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THE WHITE HOUSE
WASHINGTON

Old Executive Office Building
Room 361
Washington, D.C. 20506

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January 25, 1974

Dear Mr. President:

In my letter to you of November 28, 1973, I covered briefly the results of the seventh round of negotiations with the Micronesian Joint Committee on Future Status. I said then that I would give you in a few weeks a fuller report, my estimate of the negotiating situation and possibly new recommendations on future courses of action.

Since November 28 I have met privately with the Chairman and other representatives of the Micronesian Joint Committee. In addition we have completed a third session of separate status talks in Saipan with the Marianas District of the Trust Territory aimed at bringing those islands permanently into the American political family. It seems that the progress achieved thus far in these latter talks has had a net positive effect in terms of our interests in the Marianas and the other five districts.

Pursuant to your instruction I have given priority attention to the Marianas and have presented to them a proposal sufficiently attractive to provide a highly favorable comparison with the free association status alternative for the other districts of Micronesia. This strategy is one which responsible leaders in the U.S. Congress in private consultations have indicated they also strongly favor. This need to establish a preferential treatment for the Marianas was an important consideration behind our decision last November to limit the level of our offer of financial assistance to the Micronesian Joint Committee.

The results of our December 1973 negotiations with the Marianas exceeded our expectations. For the first time I believe the Marianas delegation is now firmly committed philosophically and psychologically to political union with the United States on terms consistent with our objectives. There is clear acceptance of full U.S. sovereignty over the proposed new Marianas Commonwealth, giving the federal government undisputed control in foreign affairs and defense. There is no question of any right of unilateral termination of the new arrangement. We have tentatively agreed to some limitation of the otherwise plenary powers of the federal government in internal affairs of the Marianas, but this will apply only in a few limited specific areas to be designated in the agreement establishing our new relationship. We have agreed on U.S. citizenship for the citizens of the Marianas who wish it and the status of U.S. nationals for those who do not.

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We have offered financial assistance for the new Marianas government which contrasts most favorably on a per capita basis with our offer to the rest of Micronesia. It totals \$11.5 million annually for the first five years of the new status. To this should be added regular federal programs and services, payment for military acquisition of land and significant additional revenues for the new government which would be realized from the presence of our military forces in the Marianas.

We have also come much closer to agreement with the Marianas Commission on our military land requirements. If the Commission holds to its views expressed in December we may be able to secure even more than our stated minimums. This includes two-thirds of the island of Tinian for a major joint service base, including port facilities and possibly a safety arc around the port to permit the unloading of ammunition without the construction of an expensive alternative docking facility. Continued exclusive use of a remote and uninhabited island for military target practice seems assured, as is joint use of the new Saipan airfield with necessary adjacent land reserved for contingent use. Also in Saipan I have hope that a contingent military requirement for land in the harbor area can be met by using acquired land as a memorial park and public recreation area honoring the American dead of World War II.

The atmosphere of the Marianas talks was positive and constructive. We expect to resume the negotiations in the spring and meanwhile will maintain continuity and momentum by continuing technical level discussions in Washington and in Saipan and through informal meetings with the Chairman of the Marianas delegation.

Turning back to the Micronesian Joint Committee talks in November, I believe in retrospect that despite the impasse over finances a number of important things were accomplished. This view has recently been echoed publicly by the Joint Committee's Chairman. The Joint Committee accepted the newly announced U.S. policy of the early transfer of public land to individual districts of Micronesia subject to certain basic safeguards. This policy removed public land as a major impediment to the resumption of negotiations. Our action also resulted in a complete reversal of the prior position of the leaders of the Palau District regarding U.S. military options there. From a policy of outright opposition a year ago they agreed in November to negotiate U.S. military land requirements in good faith.

We were able in addition to table U.S. proposals on the remaining titles of the draft compact of free association. Substantial agreement was reached on the text of three key titles even though actual figures on U.S. financial aid and the duration of our arrangements still remain to be negotiated. The level of U.S. financial commitments and termination provisions will constitute the key issues remaining for resolution in our next round of discussions. For the former, I will need certain modifications in my current instructions.

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In the area of financial assistance it is my present belief that we may be able to settle with the Joint Committee on figures that are approximately the same as the present level of assistance being provided the five districts in question. This is about \$55 million per year as compared to our last offer in November of a level of \$43 million and their last demand for a level of \$84.5 million, both excluding payments for land.

The foregoing judgment is contingent, however, on three related considerations. We should first be prepared to commit ourselves to a substantial capital improvements program in the five districts from now until the ending of the Trusteeship, when the financial assistance now being negotiated will start. This period of transition could well last for five years or more. We will also need to be able to adjust our figures to account for possible future changes in the value of the dollar. Finally, we must be in a position to commit the United States to provide an agreed amount for the relocation of the capitol of Micronesia from Saipan to one of the other districts. The most recent estimates range from \$22 to \$40 million.

I accordingly recommend the following:

1. That the ceiling of \$50 million per year contained in my present instructions be raised to \$60 million per year for up to 15 years -- this ceiling to include grants, loans, federal programs and services and payments for military land. Use of this authority would be contingent upon continued Micronesian agreement to U.S. rights in foreign affairs and defense as presently specified in the Compact.
2. That I be authorized to agree to periodic reviews of levels of U.S. assistance and possible adjustments therein if there is a material change in the value of the U.S. dollar.
3. That I be authorized to commit the U.S. Government to provide up to \$25 million for one-time costs of moving the capitol of Micronesia from Saipan to another district, subject to the approval of the U.S. Congress, with anything above that being provided on a matching basis of two U.S. dollars for every dollar provided by Micronesia and an absolute U.S. ceiling of \$35 million.
4. That the Department of the Interior develop a terminal five-year Capital Improvements Program for the five districts of Micronesia beginning in FY 1975 to be funded at no less than \$15 million per year and that I be authorized to commit the U.S. Government to provide such a program subject to Congressional approval.

With regard to termination provisions, the Joint Committee has already offered a proposal that fully meets our requirement for a complicated

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procedure for any unilateral termination of the compact after an initial period during which it could be modified or terminated only by mutual consent. I anticipate that it will be possible within my present instructions to reach a favorable agreement on the duration of the mutual consent time period.

However, from all indications it will probably be extremely difficult to negotiate an agreement which will provide for an automatic extension and survival of U.S. defense and base rights in the event of unilateral termination of the compact. Our opening proposal was for a total survival period of 99 years, but I anticipate that it will be necessary to fall back to the limit of 50 years plus at least a year's grace period following termination after 10 or 15 years, as contained in my instructions.

Given these new authorities it may be possible to bring these protracted negotiations to a conclusion within the reasonably near future, barring any major new political developments within Micronesia. Some observers have questioned whether the Joint Committee on Future Status really wants an early settlement and have further suggested that some members of the Committee may see a further delay as operating in their favor. On the other hand the Chairman of the Micronesian delegation last month pledged to move the negotiations forward and has stated publicly that he has never been more optimistic about the prospects of agreement. We in turn have suggested scheduling a series of informal discussions on finance and other matters at the technical level, which the Chairman has accepted. I will see the Chairman again on Saipan at the end of this month and will suggest in addition that at the conclusion of these technical level discussions the heads of delegation meet privately to identify and resolve any remaining differences, prior to the next round of formal talks. I believe that a new formal round of negotiations should not be scheduled until we are certain that agreement in substance has been reached on the most important remaining issues.

I would like to turn now to a few important considerations which lie outside of the Micronesia-Marianas negotiating forum but which require careful attention by responsible Departments and Agencies within the Executive Branch of the U.S. Government. The first of these is the relationship between the Marianas negotiations and Guam and the strong feeling on the part of the people of Guam that the Marianas should not receive a political status superior to theirs. In fairness it should be emphasized that the Guamanians feel they have served as loyal Americans for many years, including the difficult years of World War II. They assert that they should be given a status equal or superior to the commonwealth status being proposed for the Marianas. Unless this is done we can expect active opposition to the Marianas agreement in Guam and by influential members of the U.S. Congress. It should also facilitate eventual unification of Guam and the Marianas.

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