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 SECTION 01 OF 04
 STATUS LNO 204C
 SECDEF PASS JCS- OSD/ISA
 STATE PASS INTERIOR FOR OMSN/DOTA
 COMTWELVE FOR AMBASSADOR WILLIAMS
 SUBJ: MICRONESIAN POLITICAL STATUS NEGOTIATIONS

1. (C) SUMMARY: FOUR DAYS OF INFORMAL NEGOTIATIONS BETWEEN HEADS OF U.S. AND MICRONESIAN DELEGATIONS AND ADVISERS ENDED FRIDAY JULY 12 WITH FULL AGREEMENT ON DRAFT COMPACT EXCEPT FOR TWO MINOR MATTERS, AGREEMENT ALSO REACHED ON PROCEDURES FOR PALAU LAND SURVEY, PRELIMINARY DISCUSSION ON COMPACT APPROVAL PROCEDURES AND STAGING OF STATUS PLEBISCITE PROVED USEFUL BUT SURFACED SOME POTENTIALLY SERIOUS DIFFERENCES. TRANSITION PLAN PRESENTED AND AGREED TO AT CARMEL ALSO REVIEWED AND FURTHER AGREEMENT REACHED THAT U.S. WOULD MAKE FORMAL COMMITMENT ON STAGE ONE AND TWO FINANCING AT TIME OF SIGNING OF COMPACT. OVERALL TALKS CONSIDERED SUCCESSFUL FROM U.S. VIEWPOINT. BASIC U.S. POSITION ON FOREIGN AFFAIRS, DEFENSE, TERMINATION AND SURVIVABILITY BASE RIGHTS AND DENIAL WERE MAINTAINED. JCFS EFFORT TO DILUTE U.S. AUTHORITY FOR FOREIGN AFFAIRS, TO LIMIT APPLICABILITY U.S. TREATIES, TO INCREASE U.S. FINANCIAL COMMITMENT, TO GAIN FULL GOVERNMENT OF MICRONESIA CONTROL OVER ALLOCATION OF GRANT FUNDS AND TO WIN RIGHT TO BANK ALL UNUSED AND CARRYOVER TITLE IV FUNDS IN INTEREST BEARING ACCOUNTS FAILED. SALII ALSO FAILED TO PICK UP SEVERAL U.S. CHALLENGES TO DISCUSS AN INDEPENDENCE ALTERNATIVE INCLUDING KWAJALEIN/

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DENIAL OPTION.

2. (C) TALKS GOT OFF ON DIFFICULT AND ACRIMONIOUS NOTE. DURING ORGANIZING MEETING SALII STATED FLATLY HE WAS PREPARED TO BREAK OFF TALKS IF U.S. WOULD NOT REOPEN FOREIGN AFFAIRS ISSUE AND RECOGNIZE PRIMACY FUTURE GOM IN BOTH INTERNAL AND EXTERNAL AFFAIRS. SALII STATED SITUATION HAD CHANGED SINCE JCFS HAD AGREED TO TITLE II OF COMPACT AND SPECIFICALLY MENTIONED THAT LAW OF THE SEA ISSUE AND NEED TO PROTECT MICRONESIAN INTERESTS HAD INFLUENCED JCFS THINKING ON APPLICABILITY OF U.S. TREATIES AND INTERNATIONAL AGREEMENTS TO MICRONESIA. AMBASSADOR WILLIAMS RESPONDED THAT U.S. POSITION REGARDING CLEAR DIVISION OF RESPONSIBILITY BETWEEN INTERNAL AND EXTERNAL AFFAIRS REMAINED UNCHANGED AND THAT IF JCFS INSISTED ON MAJOR MODIFICATION ITS EARLIER POSITION AND REPUDIATION KOROR AND WASHINGTON AGREEMENTS JCFS MIGHT WELL WISH TO RECONSIDER WHETHER IT WAS SEEKING FREE ASSOCIATION OR INDEPENDENCE. LATER IN MEETING SALII THREATENED AGAIN TO BREAK OFF TALKS IF U.S. WERE TO TAKE QUESTION OF THE PALAU OPTIONS UP DIERCTLY WITH THE PALAUANS AND ATTEMPT TO END RUN JCFS. BEFORE MEETING WAS OVER HE THREATENED FOR THIRD TIME TO CALL OFF TALKS OVER ISSUE OF WHETHER HE COULD BRING COM'S LEGAL CCUNSEL MICHAEL WHITE INTO THE TALKS. IT WAS CLEAR THAT SALII HAD PLANNED ON WHITE AND NOT WARNKE BEING PRESENT AT GUAM TALKS. WHILE SALII VISIBLY UPSET AND IN UGLY MOOD IN THE END IT WAS AGREED THAT TALKS WOULD GO ON, THAT AMBASSADOR WILLIAMS WOULD GO TO PALAU AS ORIGINALLY PLANNED WITH SALII INVITED TO ACCOMPANY HIM AND THAT WARNKE AND NOT WHITE WOULD SERVE AS THE JCFS LEGAL ADVISER.

3. (C) TALKS DIVIDED INTO GENERAL MEETINGS OF BOTH SIDES AND WORKING DRAFTING SESSIONS. MICRONESIAN PARTICIPANTS INCLUDED IN ADDITION TO SENATOR SALII, CO-CHAIRMAN SILK, SENATE PRESIDENT NAKAYAMA, SENATOR IESHI AND SENATOR OLTER (PART-TIME) AND PAUL WARNKE. U.S. PARTICIPANTS IN ADDITION TO AMBASSADOR WERE U.S. DEPUTY REPRESENTATIVE JAMES WILSON, CAPTAIN RICHARD SCOTT (DIRECTOR, OMSN), RONALD STOWE (STATE) AND ALF BERGESEN (STATUS LIAISON OFFICER SAIPAN). WILSON AND STOWE AND WARNKE SERVED AS DRAFTING COMMITTEE. MAJOR PART OF TALKS DEVOTED TO COMPACT AND FOREIGN AFFAIRS ISSUES.

4. (C) SENATOR SALII INFORMED AMBASSADOR WILLIAMS AT OUTSET THAT MICRONESIANS COULD NO LONGER ACCEPT PARTICULAR LANGUAGE ON FOREIGN AFFAIRS AGREED IN WASHINGTON IN JULY 1972 AND AT CARMEL EARLIER THIS YEAR. IN MICRONESIAN VIEW THAT TEXT WOULD GIVE PRIMACY TO FOREIGN AFFAIRS OVER INTERNAL AFFAIRS IN CASES OF CONFLICT

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BETWEEN THE TWO, WHEREAS SITUATION SHOULD BE PRECISELY THE REVERSE, THEREFORE JCFS INSISTED ON REWRITE OF TITLE II ON FOREIGN AFFAIRS. NEW SECTION 201 WOULD SAY THAT DURING LIFE OF COMPACT U.S. GOVERNMENT WOULD BE DELEGATED RESPONSIBILITY AND AUTHORITY OVER FOREIGN AFFAIRS SUBJECT TO OTHER PROVISIONS OF THE COMPACT. IN ADDITION PARTIES WOULD CONSULT AT REQUEST OF EITHER ON MATTERS OF MUTUAL CONCERN IN FOREIGN AFFAIRS AREA AND U.S. GOVERNMENT WOULD NOT INTERFERE IN INTERNAL AFFAIRS OF MICRONESIA WITHOUT GOM'S EXPRESS CONSENT (DE FACTO VETO POWER). IN INITIAL PRESENTATION SALII HEATEDLY ASSERTED THAT HE WOULD CALL OFF TALKS UNLESS THIS POSITION INTER ALIA WAS ACCEPTED BY U.S. AMBASSADOR WILLIAMS INDICATED THAT WHILE SOME ASPECTS OF MICRONESIAN PROPOSALS MIGHT BE ACCEPTABLE TO U.S., NUMEROUS OTHERS WERE CLEARLY NO SO, AND THAT IF MICRONESIANS INSISTED ON THE SUBSTANCE OF INDEPENDENCE UNDER FREE ASSOCIATION LABEL THEN REMAINING ASPECTS OF COMPACT, IN PARTICULAR FINANCIAL ASSISTANCE PROVISIONS, WOULD ALSO HAVE TO BE MODIFIED APPROPRIATELY. AFTER LENGTHY EXCHANGE IT WAS AGREED THAT TITLE II WOULD BE REFERRED TO DRAFTING COMMITTEE IN ATTEMPT TO RESOLVE DIFFERENCES.

5. (C) AS RESULT OF WILSON, STOWE AND WARNKE DRAFTING SESSIONS AND SUBSEQUENT INTERNAL DISCUSSIONS AND EXCHANGE BETWEEN FULL DELEGATIONS NEW TEXT OF TITLE II ON FOREIGN AFFAIRS ACCEPTED BY BOTH PARTIES. (PREAMBLE AND TITLE I, INTERNAL AFFAIRS, UNCHANGED FROM CARMEL DRAFT). TEXT OF SECTION 201 FOLLOWS: QUOTE:

(A) THE GOVERNMENT OF THE UNITED STATES SHALL HAVE FULL RESPONSIBILITY FOR AND AUTHORITY OVER ALL MATTERS WHICH RELATE TO THE FOREIGN AFFAIRS OF MICRONESIA.

(B) THE GOVERNMENT OF THE UNITED STATES AND THE GOVERNMENT OF MICRONESIA SHALL CONSULT AT THE REQUEST OF EITHER OF THEM ON MATTERS OF MUTUAL CONCERN RELATING TO FOREIGN AFFAIRS.

(C) WITHOUT DEROGATING FROM ITS POWERS UNDER THIS TITLE THE UNITED STATES WILL RESPECT THE PRINCIPLE THAT THE GOVERNMENT OF MICRONESIA HAS FULL RESPONSIBILITY FOR AND AUTHORITY OVER THE INTERNAL AFFAIRS OF MICRONESIA. EN QUOTE.

COMMENT: ABOVE TEXT READ IN CONJUNCTION WITH REST OF TITLE II AND TITLE V RETAINS FORMER PRIMACY OF UNITED STATES IN CASES OF OVERLAP OR CONFLICT BETWEEN FOREIGN AFFAIRS AUTHORITY AND INTERNAL AFFAIRS AS PREVIOUSLY AGREED TO IN WASHINGTON AND CARMEL. ALL MICRONESIAN PROPOSALS RELATING TO DELEGATION OF AND LIMITATION OF USG AUTHORITY OVER FOREIGN AFFAIRS REJECTED. NEW TEXT IN OUR VIEW IS ALSO

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PREFERABLE IN CLARITY AND SIMPLICITY,
 6, (C) ON APPLICATION OF TREATIES (SEC 202) SALII ALSO INSISTED
 "ON BEHALF OF MANY MEMBERS OF THE CONGRESS" THAT NO TREATIES OR
 OTHER INTERNATIONAL AGREEMENTS BE MADE APPLICABLE TO MICRONESIA
 WITHOUT THE GOM'S PRIOR CONSENT. AMBASSADOR WILLIAMS STATED THAT

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IF USG WERE TO ASSUME RESPONSIBILITY FOR MICRONESIAN FOREIGN AFFAIRS USG MUST ALSO HAVE AUTHORITY TO DECIDE ON APPLICATION OF GENERAL INTERNATIONAL TREATIES AND INTERNATIONAL AGREEMENTS. U.S. HAD ALREADY AGREED NOT TO CONCLUDE AGREEMENTS RELATING EXCLUSIVELY OR PREDOMINANTLY TO MICRONESIA WITHOUT GOM CONSENT, A LIMITATION WE REGARD AS REASONABLE BUT ALSO AS FAR AS WE WILL GO, THE DRAFTING EXERCISE MENTIONED IN PARAGRAPH 5 ABOVE RESULTED IN MICRONESIAN ACCEPTANCE OF FORMERLY AGREED 1972 TEXT PLUS INSERTION OF THE WORDS "OR PROVISIONS THEREOF" BEFORE THE PHRASE "WHICH ARE INTENDED TO RELATE EXCLUSIVELY...". ADDITION OF THIS PHRASE IS INTENDED TO REQUIRE GOM CONSENT FOR PROVISIONS WHICH RELATE EXCLUSIVELY OR PREDOMINANTLY TO MICRONESIA, BUT ARE EMBODIED IN AN AGREEMENT WHICH AS A WHOLE WOULD NOT BE CONSIDERED TO HAVE THE SAME LIMITED FOCUS. USG AUTHORITY TO APPLY TO MICRONESIA ANY OTHER TREATY TO WHICH U.S. IS A PARTY IS CLEARLY STATED.

7. (C) MICRONESIANS REQUESTED AND AMBASSADOR WILLIAMS AGREED TO CONSIDER FAVORABLY A U.S. COMMITMENT THAT BETWEEN SIGNING THE COMPACT AND ITS EFFECTIVE DATE THE USG WOULD ALSO REFRAIN FROM UNDERTAKING INTERNATIONAL COMMITMENTS RELATING EXCLUSIVELY OR PREDOMINANTLY TO MICRONESIA WITHOUT COM'S CONSENT; SUCH ASSURANCE WOULD BE GIVEN IN WRITING AT THE TIME OF THE SIGNING OF THE COMPACT.

8. (C) SECTION 203 IS UNCHANGED.

9. (C) SECTION 204 NOW READS SIMPLY "IN ACCORDANCE WITH THE TERMS

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OF ANNEX A, THE GOM MAY UNDERTAKE THE ACTIVITIES SPECIFIED THEREIN". THIS TEXT ELIMINATES REFERENCE THAT IN EXERCISE OF ITS FOREIGN AFFAIRS AUTHORITY THE USG AGREES THAT GOM ACTIVITIES MUST NOT CONFLICT WITH U.S. FOREIGN POLICY AND SECURITY INTERESTS. BECAUSE U.S. POSITION ON BOTH THESE POINTS IS EVEN MORE FULLY COVERED IN ANNEX A THAN IT WAS IN FORMER 204 TEXT, WE CONSIDER OMISSION OF THESE PHRASES HERE SIMPLY A COSMETIC CHANGE MUCH DESIRED BY THE MICRONESIANS AND HENCE HELPFUL IN PROTECTING OUR BASIC POSITIONS IN THE REST OF TITLE II.

10. (C) IN TITLE III (DEFENSE) FOLLOWING MINOR CHANGES AGREED TO:

A. SEC 302(A) NOW READS "INCLUDES" RATHER THAN "SHALL INCLUDE"

B. SEC 302(B) NOW READS "THE USG MAY CONDUCT THE ACTIVITIES AND OPERATIONS...NECESSARY.." RATHER THAN "...ALL ACTIVITIES AND OPERATIONS...NECESSARY", AND "WITHIN THE LANDS, WATERS AND AIR SPACE OF MICRONESIA" RATHER THAN "ON THE LANDS AND WATERS IN THE TERRITORY OF MICRONESIA...".

C. SEC 303(A) STATES THAT USG HAS EXCLUSIVE RIGHT TO ESTABLISH, MAINTAIN AND USE MILITARY AREAS AND FACILITIES IN MICRONESIA "PURSUANT TO PARAS (B) AND (C) OF THIS SECTION", ETC. ADDITION OF THIS REFERENCE WAS REQUESTED TO CONFIRM THAT U.S. WAS NOT SEEKING AUTHORITY TO ESTABLISH UNILATERALLY FACILITIES, ETC., BEYOND THOSE COVERED BY SPECIFIED PARAGRAPHS.

D. SEC 303(B) AND (C) NOW COMMIT GOM "INCLUDING ITS SUB-DIVISIONS" TO ASSURE TO U.S. RIGHTS AND USES SPECIFIED IN ANNEX B AND TO ESTABLISH SUITABLE PROCEDURES FOR PROMPT RESPONSE TO ANY SUBSEQUENT U.S. REQUEST FOR ADDITIONAL LAND. MICRONESIAN ATTEMPTS TO DILUTE THE COMMITMENT TO NEGOTIATE IN GOOD FAITH TO ACHIEVE AGREEMENT ON SUCH REQUESTS WERE REJECTED.

E. SEC 304(A) FOR DRAFTING CLARITY HAS NEW CONCLUDING PHRASE "EXCEPT AS PROVIDED IN PARA (B) OF THIS SECTION". THIS MODIFICATION SIMPLY CLEARS UP POSSIBLE CONFLICT BETWEEN SUB-SECTIONS (A) AND (B).

F. SEC 305 NOW READS "WHILE PRESENT IN MICRONESIA" RATHER THAN "WHILE STATIONED IN MICRONESIA".

11. (C) ON TITLE IV (FINANCIAL PROVISIONS) PROLONGED AND HEATED EXCHANGES RESULTED IN A NUMBER OF DRAFTING BUT FEW SUBSTANTIVE CHANGES FROM CARMEL TEXT, FOLLOWING MAJOR ISSUES WERE ADDRESSED:

A. BANKABILITY OF FUNDS: MICRONESIANS ADAMANTLY DEMANDED THAT ALL FUNDS AVAILABLE TO GOM FROM USG IN A GIVEN YEAR OR UNUSED CARRYOVER FUNDS BE TURNED OVER TO GOM FOR DEPOSIT IN

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INTEREST BEARING ACCOUNTS IN BANKS OF GOM CHOICE TO BE DRAWN ON BY GOM AS NEEDED, AMBASSADOR WILLIAMS STATED THIS WOULD BE PATENTLY UNACCEPTABLE TO USG. U.S. REMAINED UNYIELDING ON THIS POINT AND MICRONESIANS FINALLY DROPPED DEMAND COMPLETELY.

B. ACCOUNTABILITY: U.S. STATED THAT U.S. CONGRESS WOULD REQUIRE PERIODIC AUDITS TO VERIFY THAT U.S. PUBLIC FUNDS WERE BEING EXPENDED FOR THE PURPOSES FOR WHICH THEY WERE AUTHORIZED, AND THAT TO DISPEL ANY LATER MISUNDERSTANDING WE BELIEVED THAT THE COMPACT SHOULD REFLECT SUCH AN UNDERSTANDING. SALII'S REACTION WAS QUICK AND SULPHURIC, PARTLY BECAUSE OF AN INITIAL MISUNDERSTANDING THAT U.S. CONGRESS WOULD HAVE A RIGHT TO APPROVE GOM EXPENDITURES OF U.S. FUNDS AND PARTLY DUE TO HIS BLUSTERING INSISTENCE THAT HOW THE MONEY WAS SPENT WAS ENTIRELY AN INTERNAL AFFAIR AND OF NO BUSINESS OF USG. MICRONESIAN DELEGATION EVENTUALLY AGREED TO INCLUDE IN REVISED SECTION 406 STATEMENT THAT GOM AND GAO SHALL DETERMINE PROCEDURES FOR PERIODIC GENERAL AUDIT OF ALL GRANTS, LOANS, AND FUNDS EXPENDED FOR FEDERAL SERVICES AND PROGRAMS AS STIPULATED UNDER TITLE IV.

C. TRANSFERABILITY: MICRONESIAN REPRESENTATIVES WANTED COMPLETE FREEDOM TO TRANSFER CAPITAL IMPROVEMENT PROGRAM FUNDS TO GOVERNMENT OPERATIONS FUND IN ANY GIVEN YEAR. IN FACE OF RESISTANCE BY U.S., MICRONESIANS FINALLY PROPOSED AND U.S. ACCEPTED PROVISION THAT FUNDS COULD BE REALLOCATED BETWEEN THESE TWO CATEGORIES AT ANY TIME BUT ONLY AFTER AGREEMENT OF BOTH GOM AND USG. CONGRESS THAT UNUSED FUNDS AVAILABLE TO MICRONESIA PURSUANT TO TERMS OF COMPACT SHOULD BE CARRIED OVER UNTIL USED IF NOT COMMITTED WITHIN THE YEAR FOLLOWING THEIR APPROPRIATION. SALII MADE THE POINT HERE RATHER RUDELY, AS HE HAD INTIMATED ON EARLIER OCCASIONS THAT THE JCFS DOES NOT CONSIDER ANY U.S. FUNDS AS ASSISTANCE OF ANY KIND. RATHER, HE CONTINUED, TITLE IV FUNDS ARE PAYMENTS AND SHOULD BE CONSIDERED SOLELY AS COMPENSATION TO THE GOM FOR WHAT THE USG IS GETTING, A SIMPLE QUID PRO QUO FOR BASE AND DENIAL RIGHTS, AND THAT SOME MICRONESIANS REGARD SUCH PAYMENTS AS "DIRTY MONEY". AMBASSADOR WILLIAMS REPLIED THAT THIS APPROACH WAS A FAR CRY FROM THE CARMEL UNDERSTANDINGS. THE USG CONSIDERS THAT ONLY THOSE FUNDS PAID FOR THE USE OF OR OPTION TO USE LAND FOR MILITARY PURPOSES WERE COMPENSATION. ALL OTHER GRANTS, LOANS, AND PROVISION OF FEDERAL SERVICES WERE CONSIDERED TO BE SUPPORT ASSISTANCE AS PART OF THE FREE ASSOCIATION ARRANGEMENT. ON THE OTHER HAND IF THE JCFS WISHED MICRONESIA TO BECOME INDEPENDENT

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INSTEAD OF IN A FREE ASSOCIATED STATUS WITH THE U.S. THEN THE WHOLE QUESTION OF THE FINANCIAL RELATIONSHIP WOULD HAVE TO BE REOPENED. THE AMBASSADOR SAID FURTHER THAT IF SALII INSISTED THAT THE FINANCIAL RELATIONSHIP BE PUT SOLEY ON A COMPENSATION BASIS, THE ONLY THING THE U.S. WOULD PAY FOR WAS THE USE OF THE

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LIMITED AMOUNT OF LAND THE MILITARY NEEDED, MOST OF WHICH WAS ALREADY UNDER CURRENT LONG TERM LEASE ARRANGEMENTS. HE ADDED THAT ON THIS BASIS, WHICH THE U.S. WAS WILLING TO PURSUE, "THE AMERICAN TAXPAYER WOULD BE SAVED A LOT OF MONEY". AFTER A RATHER LONG SILENCE SALII DECLINED THE INVITATION TO PURSUE THE MATTER FURTHER.

E. LOANS: HALFHEARTED JCFS ATTEMPT TO ADD \$35 MILLION IN LOAD FUNDS DURING FIRST FIFTEEN YEARS WAS REJECTED BY AMBASSADOR WILLIAMS AND JCFS QUICKLY DROPPED THE MATTER.

F. SECTION 402 NOW READS:

QUOTE. THE GOVERNMENT OF THE UNITED STATES SHALL MAKE AVAILABLE TO THE GOVERNMENT OF MICRONESIA \$--- TO COVER COMPENSATION PAID AT FAIR MARKET VALUE FOR THE USE OF LAND AND WATER AREAS SPECIFIED IN TITLE III AND ANNEX B. END QUOTE.

DOLLAR AMOUNTS REMAINS TO BE FILLED IN AT THE LAND NEGOTIATIONS.

G. CONSTANT DOLLAR VALUE OF FUNDS: THE PARTICULAR INDEX TO BE USED REMAINS TO BE INSERTED IN SECTION 406 AFTER FURTHER DISCUSSION WITH OMB AND THEN JCFS.

12. (C) TITLE V (APPLICABLE LAWS) IS UNCHANGED FROM CARMEL TEXT.

13. (C) TITLE VI (TRADE AND COMMERCE) IS UNCHANGED FROM CARMEL TEXT EXCEPT THAT SECTION 603(B) ON AVIATION NOW READS THAT THE USG SHALL OBTAIN GDM CONSENT BEFORE GRANTING NEW AUTHORITY TO U.S. OR FOREIGN CARRIERS "FOR INTERNATIONAL AIR COMMERCE TO OR FROM MICRONESIA..." RATHER THAN "FOR AIR COMMERCE BETWEEN MICRONESIA AND THE

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UNITED STATES..."

14. (C) TITLE VII (CITIZENSHIP AND NATIONALITY) IS UNCHANGED EXCEPT FOR A MINOR EDITORIAL MODIFICATION. MICRONESIAN AGREEMENT TO U.S. NATIONALITY DEPENDS ON U.S. AGREEMENT IN TITLE VIII THAT THE GOM CAN REGULATE IMMIGRATION FOR RESIDENCE PURPOSES ON NON-MICRONESIAN U.S. NATIONALS AND CITIZENS.

15. (C) ON TITLE VIII (IMMIGRATION AND TRAVEL) U.S. PROPOSED NEW TEXT ON IMMIGRATION WHICH WOULD REQUIRE RECIPROCAL UNRESTRICTED ENTRY AND EXIT PRIVILEGES, BUT WOULD ALLOW GOM TO RESTRICT RESIDENCE PRIVILEGES OF NON-MICRONESIANS. IN ADDITION, MICRONESIAN U.S. NATIONALS WOULD NOT HAVE AN AUTOMATIC RIGHT TO ESTABLISH RESIDENCE IN U.S. TERRITORIES OR POSSESSIONS. JCFS ACCEPTED THIS FORMULA, BUT U.S. STATED IT WOULD WANT TO CONDUCT ADDITIONAL CONSULTATIONS IN WASHINGTON BEFORE FINAL AGREEMENT ON THIS TEXT. (IMPORTANT TO CONSULT GUAM AND SAIPAN ON THIS MATTER, AND WE WILL DO SO).

16. (C) TITLE IX (REPRESENTATION AND CONSULTATION) IS UNCHANGED FROM CARMEL TEXT EXCEPT FOR MINOR EDITORIALS.

17. (C) AT MICRONESIAN SUGGESTION TITLE X (DISPUTE SETTLEMENT) NOW PROVIDES ONLY FOR BILATERAL NEGOTIATIONS IN ORDER TO SETTLE DISPUTES RELATING TO INTERPRETATION OR APPLICATION OF THE COMPACT.

18. (C) ON TITLE XI (AMENDMENT AND CHANGE OF STATUS):

A. SEC 1101 IS UNCHANGED.

B. SEC 1102 IS UNCHANGED FROM EDITED CARMEL TEXT EXCEPT THAT A TWO THIRDS RATHER THAN A SIMPLE MAJORITY VOTE IS NOW REQUIRED AGAINST TERMINATION OF THE COMPACT IF ANY DISTRICT DOES NOT WISH TO PARTICIPATE IN SUCH TERMINATION WITH THE REST OF MICRONESIA SUCH A DISTRICT WOULD THEN BE ENTITLED TO ENGAGE IN SEPARATE STATUS NEGOTIATIONS WITH USG.

C. SEC 1103 IS UNCHANGED FROM EDITED CARMEL TEXT.

19. (C) ON TITLE XII (APPROVAL OF THE COMPACT):

A. SEC 1201 IS UNCHANGED FROM EDITED CARMEL TEXT EXCEPT THAT A MAJORITY OF 55 PER CENT RATHER THAN SIMPLE MAJORITY OF ALL THOSE VOTING IN PLEBISCITE ON COMPACT WILL BE NECESSARY TO APPROVE COMPACT. THIS CHANGE WAS PROPOSED BY JCFS, WHO FIRST SUGGESTED TWO THIRDS THEN 60 PER CENT AND FINALLY 55 PER CENT. SALII EXPLAINED REQUIREMENT FOR MORE THAN SIMPLE MAJORITY AS EFFORT TO APPEASE CONGRESS OF MICRONESIA REPRESENTATIVES FROM THE SMALLER DISTRICTS WHO FEARED THEIR PEOPLE COULD BE SWEEP INTO THE COMPACT BY STRONG VOTES IN MORE POPULOUS DISTRICTS. THREE QUARTERS VOTE

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FOR DISTRICT REJECTING TERMINATION ALSO CHANGED TO TWO THIRDS.
 B. SEC 1202 IS UNCHANGED EXCEPT FOR OMISSION TO REFERENCE TO U.S. PRESIDENTIAL CERTIFICATION THAT JURISDICTIONAL AGREEMENT OVER U.S. FORCES IN MICRONESIA HAS BEEN CONCLUDED BEFORE COMPACT COMES INTO EFFECT. THIS FINDING IS AN INTERNAL MATTER FOR USG AND IS A CLEAR CONDITION OF WHICH JCFS WELL AWARE. OMISSION IN NO WAY AFFECTS NECESSITY OF CONCLUDING JURISDICTIONAL AGREEMENT BEFORE COMING INTO FORCE OF COMPACT.

20. (C) NO CHANGES WERE MADE IN ANNEXES BEYOND EDITED CARMEL TEXT.

21. (C) PALAU LAND DISCUSSIONS: AFTER ALL OF SALII'S EARLIER PROTESTATIONS AND THREATS HE SAID TOWARD END OF GUAM TALKS THAT U.S. SHOULD MAKE OWN ARRANGEMENTS WITH LOCAL AUTHORITIES IN PALAU FOR SURVEY. HE SAID COM WOULD WANT TO HAVE OBSERVERS PRESENT AT TIME OF SURVEY AND AGAIN SUGGESTED THAT HE AND TMETUHL WOULD BE THERE. HE SAID FURTHER THAT U.S. AND PALAU AUTHORITIES SHOULD DECIDE AMONG THEMSELVES SITE LOCATIONS AND ALTERNATIVES. WHEN ACTUAL TALKS FOR OPATIONS BEGAN HE SAID JCFS WOULD THEN WISH TO BE PARTY TO NEGOTIATIONS, AMBASSADOR WILLIAMS REPLIED THAT HE AND CAPTAIN SCOTT AND ALF BERGESEN PLANNING TO VISIT KOROR AS PLANNED ON JULY 15 AND 16 AND WOULD PROPOSE TO LOCAL AUTHORITIES THAT U.S. SURVEY TEAM VISIT PALAU SOMETIME DURING THE LAST TWO WEEKS IN AUGUST FOR A PERIOD OF TEN TO FOURTEEN DAYS. THE AMBASSADOR SAID THAT HE STILL HAD HOPES THAT ADMIRAL CROWE WOULD BE MADE AVAILABLE TO HEAD THE U.S. TEAM.

22. (C) APPROVAL PROCESS:

A. WITH REGARD TO APPROVAL PROCESS AND PROCEDURES, SALII SAID JCFS VISUALIZED PROCESS UNDER WHICH COMPACT AFTER SIGNATURE WOULD BE SENT TO COM AT ITS REGULAR JANUARY SESSION. IF APPROVED THE COMPACT MIGHT BE SUBMITTED TO THE CONSTITUTIONAL CONVENTION FOR REVIEW BEFORE BEING VOTED ON BY THE PEOPLE. IN RESPONSE TO REPEATED QUESTIONS HE AND WARNKE BOTH CONTENDED COMPACT SHOULD NOT GO TO PLEBISCITE IN ADVANCE OF COMPLETION OF CONSTITUTION AND THAT IDEALLY BOTH SHOULD BE REFERRED TO PEOPLE FOR APPROVAL AT SAME TIME. THEY CONYENDED PEOPLE COULD NOT VOTE INTELLIGENTLY ON FUTURE POLITICAL STATUS UNLESS THEY KNEW AT SAME TIME WHAT KIND OF GOVERNMENT THEY WOULD HAVE. (WARNKE EVEN ARGUED CONSTITUTION REFERENDUM WOULD PRECEDE COMPACT PLEBISCITE).

B. AMBASSADOR WILLIAMS, RECALLING EARLIER JCFS PREFERENCE FOR YES-NO VOTE ON COMPACT, SAID MAY QUESTIONS BEING RAISED IN WASHINGTON AND THE UN ON THE NATURE OF PLEBISCITE, ESPECIALLY

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WHETHER INDEPENDENCE OPTION SHOULD NOT BE ON BALLOT. SALII AND WARNKE'S ANSWERS WERE NON-COMMITTAL LEAVING ROOM FOR SEVERAL INTERPRETATIONS, BUT ENDED AGREEING "WHAT SHOULD BE ON THE BALLOT" SHOULD BE AGENDA ITEM FOR NEXT ROUND OF DISCUSSIONS. AMBASSADOR WILLIAMS NOTED IF INDEPENDENCE ON BALLOT IT WOULD NEED SOME KIND

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OF DEFINITION AND POINTED OUT (AS AUTHORIZED) THAT FROM U.S. STANDPOINT IT WOULD HAVE TO INCLUDE CONTINUATION OF KWAJALEIN LEASES AND DENIAL OF AREA TO THIRD COUNTRIES. SALII BRISTLED AT THIS AND ASKED IF U.S. UNWILLING TO OFFER MICRONESIA FULL INDEPENDENCE. AMBASSADOR WILLIAMS REPLIED NO QUESTION ABOUT FULL POLITICAL INDEPENDENCE AND FULL ECONOMIC INDEPENDENCE AS WELL. SALII MADE NO REPLY BUT IT SEEMS CLEAR THAT HE GOT THE POINT.

C. DISCUSSION OF COMPACT APPROVAL PROCESS NOT ALTOGETHER HARMONIOUS. IT BROUGHT OUT INTO OPEN SALII'S CONTENTION THAT IT IS A CONGRESS OF MICRONESIA MATTER, AN INTERNAL AFFAIR AND THAT THE JCFS AND THE COM WOULD DECIDE WHEN AND HOW THE PLEBISCITE WOULD BE CONDUCTED. WHEN REMINDED THIS IS THE ULTIMATE RESPONSIBILITY OF THE ADMINISTERING AUTHORITY SALII OBJECTED SAYING THAT USG WAS NOT GOING TO TELL COM WHEN THE PEOPLE WERE READY TO VOTE AND WHEN THE TRUSTEESHIP WAS TO BE TERMINATED. HE IMPLIED THAT UN WOULD NOT STAND FOR U.S. DICTATION OF TERMS OF PLEBISCITE AND TERMINATION. U.S. ASSURED SALII AND OTHER MEMBERS JCFS OF ITS INTENTIONS TO WORK CLOSELY WITH COMMITTEE AND CONGRESS ON ALL ASPECTS OF TERMINATION PROCESS AND SUGGESTED THAT THE ENTIRE MATTER BE PLACED ON THE AGENDA FOR THE NEXT MEETING OF THE FULL DELEGATIONS. IT WAS SO AGREED.

23. (C) TRANSITION. AS REQUESTED BY JCFS AT CARMEL AND AUTHORIZED BY LATEST INSTRUCTIONS AMBASSADOR WILLIAMS AGREED TO GIVE FORMAL U.S. COMMITMENT ON CIP AND GOVERNMENT OPERATIONS FIGURES DIS-

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CUSSED AT CARMEL FOR TRANSITION PERIOD STRETCHING INTO TWO STAGES FROM FY 1976 THROUGH FY 1980 (OR SOONER IF THAT CAN BE ACCOMPLISHED), GAVE JCFS DRAFT LETTER OF COMMITMENT TO BE SIGNED AT SAME TIME AS COMPACT. JCFS AGREED TO STUDY IT AND PROVIDE COMMENTS. LETTER MAY ALSO BE REVISED TO INCLUDE JCFS REQUESTED COMMITMENTS ON GREATER GOM PARTICIPATION IN BUDGET PROCESS ESPECIALLY DURING STAGE II, USG COMMITMENT NOT TO ENTER INTO TREATIES DURING TRANSITION PERIOD PERTAINING PREDOMINANTLY OR EXCLUSIVELY TO MICRONESIA WITHOUT COM CONSENT AND PROVISION AND U.S. COMMITMENT TO MAINTAIN CURRENT LEVELS OF FEDERAL SERVICES (OPSTAL, FAA AND WEATHER) DURING TRANSITION PERIOD.

24. (C) THE COMPACT AND THE MARIANAS. AT CONCLUSION DISCUSSION ON DRAFT COMPACT SALII SAID HE WISHED USG TO KNOW THAT JCFS ENDORSED THE LNTC JUNE 74 REPORT THAT THE FREE ASSOCIATION COMPACT SHOULD BE SUBMITTED TO THE PEOPLE TO THE MARIANAS AT THE TIME OF THE PLEBISCITE. HE SAID THAT ONLY BY REFLECTING THE COMPACT WOULD THE PEOPLE OF THE MARIANAS BE FREE TO SEEK A SEPARATE STATUS. THIS WAS ANOTHER SALII SWITCH FROM HIS CARMEL POSITION. IN APRIL HE HAD SAID A PRIOR VOTE FAVORING THE COMMONWEALTH AGREEMENT WOULD OBTAIN THE NEED TO HAVE THE MARIANAS VOTE ON FREE ASSOCIATION. IN REPLY AMBASSADOR WILLIAMS SAID HE HAD TO RESTATE WHAT U.S. HAD SAID AT EVERY ROUND AND EVERY INFORMAL MEETING SINCE JULY 72 THAT THE COMPACT APPLIED ONLY TO THE CAROLINES AND THE MARSHALLS. THE AMBASSADOR SAID THIS SAME POSITION HAD ALSO BEEN TAKEN BY THE REPRESENTATIVES OF THE MARIANAS AT ROUNDS 5, 6 AND 7. HE SAID THAT THE POSITION OF THE USG REMAINED UNCHANGED ON THIS SCORE. WARNKE ASKED IF USG WILLING TO GIVE PEOPLE IN MARIANAS CHANCE TO DECIDE WHETHER THEY WISHED TO REMAIN UNITED WITH OTHER DISTRICTS. HE SAID MARIANAS NEGOTIATORS HAD NO MANDATE FROM PEOPLE FOR SEPARATE TALKS. U.S. REPLIED THAT PEOPLE IN MARIANAS HAD ALREADY EXPRESSED THEIR PREFERENCE ON SEVERAL OCCASIONS BUT WOULD BE GIVEN OPPORTUNITY TO AGAIN FREELY EXPRESS THEIR WISHES ON THEIR FUTURE POLITICAL STATUS.

25. (C) DRAFT COMPACT WILL NEXT BE DISCUSSED BY SALII WITH ENTIRE JCFS AND THEN SUBMITTED TO COM AT JULY SESSION FOR INFORMATION ONLY. BOTH SIDES AGREED THAT AFTER SUB-NEGOTIATIONS FOR LAND CONCLUDED SUCCESSFULLY A FINAL FULL ROUND OF NEGOTIATIONS WOULD BE SCHEDULED THIS FALL FOR THE PURPOSE OF SIGNING THE COMPACT. COMPACT WILL THEN BE SUBMITTED TO THE NEXT REGULAR SESSION OF THE COM FOR APPROVAL. SIGNED BERGESEN.

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