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Franklin Haydn Williams  
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STATEMENT OF AMBASSADOR HAYDN WILLIAMS,  
THE PRESIDENT'S PERSONAL REPRESENTATIVE FOR MICRONESIAN  
STATUS NEGOTIATIONS, BEFORE THE INTERIOR AND INSULAR  
AFFAIRS COMMITTEE OF THE UNITED STATES SENATE

September 12, 1974

Mr. Chairman and members of the Senate Committee on Interior  
and Insular Affairs.

I am Haydn Williams, the President's Personal Repre-  
sentative for the Micronesian Status Negotiations. With me  
this morning is the U.S. Deputy Representative, James M. Wilson,  
Jr., Vice Admiral Harry Train, Director of the Joint Staff, and  
Fred Radewagen, Acting Director, Office of Territorial Affairs,  
Department of the Interior, and various members of the Office for  
Micronesian Status Negotiations.

We are pleased to have this opportunity to appear before you  
this morning to review the progress that has been made in the  
negotiations to date, to identify certain remaining issues and  
to seek your counsel as we move into what we hope will be the  
final stages of our negotiations with the Congress of Microne-  
sia's Joint Committee on Future Status and the Marianas District's  
Political Status Commission.

I. Introduction

Micronesia, formally known as the Trust Territory of the  
Pacific Islands, is located north of the equator and between the  
Hawaiian Islands in the east and the Philippines in the west. It  
is made up of over 2,100 islands spread over three million square  
miles of water with a total land mass of less than 750 square  
miles, considerably smaller than Rhode Island. Micronesia embraces  
three major island groupings: the Marshalls, the Carolines and  
the Marianas (except for Guam which is a U.S. Territory). It has  
according to the 1973 census 115,000 people with Truk being the  
most populous district and Yap the smallest. The peoples of the  
Trust Territory vary greatly in history and culture and speak  
nine separate and distinct languages. The peoples have never  
been politically unified. They have been administered first by  
the Spanish, then the Germans and finally the Japanese from 1914  
until they were taken by invading U.S. forces during World War II.

Following the war the United States voluntarily offered to  
place Micronesia under a United Nations trusteeship but in view  
of their critical location astride the central part of the Western  
Pacific asked that the United Nations designate the area as a  
strategic trusteeship under Article 83 of the U.N. Charter. The  
U.N. Security Council unanimously approved this request, thereby  
permitting the United States to use the islands for defense and

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security purposes. In July 1947 both Houses of the Congress approved the Trusteeship Agreement by joint resolution. Congressional concern at the time was that United States strategic needs not be compromised by the Trusteeship Agreement. Final approval by the Congress was given only after the Secretaries of State, War and Navy and representatives of the Military Services had given their assurances that United States strategic interests in the Pacific would be safeguarded under the terms of the agreement.

Micronesia was the eleventh and last territory to be placed under the United Nations' Trusteeship system and the only one designated as a strategic trust. The eleven territories were all former mandated areas under the League of Nations. To date nine of the eleven have either become independent or have become a part of an independent nation. The tenth, Papua-New Guinea is scheduled to become independent soon--probably sometime next spring. Micronesia will then become the last Trusteeship and the United States will be the last administering authority.

Under the Trusteeship Agreement the United States has both rights and obligations. As a strategic trust the territory may be closed for security reasons. The United States may also deny access to the area to others and may use Micronesian territory for fortifications and for other military purposes. Finally these rights and other provisions of the agreement granting to the United States sole administrative responsibility for Micronesia may not be amended or terminated without the consent of the United States.

Along with these rights the United States has also clear obligations to the peoples of the Trust Territory under Article 6 of the Trusteeship Agreement. These obligations are to foster the development of such political institutions as are suited to the Trust Territory, to promote social advancement and economic development, to protect the people against the loss of their lands and their resources, to afford them diplomatic and consular protection, and finally to promote the development of the inhabitants toward self-government or independence as may be appropriate to the particular circumstances of the Trust Territory and its peoples and the freely expressed wishes of the peoples concerned.

In fulfilling these social, economic and political goals and obligations, the U.S. Congress has approved progressively higher budgets to cover the costs of Micronesian development and government services and programs. A large percentage of this budget has gone for education and human resource development. As a result today more and more highly educated and talented Micronesians are assuming important leadership positions in government and in Micronesia's private sector. Educational advances, however, have not been matched by equal progress toward economic self-sufficiency. Micronesia continues to remain largely dependent on external financial assistance.

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Plans covering the remaining years of the Trusteeship Agreement call for strengthening Micronesia's basic physical infrastructure, i.e., harbors, roads and airports, the provision of new inter-island shipping, and improved public utilities services, and the granting of priority attention to the development of local agriculture, fisheries and other self-help type projects. The completion of this accelerated program should provide Micronesia with an adequate base for moving toward greater economic self-sufficiency in the years ahead. In the area of political development, the people continue to gain in the experience and lessons of self-government at the local, district and territory-wide level. With the encouragement and financial support of the United States Government the next step in this evolutionary process will be the convening of a constitutional convention next year to draft for popular approval Micronesia's first constitution.

In the further fulfillment of its obligations under the Trusteeship Agreement, the United States since 1969 has been working with the Congress of Micronesia toward resolving Micronesia's future political status. In 1972 these negotiations were widened to include separate talks with the Marianas Political Status Commission since it had become clear to all that the Marianas wanted a future political status different from the Carolines and Marshalls. Substantive progress has been made over the past year toward the stated future political status objective of the Micronesians, namely Free Association and the Marianas desire for Commonwealth. It is conceivable that these two sets of negotiations can be concluded by the end of this calendar year.

## II. Basic U.S. National Interests and Negotiating Objectives

The United States has a number of basic national interests in Micronesia, many of which are related to larger United States foreign policy and security objectives in Asia and the Pacific region as a whole. These fundamental interests while clearly inter-related may be divided into political and economic interests and military strategic interests.

### A. Political Interests

The United States is interested in maintaining political stability in the Pacific. It does not wish to see Micronesia become an area of intense international political rivalry and heated competition. Broader American foreign policy interests necessitate the avoidance of Micronesia becoming the source of any misunderstandings or conflicts with other members of the Pacific community. On the other hand the United States certainly does not wish to see Micronesia fall under the political domination of any foreign state. To the contrary it is in the United States interest to maintain a high level of constructive influence

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in the area in order to promote and maintain the kind of political stability that will be of benefit to all.

It is in the interest of the United States to maintain and strengthen the amicable relations it has established with the peoples of Micronesia over the past thirty years. Friendship between Micronesia and the United States is important to both. It is also in the common interest of the United States and the peoples of Micronesia that Micronesia have friendly and cooperative relations with its neighbors in the Pacific.

Furthermore the United States should continue to be concerned for the general welfare and progress of the peoples of Micronesia quite apart from our own national interests. To this end the United States should be dedicated to the full and prompt satisfaction of the formal obligations which it has assumed under the terms of the Trusteeship Agreement.

Finally in terms of world opinion it is in the United States interest not to be tagged "the last colonial power in the world". So long as basic American interests are protected the United States should move expeditiously toward an early termination of the Trusteeship Agreement, and in the meantime it should take all the necessary steps to accelerate Micronesian progress toward full internal self-government and economic self-sufficiency.

#### B. Economic Interests

The United States does not have any significant economic interest of its own in Micronesia and it has not attempted to exploit Micronesia the way the Japanese did in the years between World Wars I and II. In fact Micronesia has been a financial burden to the United States since 1945 and will continue to be so for the foreseeable future.

This does not mean however, that the United States has no concern with Micronesia's economy and economic future. The United States intends to assist Micronesia in its efforts to attain greater economic self-sufficiency so that it is less dependent on external aid. In this respect, the United States stands ready to assist Micronesia to develop and protect its ocean resources. It encourages Micronesia to protect through its own laws its most valuable natural resource, land, from alienation. Finally, while the United States has opened Micronesia to foreign investment and trade it is not in the United States or Micronesian interest to see the Micronesian economy completely fall under the domination of any country.

#### C. Military Interests

The security of the United States interests in Asia depends in large part on the ability of the United States to maintain its

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influence in the Pacific Ocean area. This influence in a strategic and tactical sense will be required as long as U.S. military forces must be moved through, under and over the area, to operate within the area itself, and for however long it is necessary to deny to any potential enemy positions in the central and western Pacific from which attacks of any kind may be launched against the United States, its possessions or its allies. The United States base system in the Pacific is an amalgam of key locations providing a ready United States presence which enhances deterrence to aggression and facilitates exploitation of the mobile capability of U.S. forces to reinforce allies rapidly if deterrence fails.

Micronesia's strategic importance has long been recognized. Its value militarily was not overlooked by the Japanese. Later on its strategic significance to the maintenance of peace in the Pacific was acknowledged by the United Nations' Security Council. Its strategic importance has not been lessened with the passage of time. It is clear that its strategic value will not end with the termination of the Trusteeship Agreement.

The area provides a number of positions or potential locations of military value for United States forward deployed forces as well as sites for logistical, communications and sea and air transport facilities. The area is also a zone of transit, the continued control of which is basic to the fulfillment of United States Asian and Pacific security commitments. The area's importance has also been enhanced by recent developments in military missilery and space technology. The isolated location of some of the islands and other conditions make them ideal sites for weapons and other testing programs, for space launch, recovery, telemetry, under water surveillance experimentation and for other scientific and technical testing programs of a military and non-military nature.

The present and future military access to Micronesia is fundamental to the United States security interests in the Pacific. It is conceivable that growing political pressures against U.S. bases and the rising costs of maintaining bases in some countries in Asia may result in some additional limitations and restrictions on forward deployed U.S. forces and in some cases may be the cause of a withdrawal of some forces

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from bases in Korea, Japan, Okinawa, Thailand and the Philippines. In such circumstances the ability of the United States to redeploy some of its essential first line forces into Micronesia would enable it to maintain its presence on the western edge of the Pacific without falling all the way back to Hawaii and the continental United States (with the exception of those forces that would be maintained on Guam).

The probable future location of United States forces in the Northern Marianas in addition to being more secure from a political point of view since the bases would be on sovereign United States territory, would also be advantageous to the U.S. treasury from a balance of payments point-of-view. Furthermore the large capital investments required to build military facilities would be far more secure in the Northern Marianas than they would be if they were built on any foreign territory. The same would be true to a somewhat lesser extent if bases were to be constructed in the Carolines and Marshalls, assuming that these islands will remain in close political association with the United States and that the United States will under its defense powers have the freedom and flexibility provided for in the agreed draft Compact of Free Association between Micronesia and the United States.

Access alone is not enough however. The United States is also interested in denying the area to the military forces of any third country. American security would not be served by opening Micronesia to the military forces of others for refueling operations, communications services, supply bases or any other kind of military activity. The presence of hostile or potentially hostile military forces in the mid-Pacific could measurably affect the balance of military power in the Pacific, the redeployment of U.S. military forces from other parts of the world to the Pacific, the defense of Guam and Hawaii and U.S. possessions in the Pacific and a reappraisal of various security arrangements in the western and southwestern Pacific Ocean. Overall the current equilibrium in the Pacific would be upset and the danger of an increased arms race and a possible confrontation would ensue.

#### D. Negotiating Objectives

For all of those reasons denial of the area to the land, air and sea forces of any third country has been a fundamental negotiating objective of the United States and the arrangements thus far worked out fully protect United States interests in this regard. The United States negotiating objectives to date have also taken into consideration all of the above mentioned interests of a politico-military nature. In brief, the United States is seeking a status settlement for both the Marianas and

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Micronesia which protects and serves essential U.S. interests and requirements, which meets legitimate Micronesian aspirations and rights, and which satisfies United States international obligations and our commitment to the United Nations.

### III. Progress in Negotiations with the Marianas

#### A. Background

Since December, 1972, the United States has been engaged in a series of negotiations with representatives of the Marianas District of the Trust Territory aimed, at their request, at bringing that district into a close and permanent relationship with the United States. For over twenty years the people of the Northern Marianas have been asking to become part of the American political family like their neighbors in Guam, with whom they are tied ethnically, culturally and geographically.

When the Congress of Micronesia in 1971 rejected a United States offer of commonwealth status for all of the Trust Territory, the Marianas formally asked for separate negotiations to establish a relationship much closer than that apparently desired by the leadership of the Congress of Micronesia. After careful consideration the United States agreed on the basis that it was more important to observe the right of self-determination for the people of the Marianas than it was to insist that they remain with the other districts against their will.

The several peoples of the TTPI until recently have had little in common. Notwithstanding this historical lack of unity the United States had tried since the beginning of the trusteeship to keep the districts together, but the repeated and insistent voice of the Marianas over the years and the clear desire of a large majority of its people to have a different form of political relationship with the U.S. from that of the other districts finally necessitated an exception to the policy of seeking a single political status solution for all of Micronesia.

The most recent series of negotiations--the fourth formal session with the Marianas District--was completed the end of last May, and technical level discussions have been going on since then. At the same time lawyers on both sides have been meeting to draft the terms of an instrument reflecting the major substantive points of agreement reached to date. When finally approved this agreement would bring the Marianas District under U.S. sovereignty and establish it as a Commonwealth of the United States once the Trusteeship is terminated.

#### B. Principal Elements of the Agreement

The principal elements of the agreement now being incorporated into a draft instrument are set out in the Joint Communique dated May 31, 1974, copies of which were made available earlier to this Committee. The text is attached to this statement. It has been thus far agreed that if the people of the Marianas and

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the U.S. Congress approve the Northern Marianas will become fully self-governing in internal affairs, with its own constitution, its own freely elected chief executive and legislature and its own courts in addition to a federal court. When the trusteeship ends (this must be done for all the districts of the Trust Territory simultaneously) the Northern Marianas will come under full United States sovereignty and its people will become American citizens except for those individuals who may choose the status of American nationals.

The new proposed commonwealth at the request of the Northern Marianas would be separate from Guam. There is real concern that at least for an initial period the Northern Marianas need to be protected against the danger of being swallowed up by their larger, more prosperous and economically stronger cousins to the south. The possibility of eventual union with Guam, however, remains very much open and has in fact already been the subject of several general discussions between representatives of Guam and the Northern Marianas.

In recognition of the continuing economic dependence of the area, the United States with Congressional approval would supply substantial continuing economic and financial assistance to the new government over an initial period of seven years, renewable through negotiation at the end of that period. The Congress will be asked within the next few days to provide special funds for the Northern Marianas in the amount of \$1.5 million, to finance among other things a series of transitional studies and plans on how federal financial assistance can best be used over that seven year period.

Following final approval of the new commonwealth agreement and the new Marianas' Constitution, which might occur as early as July 1976, and before the Trusteeship officially ends, the new government of the Northern Marianas would be installed on a transitional basis. It would function as it would on a permanent basis except for those features which might be incompatible with continuation of the Trusteeship. Included in the latter category are U.S. sovereignty, the name "Commonwealth", U.S. citizenship and the application of certain federal laws.

The establishment by Secretarial Order of a separate administration for the Marianas District even before this transitional government is established, perhaps as early as the time the people of the Marianas approve the new agreement in a popular plebiscite has now been requested by a formal action of the Marianas District Legislature. This would be a move designed to clarify and facilitate the relationship between the Marianas and the other districts of the Trust Territory while the Trusteeship Agreement remains in effect.

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### C. Military Bases

As part of the negotiations the representatives of the Northern Marianas have now also agreed to make certain land areas available to the federal government for military purposes. The principal area involved is some 17,475 acres on the island of Tinian to be developed over the next seven years as a major joint service military base. This would include a multi-purpose airfield, storage and logistics support facilities for all services and a maneuver area large enough to accommodate field exercises with one amphibious brigade. Almost half of the total area needed has already been reserved under U.S. lease from the Trust Territory Government for possible military use and set aside as military retention land. The remainder will have to be acquired. Additionally, the Marianas representatives have agreed to make available on a continuing basis for aerial target practice and naval shore fire the small, uninhabited and inaccessible island of Farallon de Medinilla which the U.S. military forces have had under lease for several years for similar purposes.

Over and above these areas which are needed immediately, there are two smaller areas on Saipan which it has been agreed can be set aside for possible contingency use in the future. These are 197 acres adjacent to Tanapag Harbor and 482 acres bordering Isley Field, the new Saipan International Airport. Most of the Tanapag Harbor acreage will be developed as a living memorial park honoring the American dead of World War II and used by the public as a recreation and civic center. The remainder, like the Isley acreage, will be leased to the new Marianas Government, who will be able in turn to lease it out for private and commercial purposes compatible with possible future military use. Both the Isley and Tanapag areas are within present United States military retention lands. When the new arrangements are consummated the United States will relinquish all of its remaining rights to U.S. military retention lands in the Marianas and return approximately 4,691 acres to the public domain.

### D. Financial and Economic Support

The principal features of the proposed seven year financial assistance package are the following, expressed in terms of constant 1975 dollars:

1. \$8 million annually for continuing support of government operations;
2. \$4 million annually for Capital Improvement Projects, of which \$500,000 each will be earmarked for the islands of Tinian and Rota;
3. \$1.5 million annually to be used for economic development loans, \$500,000 of which to be reserved each year for small loans to farming, fishing and agricultural cooperatives; and

9 UNCLASSIFIED

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4. The full range of federal programs available to other U.S. territories, estimated to run about \$3 million annually in value.

The United States would also, with the approval of Congress, rebate to the treasury of the Northern Marianas as it now does in Guam all customs duties and federal income taxes derived from the Commonwealth of the Northern Marianas; the proceeds of all taxes collected under the internal revenue laws of the United States on articles produced in the Marianas and transported to the United States, its territories or possessions, or consumed in the Marianas; the proceeds of any other taxes which may be levied by the Congress of the United States on the inhabitants of the Marianas; and all quarantine, passport, immigration and naturalization fees collected in the Marianas Commonwealth.

Finally, the Marianas would be expected to benefit increasingly in financial terms from the buildup of U.S. military facilities and personnel. In particular, it would receive as a rebate all of the income taxes collected from U.S. military personnel stationed in the Northern Mariana.

#### E. Outstanding Issues

A number of issues still remain to be settled before the new agreement can be completed. One of the most important is how to accommodate the desire of the Northern Marianas to enjoy maximum freedom from federal interference in its internal affairs with the plenary powers of the U.S. Congress. We are working now on a formula for inclusion in the agreement which if approved by the U.S. Congress would have the effect of voluntarily limiting the plenary powers of the federal government in certain specified areas. These areas would be set forth in the agreement and be subject to change only by mutual consent. Examples of these would be an agreement not to change the Commonwealth status without mutual agreement and a prohibition against legislating away the right of the people of the Northern Marianas to modify their own constitution without outside approval subject only to possible testing of such changes in federal courts for consistency with the basic agreement and applicable federal laws, including applicable provisions of the U.S. Constitution.

These are points on which there is a high degree of sensitivity and an area in which we recognize the U.S. Congress has a major interest and the final say. There is no question, however, of any limitation of U.S. sovereignty. Nor would there be restraints on federal powers beyond these specific limitations to be included in the agreement.

Another matter not yet fully resolved is the extent to which the Northern Marianas would be exempted from the application of federal laws applying to other territories, particularly Guam. The new commonwealth would like to be excepted from such

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laws as the Jones Act, the minimum wage law, certain provisions of the immigration and naturalization laws and other laws which they contend create a hardship on an outlying new territory. They would also like to be exempted from the application to its citizens of the Federal Internal Revenue Code, at least during the early days of the commonwealth, although they are willing to establish their own progressive income tax and to take steps to prevent the possibility of any tax havens for United States or foreign corporations. These issues are presently being discussed at the technical level and will be negotiated out at the next formal session. We have been consulting your staff on these matters as well and can profit by further Congressional advice on these important questions.

Another area where final agreement is still to be reached concerns details of the arrangements for the use of military land including the amounts to be paid the Government of the Northern Marianas, how the land is to be acquired, i.e., whether by long term lease or purchase, and the means of payment, e.g., by lump sum or periodic installments. Terms of lease back of areas not immediately needed and joint use of various facilities are also being worked on prior to final agreement. The United States will of course retain the basic power of eminent domain, though special procedural safeguards are currently under discussion with Marianas negotiators.

#### F. Prospects for the Future

Much work remains to be done still at technical levels. Informal meetings between heads of delegations are taking place meanwhile to assure as much as possible that work continues at a steady pace. It is hoped that all this can be completed next month and that a fifth formal round can be scheduled for early November following the Micronesian elections. If agreement can be reached then on all outstanding issues it may be possible to sign the agreement as early as the end of November.

Thereafter the pace will depend on a number of other factors. The agreement must first be approved by the Marianas District Legislature to whom the present Marianas Status Commission with whom we are negotiating is responsible. This might be possible as early as December. After a period of popular study and education on its provisions the agreement could possibly be put before a Marianas plebiscite as early as March of next year and presented to the U.S. Congress for its approval immediately thereafter. This projected sequence of events and timetable is highly tentative. This matter needs to be fully discussed with the Marianas Political Status Commission and the views of the members of the United States Congress will also have to be considered.

Thereafter we will of course wish to put the completed status arrangement before the United Nations. Indeed, we are already on record in the U.N. Trusteeship Council as saying we will invite U.N. participation in any plebiscite that takes

411518

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place. The Marianas arrangements as finally approved will probably not be put officially to the United Nations until the arrangements for the other districts are approved as well, since we are also on record in the U.N. Trusteeship Council as saying that the Trusteeship under the present agreement can only be terminated for all of its parts at once and not piece-meal.

#### IV. Highlights of the Micronesian Negotiations

##### A. Background

Negotiations to determine the future political status of the other five districts of the Trust Territory comprising the Marshalls and Caroline Islands have been going on for a protracted period of time dating back to 1969. Following rejection by the Congress of Micronesia of the United States offer of territorial and commonwealth status, these negotiations have been aimed at establishing a so-called "free association" between the future state of Micronesia and the United States, a goal declared by the Congress of Micronesia to be its preferred objective. In July of this year an ad referendum agreement was reached with the Co-Chairmen of the Micronesian delegation, which is the Congress of Micronesia's Joint Committee on Future Status, on a complete draft Compact of Free Association. Subsequently the full Micronesian delegation met and proposed certain additional changes, which the United States has not agreed to but is willing to discuss with the Congress of Micronesia's Joint Committee. A copy of the draft Compact as agreed to in July is attached to this statement.

##### B. Principal Features

The principal features of the draft Compact of Free Association are as follows:

1. The people of Micronesia will be self-governing and responsible for their own internal affairs, with their own constitution, laws and system of justice. Their constitution must guarantee fundamental human rights and must be consistent with the Compact.
2. The United States will have full responsibility for and authority over both foreign and defense affairs. The Compact provides that the United States will consult with the new Government of Micronesia on matters of mutual concern relating to foreign affairs and will not enter into agreements that pertain exclusively or predominantly to Micronesia without its consent.
3. The United States will have the right of access to Micronesian land for military bases and the right to deny Micronesian territory to third parties for military purposes. The present Pacific Missile Test Range at Kwajalein in the Marshalls

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will be maintained. The Compact also provides for certain facilities in Palau for which we are seeking at the present time options only. These include the right to develop port facilities in Koror, a 2,000 acre supply base and a 30,000 acre maneuver area in Babelthuap and the right to future joint use of the civilian airfield. All Palauan requirements are for contingent use only.

4. The United States will be committed to substantial financial and economic assistance over the first fifteen years of the life of the Compact.

5. The Compact can be terminated only by mutual consent during the first fifteen years. Thereafter it would be terminable by unilateral action on two years notice but only after a satisfactory security agreement has been concluded embodying United States base rights and denial of the area to third parties.

The Micronesians have asked for a long transition period during which time a major effort would be made towards completing a basic infrastructure and establishing a new government under a new constitution. We have suggested this period not be as prolonged as the Joint Committee originally suggested and that it be divided into two stages, the first extending from the present time until the Compact and the new constitution are approved by the people of Micronesia in a plebiscite, the second extending from that time to the end of the Trusteeship when the Compact becomes effective. It would still last nevertheless under the current understanding until mid-1980.

If the Compact of Free Association is approved by Congress the United States would be committed to provide on a grant basis beginning in 1980 \$35 million annually in support of the operations of the new Government of Micronesia during the first five years of the Compact. This amount would drop to \$30 million annually during the next five years and \$25 million during the remaining five years of the fifteen year period; for capital improvements the United States would be committed to \$12.5 million annually for the first five years of the Compact, \$11 million annually over the next five years, and \$9.5 million during the last five years. In addition we would provide up to \$5 million annually in loans for specified economic development projects; half of this amount would be reserved for small business loans at the district level to be administered by the District Governments. The United States is also prepared to continue three federal programs without compensation: the postal, weather and FAA services. The costs of any other agreed United States services would be charged against the grants mentioned above or could be paid for by Micronesia from its own resources. All the above amounts would be adjusted annually to reflect any changes in the purchasing power of the dollar as reflected by changes in the Guam Consumer Price Index.

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During the period between now and the end of the Trusteeship in mid-1980 (Stage I and II of the Transition period) the United States would reduce the present level of support for government operations by providing, with Congress' approval, operational grants on a descending scale but in constant dollars: \$55 million in fiscal year 1976; \$54 million in fiscal year 1977; \$52 million in fiscal year 1978; \$50 million in fiscal year 1979; and \$45 million in fiscal year 1980. However, the United States would provide increased amounts for the Capital Improvements Program through fiscal year 1978 and then taper off: \$25 million in fiscal year 1976, \$30 million in fiscal year 1977, \$35 million in fiscal year 1978, \$20 million in fiscal year 1979 and \$15 million in fiscal year 1980. We will be seeking Congressional approval of the first parts of this schedule in the very near future and the remainder after the Compact itself is approved by the people of Micronesia.

### C. Outstanding Issues

The principal item of unfinished business following the July ad referendum agreement on the draft Compact of Free Association was the land options in Palau. A United States land survey team has just completed its mission in Palau. Following its report and recommendations the actual selection and negotiation for sites with the Palau District Legislature and the owners, as the case may be, will begin.

Beyond site selection there may be further delays stemming from the failure of the Congress of Micronesia at its recently concluded special session to pass an entirely satisfactory bill transferring public lands in the districts from the central government to those districts requesting such a transfer. This transfer of title was made a condition precedent to completion of the Compact of Free Association by the Micronesians. The United States responded after careful study of this highly complex subject with a policy statement approved by the Secretary of the Interior announcing a willingness to transfer such lands, which had been previously held in trust for the people of Micronesia, but subject to certain safeguards necessitated by the responsibilities of the United States as the administering authority. The Congress of Micronesia was asked to enact appropriate enabling legislation consistent with the United States policy statement. The bill was finally enacted last month but is being carefully studied now by the U.S. High Commissioner and others to determine its consistency with the stated United States policy. If there are major difficulties it may be necessary to effect the transfer by executive action if so requested by the districts.

Beyond the land issue there are the changes recently suggested by the Micronesian Joint Committee which are still under consideration. The United States will not be sympathetic to any changes from the agreed July draft Compact which might

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derogate from United States foreign affairs or defense responsibilities, or might undermine in substantive fashion other key elements of the Compact such as the termination formula. In the latter context, the Joint Committee is understood to be considering a proposal that any serious breach of the provisions of the Compact during the first fifteen years of its life might be considered grounds for terminating the Compact immediately. We clearly could not subscribe to any such unilateral interpretation.

The Micronesian Joint Committee has also now said--despite its early acquiescence in separate negotiations with the Marianas --that it is unwilling to accept the separate Marianas negotiations or separate administration of the Marianas District unless the Marianas first rejects the Compact of Free Association. The United States, however, is now publicly committed to allowing the Marianas to vote freely on accepting a closer relationship as a manifestation of its people's right of self-determination and considers the Compact of Free Association as presently drafted to apply only to the Carolines and Marshalls. If the peoples of the Marianas on the other hand reject the idea of commonwealth relationship or the U.S. Congress disapproves, the people clearly should be given the right to select alternatives and the compact of Free Association could be included as one of these. The choice for the Marianas in any event must be clear and must be freely exercised to be effective.

#### D. Prospects for the Future

If sub-negotiations for land can be successfully concluded this fall and we can reconcile any differences regarding the changes most recently suggested by the Micronesian Joint Committee it may be possible to complete the Compact by late November or early December of this year. Thereafter it would have to go to the full Congress of Micronesia for its approval. The Congress' next regular session begins in January 1975 and lasts until March.

Thereafter the Micronesian Joint Committee has suggested the Compact be given for study to the delegates to the upcoming Micronesian Constitutional Convention and be put to the people of Micronesia for approval in a plebiscite which would be held at the same time as the referendum on the new constitution. The United States has certain reservations regarding this proposal and is studying the matter carefully before responding. Under the Micronesian proposal, the plebiscite would not occur until possibly the summer of 1976. They have suggested informally that if the Compact is approved at that time it would be referred to the U.S. Congress immediately thereafter.

This scenario again is highly tentative. It would mean that submission of the entire package to the U.S. Congress could be delayed for some time, and its presentation to the United Nations after Congressional approval would be even later. Under the Micronesian proposal the new government would not begin to

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phase in until the summer of 1976 at the earliest and the phase in would be stretched out over an extended period of four years, during which the U.S. Congress would be considering the agreement, followed by U.N. action if the U.S. Congress approves it.

#### V. The Role of the U.S. Congress

Throughout the course of these negotiations we have endeavored to keep key members of the U.S. Congress and committee staffs informed of the progress of negotiations and to solicit their frank advice. These have been informal contacts primarily, but there have been occasional formal presentations as well. Our last formal session took place in the Senate before the Insular and Territorial Affairs Subcommittee in the spring of last year; but there have been many informal fill-ins for members of the Committee and the staff since that time. There have also been several occasions to update information in connection with the annual authorization and appropriation hearings before the Senate Committees. We will appear two weeks from now along with the Interior Department witnesses in connection with the supplemental authorization request.

Throughout this process the advice and views of Senate members have been actively solicited. In this situation we have strongly felt the need to benefit from Congressional thinking and experience. We need also to anticipate the problems which may face individual members of the Congress and the issues which are likely to surface when our completed agreements are put to the U.S. Congress officially for approval. We recognize that the Congress cannot be committed in advance, but desire to avoid as much as possible taking any action contrary to presently known Congressional views. We want as well to avoid any suggestion to the other side in these negotiations that it would be to their interest to attempt to drive a wedge between Congress and the Executive Branch in these sensitive matters.

In view of the fact that both houses of the U.S. Congress approved the Trusteeship Agreement back in 1947, the Administration has been operating from the beginning of these negotiations on the assumption that both houses would wish to approve the arrangement which will end the Trusteeship. This assumption has been thus far affirmed informally by the Congressional leaders we have contacted on the subject. How Congress will do this is of course a matter for Congress to decide. The suggestion has been made, however, that since the Trusteeship Agreement was approved by Joint Resolution it would be appropriate to have the new agreements which are designed to replace the Trusteeship approved in the same manner. The result in legal terms, as we understand it, would be to give the new agreement when so approved the effect of law. If this committee has contrary views we would very much appreciate being advised as to their nature.

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We recognize that there may well be varied and different views in the U.S. Congress about many specific points covered in the Marianas arrangements and the Compact of Free Association. These are complex issues, and many details are necessarily involved. Several of these were touched on earlier in this statement. We would be most grateful to be assured that we are not on the wrong track in certain major respects, such as the proposals under the Marianas arrangements for voluntary limitation of certain otherwise plenary federal powers. We also would appreciate the Committee's views regarding such basic questions as the Congressional desire or non-desire to approve the new Marianas Constitution and the timing of its presentation in relation to the submission of the new agreement for Congressional approval.

We would also like Congressional views informally on the proposed timetable and on the likely sequence of events. Our thinking now is that the Marianas agreement could be ready for presentation to Congress as early as next spring or summer, after the plebiscite is held. The timetable on the Compact for the Carolines and Marshalls, however, is more complicated. As indicated earlier the United States has reserved judgment on the Micronesian suggestion that the status plebiscite and the referendum on their new constitution be held at the same time. Furthermore we would like the views of the Congress as to whether the Compact of Free Association should be submitted to it for its approval prior to the Micronesian plebiscite or afterwards. The Micronesian Joint Committee counsel favors the latter and we are inclined to agree but would appreciate the Congress' guidance in this matter.

In summary, we are in many ways blazing new territory in procedural as well as substantive terms with these negotiations and have adopted from the beginning the principle that we must work just as closely as possible with the U.S. Congress in putting this complex package together. We need your frank and considered views and your advice. We will continue to work with you in the spirit of full cooperation until the job is done with a view to seeing that the best interests of the United States are served thereby and that United States obligations under the Trusteeship are faithfully carried out.

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