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ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

14 FEB 1974
In reply refer to:
I-20631/74

INTERNATIONAL
SECURITY AFFAIRS

MEMORANDUM FOR THE DEPUTY SECRETARY OF DEFENSE

SUBJECT: Micronesian Status Negotiation: Requirement for New
Instructions (U/SM-86w)*- ACTION MEMORANDUM (U)

(S) Issue: Should the Deputy Secretary of Defense and the Chairman, Joint Chiefs of Staff concur with the proposed letter* from the NSC Under Secretaries Committee (USC) to the President which requests the President to consider and approve new negotiating instructions regarding levels and categories of financial assistance to Micronesia as requested by Ambassador Williams in his letter to the President on 25 January 1974?

(S) Background: By letter* of 25 January 1974 (TAB A) Ambassador Williams, the President's Personal Representative for Micronesian Status Negotiations, reported to the President on the future political status negotiations with the Micronesian Joint Committee on Future Status (JCFS) and the Marianas Political Status Committee (MPSC) and, inter-alia, made several recommendations. Highlights follow:

- MPSC Negotiations
 - The results of the third round of status talks with the MPSC in December 1973 exceeded expectations.
 - Substantive progress was made in the areas of status, finance, and military land requirements.
 - Continuity and momentum is being maintained by technical level discussions in Washington and Saipan and through informal meetings with the Chairman, MPSC.
 - Negotiations are expected to resume in the spring of 1974.
- JCFS Negotiations
 - The seventh round of status talks with the JCFS in November 1973 reached an impasse over financial arrangements; however, a number of important things were accomplished at that time.

* Attachment to JCS 2326/101-28
 ** Attachment to JCS 2326/101-27

OSD/ISA

Approved by _____
 SECRETARY OF DEFENSE
 31 Dec 82

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- JCFS accepted the newly announced US policy of the early transfer of public land to individual districts of Micronesia subject to certain basic safeguards.
- As a result of this policy, leaders of the Palau district reversed position of a year ago regarding US military land options there and agreed to negotiate military land requirements in good faith.
- US proposals on the remaining titles of the Draft Compact of Free Association were presented.
- Level of US financial commitments and termination provisions of the compact are expected to constitute the key issues remaining for resolution during next round of negotiations. With regard to financial commitments, the following modifications to current instructions were requested, all contingent upon Congressional approval.
 - That the ceiling of \$50 million per year contained in the present instructions be raised to \$60 million per year for up to 15 years -- this ceiling to include grants, loans, federal programs and services and payments for military land. Use of this authority would be contingent upon continued Micronesian agreement to US rights in foreign affairs and defense as presently specified in the Compact.
 - That Ambassador Williams be authorized to agree to periodic reviews of levels of US assistance and possible adjustments therein if there is a material change in the value of the US dollar.
 - That Ambassador Williams be authorized to commit the US Government to provide from \$25 to \$35 million for one-time costs of moving the capitol of Micronesia from Saipan to another district.
 - That a terminal five-year Capital Improvements Program be developed for the five districts of Micronesia beginning in FY 1975 which could be funded at no less than \$15 million per year, and that Ambassador Williams be authorized to commit the US Government to provide such a program.
- Negotiations are expected to resume in the spring of 1974 with the Marianas talks preceding the next round of negotiations with the JCFS. However, should the order of talks be reversed the increased offer to the JCFS could have an escalatory effect on the Marianas demands. DOD/JCS members of the Inter-Agency Group for Micronesian Status Negotiations will monitor this situation closely and resist any effort to reverse the sequence.

- The need for a well-coordinated effort in the near future to convince appropriate sectors of Congress of the strategic importance of the area to US interests, including support of the commitment to develop a base on Tinian, and the consequent necessity to authorize the negotiated political and economic arrangements. In this regard:

- The Office of Micronesian Status Negotiations has indicated that it will be responsible for coordinating the effort to secure Congressional support.
- DOD has presented initial briefings on the Tinian base concept to Congressional Armed Services Committees and their staffs which were received with understanding and general support.
- By letter of 5 December 1973 (TAB B) to Ambassador Williams, the SECDEF/JCS assured Ambassador Williams that DOD will provide all possible support including the effort necessary to obtain Congressional approval for acquisition and development of the Tinian base complex.

(S) Discussion: By memorandum of 6 February 1974 (TAB C), the NSC USC requested telephone concurrence or comments on a draft USC letter** to the President (TAB D) which would concur, with one reservation, in the proposals contained in Ambassador Williams' 25 January 1974 letter to the President.

- The Ambassador's proposal would restrict financial assistance to Micronesia for 15 years, while the President's present instructions to the Ambassador contain no such restriction.
- The USC believes that, realistically, there may be a requirement for a commitment to provide financial assistance well beyond 15 years in a continuing free association relationship, although the levels of such assistance should be subject to periodic review and negotiation.
- The proposed USC letter to the President is consistent with the views and interests of DOD.

(U) Recommendation: Recommend you authorize telephone concurrence with the draft letter to the President as written.

[Signature]
Assistant Secretary of Defense (ISA)

[Signature]
Director, Joint Staff

Chairman, Joint Chiefs of Staff:

Approved *[Signature]*
for the Chairman.
Disapproved _____

Deputy Secretary of Defense:

Approved *[Signature]*
Disapproved _____

Enclosures

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Telephone concurrence made to Department of State, 19 February 1974.

Prepared by: Captain E.C. Whelan, USN, x-71802 OASD/ISA
Colonel W. R. Kenty, USAF, x-72400 JCS/J-5

[Signature]
Douglass W. Smith
LTC, USA, OASD (ISA)

* Attachment to JCS 2326/101-25
** Attachment to JCS 2326/101-28