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SECT 02 OF 40173

ACTION J5(02) ASD:ISA(10)  
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TRANSIT/030430Z/031519Z/010:49TOR1541508  
DE RUHGSGG #2615 1541032  
ZNY CCCCC  
ZZI3 AMEMB CANBERRA AS  
AMEMB MANILA RP  
P 030430Z JUN 74  
FM CINCPAC REP GUAM MARIANAS ISLANDS  
TO RUEHC /SECSTATE WASHINGTON DC  
RUWJAJA/COMTWELVE SAN FRANCISCO CA  
RUEADWW/WHITE HOUSE WASHINGTON DC  
RUEKJCS/JCS WASHINGTON DC  
RUHQHGA/CINCPAC HONOLULU HI  
RUEHDT /US MISSION TO UN NEW YORK NY  
RUEHBAC/AMEMB CANBERRA AS  
RUMJMA /AMEMB MANILA RP  
RUEHKO /AMEMB TOKYO JA  
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DEPARTMENT OF STATE /CDD/NE  
REVIEWED BY *STREPHAN* DATE *1/8/86*  
RDS  OF ADS  DATE \_\_\_\_\_ REASON(S) \_\_\_\_\_  
TS AUTH. \_\_\_\_\_  
ENDORSE EXISTING MARKINGS   
DECLASSIFIED  RELEASABLE  
RELEASE DENIED   
PA OF FOI EXEMPTIONS \_\_\_\_\_

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SECTION 02 ICF 03  
DESIRE TO PREVENT EXPLOITATION BY OUTSIDERS AND ECONOMIC CONCENTRATION OF LAND IN A FEW HANDS, BOTH OF WHICH IN ADDITION TO CONSIDERATIONS OF PROTECTION AND PRACTICALITY, MIGHT JEOPARDIZE THE PROSPECTIVE U.S. ASSISTANCE PROGRAM FOR THE NORTHERN MARIANAS.  
10. (C) MPSC TOOK POSITION THAT QUESTIONS OF LAND ALIENATION AND DISPOSITION OF PUBLIC LANDS ARE OF INTERNAL NATURE AND THEREFORE BELONG IN CONSTITUTION OF NORTHERN MARIANAS RATHER THAN IN STATUS AGREEMENT. COMMENT: CONSIDERING RISING LAND VALUES IN MARIANAS AND LIKELY AFFECT IN SHORT RUN OF WHAT MIGHT LOOK TO BE HIGHLY ATTRACTIVE OUTSIDE OFFERS, MARIANAS RISKS RAPID LOSS OF VALUABLE AND SCARCE PATRIMONY UNLESS ALIENATION IS PREVENTED. THE ISSUE WAS REFERRED TO JOINT DRAFTING COMMITTEE WHICH WAS SET UP WITH

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ASSIGNMENT OF PRODUCING DRAFT STATUS AGREEMENT FOR CONSIDERATION AT NEXT ROUND.

11. (C) MPSC POSITION REMAINED SOMEWHAT UNCLEAR ON IMPORTANT ISSUE OF EMINENT DOMAIN. IN COMMENT ON MPSC PAPER OF LAST DECEMBER, U.S. SOUGHT TO ESTABLISH THIS PRINCIPLE FIRMLY AS AN ESSENTIAL POINT OF THE PROSPECTIVE COMMONWEALTH ARRANGEMENT UNDER U.S. SOVEREIGNTY. MPSC RESPONSE OFFERED SOME ENCOURAGEMENT. DISCUSSIONS INDICATED THAT COMMISSION'S CONCERN LAY IN ESTABLISHMENT OF ADDITIONAL PROCEDURAL SAFEGUARDS AND THE DEVELOPMENT OF MEASURES BY WHICH THE FUTURE COMMONWEALTH COULD EXPRESS ITS VIEWS WHEN RIGHT OF EMINENT DOMAIN WOULD BE EXERCISED.

12. (C) ECONOMICS AND FINANCE. APPROVAL OF JOINT ADHOC PREPARATORY COMMITTEE ON TRANSITION (PHASE I), FOR WHOSE ACTIVITIES U.S. WILL MAKE AVAILABLE \$1.2 MILLION, OPENED WAY FOR MUTUALLY SATISFACTORY PROGRESS IN DEALING WITH PROBLEMS OF ECONOMICS AND FINANCE. HOWEVER, FINANCING FOR PHASE II (INITIAL PERIOD FOLLOWING INSTALLATION OF NEW COMMONWEALTH GOVERNMENT) CALLED FOR SOME REVISIONS ON OUR PART. IN POSITION PAPER TABLED ON MAY 15, MPSC CONTENDED THAT U.S. APPEARED MORE CONCERNED WITH GOAL OF ECONOMIC SELF-SUFFICIENCY THAN ESTABLISHING A BASE FOR GENERATING ACCEPTABLE LEVEL OF INCOME AND PUBLIC SERVICES. MPSC STRESSED ITS PRIMARY GOAL AS ACHIEVEMENT WITHIN REASONABLE PERIOD OF TIME OF LIVING STANDARDS IN MARIANAS COMPARABLE TO THOSE ENJOYED BY OTHER AMERICANS. MPSC TENDED MINIMIZE VALUE OF OTHER INCOME AND RESOURCES IN ADDITION TO U.S. GRANT WHICH WILL BE AVAILABLE TO COMMONWEALTH. MPSC PAPER REQUESTED \$16 MILLION ANNUALLY FOR PHASE II AS OPPOSED TO U.S. \$11.5 MILLION, LARGEST DIFFERENCES BEING IN OPERATIONS AND CIP. PAPER PROPOSED AGAIN FOR 7-YEAR PERIOD FOR PHASE II IN CONTRAST TO U.S. POSITION OF 5 YEARS.

13. (C) AMBASSADOR'S RESPONSE OF MAY 28 ASSURED MPSC OF OUR CONCERN FOR ECONOMIC WELL-BEING OF PEOPLE OF NORTHERN MARIANAS. HIS STATEMENT THAT U.S. COMMITMENT IS IN TERMS OF CONSTANT 1975 DOLLARS BROUGHT FAVORABLE RESPONSE, AS DID HIS STATEMENT THAT HE WOULD SEEK AUTHORITY TO EXTEND U.S. PHASE II COMMITMENT TO SEVEN YEARS AND TO COMMIT AN ADDITIONAL \$500 THOUSAND FOR GOVERNMENT OPERATIONS. MPSC SOUGHT ANOTHER \$1.5 MILLION ANNUALLY FOR CIP ON GROUNDS NEGLECT OF OUTER ISLANDS IN RECENT YEARS, ESPECIALLY TINIAN AND ROTA. AMBASSADOR'S AGREEMENT SEEK EXTRA FUNDS FOR THESE TWO ISLANDS EVOKED MOVING RESPONSE FROM THEIR REPRESENTATIVES.

14. (U) FINAL RESULT PHASE II OFFER INCLUDING FUNDS FOR WHICH AUTHORITY WILL BE SOUGHT: \$13.5 MILLION ANNUALLY FOR 7 YEARS STATED IN CONSTANT 1975 DOLLARS; 8 MILLION FOR OPERATIONS; \$4 MILLION FOR CIP OF WHICH \$500 THOUSAND FOR TINIAN AND \$500 THOUSAND FOR ROTA;

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\$1.5 MILLION FOR ECONOMIC DEVELOPMENT LOANS OF WHICH \$500 THOUSAND FOR FARMERS, FISHERMEN AND COOPERATIVES. AMBASSADOR MADE IT CLEAR THAT HE COULD NOT COMMIT THE U.S. TO THE INCREASED LEVELS FOR GOVT OPERATIONS (\$500,000) AND CTP (\$1 MILLION) BUT THAT HE WOULD RECOMMEND THESE INCREASES. IT WAS ALSO STATED THAT IN ANY EVENT ALL FUNDING WOULD BE SUBJECT TO CONGRESSIONAL APPROVAL.

15. (U) WE ALSO AGREED TRY TO START PHASE II IN FY 1977 (RATHER THAN FY 1978 AS ASSUMED BY MPSC); AGREED SEEK WAYS AFFORD MPSC FLEXIBILITY IN CARRYING OVER UNEXPENDED FUNDS AND REPROGRAM SUCH UNEXPENDED FUNDS IN SUCCEEDING YEARS. FINALLY, TO RECOMMEND TO DEPARTMENT OF INTERIOR THAT FUNDING FOR \$4.5 MILLION STEAM POWER PLANT FOR SAIPAN BE MOVED FORWARD TO 1976 RATHER THAN 1977 AS PROPOSED IN TT BUDGET.

16. (C) STATUS AGREEMENT (POLITICAL RELATIONSHIP) DESPITE CLEAR, REPEATED AND CONFIRMED PRE-SESSION AGREEMENT THAT MARIANAS IV WOULD REVIEW U.S. DRAFT COVENANT WHICH HAD BEEN PRESENTED TO MPSC LAST DECEMBER, MPSC PRESENTED ITS OWN PARTIAL DRAFT AGREEMENT, A VOLUMINOUS WORK OF 82 PAGES ACCOMPANIED BY SEVERAL HUNDRED PAGES OF EXPLANATORY LEGAL MATERIAL PREPARED BY THE COMMISSION'S COUNSEL. THIS MANEUVER THREATENED AT OUTSET TO DERAIL THE TALKS. TABLING OF DRAFT IN FACE OF EARLIER AGREEMENT TO CONSIDER THE U.S. DRAFT NOT ONLY RAISED PROCEDURAL PROBLEMS, BUT ALSO REOPENED SOME FUNDAMENTAL POLITICAL ISSUES, WHICH THE U.S. THOUGHT HAD BEEN RESOLVED IN MARIANAS II AND III.

17. (C) DRAFT AND LEGAL COMMENTARIES PRESENTED BY MPSC RAISED QUESTION OF SOVEREIGNTY AND WAS REplete WITH LANGUAGE CALLING FOR EXCEPTIONS, EXEMPTIONS AND SPECIAL TREATMENT WHICH, IF ACCEPTED, WOULD GIVE MARIANAS PRIVILEGED POSITION IN COMPARISON WITH ALL U.S. TERRITORIES, INCLUDING PUERTO RICO. INITIALLY MPSC POSITION SEEMED INFLEXIBLE IN SUPPORT OF THEIR COUNSEL'S DRAFT, BUT TIME, SOME PERSONAL DIPLOMACY AND OPEN CHALLENGES IN OPEN SESSIONS RESULTED IN A RETREAT AND INSTRUCTION FROM MPSC TO ITS COUNSEL TO SEEK COMPROMISE AND ACCOMMODATION.

18. (C) IN RETROSPECT ISSUE MAY HAVE BEEN BENEFICIAL IN SENSE THAT IT SURFACED VITAL SOVEREIGNTY QUESTION. FACED WITH IMMOVABLE U.S. POSITION ON THIS MATTER, COUNSEL SPEAKING FOR MPSC CAME BACK IN CONCILIATORY FASHION WITH STRONG INEQUIVOCAL STATEMENT THAT MPSC NOT QUESTIONING U.S. SOVEREIGNTY. EPISODE ALSO GAVE U.S. OPPORTUNITY TO REAFFIRM BASIC PRINCIPLES OF RELATIONSHIP, INCLUDING REQUIREMENT THAT PLENARY POWERS OF U.S. CONGRESS TO LEGISLATE WITH RESPECT TO NORTHERN MARIANAS MUST BE ABSOLUTE EXCEPT IN CASE WHERE CONGRESS ITSELF PROVIDES EXEMPTION.

19. (C) THIS SERIOUS PROBLEM WHICH HAD THREATENED EARLY ABORTING

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OF SESSION, DUE TO FUNDAMENTAL PROCEDURAL AND SUBSTANTIVE VARIANCE,  
 RESOLVED INTO AGREEMENT TO SET UP JOINT DRAFTING COMMITTEE TO  
 PREPARE DRAFT STATUS AGREEMENT IN INTERIM BEFORE NEXT ROUND.  
 AMBASSADOR WILLIAMS NAMED JAMES WILSON SENIOR U.S. REPRESENTATIVE  
 ON THIS COMMITTEE AND MPSC NAMED ITS SENIOR COUNSEL, MR. WILLENS  
 AS ITS REPRESENTATIVE,  
 20. (C) SEPARATE ADMINISTRATION: THIS SUBJECT CAME UP FOR FIRST  
 TIME IN FORMAL NEGOTIATIONS ALTHOUGH MPSC CHAIRMAN AND VICE-  
 CHAIRMAN HAVE DISCUSSED IN INFORMALLY WITH AMBASSADOR OVER PAST  
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