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BRIEFING PAPER FOR THE CONGRESS OF THE  
THE UNITED STATES

CARMEL TALKS ON THE FUTURE STATUS OF MICRONESIA

In early April Ambassador Haydn Williams and Senator Lazarus Salii, Chairman of the Micronesian Joint Committee on Future Status, met informally in Carmel, California in an effort to reach agreement on a number of unresolved questions remaining before a new status agreement between the United States and Micronesia can be concluded. Prior to that date, seven sessions of formal negotiations over the past five years had produced tentative agreement on a new free association relationship which would give the Trust Territory internal self-government with its defense and foreign affairs the responsibility of the United States. At the last formal round, held in Washington in November 1973, negotiations had focused on future U.S. financial assistance to Micronesia. The U.S. offer of about \$43 million in annual assistance was refused by the Micronesians who demanded approximately twice that figure. The talks adjourned when no agreement was reached on this question and the Micronesian delegation declined to go on to discussion of the other sections of the status agreement.

The informal Carmel talks reflected an apparent turnabout in the Micronesian negotiating position as agreement was reached on the important question of economic assistance that had stymied the November talks, as well as on provisions for termination of the association and the transition from Trusteeship to associated

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state. Ambassador Williams and Senator Salii concluded their meetings with a tentative approval of a complete draft Compact of Free Association (a copy of which is attached). The draft has been referred to the Micronesian Joint Committee on Future Status, which has suggested certain changes, particularly in Title II (Foreign Affairs) that will be discussed informally at the next meeting between Ambassador Williams and Senator Salii in early July. If agreement can be reached there, the next step will be to negotiate specific terms for military land usage as set out in the draft. A final eighth round of negotiations will then be scheduled, probably towards the end of the year, to put formal approval on the draft.

After the signing of the Compact it will be submitted for approval to the Congress of Micronesia and to the people of Micronesia for a popular vote in a status plebiscite and to both houses of the Congress of the United States for final approval. With Congressional approval the President will take steps to request formal termination of the United Nations Trusteeship and will, by proclamation, announce the effective date of the Compact.

By agreement with the Joint Committee on Future Status the terms of the agreed draft compact will not be made public until the Committee has had a chance to review the language officially and meet formally with the U.S. for the eighth round. You will note that the draft gives the United States full responsibility

for and authority over both foreign affairs and defense and sets out the land requirements of the United States to fulfill its defense responsibilities in the Marshall and Caroline Islands.

With respect to financial assistance Ambassador Williams and Senator Salii agreed, subject of course to U.S. Congressional approval, that our commitment would be denominated in constant 1975 dollars in order to protect the value of that commitment against inflation. From now until the U.N. Trusteeship terminates, in what is called the transition period, the level of our assistance to the Micronesians is based on the requirements of six districts. After the trusteeship period, it will be calculated on the basis of the requirements for the Caroline and Marshall Islands only, since the Marianas are expected to have a separate and different status. The amounts of U.S. assistance to Micronesia would be increased over present levels for the first three years of the transition period and then be gradually reduced until the end of the period as we complete the basic essential infrastructure construction program. The levels of assistance after the trusteeship period ends will be further reduced over time as the new government generates more revenue from internal sources as a result of predicted economic growth.

After the trusteeship is terminated and the compact takes effect U.S. financial assistance will continue for fifteen years at even further reduced levels. During this period, the compact can be terminated only by mutual consent. Assistance will be

reduced each five years over this period until the fifteenth year, after which either side has an option to terminate the compact unilaterally.

Such termination would be effective only after a mandatory two year waiting period during which time both parties would be committed by the compact to negotiate a mutual security agreement which would embody the United States right to deny the area to other countries and to maintain its bases. This agreement guaranteeing the survival of U.S. base and denial rights would have to be concluded before termination could become effective. While this new agreement was being negotiated U.S. financial assistance would be continued at its then current level; but if agreement was not reached within two years U.S. assistance would be progressively reduced, following the same descending scale that was established for the first fifteen years of the Compact, until the new agreement was finally concluded.

It is the desire of Ambassador Williams and the Co-Chairmen of the Joint Committee on Future Status that remaining negotiations be concluded as soon as possible in order that the Compact can be completed before the Constitutional Convention which is expected to be held next April.

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PROPOSED SCHEDULE OF U.S. ASSISTANCE TO MICRONESIA  
(Millions of Constant 1975 dollars)

I. TRANSITION PERIOD (6 DISTRICTS)

<u>FISCAL YEARS</u>	<u>CIP</u>	<u>OPNS</u>	<u>LOANS</u>	<u>PROGS<sup>a/</sup></u>
<u>STAGE I</u>				
1975	20	55	1	8.5
1976	25	55	1	8.5

STAGE II

1977 <sup>b/</sup>	30 <sup>c/</sup>	53	1	8.5
1978 <sup>b/</sup>	35	50	1	8.5
1979 <sup>b/</sup>	20 <sup>c/</sup>	47	1	8.5
1980 <sup>b/</sup>	15	45	1	8.5

II. POST-TRUSTEESHIP PERIOD (5 DISTRICTS)

<u>FISCAL YEARS</u>	<u>CIP</u>	<u>OPNS</u>	<u>LOANS</u>	<u>PROGS<sup>d/</sup></u>
1981-85	12.5	35	5	2.5
1986-90	11	30	5	2.5
1991-95	9.5	25	5	2.5

III. RENEGOTIATION PERIOD (5 DISTRICTS)

<u>FISCAL YEARS</u>	<u>CIP</u>	<u>OPNS</u>	<u>LOANS</u>	<u>PROGS<sup>d/</sup></u>
1996-97	9.5	25	5	2.5

IV. POSSIBLE SECOND NEGOTIATION PERIOD (5 DISTRICTS)

<u>FISCAL YEARS</u>	<u>CIP</u>	<u>OPNS</u>	<u>LOANS</u>	<u>PROGS<sup>d/</sup></u>
1998-2002	8	20	5	2.5
2003-07	6.5	15	5	2.5
2008-12	5	10	5	2.5
2013-17	3.5	5	5	2.5
2018-22	2	-	5	2.5
2023-27	.5	-	5	2.5
2028-	-	-	5	2.5

a/ Estimated value including C.A.P. Replacement

b/ Reduces to following for five districts if Marianas excluded:

1977	26	47	1	6
1978	30	45	1	6
1979	18	41	1	6
1980	14	39	1	6

c/ Adjusts to \$25 million if Stage II delayed to 1978.

d/ Estimated value

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