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TO: The Deputy Secretary
 FROM: EA - Arthur W. Hummel, Jr.

Micronesian Future Political Status Developments

On January 25 Ambassador Williams sent the attached report to the President on the current state of the future political status negotiations. In his report, the Ambassador asks for changes in his negotiating instructions which would permit him to commit the US Government to higher levels and broader categories of financial assistance (under a free association relationship) than presently authorized.

Although the Ambassador did not solicit the views and advice of the concerned Departments, we believe that the NSC Under Secretaries Committee can be helpful by forwarding a supporting letter to the President. We are presently clearing with Interior and Defense such a letter for your signature as Committee Chairman, which would contain one minor reservation. The Ambassador requests that any commitment to provide financial assistance in a free association relationship be limited to 15 years. No such restriction exists in his present instruction; realistically, a commitment to financial assistance may be required for beyond 15 years. We accordingly are seeking Interior and Defense concurrence in our view that there need not be a specific 15 year limitation on a financial commitment, although there should be periodic reviews of levels of assistance.

Of greater immediate interest to you, we believe that some of the data cited in the Ambassador's report are misleading and not comparable, and that his report omits any mention of a very disturbing development.

In his report, the Ambassador states (page 3) that the Micronesians in last November's free association negotiations, demanded \$845 million in annual financial assistance, while the last US offer was \$93 million.

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Compact of Free Association in order to reduce substantially US authority in these areas. (b) The report also recommends that the term "free association" be dropped or be redefined since the term, as presently understood, describes a relationship "not fully protective of Micronesian interests." Other recommendations which could cause problems include one which would, if accepted, prohibit Micronesian agreement to any US basing arrangements which could provide for nuclear weapons storage.

Whether the Congress of Micronesia will act on these recommendations by revising the negotiating mandate of the Micronesian Status Delegation remains to be seen. But the risk is high, since the recommendations appear to reflect accurately sentiment expressed in public hearings in Micronesia this past summer, as well as the attitudes of many and perhaps most members of the Congress of Micronesia since the collapse of the 1973 round of negotiations.

We understand that Ambassador Williams, who visited Saipan this week, intended to discuss the above problem with Senator Salii, the Chairman of the Micronesian Status Delegation.

Attachment:

Report of the Seventh Round of
Micronesian Status Negotiations.

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Although the formulae used to arrive at the totals of proposed assistance are complex, not truly comparable, and subject to varying interpretations, the figures cited by the Ambassador, even taking into account these considerations, appear to be very high. The working estimates prepared at the time of the negotiations by the Ambassador and his staff would indicate that the Micronesians' last specific proposal for US financial assistance added up to an average of \$73.5 million annually for ten years; the only specific US offer was an average annual figure of \$39 million for 15 years. (Both proposals envisaged higher annual sums at the beginning of the period, smaller amounts at the end, and both included cash grants, loans, and estimates of costs of US services -- such as the Postal Service and FAA.)

Just before the breakdown in the November negotiations the Micronesians did suggest that we "meet them half-way" on financing and then turn to negotiation of the other titles of the Compact of Free Association. This offer was not explored with the Micronesians or reported to the President. Taken literally, again accepting a number of variables, the offer could mean the Micronesians are prepared to agree on assistance in the neighborhood of \$56 million -- plus military land rents. This amount is well within the new funding authority requested by the Ambassador.

The disturbing development alluded to above, but not mentioned in the Ambassador's letter, relates to recent recommendations to the Congress of Micronesia by the Micronesian status delegation.

On November 20, the day before the end of last November's status negotiations the Chairman and Co-Chairman of the Micronesian Delegation signed two reports to the Congress of Micronesia reporting on Micronesian attitudes toward the future political status question. The report signed by Senator Salii, Ambassador Williams' Micronesian opposite, contained a number of recommendations to the Congress which, if adopted, would seriously undermine the negotiations and the entire free association concept.

(a) The report recommends that the Congress of Micronesia instruct its delegation to renegotiate the already agreed upon foreign affairs and defense titles of the

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