

MEMORANDUM

NATIONAL SECURITY COUNCIL

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ACTION

July 18, 1972

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MEMORANDUM FOR:

MR. KISSINGER

FROM:

JOHN H. HOLDRIDGE *[Handwritten initials]*

SUBJECT:

Micronesian Status Negotiations: U. S.
Financial Assistance Under the New
Relationship

At Tab C is a memorandum to you from Chairman of the Under Secretaries Committee Irwin asking authorization for Ambassador Haydn Williams, the President's Personal Representative for Micronesian Status Negotiation to discuss specific levels of U. S. financial support for Micronesia under the redefined relationship.

Ambassador Williams on July 12 began another session of negotiations with Micronesian representatives, this session aimed at converting the basic principles agreed on in the Joint Communique of last April into a Compact between ourselves and Micronesia. A key point will be refining the principle of U. S. control over Micronesia's foreign affairs and defense, including the specification of U. S. land requirements for security purposes. Necessary to negotiations on this point will be Ambassador Williams' ability to discuss specific levels of U. S. financial support for Micronesia under the revised relationship, subject of course to Congressional approval.

As regards recommended levels of financial support, the Under Secretaries Committee met on July 13 and agreed on the following:

-- In his discretion, Ambassador Williams could propose a level in the range of \$25-50 million annually, starting in the lower end of this range and moving upward as necessary to obtain Micronesian agreement on land requirements.

[This range should be viewed against the \$100 million the Micronesian representatives requested at the April negotiating session, as well as the approximately \$75 million budget which Interior and the other Departments involved currently fund for Micronesia. The Mariana Islands, having opted for separate negotiations with us, would not be included, and the \$50 million

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by F. Graboske, National Security Council

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upper limit is calculated on the basis of the existing budget levels less the Marianas and the salaries of U.S. citizens now on the payroll. While the Micronesians would of course be hard put to find a replacement for whatever financial support we were willing to extend should they decide it was not sufficient and opt for independence, we want to avoid forcing them to take up that option seriously. We therefore believe that we should aim for an amount that will substantially help meet their legitimate budgetary needs and maintain at least their current standard of living. As a negotiating matter, Ambassador Williams believes that any figure below \$25 million would provoke the Micronesians to break off the negotiations.]

-- Almost all of the funds would be provided by Interior, with Defense furnishing only payments for land rentals at fair market value.

[This was to avoid making it appear, via large levies on the Defense budget, that we were paying off the TTPI people for the use of military bases. However, Defense would thereby give very little, and we might wish to study this matter further.]

-- Ambassador Williams should be authorized to decide the proportion of funds to be comprised of annual lump sum payments as opposed to program assistance. As noted, none of these funds would be specified as payment for military base rights.

I participated in the July 13 Under Secretaries Committee meeting, and believe that the above constitutes a valid approach to this aspect of the question.

At Tab A is a memorandum from you to the President recommending that he approve authority for Ambassador Williams to negotiate in the range of \$25-50 million in annual payments.

At Tab B is a memorandum from you to the Chairman of the Under Secretaries Committee authorizing Ambassador Williams to proceed as outlined above, if the President approves.

RECOMMENDATION:

That you sign the memorandum to the President at Tab A.

That you sign the memorandum to the Chairman of the Under Secretaries Committee at Tab B, if the President approves the range \$25-50 million in annual U.S. financial support for Micronesia.

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