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II. Review of Basic U.S. Objectives and Interests

A. (U) Political Aspects

1. The U.S. has several fundamental and important political interests in Micronesia and obligations to its peoples under the Trusteeship Agreement with the U.N. Security Council. These must be observed and respected.

2. The U.S. has a strong vested interest in a stable, friendly and peaceful Micronesia. Hence, we must reinforce the close and amicable relationship established over the past thirty years with its peoples.

3. Over and above any specific interests, the U.S. has a general concern for the long-term welfare of the people of Micronesia and intends to do whatever is possible to assist them in attaining not only a greater measure of self-government but the economic and social goals judged to be necessary or desirable. This long recognized both by Congress and Executive Branch.

4. While we have not felt it possible to grant an immediate full measure of self-government to the Micronesians in the past, primarily because of the lack of internal political cohesion and economic development, since 1969 we have been dedicated to as rapid as possible progress towards full internal self-government and to the termination of the Trusteeship at an early date. After next spring this will be the last remaining Trusteeship out of the original eleven established after WW II.

5. With respect to the Marianas, we are hopeful that the peoples of Guam and the Northern Marianas will eventually decide

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to form a political union, as part of the American political family, but recognize current difficulties, standing in way of doing this now in view of disparity in size and economic strength

6. Finally, the U.S. is desirous of gaining international acceptance of the agreed status arrangements. In this respect, one of the objectives we have in mind is the approval of the status agreements by appropriate elements of the U.N., although we are not prepared to accept a veto by or delay in the implementation of the agreements once they have been approved by the peoples of Micronesia and the U.S. Congress.

#. B. Strategic

1. (U) General

a. U.S. strategic policy in the Pacific has special meaning in the case of Micronesia, which embraces major segment of the Pacific. Major elements are that while U.S. will look to nations directly threatened to assume primary responsibility for their internal defense, it will provide a nuclear "umbrella and protection against intervention of another major power, for allies and countries whose survival is deemed in our national interest. For this need to be able to support U.S. forces in the area as far forward as possible and to deny area to possible hostile powers.

2. (U) Pacific Area - General

- Need for a super power standoff in area.  
-- Emphasis on peacetime measures to be taken by U.S. to carry out responsibilities as far as international peace and security are concerned.

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- Reasons for creation of strategic trust still exist.

-- Forward basing of U.S. forces remains essential in interest of speed, flexibility of response and credibility of deterrent and intentions.

-- Denial of area to foreign powers for military purposes.

--- missile, air, naval bases.

--- threat to control of air and sea lines of communication in central Pacific.

-- Creation of a stable environment for trade and development.

-- Reassurance to our allies of our continuing interest and ability to play a stabilizing role.

- Basing

-- Present U.S. basing structure in Western Pacific could (and has already to some extent) become subject to unforeseen political and other pressures which might deprive U.S. of operational flexibility and therefore produce need for alternate basing sites in area.

### 3. (S) Tinian

(U) -- As basing agreements in other parts of the Western Pacific have become more tenuous, Tinian has become an increasingly desirable and realistic location for forward basing.

(U) -- Need is immediate, not contingent. Complementary to Guam.

(U) -- Recognized since beginning these negotiations that joint service base for air and logistics support and such need.

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maneuver area was highly desirable in this area established in an environment which was as politically stable as possible.

(U) -- Assumption now is that Marianas Island District TPI will have taken steps to join U.S. in a commonwealth status thus providing assured availability over the foreseeable future.

(U) - Tinian will be developed into a military base complex by the Services to satisfy near term operational requirements. These are:

(S)

-- Facilities to support the surveillance and the LOC in Pacific including in the process the defense of the rest of Micronesia and assure its denial to others.

-- Provide for USMC combined air and ground training - a current requirements.

-- Preserves alternative location in Western Pacific for U.S. forces in event of base denial in more forward areas (e.g., Korea, Philippines, Japan, Thailand).

-- Alternate airfield for aircraft on trans Pacific flights diverted from Guam and aircraft carriers operating off shore.

(S) -- Provides complex in Mariana Islands chain not subject to increasing political pressures and urban encroachment of Guam.

-- Pressures on Navy to relocate NAS Agana.

-- Overcrowded conditions on Andersen AFB

in the past.

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### III. Progress in the Marianas Negotiations

- We have now completed the fourth session of talks with the Marianas Political Status Commission May 15-31 in Saipan.

- The talks were very successful and agreement was reached on all major issues.

- A final draft of the agreement is presently being written and is expected to be ready for consideration by early-October.

#### A. Main Elements of Agreement

- The basic elements of the agreement thus far as set out in the May 1974 Joint Communique are commonwealth for the Northern Marianas under U.S. sovereignty upon termination of the trusteeship, continued U.S. financial support over an initial seven year period and the satisfaction of U.S. military land requirements on Tinian and Saipan.

- The potential for a future union with Guam remains open.

- Under the commonwealth, the citizens of the Northern Marianas could choose to be either U.S. citizens or nationals.

- They would be self-governing with a popularly elected government and legislature, and will have the right to draft and adopt their own constitution and to establish local courts to administer local law in addition to having a federal court.

- Following final approval of the agreement and the new Marianas constitution and before the Trusteeship is ended the new arrangements would be implemented on an interim basis with the new government functioning in all respects as it would after the ending of the trusteeship except for those few features which might be incompatible

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-- No land for expansion on Guam to accommodate activities planned for Tinian.

(S) - Reduces balance of payments problem.

4. (U) Other Marianas requirements contingent in nature on:

5. (U) Marshall Islands - Kwajalein

(U) -- Research and development requirement in foreseeable future.

(U) -- Location for both operational and development missile tests.

(C) -- No alternative site.

(U) -- Considerable U.S. investment in extensive facilities.

6. (U) Palau (Koror and Babelthuap)

(U) -- Great potential for future development of a logistic, cantonment, airfield, maneuver area and harbor facility

(U) -- No current plans to construct any facilities or station forces in Palau.

(U) -- Use of maneuver area is a near term requirement.

(U) -- U.S. is negotiating for options only.

(U) -- 800 miles closer to South China Sea than Guam

(C) -- Desirable fallback position for U.S. base in event of loss of base rights in Philippines.

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with the Trusteeship Agreement.

- The Marianas District has now asked to be administered separately from the rest of Micronesia even before that time and we expect to grant that request just as soon as the new agreement is approved by the people of the Marianas and before it can be implemented.

#### B. Military Bases.

- Approximately 17,475 acres will be made available on the northern two-thirds of the island of Tinian for the development of a joint services military base.

- The Marianas will make available to the United States the entire island of Farallon de Medinilla, consisting of 229 acres, be used as a live ammunition target area.

- The Marianas will also make available 197 acres in the southern portion of Tanapag Harbor on Saipan most of which will be developed into an American living memorial park honoring the dead of WW II be used for public recreation purposes, the remainder being set aside for future contingency military purposes but leased back to the GOM for purposes compatible with that military use.

- Approximately 482 acres south and adjacent to the southern runway of Isley Field on Saipan will be made available for future contingency use by U.S. forces on a similar basis.

- The United States will relinquish its use rights to all remaining military retention lands in the Northern Marianas, approximately 4,691 acres, and return them to the public domain.

#### C. Financial Features

- The United States will provide financial support to the new

commonwealth over an initial period of seven years in the form of assistance for budgetary support and economic development so as to facilitate the achievement of economic self-sufficiency and higher standards of living for the people of the Marianas. These amounts are subject to renegotiation at the end of the seven years.

- With the approval of Congress, the United States will provide annually in constant dollars \$13.5 million in direct grants for support of government operations after the installation of the new government.

- These direct grants will consist of \$8 million for support of government operations, \$1.5 million for economic development loans with \$500,000 of this amount reserved for small loans to farmers, fishermen and agricultural cooperatives, and \$4 million a year for Capital Improvement Projects, of which \$500,000 a year will be reserved for the islands of Rota and Tinian.

- In addition, the people of the Northern Marianas would be eligible for a wide range of federal programs at a value estimated at some \$3 million a year.

- With approval of Congress, \$1.2 million will be made available to the Marianas District Legislature to conduct basic economic studies, develop transition plans and to arrange for the employment of experts.

- The United States would also, with the approval of Congress, rebate to the treasury of the Northern Marianas all customs duties and federal income taxes derived from the commonwealth of the Northern Marianas; the proceeds of all taxes collected under the



internal revenue laws of the United States on articles produced in the Marianas and transported to the United States, its territories or possessions, or consumed in the Marianas; the proceeds of any other taxes which may be levied by the Congress of the United States on the inhabitants of the Marianas; and all quarantine, passport, immigration and naturalization fees collected in the Marianas Commonwealth. Finally, the Marianas would be expected to benefit increasingly in financial terms from the buildup of U.S. military facilities and personnel. In particular, it would receive as rebates all of the income taxes on U.S. military personnel stationed in the Marianas.

D. Outstanding Issues

-- Issues remaining to be settled concern development of a formula to permit the voluntary limitation of the plenary powers of the federal government within the commonwealth in certain specified areas of the commonwealth internal affairs, requested exception for the commonwealth from certain federal laws applying to other U.S. territories, and detailed land negotiations including terms of acquisition of the land, whether it will be leased or purchased, whether it will be paid for by lump sum or in periodic installments and the negotiation of the price to be paid.

-- The new commonwealth would like to be excepted from such laws as the Jones Act, the minimum wage law and others which they contend create a hardship on an outlying new territory. They would also like to be exempted from the application of the Federal Internal Revenue Code to its citizens at least during the early days of the commonwealth.

--These issues are presently being discussed at the technical level and will be negotiated out at the next session.

E. Prospects for the Future

--For the future, it is now anticipated that it may be possible to hold a fifth and final negotiating round in early November, provided outstanding issues can be solved.

- The first of these will be agreement on land related issues especially price and terms of acquisition of the land needed for military use.

- If all goes well, approval of the agreement by the Marianas District Legislature could take place in December and preparation for a plebiscite begun at that time.

--Preparations for a constitutional convention should also begin at that time.

- A plebiscite on the commonwealth agreement might be held as early as March of 1975.

--If accepted by the people, the Secretary of the Interior is then expected to order the administrative separation of the Marianas from the rest of the Trust Territory.

--The approved status agreement would then be submitted to the U.S. Congress for its approval.

- In the fall, a constitution being written, it will be presented to the people for their approval and if approved will be given to the U.S. Congress for its approval.

--In July 1975, with Congress approval the new commonwealth government will take office.

--After approval of their own new status agreement by the people

districts of the TTPI - both that agreement and the commonwealth agreement would be given to the U.N. with a view to ending the trusteeship and the trusteeship agreement will end simultaneously for all parts of Micronesia.

IV. Highlights of JCFS Negotiations

1. Attached is a copy of the most recent draft Compact of Free Association, as previously provided the Committee staff. Full agreement on several important points is still lacking but significant progress in the negotiations has occurred since the last formal round of negotiations in November 1973 as a result of those informal discussions held in Carmel and Guam during the past several months.

2. Principal points of draft agreement are -

a. The people of Micronesia to be responsible for their own internal affairs with their own constitution, laws, system of justice and form of government. Their constitution is to guarantee fundamental human rights other (basic) democratic principles and be consistent with the Compact.

b. U.S. continued full responsibility for and authority over both foreign and defense affairs. We have agreed to consult with them on matters of mutual concern relating to foreign affairs;

c. Right of U.S. to prevent third parties from using Micronesian territory for military purposes and to use certain military facilities. Among the latter are the missile test range in the Marshalls, and possible facilities in Palau, for which we are seeking at the present time only land options for port facilities in Koror, a logistics base and a maneuver area in Babelthuap and the right to use the civilian airfield jointly.

d. The U.S. has offered substantial financial and economic assistance, over the first fifteen years of the life of the Compact.

e. The Compact could be terminated only by mutual consent during the first 15 years and thereafter would be terminable by unilateral action but only after a satisfactory security agreement had been concluded embodying U.S. base rights and denial of the area to third parties. (0-431812

3. Economic and financial assistance.

a. If the agreement is approved by Congress the U.S. would be committed to provide on a grant basis, \$35 million annually in support of the operations of the new GOM during the first five years of the Compact. This amount would drop to \$30 million annually during the next five years and \$25 million during the remaining five years of the fifteen year period;

b. For capital improvements, the U.S. would also be committed to \$12.5 million annually for the first five years of the Compact; \$11 million annually over the next five years and \$9.5 million during the last five years of the period.

c. In addition, we would provide up to \$5 million annually in loans for specified economic development projects; half of this amount would be reserved for small business loans at the district level - to be administered by the District Governments;

d. The U.S. is also prepared to continue certain federal programs without compensation - the postal, weather and FAA services; the costs of other agreed services would be charged against the grants mentioned above;

e. All the above amounts would be adjusted annually to reflect any changes in the purchasing power of the dollar as reflected by changes in the Guam consumer price index;

f. During the period between now and the end of the Trusteeship, the U.S. with Congress' approval would attempt to reduce the present level of support for government operations by providing operational grants on a descending scale but in constant dollars - \$48 million in FY 76, \$47 million in '77, \$46 million in '78, \$44 million in '79 to \$39 million in '80. However, the U.S. would provide increased amounts for CIP through FY 78 and then taper off

\$22 million in FY '76, \$26 million in '77, \$30 million in '78, \$18 million in '79 and \$14 million in FY '80. We will be seeking Congressional approval of the first two years of this schedule in the very near future and the remainder after the Compact itself is approved.

#### 4. Issues

a. Price and modalities of our military requirements - options - in Palau must still be negotiated; we intend to insist that this be done before we sign a draft agreement;

b. The JCFS may attempt to weaken U.S. primacy in the area of foreign affairs; this will be strongly resisted;

c. Regarding termination, the JCFS has asked for the right to unilaterally declare the Compact null and void if we are guilty of a "serious breach" of the terms of the agreement regardless of the termination provision of the Compact;

d. The JCFS/COM have now said they are unwilling to accept the separate Marianas negotiations or separate administration of the Marianas District unless the Marianas first rejects the Compact of Free Association. The U.S., however, is now publicly committed to allow the Marianas to vote freely on accepting a closer relationship as a manifestation of their right of self-determination and considers the compact of free association as presently drafted to apply only to the Carolines and Marshalls.

#### 5. Prospects for the future.

a. We envisage the following optimum schedule

(1) completion of negotiations for the additional military rights (options) in Palau by the end of November;

(2) final round of formal status negotiations and signature of draft compact in December '74;

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- (3) approval of draft compact by COM in March '75;
- (4) a new constitution and successful referendum prior to the end of 1976;
- (5) a status plebiscite sometime before the summer of '76;
- (6) submission of proposed compact to U.S. Congress immediately following a successful plebiscite;
- (7) Submission of new arrangements to U.N. following U.S. Congressional approval of Compact;
- (8) gradual phase in of new GOM transition government beginning June '77;
- (9) Trusteeship ends - 1980 and compact becomes fully effective

V. Anticipated Role of the U.S. Congress

Throughout the course of negotiations Williams and staff have endeavored to keep key members of Congress and staffs informed of progress of negotiations and solicit advice. Informal contacts primarily but occasional formal presentations as well. Last formal session in Senate before Johnston subcommittee in spring of last year, but many informal fill-ins for members and staff since. Also updates in connection with annual authorization and appropriation hearings. (Will appear two weeks from now along with Interior witnesses on supplemental authorization bill.)

Advice and views of Senate actively solicited. Need benefit of Congressional thinking and experience. Need to anticipate problems which face individual members and issues likely to surface when agreements put to U.S. Congress officially. Recognize Congress cannot be committed in advance, but desire to avoid as much as possible taking any action contrary to presently known Congressional views. Desire as well to avoid any suggestion to other side in negotiations that it would be in their interest to attempt to drive wedge between Congress and Executive Branch.

In view fact that both houses approved trusteeship back in 1947, Administration has been operating from beginning of negotiations on assumption that both houses would wish to approve arrangements which will end it. Assumption thus far affirmed informally by Congressional leaders contacted on subject. How Congress will do this of course matter for Congress to decide. Suggestion made, however, that since Trusteeship Agreement approved by Joint Resolution it would be appropriate to have new agreements designed to replace



Trusteeship approved in same manner. Result in legal terms, as we understand it, would be to give agreements effect of law. If committee has contrary views would much appreciate being advised.

Also have assumed after informal consultations that Congress would not wish to have any more elaborate structure of enabling legislation than absolutely necessary. Some amendments to specific laws may be necessary, especially in case of Marianas, but we're still studying this and will stay in close contact with committee staffs on the point. Have not assumed that Organic Act either necessary or appropriate under circumstance in view unique nature of present trusteeship, anymore than it would have been appropriate to have negotiated treaty or executive agreement with MPSC or JCFS in view of TTPI's less than sovereign status.

Recognize that there may well be varied and different views in U.S. Congress about many specific points covered in Commonwealth Agreement and Compact of Free Association. Complex issues and many details necessarily involved. Several of these touched on earlier. Would be most grateful to know we are not off base in major respects, such as proposals in case of Marianas arrangements for voluntary limitation of certain otherwise plenary federal powers. Also would appreciate views regarding such basic questions as Congressional desire to approve new Marianas Constitution and timing of its presentation in relation to submission of agreement for Congressional approval. Would also like Congressional views informally on proposed timetable. Thinking now that Marianas package could be ready for presentation to Congress as early as next spring or summer, if it is to come to Congress after plebiscite is held. Could be earlier if Commonwealth Agreement to be presented before plebiscite, but this could delay plebiscite contrary to expressed

wishes of Marianas Commission which would like to see this accomplished as early as possible. Need committee's thoughts on this.

Joint Committee on Future Status has expressed somewhat different views about presentation of Compact of Free Association once it has been signed and approved by COM. Has suggested status plebiscite and referendum on new Micronesian constitution be held at some time, possibly as late as summer of 1976. U.S. has reserved judgment, one consideration being question of whether U.S. Congress would like to have Compact for approval before or after plebiscite. There are other considerations which argue both for and against this.

In summary, we are in many ways blazing new territory in procedural as well as substantive terms with these negotiations and have adopted from the beginning the principle that we must work just as closely as possible with the Congress in putting this complex package together. We need your views and your advice. We will continue to work in spirit of cooperation until the job is done with a view to seeing U.S. best interests served thereby and U.S. obligations are faithfully carried out.