

OFFICE FOR MICRONESIAN STATUS NEGOTIATIONS
WASHINGTON, D.C. 20240

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MEMORANDUM OF CONVERSATION

Subj: Guam Meetings with JCFS - July 8-12, 1974

Participants:

JCFS

Senator Lazarus Salii

U.S.

Ambassador Williams
James M. Wilson, Jr.

Time and Place: 3:00 P.M., July 8, 1974 - Admiral's Guest House, Nimitz Hill, Guam

FIRST MEETING

Senator Salii explained that Co-Chairman Silk had not made the morning plane from Saipan but was expected later. Ambassador Williams advised him that Mr. Warnke had reported he would try to get the plane out of Washington Monday morning to arrive here Tuesday night. Salii indicated--contrary to his earlier remark on the phone to the effect that he had tried to reach Warnke--that Warnke's presence was a matter of relative indifference to him.

Ambassador Williams suggested the following agenda for the forthcoming meetings:

- Review of the Compact
- Procedures for completing sub-negotiations on land
- Approval processes and procedures for the finished Compact
- Transition arrangements.

Salii said the essential thing was completion of the Compact, especially Title II on foreign affairs. He also wanted to discuss the U.S. power to enter into treaties on behalf of Micronesia under Title V, particularly in light of Law of the Sea developments and was concerned over what this could mean in the future. There were also proposed JCFS changes in Title IV on financial arrangements and problems on Titles VII and VIII on nationality, immigration and travel (He failed to mention Titles VI, XI and XII raised earlier on Saipan). He was agreeable to the items on land, the approval processes and transition, but suggested that financing the relocation of the capital be included under the latter heading. Ambassador Williams agreed.

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Returning to Title II Salii said it was very important in his view that the U.S. recognize the primacy of Micronesian authority and responsibility in internal matters and there be no U.S. interference in Micronesian internal affairs. This was clearly illustrated by the differences between the Micronesian and U.S. positions on territorial waters in the Law of the Sea Conference. They did not want the U.S. determining the extent of Micronesia's territorial waters. If Micronesia decided, for example, on a 100 mile limit for its territorial waters the U.S. would be required to go along. He brushed aside Wilson's query on whether the U.S. would also be required to enforce it. In answer to a question by Ambassador Williams he said these views on the whole Compact were those of the whole JCFS, not just his own or those of Andon Amaraich. When Ambassador Williams observed that this was a contradiction of the position taken by the JCFS since the beginning of the talks, Salii retorted that this was a dynamic situation and that times had changed since 1972. There was nothing to prevent the JCFS from changing its mind. If the U.S. was not prepared to recognize this he was prepared to break off the talks and take the Micronesian case directly to the U.S. Congress.

Ambassador Williams pointed out that this position on foreign affairs was a far cry from the JCFS position advanced since 1968 that what they wanted was free association. It represented something quite different, a much, much looser arrangement. Salii replied impatiently that he wasn't interested in hearing what had been said in the past. Besides, no one could define what was meant by free association anyway. "It means what we want it to mean", he asserted. Ambassador Williams indicated agreement only in the sense that we had always understood that the Compact will speak for itself with respect to the powers to be vested in both parties. At the same time he wished to emphasize that it was the JCFS which had first introduced its "four basic principles" as the cornerstone for Micronesian future status and it was Salii who had said at Hana that the U.S. had now met those four principles. Salii repeated testily that times had changed.

Returning to the subject of the meetings, Ambassador Williams suggested we follow the Carmel pattern of informal discussion between the principals, bringing in advisers as needed, and confine any remarks to the press to generalities, simply noting that this was simply another round of informal talks leading to Micronesia VIII. Salii agreed. Ambassador Williams suggested the first meeting be devoted to a review of intervening events and developments since Carmel bearing on future status, such as the situation in the Marshalls and several items on the agenda of the upcoming special session of the Congress of Micronesia, including public land legislation, revenue sharing, the future status item and the constitutional convention bill. Salii observed sourly that if the U.S. wanted to talk about these things all right, but he wasn't interested in stalling and wanted to get right into the Compact. For this he did not think Warnke's

presence was necessary. Ambassador Williams suggested we discuss status matters in the morning and take advantage in the afternoon of Admiral Morrison's invitation to go fishing on his barge where we could talk more informally. Meanwhile we hoped the Micronesian group could join us for drinks and buffet supper in the evening.

Salii agreed with ill grace and said he would be bringing to the meetings Senators Nakayama and Iehsi and Mike White. When Ambassador Williams queried the need for two counsel, Salii asked if he was being told whom he could bring and could not bring. Williams replied that he had always considered these meetings as being very limited in attendance beyond principals and would like to think about White a bit further. Salii said petulantly that he wouldn't bring White then, but this would handicap him by making him to his own staff work. Ambassador Williams did not disagree.

Ambassador Williams raised the question again of going to Palau and Yap the end of the week or early in the week following and suggested Salii might come along. He pointed out that we now had an invitation from the District Legislature. Salii said angrily that there could be no trip if there was no agreement on the Compact. He said furthermore if Ambassador Williams went to Palau and went on the radio as he had earlier in Koror and had done in the case of land discussions in the Marianas that he would cancel all talks with the JCFS. Ambassador Williams responded that he had no intention of going public this time and that his radio talk in December 1972 had been made at Salii's own instigation in order to respond in part to the false accusations that had been made against Salii by Salii's political enemies.

Salii backed down at this and said rather grudgingly that the Ambassador could go any time. It was just that no date could be set for the land survey. This would have to be decided as part of the land discussions with the JCFS. Indeed, said Salii, he might like to go along on the trip to Palau when it came off. A time of 10:00 A.M. was set for the next morning's meeting. (Note: This was later cancelled at the U.S. request in favor of concentrating on informal discussions on the boat trip).

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DEPARTMENT OF STATE

Memorandum of Conversation

DATE: July 10, 1974
PLACE: Guam

SUBJECT: Guam Meetings with JCFS - July 8-12, 1974

PARTICIPANTS:

JCFS

Senator Lazarus Salii
Representative Ekpap Silk
Senator Tosiwo Nakayama
Senator Ambilos Iehsi
Senator Bailey Olter
Mr. Paul Warnke

U.S.

Ambassador F. Haydn Williams
Mr. James M. Wilson, Jr.
Captain Richard Y. Scott
Mr. Ron Stowe
Mr. Alf Bergesen

Time and Place: 10:00 A.M., July 10, 1974 - Admiral's Guest
House, Nimitz Hill, Guam

SECOND MEETING

L/UNA:RFStowe

(Drafting Office and Officer)

Ambassador Williams opened the second meeting of this informal round of discussions with representatives of the Micronesian Joint Committee on Future Status by suggesting that the agenda for these discussions include (1) Compact of free association, (2) land negotiations relating to Palau, (3) the approval process for the Compact, and (4) the transition process from trusteeship to free association. He expressed the hope that agreement on these points could all be reached by this fall so that the finished Compact could be presented to the next regular session of the Congress of Micronesia scheduled to meet early in 1975. He added in particular that the United States Delegation had undertaken consultations with the United States Congress and with interested federal agencies since the two delegations had last met and that the U.S. Delegation was prepared to stand behind the text of the Compact agreed at Carmel.

Senator Lazarus Salii, Chairman of the Micronesian Delegation, expressed agreement with the agenda in the order of the items suggested. He stated that the full Micronesian Status Committee had agreed to the Carmel text but after reviewing the Compact as a whole including the articles agreed before Carmel, the JCFS had a number of changes that they wished to make before forwarding the Compact to the Congress of Micronesia. Briefly, Salii stated that the language of Title II does not make clear that the Government of Micronesia would have full authority of internal affairs, which could not be infringed upon by U.S. authority over foreign affairs. In addition, questions exist about the U.S. treaty-making authority with regard to Micronesia. He stated the Committee did not propose any changes to Title III at that time, although this title might have to be reviewed in light of agreements reached in Title IV. Title IV, he said, should grant Micronesia transfer authority for funds and additional guarantees for low-cost loans. Title V should be modified according to some Micronesian Delegates to prohibit the United States from applying any international treaties or obligations at all to Micronesia without the prior consent of the Government of Micronesia. Title VI would be subject to minor editorial changes. Titles VII and VIII embodied the unresolved questions of immigration reciprocity and citizenship. Title IX would be unchanged. Title X would be modestly changed. Titles XI and XII should be modified to include different percentages for voting majorities.

Ambassador Williams requested clarification of the Micronesian difficulties with Title II on foreign affairs. In response, Salii stated that the present wording provided

only for voluntary restraint by the U.S. Government in cases of conflict between U.S. authority over foreign affairs and Micronesian authority over internal affairs. In effect, therefore, it would give the United States the final say in any dispute. In addition, the applications of all international treaties to Micronesia after, for example, January 1, 1975, should be subject to the prior consent of the Government of Micronesia, not at U.S. discretion. Mr. Warnke, Legal Counsel for the Micronesian Delegation, stated his feeling that it was agreed in 1972 that it would not be left to either party to determine the line between internal and foreign affairs. Warnke insisted that in practice whoever had primacy in cases of dispute would make no difference because disputes would be settled by consultations in any case and in that light he urged U.S. agreement to language which would give Micronesia primacy so that the Compact would be easier to sell on the local level in Micronesia. The present Compact language, he stated, appears to give the U.S. Government carte blanche authority over all things which are touched with foreign affairs implications.

Warnke added that the real problem on the application of treaties related to the period between essential agreement on the Compact and the effective date of that Compact. That is, the Micronesians desired assurance that the U.S. Government would not rush out and conclude a great number of treaties specifically relating to Micronesia during that period, when it would have the authority to do so under the Trusteeship Agreement but would not yet be proscribed from doing so under the Compact.

Ambassador Williams expressed understanding of the Micronesian concerns in the foreign affairs area but stated that if the United States were to have responsibility for foreign affairs relating to Micronesia the United States must also have full authority over those affairs. In addition, this Compact would be a matter of some political sensitivity within the United States as well as within Micronesia and hence he could not ignore the need to ensure a positive reaction in the Congress and in the executive agencies to the language relating to that U.S. authority. He stated, however, that he was sure the U.S. Government did not intend to inundate Micronesia with new obligations by rushing through a multitude of treaties which predominantly would apply to the new Government of Micronesia.

Mr. Warnke suggested that the Compact should include particular mention of agreements relating to the law of the sea, probably as an exception to U.S. authority to commit

Micronesia. In response to queries about specific language, however, Warnke indicated that the Micronesians did not know what they want to say about the law of the sea; they simply felt it was such an important topic to their lives that it deserved special mention. The U.S. Delegation responded that if the United States agreed to new international standards in the law of the sea area, we would expect that Micronesia would also have to be covered by any such commitments.

On Title IV relating to final arrangements, Salii stated that Section 404 was too restrictive on the Government of Micronesia, in that the Government of Micronesia should have full discretion to use funds as it sees fit. Therefore, they wished at a minimum to amend the section to permit a transfer of at least 15 percent of the funds from one use category to another. Ambassador Williams stated that he believed there was already enough money devoted to government operations and that to increase the already agreed amount would be to encourage the nonproductive expenditure of funds. Salii retorted that in his view appropriation for specific purposes to any extent amounted to unacceptable paternalism and reflected too little trust.

Mr. Warnke, arguing that Micronesians should be able to deposit any unused or uncommitted U.S. assistance funds in Micronesian banks, acknowledged that the U.S. Congress would not allow such a practice in other cases such as foreign assistance. He asserted, however, that this case, Micronesian free association was unprecedented and that he felt confident that he alone would be able to sway the appropriate Senate committees to accept the Micronesian position. Ambassador Williams stated in reply that it was his view that an exception should not be made, that the Micronesians could draw on U.S. funds appropriated to them at any time, but that until those funds were actually needed they should remain in the U.S. Treasury.

After some confusion whether the discussion was about bankability or accountability for the expenditure of funds, Senator Salii said that the Micronesians were unwilling to agree to any accountability for how they spend their funds granted. Salii apparently believed that the United States was insisting on a prior consent to the expenditure of any particular funds, whereas Ambassador Williams was insisting that the GAO should be able periodically to verify after the fact that funds had been spent for the purposes for which they have been appropriated. Salii stated that all U.S. money for Micronesia was simply a quid pro quo for the Micronesian willingness to remain in free association with

the United States and hence they could not be held accountable for their decisions on how to spend that money. Furthermore, Salii stated that many Micronesians already feel that the U.S. payments are dirty money and that Micronesia has sold itself to the United States. He said "you are paying us for 15 years in which this people will not run away from you".

Mr. Warnke then interceded that the U.S. Government would not of course have a censoring power over Micronesian expenditure of funds, but the U.S. Congress could of course expect after the fact to see how the funds had been spent.

This issue was ultimately resolved by Micronesian agreement that the U.S. Congress could conduct periodic audits to monitor the actual expenditure of U.S. funds.

Salii then suggested a higher level for low-interest loans to be made available to Micronesia, but did not push hard and this proposal was ultimately dropped.

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U.S.

Ambassador F. Haydn Williams
Mr. James M. Wilson, Jr.
Captain Richard Y. Scott
Mr. Ron Stowe
Mr. Alf Bergesen

Time and Place: 3:00 P.M., July 11, 1974 - Admiral's Guest House, Nimitz Hill, Guam

THIRD MEETING

Warnke opened the meeting by saying that he didn't believe there were any further changes to Title III beyond the minor ones contained in the July 11 draft. Salii took exception with his own counsel saying that he had not had a chance to look at Title III, and he wished to go to Title III from Title II. However, this appeared as an idle threat, and discussion of Title IV ensued. Ambassador Williams, addressing Section 404, said that he understood the JCFS wished to be able to combine funds from 404 and 401, with no restrictions attached, noting that this is quite a change from the JCFS' 15% transferability position introduced in May. He continued, saying that in considering the JCFS request, he had reviewed the U.S. position on grants for operations and CIP taken since 1972 which have been aimed at achieving economic self-sufficiency for Micronesia. At Carmel, Salii had agreed that the amounts proposed and accepted there should go a long way toward the attainment of this goal. Over and above this the future Government of Micronesia will have considerable flexibility built into its budget by using its own revenues to augment one account or the other; according to our information these revenues should be increasing at a rate of 10% a year. There would also be payments for use of military land over and above the U.S. grants, thereby adding to Micronesia's revenues. Williams added that he thought the U.S. Government would permit a change in the mix of operation/CIP and amend these two sections if the mix proves to be wrong. However, for the time being, the U.S. feels the language in 404 and 401 is adequate.

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Salii responded sharply saying that he thought it was unreasonable to have the U.S. say how the money will be spent. He then asked for Williams' views on Section 404(b) of the JCFS draft asking for more money on loans. Williams responded that we had considered the JCFS request for an additional \$35 million but regretted that the U.S. cannot go over its offer of \$75 million loan fund for a fifteen year period. To get more money for this purpose, the Micronesians would have to demonstrate the need.

Turning to a new subject not included in the Compact but raised by Salii after the Carmel talks; Salii said he wanted to discuss the term "bankability" that "Jim Wilson had mentioned in Carmel". The ensuing discussion and argument revealed that Salii, who was joined by Warnke, had confused the term "bankable" with "bankability". Wilson said that in January when he was in Saipan working with members of the JCFS, and again in Carmel, he had referred to projects that were bankable, i.e., ones that could be financed through bank loans. Salii insisted that this was not the case and that he had been told the GOM could bank unused monies with interest accruing to their treasury. (Subsequent review of the near verbatim record of this phase of the Carmel talks verified Wilson's explanation.) Williams explained that OMB and Interior Department has recently ruled that the Trust Territory Government cannot bank unexpended monies and that to do so for the GOM would be patently unacceptable to the U.S. Government since the U.S. Government is borrowing money at a high rate of interest in the first place. The U.S. Government would be unwilling to sustain the extra interest expenses. There was no give in the U.S. position. Williams concluded the discussion on this subject by saying that unspent funds could be held by the U.S. and drawn upon by the Micronesians. These funds would not be lost.

The discussion then refocussed on the ability of the GOM to control its expenditures, namely the amounts to be spent on operations and CIP. It had been suggested at Carmel by Williams that the amounts could be changed by amending the appropriate sections of the Compact. Salii said that resort to the amendment process is cumbersome and Warnke suggested such amendment procedures could be worked into Section 406(b). An exchange followed between Williams, Wilson and Salii on the figures in the Operations, CIP columns. Williams said the U.S. was not in concrete on the split of money and Wilson again made the point that the GOM could use its local revenues to help in either Operations or CIP, or both.

At this point Salii declared that Micronesian revenues were not a matter for discussion during these meetings. Continuing in a similar vein, he said the funds provided by the U.S. were not for assistance but were only for compensation to the people

of Micronesia as a means of getting them to go along with the idea of Free Association with the U.S. rather than becoming independent or joining with some other country. Ambassador Williams quickly and firmly replied that if this were the case, Micronesia would have to be satisfied with a much smaller figure than was presently in the Compact. The only money provided by the U.S. that could be considered as compensation was that paid for the use of land and for the options to use the land. All other funds were grants and loans. Williams went on to state that if the Micronesians wished to consider independence instead of free association, they should also be aware that less money would be provided by the U.S. This, Williams said, would constitute a great saving to the U.S. taxpayer. This challenge to Salii went unanswered.

Continuing on the subject of unspent funds, Williams reaffirmed that the U.S. feels these funds could be carried over. Again Salii replied that carry over was not the answer, but that bankability was. Williams made the point again that the U.S. would not permit this. He stated further that he would make every effort to see that the COM was given more control over financial affairs during the transition period. When Salii said this was meaningless unless put in writing, Williams said this was a matter for the Trust Territory Government and Department of Interior and that he would consult with them on this matter. Also, on the matter of constant dollars, we have asked OMB for a decision on using the Guam Consumer's Price Index as the basis for adjustment. Salii acknowledged this and did not object.

Discussion then turned to accountability. Ambassador Williams opened this discussion by saying he had been informed in Washington that there would have to be provision made for accountability of U.S. funds provided to Micronesia. This does not mean that the U.S. will interfere with the GOM on how money is to be spent. At this point he handed out a proposed draft section for Title IV setting forth the requirement for a GAO audit of GOM expenditures. Salii again said the accountability section would not sell in the COM. Warnke suggested that Section 406(b) takes care of the problem by the amendment process. Williams suggested that Wilson, Stowe and Warnke get together to work out acceptable language to be included in the Compact, but Salii brushed this aside saying he could not accept any language telling him how he could spend his money. Warnke said it was a matter of telling the U.S. how the money had been spent after the fact and suggested further consideration be given the subject later.

Both sides accepted Titles V and VI. Turning to Titles VII and VIII, Ambassador Williams said he understood the JCFS concern on reciprocity. He then explained that what he had in mind was unrestricted entry and exit privileges, but with restrictions applied to establishing residence. U.S. citizens could not estab-

lish residence in Micronesia without GOM consent. Micronesians would be permitted to establish residence in the states but not in the territories or possessions of the U.S. Salii asked if Williams would oppose adding the phrase "except with the consent of the territory or possession". Williams accepted "the consent of the U.S. Government". Closing out the discussion on VII and VIII, Salii asked what benefits accrued to U.S. Nationals and if the U.S. Constitution would apply to Micronesians who became U.S. Nationals. Warnke explained the benefits and Williams assured Salii that the U.S. Constitution would not apply to Micronesians holding U.S. national status but residing outside the U.S.

The language in Title XI and XII was acceptable, but the size of the majority required to effect changes in status was debated. In Title XI it was finally agreed that it would take a 2/3 majority vote against termination of the Compact by a District before that District could engage in separate status negotiations with the U.S.

On Title XII, Salii and Warnke argued that a 2/3, subsequently reduced to 60%, majority vote for approval of the Compact vice simple majority is politically essential. Both stated that this was an issue that could defeat the Compact in the COM. Salii added that the "simple majority" would eliminate support of Palau and Yap members of the COM. Truk and Marshalls could control the overall vote. Final decision on the percentage of the majority was deferred until the next meeting to give both sides a chance to review the bidding.

Ambassador Williams closed the session by saying that for Firday's sessions, he would like to discuss the form of the plebiscite for approval of the Compact and the choices that would be given to the people.

Session adjourned to reconvene at 9:00 A.M., Friday, July 12.

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U.S.

Ambassador F. Haydn Williams
Mr. James Wilson
Captain Richard Y. Scott
Mr. Ron Stowe
Mr. Alf Bergesen

Time and Place: 10:00 A.M., July 12, 1974 - Admiral's Guest House, Nimitz Hill, Guam

FOURTH MEETING

The morning session opened with renewed discussion of Title IV on the subject of accountability. Salii suggested a change to the U.S. proposed Section 407 wherein the GOM would make available to the U.S. information upon which audits could be made. (His mood in offering this change was considerably better than when the subject was first broached). There was an exchange between both sides which resulted in a workable compromise suggested by Warnke which is reflected in Section 406(e).

Transferability of funds between Sections 401 and 404 was next. Again the Salii mood was much less angry than in previous sessions. He continued to make the case for GOM authority to reallocate funds at will, but after a short discussion, agreement was reached on a compromise whereby funds could be reallocated between operations and CIP at any time by agreement of both the USG and GOM.

Salii then asked about carry over of unexpended funds. Both Ambassador Williams and Warnke convinced Salii that there should be no problem in this area. As a matter of fact, the unexpended funds at the end of the fiscal year would be the first funds expended in the next fiscal year. In this way there should be no carry over for more than one year. Williams made the point that the constant dollar value of the carry over dollar was at the rate determined at the beginning of the previous fiscal year. Appropriate changes were made in Sections 406(a) and (c) to reflect this.

Title V, VI, and VII were accepted by both sides. On Title VIII, Ambassador Williams said that it would be necessary to hold additional consultations in Washington before the U.S. could finally agree to the text. Salii responded that Title VIII was all right with him if the Ambassador can sell the words in Washington.

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The remaining Articles IX through XII were cleared without much discussion. Ambassador Williams then asked Salii what he had in mind for the approval process on the Compact. Salii said that he expected to meet with the JCFS either before or during the Special Session of the COM and then submit to the COM for information only the draft Compact. In this connection he said he would need the U.S. response to Title VIII by that time if it were at all possible.

Assuming approval and signature of the Compact during Round VIII by the U.S. and JCFS, Salii said he would submit it to the COM during its regular January session. If approved by the COM, then the Compact might be sent to the Constitutional Convention for review prior to its being presented to the people for vote. At this point Williams and Wilson both asked pointed questions relating to timing of the plebiscite in relation to a referendum on the Constitution. Salii and Warnke both contended that the Compact should not go to the people in a plebiscite in advance of the Constitution, arguing that the ideal timing would be a simultaneous referral of the Compact and the Constitution to the people of Micronesia to enable the people to know what kind of government they would be voting on. Warnke followed this with a line of argument that the Constitutional referendum should precede the Compact plebiscite since a negative vote on the Constitution would carry with it a concurrent disapproval of the Compact if both votes were held at the same time. Salii added that approval of the Compact by the COM indicates that 80% of the people would approve.

Ambassador Williams then made the point that the U.S. as administering authority is responsible for determining the form and timing of the plebiscite, including the content of the ballot. Salii took quick exception to this statement saying that the JCFS and COM, in conjunction with the U.N. would decide when and how the plebiscite would be conducted. Williams reiterated that it was the U.S. responsibility as administering authority, but did want to obtain the JCFS and COM views on the options to be presented to the people of Micronesia in a plebiscite. He continued, recalling earlier JCFS preference for a simple "yes-no" vote on the Compact, by saying there were many questions being raised in Washington and the U.N. on the nature of the plebiscite, with most of the attention being directed to the question of including independence as an option. If independence is included, Williams said it would need to be defined, pointing out that from the U.S. viewpoint any definition would have to include continuation of the Kwajalein leases and denial of the area to third countries.

Salii, in a sharp retort asked if the U.S. were unwilling to offer Micronesia full independence--"Are you going to control us by your presence". Ambassador Williams replied there would be no question about full political and economic independence. Salii was not happy with the answer but seemed to get the point and had no comeback.

It was agreed that procedures with respect to terminating the U.N. Trusteeship would be an agenda item for Micronesia VIII.

The morning session adjourned as it was agreed to reconvene at 2:00 P.M. to quickly review the draft Compact and discuss transition. (Copies of the compact were provided to the JCFS representatives during the break).

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Mr. Ron Stowe
Mr. Alf Bergesen

Time and Place: 2:30 P.M., July 12, 1974 - Admiral's Guest House, Nimitz Hill, Guam

FIFTH MEETING

The July 12 version of the Compact was reviewed. Both sides agreed on all Titles with a factual and clarifying change to Section 402 suggested by the U.S. (adding the words "use of the land and water areas" and deleting "purposes").

Transition was the next subject. Ambassador Williams referred to the agreement made at Carmel that the U.S. would provide a memorandum on the subject. A draft letter was handed out with Williams noting that it dealt only with financial arrangements. He said he would consult with Washington officials on the matter of including a statement on a cut-off date for treaty application. On this a separate written assurance might be preferable to including it in the financial arrangements. Additionally, other written assurances were promised on: (1) U.S. willingness to maintain the current level of Federal services and programs during transition; and (2) greater COM participation in the budget process during Stage II.

Mr. Wilson explained the differences in the U.S. financial figures as presented at Carmel, noting that there was a slightly different minimum from that requested by the JCFS but that the GOM would be getting slightly more money overall. He also referred to the schedule of payments if the Marianas are separated out where the amount of the reduction based on population would be 1/8.

Salii said that the COM budget committee has been concerned over the spread between operations and CIP, noting that the TT budget officer also shared this concern that it is difficult to reduce operating costs while increasing CIP. He did not dwell long on this subject, however, and then asked about carry over of unspent funds at the end of the Transition period. Ambassador Williams replied that this is a matter for the U.S. Congress to decide.

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Both Salii and Warnke were worried that if the money were cut off it might cause a recession. They then promised to provide the U.S. with JCFS comments on the subject.

Mr. Wilson said that Interior was going to the U.S. Congress asking for a two year authorization now and would thereafter work with Congress on State II. Salii asked if the Ambassador would have consulted with Congress before the Compact was ready to be signed. Ambassador Williams said that he would make every effort to do so and had just finished reviewing the matter with key members and their staffs. In the letter on transition it was necessary to include the phrase "subject to the approval of the U.S. Congress", since these funds would not have been previously approved by Congress whereas the amounts in the Compact will be committed once the U.S. Congress approves the Compact.

With discussion of the Compact and memorandum on transition ended, Salii said the JCFS endorsed the UNTC June 74 report that the Compact should be submitted to the Marianas at the time of the plebiscite held for the other five districts. If the Marianas people reject the Compact, then they can seek separate status. In reply Ambassador Williams said he felt compelled to say that the position of the USG is, as it has been since July 1972, that the Compact applies only to the Marshalls and the Carolines. This position was also fully endorsed by Marianas members of the JCFS during Micronesia Rounds V, VI, and VII. Warnke replied to this (preempting the field from a sputtering Salii) acknowledging that the JCFS had recognized the Marianas may break away from the rest of Micronesia, but in any event, the Marianas people must have a chance to exercise a conscious choice. He was apparently careful not to say that the Marianas should vote on the Compact. His careful phrasing did not elicit any comment from Salii.

Salii then asked for assistance in obtaining an Economic Development Adviser. Ambassador Williams said of course the U.S. would help. He also noted that the Trust Territory through Phil Chamberlain has begun a study on future economic development of Micronesia. Warnke joined in saying that the JCFS does need help on identifying names of economic consultants and Williams suggested that perhaps some U.S. Government economist could be seconded to the COM.

Salii asked about a tentative date for Round VIII. Ambassador Williams replied that once the Palau survey was out of the way and a figure supplied for Section 402, we could get on with Micronesia VIII. The U.S. would like to plan the survey to begin about 19 August and continue for about ten days with ten or so U.S. military being involved. He asked how many JCFS observers would be involved to which Salii replied that he and Tmetuchl for sure and possibly one other. Salii said he would advise on the observers.

On the subject of press coverage, Ambassador Williams said he would not release the Compact until the JCFS had addressed it. Salii noted that once the Compact had been submitted to the COM, it would become public knowledge.

OFFICE FOR MICRONESIAN STATUS NEGOTIATIONS

WASHINGTON, D.C. 20240

MEMORANDUM FOR THE RECORD

Subj: Senator Salii's remarks during Guam meetings (July 8-12, 1974) concerning land and Palau Survey.

1. Ambassador Williams raised the question again of going to Palau and Yap the end of the week or early in the week following and suggested Salii might come along. He pointed out that he had intended to go for some time and there was now the invitation from the District Legislature. Salii said angrily that there could be no trip if there was no agreement on the Compact. He said furthermore if Ambassador Williams went to Palau and went on the radio as he had earlier in Koror and had done in the case of land discussions in the Marianas that he would cancel all talks with the JCFS. Ambassador Williams responded that he had no intention of going public and that his radio talk in December had been made at Salii's own instigation in order to respond in part to the false accusations that had been made by Salii's political enemies against Salii. Salii backed down at this and said rather grudgingly that the Ambassador could go any time. It was just that no date could be set for the land survey. This would have to be decided as part of the land discussions with the JCFS. Indeed, said Salii, he might like to go along on the trip to Palau when it came off.

2. Subsequently on 11 July, Ambassador Williams told Salii that he definitely was going to Palau on 15 July, and if Salii wished to accompany, fine. During the morning and afternoon sessions on 12 July, Salii was in a much better mood which was reflected in his responses and comments to the subject of the Palau survey. After running through the Draft Compact Titles in the morning session, Salii said in response to Williams comment that he was going to Palau, that since the District Legislature had invited the United States to send a survey team to Palau it was all right with Salii to go ahead with the plans for the survey. He added that the JCFS would not get involved until after the sites had been selected.

3. During the 12 July afternoon session, Salii asked about plans for Round VIII. Ambassador Williams replied that once the U.S. gets the Palau survey out of the way and a figure to fill in the blank in Section 402, then we can get on with planning Micronesia VIII. Williams then asked Salii how many members of the JCFS would want to be observers during the survey. Salii said two or three, but in any case he and Senator Tmetuchl would be there. Williams then said that the U.S. plans to commence the survey about 19 August and there would be around ten or so people on the team. He asked Salii if the proposed dates and team size were satisfactory. Salii's answer was that the dates and team size were satisfactory and that he would advise the Ambassador of the names of the JCFS observers.

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