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DEPARTMENT OF STATE

BRIEFING MEMORANDUM

March 12, 1974

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TO: The Deputy Secretary

FROM: EA - Robert S. Ingersoll

Micronesian Future Political Status Developments

The Congress of Micronesia on March 4 adjourned its annual 50-day session. The level of rhetoric and legislation expressing dissatisfaction with the US administration and the course of the status negotiations was high and often abusive. We still do not have all details, but much action clearly was directed at forcing political confrontations with the US, especially with respect to the status question. Two actions by the Congress were particularly significant.

-- The Congress adopted a resolution (introduced by the Chairman of the Micronesian status delegation, copy attached) which conditions future Congressional acceptance of any free association arrangement on either: (a) US agreement to the extreme financial demands made by the Micronesian delegation in last November's status talks, i.e. approximately 980 million per year in US subsidies; or (b) US agreement to a significant reduction in US foreign affairs and defense authority in return for Micronesian agreement to a smaller US subsidy.

-- At Ambassador Williams' behest, the Congress also adopted enabling legislation for a Micronesian constitutional convention which will meet no later than in 1975, but possibly in late 1974. The convention will be largely subsidized by a US Congressional appropriation of \$450,000.

The implications for the status negotiations are serious. The major negotiating issue now before us is the level of US financial assistance to

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Micronesia in a free association relationship. Given the Micronesian status delegation's new mandate, the compromise perhaps possible last November may be no longer viable. (Ambassador Williams made one offer of an annual subsidy averaging about \$40 million. A compromise in the range of \$55-60 million may have been possible.)

Even if the President approves the Ambassador's recent request for authority to commit the US to \$60 million per year plus a generous package of one-time transitional financial increments, this would not be adequate to satisfy the Micronesian delegation's new Congressional mandate when the Ambassador next meets with the Micronesians in April. Our counter proposals would of course be conveyed to the Congress.

Beyond this immediate problem, there is reason to believe that the Micronesians may have deliberately switched to stall tactics and that the above resolution may be designed not so much as a bargaining ploy, but rather to accuse Soloy in the status negotiations. Micronesians favoring either independence or the least possible political relationship with the US apparently now believe that time is on their side in terms of shifting Micronesian public opinion, US congressional and public attitudes, the UN, and the possibility of a change of US administration following the 1976 elections. Setting aside the questions of US Congressional attitudes and the possibility of a change in the US administration, the assessment is probably valid that time is operating against us within Micronesia and the UN.

The Congress of Micronesia in particular now also appears to prefer to have a constitutional convention adopt a constitution before conclusion of the status negotiations. In the words of the status delegation's last report to the Congress, adopted in early March by the Congress: "The people of Micronesia, through their adoption of a constitution, should dictate the terms of a compact between Micronesia and the United States, rather than letting the Compact dictate the terms of the constitution. ...a constitution could be a valuable negotiating tool in future rounds of negotiations." Based on known Congressional attitudes, and the legislative history of the constitutional convention bill we must assume there is a high risk

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that, without a clearly defined status framework, the constitutional convention will draft a constitution containing provisions in conflict with the free association arrangement presently envisaged, and unacceptable to the US.

It had been Ambassador Williams' hope that the compact of free association would be concluded prior to the convention, and that the compact would serve as the framework for the constitution which would have to be consistent with the compact.

In the above circumstances, we believe it important that every effort be made to assure that, by the time the constitutional convention meets, that body has an agreed-upon status framework within which to write a constitution. This problem and other current issues are addressed in depth in our reply to your memorandum of February 22, addressed to Deputy Assistant Secretary Lunnell. The reply, with recommendations, will be ready in a very few days.

Attachment:

Joint resolution on future
financial support for Micronesia.

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CONCURRENCE: EA - Mr. Snider

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A SENATE JOINT RESOLUTION

Stating the position of the Congress of Micronesia relating to the future financial support for Micronesia.

1 WHEREAS, at the Fourth Round of Negotiations between the Joint
2 Committee and the United States Delegation, the Joint Committee
3 proposed that future United States support for Micronesia, in considera-
4 tion of the rights and privileges which the United States would have in
5 Micronesia and of the continuing obligation of the United States to
6 contribute to the support and development of Micronesia, should be at
7 the level of \$100,000,000 annually; and

8 WHEREAS, at the Seventh Round of Negotiations, the United States
9 Delegation proposed a level of support in the form of grants equivalent
10 to \$60,000,000 annually; and

11 WHEREAS, in response to the United States' initial offer, the Joint
12 Committee made a subsequent offer for support at the level of \$80,000,000
13 per year in the form of grants; and

14 WHEREAS, the United States Delegation was unwilling or unable to
15 reconsider its proposal to offer a higher figure which would be acceptable
16 to the Joint Committee, which failure was the direct and proximate cause of
17 the breaking off of the Seventh Round of Negotiations; and

18 WHEREAS, the Congress of Micronesia has examined carefully the
19 anticipated needs of Micronesia over the coming years, and the positions of
20 the two Delegations based upon such needs; and

21 WHEREAS, it is the sense of the Congress that, with United States
22 financial assistance, Micronesia ought to become economically self-supporting
23 within the shortest possible time; and