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CORRECTION

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SECT 79 OF 47565

ACTION
DISTR CJCS DJS SJCS(03) J3:(04) J4(08) J5(02) NMCC:(02) SECDEF(04)
SECDEF: ASD:IL(02) ASD:ISA(10) ASD:PA(01) GC(01) DIA:
CIA
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CORRECTION

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DE RUEACTA #0415 1001942
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ZNY CCCCC ZZH
P R 091712Z APR 74
FM SECSTATE WASHDC
TO RUEHSD/CINCPACREP GUAM TTPI PRIORITY
INFO RUEHSD/CINCPAC HONOLULU HI
RUEHSD/USUN NEW YORK 0000
BT
C O N F I D E N T I A L STATE 071459

TTPI

C O R R E C T E D C O P Y (OMISSION PARA 6)

E.O. 11652: GDS
TAGS: GO, TG, US, PFOR
SUBJECT: CARMEL TALKS ON MICRONESIAN STATUS

CINCPACREP GUAM/TTPI PASS STATUS LNO & HICOMTERPACIS SAIPAN

1. AMBASSADOR WILLIAMS AND SENATOR SALII MET INFORMALLY IN CARMEL BEGINNING APRIL 1 IN EFFORT TO REACH AGREEMENT ON REMAINING ISSUES IN COMPACT OF FREE ASSOCIATION PRIOR TO SCHEDULING POSSIBLE EIGHTH ROUND OF FORMAL NEGOTIATIONS. WILLIAMS ACCOMPANIED BY WILSON, WITH SILVER (OMSN) AND JOHNSON (STATE/L) AS ADVISORS. SALII ACCOMPANIED BY CO-CHAIRMAN

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REVIEWED BY <u>J FOLDMAN</u>	DATE <u>1/8/86</u>
RDS <input type="checkbox"/> or XDS <input type="checkbox"/> EXT. DATE _____	
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ENDORSE EXISTING MARKINGS <input type="checkbox"/>	
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SILK AND SENATOR OLTER, WITH PAUL WANRKE AS ADVISOR AND QUINN (TTHQ) AS BUDGET RESOURCE PERSON BOTH SIDES. INTENSIVE MEETINGS ENDED EVENING APRIL 5 WITH AGREEMENT ON ALL REMAINING TITLES OF DRAFT COMPACT, WHICH SALII WILL ATTEMPT TO CLEAR WITH ENTIRE JOINT COMMITTEE ON FUTURE STATUS SCHEDULED TO MEET APRIL 17-18, AND OMSN WILL CLEAR WITH INTERESTED WASHINGTON AGENCIES. FOLLOWING SUMMARY OF HIGHLIGHTS IS FYI ONLY PENDING SUCH CLEARANCES.

2. INITIAL FOCUS OF DISCUSSIONS WAS ON FINANCE ISSUE, WITH PARTICULAR EMPHASIS ON TRANSITION PERIOD BETWEEN NOW AND END OF TRUSTEESHIP. U.S. PROPOSED FLEXIBLE SIX YEAR PROGRAM IN TWO STAGES. FIRST STAGE WOULD BEGIN IN FY 1975 AND END WHEN MICRONESIAN PEOPLE HAD APPROVED COMPACT. DURING THIS PERIOD COMPACT WOULD BE AGREED TO BUT WOULD NOT BE SIGNED UNTIL MILITARY LANDS NEGOTIATIONS HAD BEEN COMPLETED AND AGREED AMOUNTS FOR LAND PAYMENTS HAD BEEN INSERTED IN TITLE IV OF COMPACT. COMPACT WOULD THEN GO TO COM FOR APPROVAL AND THEREAFTER TO PLEBISCITE. MEANWHILE, ACCORDING TO SALII TIMETABLE, MICRONESIAN CONSTITUTION WOULD HAVE BEEN DRAWN UP BY CONVENTION HELD NEXT APRIL WHEN STATUS AGREEMENT HAD BEEN COMPLETED AND WOULD BE PUT TO MICRONESIAN PEOPLE IN REFERENDUM A YEAR LATER, I.E., APRIL 1976, PREFERABLY WITH STATUS AGREEMENT GOING TO PLEBISCITE SIMULTANEOUSLY. CHANGE IN LENGTH OF TIME REQUIRED PRIOR TO APPROVAL OF STATUS AGREEMENT COULD SHORTEN OR LENGTHEN STAGE I, BUT TENTATIVE TARGET DATE IS JUNE 30, 1976. CIP WOULD BE STEPPED UP IN THIS PERIOD.

3. STAGE II WOULD BEGIN WHENEVER STAGE I ENDED AND WOULD LAST APPROXIMATELY FOUR YEARS. DURING THIS TIME COMPACT WOULD GO THROUGH U.S. CONGRESS, AND MICRONESIAN GOVERNMENT ESTABLISHED UNDER NEW CONSTITUTION (IF IT HAD BEEN APPROVED) WOULD BE GRADUALLY PHASED IN. U.S. WOULD UNDERTAKE SIGNIFICANT INCREASE IN CIP IN EARLY YEARS CUTTING BACK IN LAST TWO YEARS OF STAGE II. U.S. WOULD MEANWHILE BE TAKING NECESSARY ACTION IN U.N. TO TERMINATE TRUSTEESHIP.

4. BOTH SIDES AGREED ON NECESSITY FOR HOLDING DOWN COSTS OF GOVERNMENT OPERATIONS DURING TRANSITION PERIOD, WITH U.S. CONTRIBUTION DROPPING FROM FY 1975-76 HIGH AS MICRONESIAN'S INTERNAL REVENUES HOPEFULLY INCREASED AND SAVINGS WERE REALIZED THROUGH GOVERNMENT REORGANIZATION, PROGRESSIVE ELIMINATION OF EXPATRIATE PERSONNEL, ETC. ON ASSUMPTION OF TWO YEAR STAGE I, LEVELS OF U.S. SUPPORT TO BE RECOMMENDED

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IN CONSTANT DOLLARS FOR GOVERNMENT OPERATIONS IN ALL SIX DISTRICTS WOULD BE AS FOLLOWS (IN MILLIONS OF DOLLARS):

		CIP	OPERATIONS
STAGE I:	FY 1975	20	55
	FY 1976	25	55
STAGE II:	FY 1977	30	54
	FY 1978	35	52
	FY 1979	20	50
	FY 1980	15	45

5. WITH RESPECT TO POST-TRUSTEESHIP U.S. FINANCIAL SUPPORT SALII ACCEPTED U.S. PROPOSAL FOR 15 YEAR PROGRAM FOR FIVE DISTRICTS IN CONSTANT DOLLARS CONSTRUCTED ON DESCENDING SCALE AS FOLLOWS (MILLIONS OF DOLLARS):

	CIP	OPERATIONS
FIRST 5 YEARS, EACH YEAR	12.5	35
SECOND 5 YEARS, EACH YEAR	11	30
THIRD 5 YEARS, EACH YEAR	9.5	25

IN ADDITION, U.S. OFFERED DOLS 5 MILLION ANNUALLY IN REPAYABLE LOANS AND CONTINUATION OF U.S. FAA, WEATHER BUREAU AND POST OFFICE SERVICES ESTIMATED AT VALUE OF DOLS 2.5 MILLION ANNUALLY. LEVELS TO BE REVIEWED AT 5 YEAR INTERVALS AND END OF 15 YEAR PERIOD AMOUNTS OF FUTURE ASSISTANCE TO BE RENEGOTIATED, WITH ASSISTANCE TO CONTINUE AT PROGRESSIVELY DESCENDING RATE WHILE NEGOTIATIONS WERE PROCEEDING. (LAST POINT REPRESENTS COMPROMISE FROM SALII ORIGINAL INSISTENCE THAT LEVEL OF LAST 5 YEAR PERIOD CONTINUE INDEFINITELY WHILE NEGOTIATIONS PROCEEDING IN ORDER TO GIVE FUTURE MICRONESIAN GOVERNMENT SOME NEGOTIATING LEVERAGE).

6. ON TERMINATION PROVISIONS AND SURVIVAL OF U.S. DEFENSE INTERESTS IN MICRONESIA, SALII ACCEPTED WITHOUT ARGUMENT U.S. POSITION THAT UNILATERAL TERMINATION SHOULD NOT BE POSSIBLE UNTIL COMPACT IN EFFECT FOR MINIMUM OF 15 YEARS, AND AGREED TO TWO YEARS GRACE PERIOD AFTER NOTIFICATION OF INTENT TO TERMINATE. UNWILLING, HOWEVER, TO ACCEPT U.S. NOTION THAT U.S. BASE RIGHT AND DENIAL RIGHTS WOULD SURVIVE TERMINATION

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FOR ANY SET PERIOD OF YEARS. AFTER LONG DISCUSSIONS U.S. AGREED TO MICRONESIAN FORMULA UNDER WHICH TERMINATION WOULD NOT BECOME EFFECTIVE UNTIL U.S. AND MICRONESIA HAD NEGOTIATED MUTUAL SECURITY AGREEMENT EMBODYING U.S. BASE AND DENIAL RIGHTS. THIS IN EFFECT WOULD GIVE U.S. ABILITY TO NEGATE UNILATERAL TERMINATION IF TERMS OF MUTUAL SECURITY AGREEMENT NOT SATISFACTORY. IN ADDITION, HOWEVER, UNDER ORIGINAL SALII PROPOSAL U.S. ASSISTANCE TO MICRONESIA COULD NOT BE REDUCED BELOW WHATEVER LEVEL IT HAD REACHED AT TIME OF TERMINATION NOTICE AND WOULD CONTINUE INDEFINITELY WHILE MUTUAL SECURITY AGREEMENT BEING NEGOTIATED. FINAL COMPROMISE PROVIDES THAT ASSISTANCE CANNOT BE REDUCED FOR TWO YEAR PERIOD. IF AGREEMENT NOT REACHED BY THEN DECREASING SCALE WOULD BE RESUMED.

7. ON REMAINING TERMS IN DRAFT COMPACT SALII ACCEPTED U.S. DRAFT WITH ONLY MINOR CHANGES. CIVIL AVIATION SECTION IN TITLE VI MODIFIED SLIGHTLY. TITLE X REWRITTEN TO PROVIDE FOR THREE MAN PANEL ADVISORY ARBITRATION PROCEDURE IN EVENT OF DISPUTES. AT SALII'S REQUEST NEW LANGUAGE ADDED TO TITLE XII PROVIDING THAT IN EVENT THREE-QUARTERS OF VOTERS IN ANY DISTRICT DECIDE AGAINST COMPACT IN PLEBISCITE COMPACT WILL NOT APPLY TO THAT DISTRICT, EVEN THOUGH MAJORITY OF VOTERS IN TTPI VOTE IN FAVOR, AND THAT DISTRICT WILL BE FREE TO NEGOTIATE OWN FUTURE STATUS ARRANGEMENTS WITH U.S. WILLIAMS ACCEPTED THIS WITH PROVISU THAT U.S. CONSIDERS COMPACT TO APPLY ONLY TO CAROLINES AND MARSHALLS AND THAT THIS POSITION HAD BEEN MADE CLEAR AT THE OUTSET OF THE WASHINGTON TALKS OF 1972.

SALII SAID HE UNDERSTOOD AND ASSUMED MARIANAS WOULD HAVE VOTED ON COMMONWEALTH STATUS PRIOR TO PLEBISCITE IN OTHER DISTRICTS ON FREE ASSOCIATION. IF MAJORITY IN MARIANAS APPROVED COMMONWEALTH, MATTER WOULD BE ENDED. IF NOT, HE ASSUMED MARIANAS WOULD BE GIVEN OPPORTUNITY TO VOTE WITH REST OF TTPI ON COMPACT WHICH WOULD BE ADJUSTED AS REQUIRED TO MAKE THIS POSSIBLE. WILLIAMS AGREED. SALII ALSO STATED VOLUNTARILY AND EMPHATICALLY IN SILK AND OLTER'S PRESENCE THAT HE EXPECTED COMPACT TO BE PUT TO YES OR NO VOTE IN TTPI WITHOUT ALTERNATIVES. IF COMPACT IS REJECTED OTHER OPTIONS COULD THEN BE NEGOTIATED BUT HE WOULD NOT WANT TO NEGOTIATE THESE BEFORE THAT TIME. THIS VIEW STRONGLY SUPPORTED BY WARNKE.

8. WILLIAMS AND SALII AGREED THAT NEITHER TEXT OF NEW

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DRAFT COMPACT NOR SPECIFICS OF AGREEMENT WOULD BE RELEASED TO PUBLIC PRIOR TO NEXT FORMAL ROUND AND THAT MEDIA INQUIRIES WOULD BE ANSWERED WITH GENERAL EXPRESSIONS OF ENCOURAGEMENT AND SATISFACTION WITH PROGRESS OF INFORMAL TALKS. TEXTS OF DRAFT WILL BE PROVIDED TO ADDRESSEES FOR INFORMATION BUT SHOULD BE HANDLED AS CONFIDENTIAL UNTIL ADVISED OTHERWISE.

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