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THE WHITE HOUSE
WASHINGTON

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

December 31, 1974

Dear Mr. President:

Pursuant to my Presidential instructions I met with the Marianas Political Status Commission between December 5 and 19, 1974 in Saipan for the fifth formal round of status negotiations. Attached herewith is a copy of the joint communique and a draft "Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America", provisionally approved on December 19.

I have tentatively agreed with the Marianas Commission to meet again in Saipan beginning February 3, 1975 hopefully to reach final agreement on the Covenant, which is now being reviewed by each side, and on a proposed Technical Agreement, which will set out in detail the arrangements under which the Marianas will make available over 18,000 acres to the federal government for defense purposes. Before returning to Saipan for these final steps I will need your guidance and approval of some specific recommendations concerning certain provisions of the draft Covenant and other related matters. In addition, it will be necessary to review the essential elements of the provisional agreement once again with U.S. Congressional leaders and if possible secure in advance their informal concurrence. These ongoing congressional consultations will be intensified after the first of the year.

Our most recent negotiations in Saipan were greatly complicated by a number of unexpected developments. First, just prior to this negotiating session I was advised by the Department of Defense of an imminent change in their plans for the immediate construction of a major joint service base on Tinian. This revision in plans was confirmed by cable after the negotiations were underway and necessitated a significant shift in our previous negotiating stance. We were also faced with an internal political change within the Marianas brought about by the defeat of the incumbent Popular Party in the November election by the Territorial Party, including the defeat of the Marianas Senator who has served as chairman of the Marianas Political Status Commission. Both before and during the negotiations, however, we were able to bring the old and new Marianas leadership

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sufficiently together to permit the negotiations to be completed successfully. The Marianas Commission's proposal that the Covenant be signed in early February now has the blessing of all members of the Marianas delegation representing both political parties.

The Covenant to which I have provisionally agreed adheres closely to my Presidential instructions. If the Covenant is approved by the Marianas District Legislature, the people of the Marianas and both houses of the U.S. Congress, it would establish on termination of the U.N. Trusteeship a new self-governing U.S. commonwealth that will be firmly under the U.S. flag and U.S. sovereignty. Except for the name "Commonwealth" and granting U.S. citizenship or nationality to its people, the new arrangements, including a new locally drafted constitution, would be put into effect immediately following the final steps in this approval process while the U.N. Trusteeship still remains in effect. We are committed to end the trusteeship for all of the districts of Micronesia only at the same time, but we can administer the districts separately at any time under the terms of the Trusteeship Agreement.

The Covenant satisfies the Defense land requirements set forth in my instructions. The Marianas have agreed to make available two-thirds of the island of Tinian for a future joint service base, the entire small island of Farallon de Medinilla as a practice target area and contingent rights to 177 acres in the Tanapag Harbor area on Saipan. U.S. military aircraft will continue to have the right to use the new Saipan International Airport on a joint basis. The contingent requirement for possible use of 485 acres south of that runway was dropped as being too expensive.

In return we have tentatively agreed to pay a lump sum of \$19,520,600 to the new Government of the Northern Marianas for a 50 year lease on the property, automatically renewable at our option and without further payment for an additional 50 years. The federal government will also have an unrestricted right of eminent domain in the event other properties may be needed in the future for defense purposes, although we have agreed to exercise that right with special care in view of the great importance this island community attaches to one of its scarcest assets, namely, land.

Until such time as the Defense Department is ready to develop the Tinian base we have provisionally agreed to lease back to the new government and to selected private individuals, at a nominal sum of \$1 per acre, over one-third of the total area made available to us, so long as civilian use of the land is compatible with military requirements and plans. We have also agreed that most of the acreage in Tanapag Harbor acquired for military contingency purposes will be turned over to the new Marianas government to be used as a public memorial park honoring U.S. and Marianas dead in the Marianas World War II campaign, with the Marianas utilizing the U.S. payment of \$2 million for the land as a trust fund to develop and maintain the park. The remaining leased land on Tanapag, which will not be used immediately by the Defense Department, will be leased back to the Northern Marianas Government on the same basis as the military land on Tinian.

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In order to make the foregoing possible, Congress will have to approve \$17,520,600 as a lump sum appropriation for the use of the land on Tinian and Farallon de Medinilla for 100 years - a figure still within the limits of the original financial guidelines of the NSC Under Secretaries Committee policy paper on the Marianas. Until the closing hours of these negotiations I held to the position that the United States would insist on purchasing the land. The entire Marianas Commission had made it consistently clear from the beginning of the talks, however, that given the extreme sensitivity of the land issue politically in the Marianas they would never agree to a U.S. purchase; and they steadfastly refused to waiver in this resolve. The Marianas Commission was nevertheless persuaded to modify its original position which called for only a short term lease with periodically adjusted rental payments and finally accepted the present 100 year arrangement with a single lump sum payment. With the unfettered federal right of eminent domain provided for in the Covenant, future U.S. defense and other national interests will be adequately safeguarded.

In order to make possible the leaseback program provisionally agreed to it will be necessary in drawing up an acceptable detailed technical agreement to waive certain defense real estate and land use regulations applicable to Defense land transactions within States of the Union and to civilian use of military lands. I believe it is most important that a flexible policy be followed, especially during these politically critical transition years in the Marianas and while the immediate land use needs by the military remain minimal. The way we conduct ourselves in this initial period on this highly sensitive question of defense land management is likely to be a crucial test of our entire future civilian-military relationship. More importantly, approval of the Covenant by the people of the Marianas could very well hinge on how well the land issue is handled.

With regard to the \$2 million for Tanapag Harbor, both the Department of Defense and the Department of Interior have previously endorsed the concept of a memorial park but have been unable to agree on which department should have the responsibility of providing necessary funds for its development and maintenance. I believe that in the present circumstances the wisest course would be to seek a special appropriation from the Congress for the \$2 million trust fund for the park and include it as an integral part of the total Marianas financial arrangement. Funds for the construction of a suitable American monument should be sought in a separate appropriation for the American Battle Monuments Commission.

In my June 18, 1974 report on the fourth round of Marianas negotiations I recommended that the originally proposed annual ceiling of \$12 million of direct financial assistance to the Marianas in constant dollars over five years be raised to \$13.5 million in constant dollars over seven years, a recommendation endorsed by the NSC Undersecretaries Committee in their memorandum of July 30, 1974. During the recent negotiations the Marianas Commission pointed out that the unexpected change in the plans which had been put forth by the Department of Defense would drop their anticipated revenues by at least \$1.5 million annually. As a consequence the Commission asked for an additional \$1 million in direct assistance to compensate

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for the lost opportunity for better housing and employment income which would have resulted from the implementation of the publicly disclosed base plan for Tinian. I countered with an ad referendum offer of one-half million annually, half to be used for low income housing and the other half for special educational training programs associated with the change in status and the dislocation that would be caused by the relocation of the headquarters of the Trust Territory.

With these changes the draft Covenant now provides for \$8.25 million annually for seven years for support of government operations, \$4 million annually for capital improvement projects and \$1.75 million annually in grants for an economic development program emphasizing loans to farmer cooperatives, small fishing and maritime operations and the low income housing project. In addition the Marianas will be eligible for federal programs and services and will receive rebates on all federal excise and income taxes collected in the Marianas. (The Marianas Commission has agreed to apply the federal Internal Revenue Code as an internal tax on its own people in the Marianas and will retain the proceeds therefrom.)

We have kept the committees of the Congress concerned with these matters informed of our actions and have solicited the advice of key members and staff in advance of each stage in the negotiations. As a result of recent developments there are several points in the Covenant which must be checked out with the Congress. Among these are: (1) the Marianas request that future legislation not generally applicable to the states be applied to the Marianas only when they are specifically named in the legislation (Section 105); (2) the Marianas request that action be taken promptly by executive action to approve their new constitution (Section 202); and (3) the Marianas request that they be allowed to use federal grants to pay their share of revenue sharing programs, as they do today as part of the Trust Territory (Section 703). We are already in touch with the committees on these specific questions.

If we are able to sign the Covenant in early February, the forward timetable of events tentatively agreed to with the Marianas Commission is as follows:

- February, 1975 - Covenant and Technical Agreement submitted to the Marianas District Legislature for approval.
- March, 1975 - The beginning of political educational programs in the Marianas leading to a plebiscite on the Covenant.
- June, 1975 - U.N. observed plebiscite on the Covenant.
- July, 1975 - Northern Marianas separated from the rest of the Trust Territory for administrative purpose.
- July, 1975 - Covenant submitted to the Congress of the United States for approval.

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- Fall, 1975 - Marianas Constitutional Convention.
- Winter, 1975-76 - Marianas Constitutional Referendum.
- Spring, 1976 - Election of a new government.
- Summer, 1976 - Installation of the new Government of the Northern Marianas.

This may be an overly optimistic projection inasmuch as the new arrangements may face major hurdles in the months ahead. Nevertheless, the Marianas Political Status Commission is anxious to move forward without delay and has declared its position in positive terms that the plebiscite be held prior to July, 1975 and that the Marianas be separately administered as soon thereafter as possible.

There continues to be opposition to separate status for the Marianas within the Trust Territory, and especially within certain circles in the Congress of Micronesia. An organized, concerted campaign against the commonwealth arrangement for the Northern Marianas can be expected, led by strong Micronesian nationalists and supported in large part by dissident American expatriates, the anti-American press, by some radical elements in the Marianas and by limited segments of the Carolinian minority on Saipan.

While the majority of the U.N. Trusteeship Council is now resigned to separate status, other members may well continue to voice disapproval of commonwealth for the Marianas even in the face of an overwhelming popular vote in favor of union with the United States. In all probability the third world members of the General Assembly will eventually make their views known and it is expected that they will be denunciatory of any extension of U.S. sovereignty over the Marianas no matter how achieved.

The leadership of the 93rd Congress concerned with Trusteeship affairs has been favorable inclined and has supported the Administration's negotiating positions and objectives for the Marianas. The views of the new members are, of course, unknown and will have to be ascertained. They may be influenced in part by the position taken by the non-voting delegates from Puerto Rico, the Virgin Islands and Guam who are watching the Marianas talks with great interest. With this in mind we have made a deliberate effort to limit any exceptions for the Marianas from the normal rule for other territories, especially its new neighbor Guam.

With respect to Guam I had hoped that if action was taken to change its political status it would have been initiated prior to the conclusion of the Northern Marianas political status talks. In any event, I do not think that the proposed timetable for the Northern Marianas should be upset now because of the Guam question. However, I believe that it is essential to keep Guam's sensitivity in mind and that from a political-psychological point of view it is vital that the Guamanians be made to feel that Washington is receptive to suggestions from Guam regarding its own status

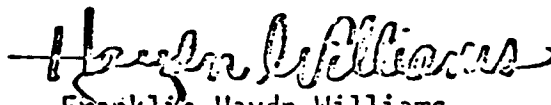
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and its federal relationships. In the meantime we should continue to keep all elements of the Government of Guam fully advised on all aspects of the proposed new commonwealth arrangement with the Northern Marianas.

In summary, Presidential approval of the following is necessary before the negotiations with the Northern Marianas can be concluded:

1. A new ceiling of \$14 million annually in constant dollars for direct financial assistance to the Marianas over an initial period of seven years;
2. A special appropriation of \$2 million to be paid to the Government of the Northern Mariana Islands to enable them to establish a trust fund for the development and maintenance of an American memorial park on land to be leased for Defense contingency use;
3. Instructions to the Department of Defense regarding exceptions to current regulatory restrictions to permit inclusion of a flexible leaseback program and other provisions in the proposed technical agreement for federal land not being used by the military in the Marianas;
4. An accelerated schedule of future events, in advance of specific action on Guam's future status, which will permit a plebiscite on the new Covenant by the people of the Marianas by late June; and
5. Instructions to the several interested departments and agencies of the U.S. government calling for a carefully coordinated presentation of all aspects of the Marianas arrangement to the U.S. Congress.

Very respectfully yours,



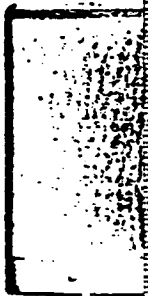
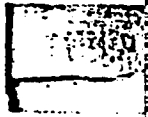
Franklin Haydn Williams
Personal Representative for
Micronesia Status Negotiations

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Should payment not be made within five years
from the date that Sections 802 and 803 of the Covenant

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come into force, then this Agreement will automatically
terminate and both parties will be released from all liability
or obligations created by this Agreement and Sections 802
and 803 of the Covenant.



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Section 802.

(a) The following property will be made available to the Government of the United States by lease to enable it to carry out its defense responsibilities:

(1) on Tinian Island, approximately 17,799 acres (7,203 hectares) and the waters immediately adjacent thereto;

(2) on Saipan Island, approximately 177 acres (72 hectares) at Tanapag Harbor; and

(3) on Farallon de Medinilla Island, approximately 206 acres (83 hectares) encompassing the entire island, and the waters immediately adjacent thereto.

(b) The United States affirms that it has no present need for or present intention to acquire any greater interest in property listed above than that which is granted to it under Subsection 803(a), or to acquire any property in addition to that listed in Subsection (a), above, in order to carry out its defense responsibilities.

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(a) The Government of the Northern Mariana Islands will lease the property described in Subsection 802(a) to the Government of the United States for a term of fifty years, and the Government of the United States will have the option of renewing this lease for all or part of such property for an additional term of fifty years if it so desires at the end of the first term.

(b) The Government of the United States will pay to the Government of the Northern Mariana Islands in full settlement of this lease, including the second fifty year term of the lease if extended under the renewal option, the total sum of \$19,520,600, determined as follows:

- (1) for that property on Tinian Island, \$17.5 million;
- (2) for that property at Tanapag Harbor on Saipan Island, \$2 million; and
- (3) for that property known as Parallon de Medinilla, \$20,600.

The sum stated in this Subsection will be adjusted by a percentage which will be the same as the percentage change in the United States Department of Commerce composite price index from the date of signing the Covenant.