



DEPARTMENT OF STATE
ACTION MEMORANDUM

March 22, 1974

1127

03
7

~~SECRET~~

TO: Chairman, NSC Under Secretaries Committee
FROM: RA - Robert S. Ingersoll *RSI*

Micronesian Status Negotiations

By memorandum dated February 22 to then Acting Assistant Secretary Hummel, you requested our assessment and recommendations on two important aspects of the Micronesian status negotiations:

-- When and under what circumstances it might be important to resolve State/Defense differences with respect to the assessment of our strategic interests in Micronesia (and associated financial implications); and

-- Whether and when Ambassador Williams should be specifically instructed to present to the Micronesians the Presidentially-approved independence option.

Strategic Importance of Micronesia

State and Defense are in basic agreement that, whatever Micronesia's future status, it is essential to obtain denial of foreign military access to these islands, and continuing US use of the missile range facilities on Kwajalein atoll. Defense additionally insists that basing rights in the Palau Islands (the "Palau options") are "essential" and "non-negotiable." State maintains that the options are at best desirable, and then only if obtainable on reasonable terms. Within the political status context, only the Palau options (among our strategic requirements) pose serious problems in terms of their negotiability; our "denial" and Kwajalein requirements can be easily satisfied. There is major doubt whether the Palau options can be obtained at reasonable cost, and, if obtained, whether they could ever be effectively exercised in the

~~SECRET~~
XGDS

OS- 425190

DEPARTMENT OF STATE A/CDC/MR

REVIEWED by *BHB* DATE *5/1/88*

- RELEASE
- DECLASSIFY
- EXCISE
- DECLASSIFY in PART
- DENY
- Non-responsive info.
- FOI, EO or PA exemptions

TS authority to: OADR
CLASSIFY as: OADR
DOWNGRADING TO: OADR

3/21/74

SECRET/EXDIS

- 2 -

event of future contingencies.

The costs of the Palau options have never been addressed in the negotiations. Ambassador Williams and DOD estimate that payments to land-owners and Palauan leaders, from any future US subsidy to Micronesia, could run to one million dollars per year. On present estimates, the overall Micronesian subsidy will be at least \$60 million per year. The one million dollar estimate is misleading if it is assumed that a major purpose of a free association arrangement is to provide political protection for the Palau options. Since our other strategic requirements can be protected within the framework of an independent Micronesia, the true costs of the options relate in great degree to the difference between the costs to the US of free association and Micronesian independence--perhaps at least \$30-40 billion per year.

The President's negotiating instructions to Ambassador Williams are ambivalent on the question of the essentiality of the Palau options. On the one hand the possibility of independence without the Palau options is accepted by the President. On the other, the Ambassador is instructed to negotiate a free association relationship which most satisfy the Palau options. The problem, as suggested above, is that the Palau options requirement may become the single most important obstacle to an otherwise satisfactory free association relationship--a relationship still preferable to independence, even in the absence of the options.

Early determination of the importance of these options thus would appear to offer a major advantage. If the President should determine they are only desirable, this would not affect our ability to obtain the options, but it would give the Ambassador the flexibility to conclude rapidly an otherwise satisfactory (and less expensive) free association relationship if the options are not obtainable.

SECRET/EXDIS

OS-425191

SECRET/EXDIS

- 3 -

In any event, early conclusion of a free association arrangement without basing rights in Palau would not preclude later negotiation of their acquisition as actually needed at some future date. A determination that they are essential (which we very much doubt will be the case) will as a practical matter result in no change in the Ambassador's current instructions. The only argument that may be advanced against early resolution of this issue is that we are not yet at a stage in the negotiations where it can be definitively asserted that the options are not available on reasonable terms.

Use of the Independence Option in the Status Negotiations

The independence option was recommended to and approved by the President on the basis that offerance of such an option is necessary to assure definitive resolution of the status question in both Micronesia and the UN. It has become clear that the Micronesians are unlikely ever to take firm decisions on their future status, and freely opt for association with the US, in the absence of an offerance and clear understanding of the alternative: independence. (The independence option is tailored to protect our essential strategic requirements-- "denial" and access to Kwajalein--should the Micronesians unexpectedly choose this course.) The independence option is also intended to strengthen our negotiating leverage by (a) convincing the Micronesians that the US will not pay any price to obtain association, and by (b) providing a stark and unattractive contrast to a mutually advantageous association. The absence of any US willingness to date to discuss independence in a relaxed and straightforward manner has convinced the Micronesians that they are well-advised to continue to stall in the negotiations, and meet each US concession in the free association negotiations with new ultimatata. This has been the history of the negotiations, at least since 1972. The Micronesians in this process have made few significant concessions to the US.

SECRET/EXDIS

05-425192

SECRET/EXDIS

- 4 -

In these circumstances, we believe the issue is not whether to use the independence option, but when. It seems logical and indeed necessary to surface it at a time when it will provide useful tactical leverage rather than merely to satisfy a UN and Micronesian requirement for its ultimate inclusion in a still-distant Micronesian plebiscite.

Several recent developments bear directly on the question of whether and when the independence option should be used. The Congress of Micronesia recently adopted a resolution which states that any free association relationship must satisfy the positions on US financial assistance taken by the Micronesian delegation during last November's status talks. This action appears to be designed to increase Micronesian bargaining leverage while also protracting the status negotiations. The Congress additionally adopted enabling legislation for a constitutional convention which will meet in 1975. The legislative history and debate of this action makes clear that the Micronesians hope to utilize the product of that constitution as an additional negotiating lever. We can safely assume that, in the absence of any prior establishment of an agreed upon political status framework for the convention to operate within, the constitution will contain provisions unacceptable to the US, especially in the area of our foreign affairs and defense authority.

A variety of other signs indicates that the Micronesians are stalling for time, and do not desire to conclude the status negotiations in the near future, and in any event before the constitutional convention. They feel that time will resolve internal divisions relating to their future status, and also operate in their favor with respect to obtaining the most advantageous political relationship with the US. Their assessment (at least on the latter point) is in our view valid.

SECRET/EXDIS

OS- 425193

SECRET/EXDIS

- 5 -

Against the above background, Ambassador Williams will meet with the leaders of the Micronesian Delegation in California on April 1. We expect he will have new instructions from the President which will authorize him to meet the Micronesians half-way on future financial relationships.

These developments are discussed at greater length at Tab C.

Conclusions

-- Our ability to conclude the Micronesian future status question probably depends in large measure on the importance we attach to the Palau options. An early decision on this and related points should be sought.

-- The Micronesian tactics of buying time through a series of ultimatums and US concessions will continue to operate against us and make difficult, if not impossible, early resolution of the political status question. The longer the process of resolving the status question, the more remote the prospects of resolution along lines satisfactory to us.

-- It is, therefore, important to force the pace of Micronesian future status decision-making processes. This requires that the Micronesians be faced with clearly understood alternatives, and pressure to choose between those alternatives.

Recommendations

That you sign the letter at Tab A which instructs the Interagency Group on Micronesia to reassess the relative importance of the Palau options, to address related issues, and to report to the NSC Under Secretary for Policy (which will), as appropriate, offer recommendations to the President.

SECRET/EXDIS

OS-425194

SECRET/EXDIS

- 6 -

That you sign the letter on Tab B which urges Ambassador Williams, at his April meeting with the Micronesian negotiators, to press for early resolution of the Micronesian future political status question by offering a clearcut choice between the Presidentially-approved independence option and free association, and through related measures.

Attachments:

- Tab A - Letter to Chairman,
Interagency Group on Micronesia
- Tab B - Letter to Ambassador Williams
- Tab C - Summary of Recent Micronesian
Developments

SECRET/EXDIS

Drafted: EA/ANP:JCDorrance:mhs
X20870:3/21/74

Concurrences: IO/UNP - Mr. Kimball
L - Mr. Johnson
PM/ISO - Mr. Stoddart (substance)
EA - Mr. Snider (substance)
EA - Mr. Hummel

OS- 425195