. If the term means employing more local residents in more responsible positions, the effort which has been made in the past should be strengthened and expanded. It cannot take place overnight -- the Congress of Micronesia Status Commission itself has said "At the present time, Micronesia does not have enough native citizens, properly trained and experienced, to assume the executive and technical positions which would be vacated (if the Trust Territory were to become independent)."

If, however, the term is used to mean the complete replacement of Americans, it needs examination in terms of the ultimate political status to be achieved. If the Trust Territory is to become a part of the United States, there should be no rational bar to the employment of American citizens in

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Micronesia. Obviously, the maximum possible employment of local residents would be in the best interests of efficiency and economy, but barring the employment of Americans merely because of race would be unconstitutional.

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Areas where Military assistance might be used to expedite projects:

1. Roads

Outside of District centers and Yap and Saipan, roads are non-existent or barely traversable tracks. The former Japanese system has become overgrown, bridges collapsed, culverts clogged and ditches filled in. With technical supervision and some equipment, many of these roads could be re-opened to jeep or small truck traffic, using Micronesian labor to do much of the work.

Heavily travelled roads, particularly those in District centers, require reconstruction to much higher standards and paving.

2. Airfields

Major reconstruction of the major airports will require substantial investment. The Majuro airport is estimated to cost approximately \$1.4 million. However, heavy maintenance is required at each airfield to insure its continued safe operation. Personnel and equipment might be made available for this purpose.

3. Small dock, channel and seawall work.

The outer islands are dependent upon small vessel operation. In many cases, docks, seawalls, or channel work through the reefs are necessary to improve sea transportation service. These projects are relatively small but important to the local people.

4. Miscellaneous construction projects.

Many small projects are uneconomical to be contracted to a private contractor and are done by force account. This is particularly true in the outer islands. The provision of technical assistance in supervising the work

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and some equipment to facilitate construction could move many of these projects to completion.

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FUTURE OF THE TTPI
(State Contribution)

A. Background

The Trust Territory of the Pacific Islands (TTPI) is administered by the United States under a Trusteeship Agreement with the United Nations Security Council, approved by the President on July 18, 1947, pursuant to authority granted by a joint resolution of the Congress. The terms of this unique "strategic trust" give the United States full authority over the Territory, including the right to establish military facilities. The United States does not have sovereignty over the TTPI, as is the case of our non-self-governing territories of Guam, the Virgin Islands and American Samoa, and is, moreover, specifically committed to promote the development of the Territory "toward self-government or independence."

During the early years of US administration we were satisfied with a continuing trusteeship arrangement, and US administration was consciously geared so as to change the lives of the people as little as possible. In 1961, however, President Kennedy decided that, in light of our strategic interests in the Pacific and the marked change in the attitude toward "colonialism" of dependent peoples and the international community toward colonialism, we could no longer expect to maintain the status quo indefinitely in the Trust Territory.

It was agreed that we should make a determined effort to move the Territory toward self-determination as prescribed in the Trusteeship Agreement. Since some form of permanent association with the United States seemed to be in the interests of both parties, the President in NSAM 145 of April 18, 1962 directed the interested Departments to undertake an urgent program aimed at achieving this objective.

Immediate programs were begun to improve the Territorial Administration, and to accelerate the economic development of the Territory and the political and educational advancement of the Micronesians. The results included such positive steps as increased appropriations for Micronesia, establishment of the Congress of Micronesia, and greatly improved school programs. But much more remains to be done in these areas. Attention also started to focus on the process of terminating the Trusteeship Agreement. There was considerable and protracted discussion within the Executive Branch both on the nature of the plebiscite to be offered to the people and its timing. In 1967 the conclusions were reached that the choices in a plebiscite would have to include independence and that some form of self-government would have to be provided.

Furthermore, it was clear in light of its constitutional responsibility for US territories that the Congress must also

be directly involved in determination of the status to be offered to the Micronesians since only in this way would there be the assurance that Congress would take the necessary implementing action after the plebiscite. It was also recognized that some time would be required to prepare the people for the vote. The President therefore submitted to the Congress a proposal for establishment of a Status Commission, with members from both the executive and legislative branches, which would have responsibility for preparing recommendations for the eventual status of Micronesia and which could be put to the Micronesians no later than 1972.

Unfortunately, though passed by the Senate in 1968, the House failed to act on this legislation. The same bill was reintroduced in the Senate this session, but its chances of passage in the House appear no better than before.

FUTURE OF THE TTPI
(State Contribution)

E. Requirements for Status

Any proposed status which is to be offered to the Micronesians in order to bring about the transition of the Territory from trusteeship to permanent association with the United States must meet certain requirements.

1. Legal and International Obligations

Under Article 76 (b) of the UN Charter one of the basic objectives of the trusteeship system is political advancement of the inhabitants of the trust territories "towards self-government or independence as may be appropriate to the particular circumstances of each territory and its peoples and the freely expressed wishes of the peoples concerned..." The identical language is repeated in Article 6 (1) of the TTPI Trusteeship Agreement.

Law and practice draw from this language the requirement that a plebiscite to determine the future of the TTPI must include independence from the United States among the choices offered. In every case involving other trusteeships, the peoples of the trust territories have been in a position to choose among options including independence from the administering authority either alone or in association with an adjacent independent state.

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Offering some form of non-self-governing status to the Micronesians on the basis that such a step would be one "towards self-government" as required in Article 76(b) and the Agreement, is also legally unacceptable. The Charter word "towards" ("toward" in the Trusteeship Agreement) describes our obligations under the Agreement. It does not apply to the manner in which the trusteeship status may be terminated or to the situation after termination. Nor would it be realistic to assume that the United States could legitimately offer the Micronesians a status less favorable than that now enjoyed under the Trusteeship Agreement (e.g., non-self-governing territory under the US) and expect either the Micronesians or the United Nations to accept it. UN practice reinforces these conclusions. Even our closest allies, some of whom have had to face the problems which such offers entail, accept these requirements -- albeit with flexibility in defining the arrangements to meet them.

The so-called Colonialism Declaration, Resolution 1514 (XV), stresses the granting of independence to colonial countries and peoples and states that "immediate steps shall be taken, in trust and non-self-governing territories or all

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other territories which have not yet attained independence to transfer all powers to the peoples of those territories... in order to enable them to enjoy complete independence and freedom." Partly because of our concern with the exclusive focus of this resolution on independence, the United States, at the same General Assembly, was a cosponsor of Resolution 1541 (XV) which includes as Principle VI the following:

"A non-self-governing territory can be said to have reached a full measure of self-government by:

- (a) Emergence of a sovereign independent state;
- (b) Free association with an independent state; or
- (c) Integration with an independent state."

In all ensuring consideration of the problem of non-self-governing and trust territories the United States has stood on this definition.

If the United States, with this record, its heritage of anti-colonialism and its defense of the principle of self-determination, were to ignore such an overwhelming commitment in the United Nations, to the need for an option of independence, we would invite a major controversy in New York and elsewhere -- a controversy which would quickly be reflected in political opinion in the Territory.

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2. Micronesian Thinking

The nature of Micronesian thinking -- their views and desires -- is already a critical factor and one which any proposed status must take fully into account.

The problem of assessing Micronesian views is compounded by the fact that Micronesian opinion must be approached on two levels -- on the one hand the leaders, and on the other, the great majority of the islanders. |

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Another important factor in their thinking is the lack of any real nationalism in the Territory as a whole. The Territory is a fragmented entity where the separations of distance are compounded by different cultures, ethnic backgrounds and so on. The TTPI is thus an artificial creation, and to the extent that the average islander has loyalties beyond his own island, they are probably to his district or often even to some smaller group of islands

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within that district. The leaders have perhaps a broader perspective, but even for them nationalism is a very new force. To the extent a national consciousness does exist, it is still perhaps largely motivated more by local self-interest -- by knowledge of the weakness of the fragments alone -- than by any real feeling for "Micronesia" per se.

Both the leaders and the average Micronesian, albeit from different angles, are unimpressed by US administration. Many islanders have such limited contact with the Administration, except perhaps in the form of a Peace Corps volunteer, that they probably do not have a strong view one way or the other. Others, such as those displaced from Bikini or Eniwetok; or those with unsettled land problems or war damage claims, have specific if local grievances. The leadership has a broader range of complaints, from the local ones to such things as the quality of personnel assigned to the Territory, the role which Micronesians are given in running their own affairs, the quality of the schools, the level of medical care, etc. In any case there appear to be few Micronesians who are impressed with our administration.

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In other respects, however, there is a clear distinction between the thinking of the Micronesian leadership and the remainder of the population. Micronesian leaders are not apathetic about the future of the Territory, and they have become increasingly sensitive to the problems involved and the options open to them, largely at our urging and with our push. We have stimulated their training and exposure at home through the Congress of Micronesia and the District legislatures; we have opened the Territory to the outside world and its influences through the easing of entry requirements and the advent of jet air travel to the area; and we have pushed the Micronesian elite into the outside world through scholarship programs at Universities in Hawaii and on the mainland, through leader grants, and through the participation of Micronesian special advisors at Trusteeship Council sessions, US Congressional budget hearings, and the South Pacific Commission. The effects of this exposure and the rapidity with which it was carried out may not have been thought through, but there is clearly no turning back at this point.

The Micronesians are now keenly aware of their political bargaining power, and they are prepared to use it. They understand their position as a trusteeship and the rights which it

gives them. They are convinced that in a plebiscite they will have independence as one option. A succession of Visiting Missions has confirmed this point directly to them. Similarly, Trusteeship Council discussion of the TTPI has taken the existence of the independence option for granted. They have heard prominent members of the US Administration state that they would have such an option. The Micronesians recognize that such an option was implicit in the language of the legislation proposed by the Johnson Administration and passed by the Senate. Even though we still assume that a vast majority of Micronesians can be convinced that independence is not a viable alternative for them, quite apart from any broader legal and political considerations as discussed above, the act of precluding this choice would obviously stimulate internal dissension, particularly among the critically important leadership. It could seriously jeopardize the achievement of our objective of ending the deterioration in the political climate of the Territory, and of bringing about a decisive Micronesian vote in favor of association with the United States.

The Micronesian leaders are aware of our military and strategic interest in the islands. They recognize the

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relationship between our future position in Okinawa and the possible substitute installations in the Territory. They appreciate the leverage which they can draw from our strategic interests and needs -- either in terms of improvements in any future status involving association with the United States, or in assuring economic solvency through charges for base rights which they might be able to levy if they chose independence.

Finally, they are well aware of the continuing Japanese interest in the islands -- both as a natural and traditional tourist area and as a longtime center for highly successful commercial fishing. Further, ignoring or perhaps forgetting the less attractive aspects of Japan's pre World War II administration, they compare the major investment which Japan made in the territory at that time with the relatively little that we have done since. As a result, partially as a bargaining tactic, but also in part as a serious alternative, they raise the possibility of closer ties with, and support from Japan.

There is/ throughout an element of bargaining involved in the Micronesian attitudes -- a knowledge that by hinting at extremes they can improve their position in discussing the terms of a status which involves association with the US.

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But there seems also to be a growing feeling -- particularly in view of our failure so far to respond to their hints and appeals -- that their future may actually lie in these more extreme areas. Such a view casts the US in the role of the traditional colonial power and turns to traditional anti-colonial answers -- opposing military exploitation by the metropolitan power, seeing other powers as potentially true and unselfish friends (despite obvious self-interests involved), and calling on the UN in its role as protector of those yet to be granted independence, to intercede in their behalf with the US. Such views still are in an extreme minority, but the transition from the present, more moderate thinking of the leadership to such a doctrinaire position could come quickly and easily.

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Degree of Latitude in Micronesian Demands

Our most immediate interest is in the Micronesian views on possible future status and the degree of flexibility in them. Although the action of the Micronesian Future Political Status Commission is the obvious source of this information, it is unlikely that its final report will provide any specific answers about their attitudes. More likely it will probably highlight the idea of some form of independence with relatively loose, continuing ties with the United States or some very elastic form of association with the United States, but it will also set forth a number of other alternatives.

Of greater importance than the actual content of the report will be the degree of commitment of the individual members of the Commission to particular facets of a status and the reactions of other members of the elite and of the rest of the inhabitants of the Territory to their views. Depending on the degree of our contribution in the immediate future -- the extent to which we are able to give some definite indication of movement in our thinking regarding the future of the Territory -- we should be able to some extent both to forestall the degree of the commitment of

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the Commission members to particular concepts to manage the reaction of other Micronesians.

Even if we are able to act promptly, we are likely to see a fairly wide range of views among the Micronesian elite on the Territory's future status. They will undoubtedly want considerably more than they might have settled for only a year or two ago, and in many cases they will want more than we can give -- particularly in certain areas. Nevertheless, it should still be possible to find a compromise solution provided that the status arrangements are approached as a total package. To the degree that we are able to provide incentives in one area, we should be able to obtain concessions in another. This bargaining process will be difficult, and on certain points we may have to settle for proposals with which we are not altogether satisfied.

Within the area of incentives, the vigor and character of our administration will also be crucial. To the extent that we can show interest and willingness to work with the Micronesians for their own advancement, we will be in a much stronger position to induce flexibility. However, no matter how well we succeed in balancing Micronesian concerns re their

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future with topflight administrative performance in the present, we are still going to be faced by a number of very thorny problems from the standpoint of Micronesian views.

Among the most difficult will be the following:

a. Termination of the Agreement - the Micronesians are going to seek some form of control over the future evolution of the status which is worked out. [

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b. Form of the Government - the Micronesians are going to be interested in almost complete local autonomy and may also propose institutions which they feel would reflect their culture but which we might find unacceptable, either in terms of American practice or sound administration. Again the problem will be to avoid untenable extremes.

c. Budgetary Control - the Micronesians will seek extensive control over the budget, including the right to disburse US will Congressional appropriations which/continue to make up the greatest portion of their finances. Some equitable arrangement must be devised.

d. Control of Military Activity and Land Acquisition - the Micronesians are going to demand some degree of control

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over any military activity which we might contemplate in the Territory which is likely to exceed what we are willing to give. This desire will have to be accommodated in some form without sacrificing our own requirements.

Micronesian thinking has come a long way in a very short time span and it will move to new extremes if we do not act quickly. Even now, we shall face many difficulties in trying to devise a status which will meet their legitimate demands and concerns. But if we can focus on a complete package covering simultaneously all aspects of administration and all sides of the status, a compromise should be possible.

3. Congressional Thinking

Under Article V of the Constitution the Congress must approve any status which is offered to and accepted by the Micronesians, and thus the views of the Congress are obviously critical in determining the requirements of the status.

Within the Congress as a whole there is undoubtedly a wide range of views concerning the proper handling of the Territory's future - views ranging from the conventional attachment to the right to self-determination to those who would advocate hanging on to the islands even if faced with civil insurrection. Knowledge of the problems involved also varies considerably. A fairly large number of Senators and Congressmen probably have

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some appreciation of the military significance of the Territory and the requirements for its future use. There is some, but still limited, appreciation of the international aspects and the foreign policy issues. Regrettably, there are those who believe that there is more concern in the Executive Branch about international reaction to our policies in the Territory than attention to the need for ending international surveillance of our administration there in terms reflecting US national interest in extending our sovereignty to the area.

Evaluation of the views of the Congress as a whole is very difficult, however, because they have never been tested. The Senate did pass the Status Commission Resolution, but this was only a first step to establish machinery and deliberately avoided the specifics as to our intentions. The House has never had even such a limited opportunity to express its views on the issue. Probably most members are largely uninformed, and the prospect of obtaining their support is likely to turn on the program offered and the persuasiveness of the Administration's arguments in its behalf.

Perhaps the more fundamental question is how to bring this matter before the Congress as a whole. What is the thinking of the critical Interior Committees of the two houses which must be accommodated before any proposal can be

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subjected to general debate and a vote? There are clearly special attitudes within these committees, particularly the House Interior and Insular Affairs Committee, which, limited though they may be in terms of general acceptance, are extremely important due to power of these committees.

The Committees are jealous of their functions. They have had the controlling voice in the affairs of the Territory for over twenty years and will not be disposed to relinquish it. Furthermore they have only a limited interest in and understanding of the foreign policy and strategic problems related to the Territory, and to the degree they are concerned, they feel capable of handling these matters without the advice or, in their view, interference of the Foreign Affairs or Armed Services Committees.

They are very conscious of the precedents involved in the future status of the Trust Territory. They have been dealing with the evolution of US territories through various stages to statehood for many years. There is a strong feeling that such evolution cannot be rushed--that what was good enough for Hawaii, Alaska, Guam and the Virgin Islands is good enough for the TTPI. The more responsible members of the Committees do have serious and legitimate concerns about the problem of precedent as it relates to Guam, the Virgin Islands, and

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American Samoa. Having just taken the major step of passing Elective Governor bills for the first two of these territories after many years of delay, they consider that any status offered to the TTPI which would provide it with equal or even more advantageous terms in one jump could cause serious repercussions in these territories.

Related to the questions of jealousies and precedents is the attitude in the Committees that the people of the Territory are not ready for self-government--that this can only come after years. For some this is a genuine and not unreasonable concern, but for others it seems to be more of a feeling that the people should be grateful for whatever we might offer, that others have had to wait much longer, and that such an offer would remove the TTPI from the control of the Interior Committees.

At the same time the Interior Committees have a considerable degree of expertise about conditions in the Territory, and they are aware of weaknesses in our administration and the need for action to remedy them. Unfortunately this is a double edged sword, at least in the House Committee, where the inadequacies of our administration are used as a justification for not appropriating additional funds which have been requested. But nevertheless the Committees are aware of the need for improvement and should be sympathetic to ^a well ^a conceived and presented program of reform.

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Latitude of Congressional Views re Status

In view of the control which the two Interior Committees exercise over the Territory and their ability to block action by the full Congress, our concern, at least in the first instance, must be focused on the degree of latitude which we can expect from the members of these Committees in regard to the status we might plan to offer to the Micronesians.

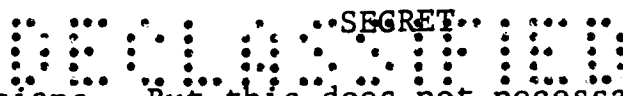
Unlike the Micronesians who have certain positive ideas-- certain things which they definitely wish to see included in any status which we might offer them, the Committees tend to focus on the negative--on things which they are not willing to give the Micronesians. Moreover, the same subjects tend to appear on both lists, giving at least the appearance of an impossible conflict. Thus, at least on the House side, the Committee leadership is strongly opposed to the inclusion of the choice of independence in the act of self-determination to be provided the Micronesians. They believe we cannot grant this option and thus cannot afford to offer it.

As for the status providing for association with the US, the Committees would clearly be opposed to giving the Micronesians any unilateral right to terminate the association. They have refused such an arrangement for Puerto Rico (although the Puerto Ricans do have the right to ask for their independence), and they would hardly grant more to the

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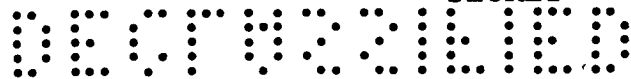

 Micronesians. But this does not necessarily rule out some modification of the right which the Puerto Ricans have for the TTPI--some provision which would allow the Micronesians to take the initiative in seeking consultation on changes in the arrangements at a future date.

As for the structure of the government, quite aside from almost complete autonomy, the Committees would oppose even the most questionable definition of self-government, and they would undoubtedly feel the institutions set up in the Territory should be similar to our own. The Committee would clearly favor an offer of non-self-governing status, with self-government to come at some point in the distant future.

Finally, the Committees would not wish to relinquish their present control of the Territory's budget in the form of detailed appropriations. They would question the competence of the Micronesians to handle such appropriations and would be explicit in pointing out that the Constitution provides Congress with control of the purse. But again this does not mean that there could not be a greater degree of control given to the Micronesians--that some arrangement could not be worked out which would give them control over more than the 5% which they now have.

Despite the apparent contradiction between the demands of the Micronesians and the limited flexibility in the Congress,

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one should not assume there can be no meeting of minds. As already stated, to the degree that the problem is approached as a total package and that we start to move both towards a settlement of the status question and the improvement of the administration, we can induce a greater appreciation of realities on the part of the Micronesians, bringing them somewhat closer to the Congressional views. By the same token, to the degree the Micronesians moderate their views and we are able to show the Congress that, while surface appearances may be very important in terms of the Micronesians and others, the actual substance beneath this gloss need not always be identical, we should be able to induce some flexibility on the Hill.

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