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ENDORSE EXISTING MARKINGS.

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CTHER THAN THESE BASIC FACTORS WILL BE INHERENTLY UNSTABLE AND UNFECTIVE IN THE CONTROL OF UNA TAINABLE IN FIRST INSTANCE.

3. (C) SEVERAL CONCLUSIONS CAN BE DRAWN FROM REASONING IN PARA 2 WHICH DIFFER FROM PRESENT US POLICIES. FIRST, COMPLETE USG CONTROL OF ALL ASPECTS OF MICHONESIAN FOREIGN AFFAIRS IS NOT NECCESSARY TO FROTECT BASIC US SECURITY INTERESTS AND THUS CANNOT BE ADEQUATELY

FRUTEC: BASIC US SECURITY INTERESTS AND THUS CANNOT BE ADEQUATELY DUST IN IEE TO PICKONESIANS, CONSEQUENTLY PROBLEMS OF HOLDING MICHOLOGIANS TO THIS LINE WOULD BECOME INCREASINGLY DIFFICULT ONCE TENTIALISM, COCCURS, AS IT ALREADY IS UNDER TRUSTEESHIP AGREEMENT.

MAGE (3 RUMGSGG6176 C 0 N F 1 D E N T 1 A L
SECONI, US WILLINGNESS TO GO ALONG WITH INSISTENCE BY SOME
MICRENESIANS UN A FAIRLY TIGHT UNITY IS COUNTERPRODUCTIVE GIVEN US
INTERESTS. BUF REQUIREMENTS ARE STABLE, FIRM TIES WITH EACH COMFONENT FART UP MICRONESIA, WHETHER CHANNELED THROUGH A FEDERATION,
CO FFLERATION OR SEPARATELY, THIRD, AS DISCUSSED IN IMMEDIATELY
FOLLOWING MESSAGE, US CAN AND SHOULD BEGIN IMMEDIATELY TO IMPLEMENT
FULL SELF-GOVERNMENT, ESPECIALLY AT DISTRICT LEVEL, AS US WILL MAVE
NO LEGITIMATE MIGHT TO INTERFERE ANYMAY, FOLLOWING TERMINATION. IT
WOULD THUS SEAM BEST TO BEGIN LEVELOPMENT OF STABLE, SELF-RELIANT
GOVERNMENTS AT DISTRICT AND CENTRAL LEVELS AS BEST GUARANTEE AGAINST
AN ITURE ASINGLY UNFREDICTABLE AND DEPENDENT MICRONESIA WHOSE IN-

STABILITY WORLD THREATEN US SECURITY INTERESTS.

4. (C) MOST IMMEDIATE POLICY QUESTION FACING USG IS WHETHER TO CONTINUE EFFURTS ALONG PAST POLICY LINES -- I.E., A FINAL TRY TO COMPLETE DRAFT COMPACHE-OR TO ADOPT SOME NEW TAPPROMOCH. THE MALE THAN THE TALE TO TERNATIVES TO THE COMPACT WOULD SERM TO BE (A) OUTRIGHT INDEPENDENCE.

19) INDEPENDENCE (PERHAPS UNDER ANOTHER NAME) AS MODIFIED BY A PRE1100SLT NEGOTIATED AGREEMENT SAFEGUARDING BOTH SIDES' INTERESTS AS DEFINED IN PARA 2 ABOVE. OUTRIGHT INDEPENDENCE WOULD NOT SAFEGUARD U.S. SECURITY INTERESTS (THOUGH NEITHER WOULD IT NECESSARILY THREATEN

PAGE 24 RUNGSGG6186 C O N F 1 D E N T 1 A L
THEM); MUREDVER, IT IS APPARENT THAT NOT EVEN A LODSE FORM OF UNITY
WOULD BE CONSISTENT WITH FULL INDEPENDENCE. DUR CHOICES THUS APPEAR
TO BE ONE BETWEEN THE COMPACT AND A TREATY OR OTHER AGREEMENT DEFINING A SPECIAL RELATIONSHIP BETWEEN US AND AN EFFECTIVELY INDEPENDENT MICRONESIA.

5. (7) UN CLOSE EXAMINATION, IT WOULD APPEAR THAT US INTERESTS COULD SE PROTECTED AS HELL BY A TREATY RELATIONSHIP AS BY COMPACT, AS PANAMA EXPERIENCE HAS SHOWN, EVEN A GROSSLY UNEQUAL TREATY CAN BE BINDIAS FOR PROLONGED PERIODS, IN PRACTICE, THE ONLY EFFECTIVE COUNTY OF THE ONLY OF THE COUNTY O

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TO RUEHO /SECSTATE WASHINGTON TO INFO RUEKUCS/SECDEF WASHINGTON DO RUHSHS AV SINCPAS HONULULU HI RUEHET /US MISSION USUN NEW YORK NY BT UNFILERTIAL FINAL SECTION OF R3 //NP 02 C2 // CAN BE FOUND: THIS WOULD MEAN BELAY UNTIL MID-1979: OR EVEN LONGER IF - AS IS VERY PROBABILE - CONSTITUTION IS DEFEATED. 17. (C) IT APPEARS TO HE FEASIBLE AND DESIRABLE TO CONSULT MICRONESIAN LEADERS ADOUT FOREGOINS PROPOSALS AS SOON AS USG POLICY REVIEW IS COMPLETED, PROBABLY AT ROUND TABLE CONFERENCE PROPOSED IN REFTEL. IT SHOULD THEN BE ANNOUNCED THAT PLAN WILL BECOME EFFECTIVE REFTEL. IT SHOULD THEN BE ANNOUNCED THAT PLAN WILL BECOME EFFECTIVE ON OR ABJUT 1 JANUARY 1978. SPECIAL SESSION OF CONTHIS SUMMER COULD THEN ENACT LEGISLATION FOR SELECTION OF MICRONESIAN CHIEF EXECUTIVE; IF HE IS TO BE ELECTED. ELECTIC, COULD THEN BE HELD IN NOVEMBER. MEANWHILE, THE CAREFUL DRAFTING WHICH WOULD BE NECESSARY IN DEFINING PHECISE FORERS OF HICON SHOULD BE TAKING PLACE IN CONTRACT BY ANDURAL BUILTATION ATTH APPROPRIATE MICRONESIAN LEADERS. AT SAME TIME, THE PROCESS OF CRAFTING DISTRICT CHARTERS (PART 11 ABOVE) HOULD BE UNDER WAY, CHARTERS HOULD BE APPROVED BY COM AND NEW MICRONESIAN CHIEF EXECUTIVE IN JANUARY/FEBRUARY 1976, WOULD THEN BE SUBJECT TO VETU OR MODIFICATION BY HICCM ON GROUNDS INDICATED IN PARA 13 ABOVE. AND WOULD GO INTO EFFECT LATER THAT YEAR OR 1 JANUARY 1979. BENNETT GD 5-83

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INEVITABLE EXECUTIVE -LEGISLATIVE CONFRONTATIONS WHICH DO NOT INVOLVE US INTERESTS. HICOM. ASSISTED BY A SHALL STAFF, HOULD HAVE (1) VETO POHER OVER LEGISLATIUN OR ADMINISTRATIVE ACTION DIRECTLY AFFECTING FOREIGN AFFAIRS, DEFENSE, ACCOUNTABILITY FOR USG FUNDS, AND ANY STHER MAJOR USG INTERESTS; (II) POWER TO REQUIRE ADMINISTRATIVE ACTION IN THESE SAME FIELDS: (111) CAREFULLY CIRCUMSCRIBED POWER TO INTERVENE IN MAJOR EMERGENCIES (PARA 6 ABOVE); (IV) RIGHT TO BE INFORMED OF DOINGS OF MICHONESIAN GOVT; (V) REPORTING AND MISCELLAME -OUS RESPONSIBILITIES CURRENTLY EXERCISED BY STATUS LNO (HICOM MIGHT PAGE 25 RUNG SG G6 976 C D N F I D E N T I A L USEFULLY SERVE AS DEPUTY TO PRESIDENT'S PERSONAL REP FOR STATUS MEGOTIATIONS). HE WOULD HAVE DIPLOMATIC STATUS, AND ORGANIZATIONALLY MIS OFFICE HOULD SOMEWHAT RESEMBLE A SMALL EMBASSY. OR THE REPRE-SENTATIVE OFFICE ENVISAGED BY COMPACT AFTER TERMINATION. AN ASSISTANT HICOM IN EACH DISTRICT HOULD HAVE POHERS AND RESPONS !-BILITIES WITHIN DISTRICT ANALOGOUS TO THOSE OF HICOM AT CENTRAL LEVEL.

14. (C) THIS STRUCTURE HOULD MAXIMIZE MICRONESIAN RESPONSIBILITY. MOTABLY IN CONNECTION HITH POINTS A-C OF PARA 2, AND CREATE A SITUATION IN WHICH EXECUT. VE-LEGISLATIVE BRANCH SCUABBLES NEED NOT INVOLVE USG. IT HOULD BE MAJOR STEP FORKARD FROM UNTO VIEWPOINT. MICRONESIAN CHIEF EXECUTIVE, INDIVIDUAL OR COLLECTIVE, HOULD BE INTERLOCUTEUR VALABLE FOR USG ON STATUS, LOS AND OTHER ISSUES WHICH ARE LIKELY TO INCREASE IN NUMBER AS TERMINATION NEARS. DIS-ADVANTAGES: (1) THERE WOULD BE SOMEWHAT MORE ADMINISTRATIVE DIS-LOCATION IN IMPLEMENTING THIS THAN A SIMPLER SCHEME, WHICH WOULD BE PARTICULARLY CONFUSING IF RATIFICATION AND IMPLEMENTATION OF CONSTITUTION FOLLOHED SOON AFTER (AS IS UNLIKELY). (II) THERE WOULD SE MODEST ADDITIONAL COSTS IN ESTABLISHING HICOM, ASST MICOMS AND STAFF SEPARATE FROM AUMINISTRATION, THOUGH THESE WOULD BE PARTIALLY PAGE \$6 RUNGSGG6976 C U N F I D E N T I A L OR MADLLY OFFSET BY MURE EXPEDITIOUS REDUCTION IN NUMBER OF AMERICANS IN ADMINISTRACION.

PART IV

55. (C) MATEVER APPROACH IS TAKEN TOWARD INCREASING MICROMESIAN

RESPONSIBILITY FOR GOVERNMENT. IT SHOULD BE ADOPTED AND IMPLEMENTED

SHOWN MERITS, NOT AS A PAHN IN STATUS NEGOTIATIONS. IN FIRST PLACE.

17.8 TRANSITIONAL AND SHORT-TERM NATURE MAKE IT A BARGAINING COUNTER

OF LITTLE VALUE. IT MAY EVEN BE UNHELCOME TO PRO-INDEPENDENCE

POLITICIANS BECAUSE OF ITS POTENTIAL FOR REDUCING NUMBER OF POINTS

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OF FRICTION BETWEEN MICROVESIANS AND USG. MOREOVER, AN ATTEMPT TO MITHHOLD, OR TO CONDITION, AN OTHER DE FEASIBLE MOVE TOWARD GREATER SELF-GOVERNMENT WOULD IMPAIR OUR POSITION IN UN AND MITH ELEMENTS OF CONGRESS AND PUBLIC SYMPATHETIC TO MICRONESIAN ASPIRATIONS IN THAT DIRECTION.

16. (C) TIMING OF THE MOVE HERE PROPOSED MAY AROUSE SOME CONTROVERSY. PRU-CONSTITUTION MICRONESIAN ELEMENTS MAY FAVOR MAINTAINING STATUS QUO TILL AFTER CONSTITUTIONAL REFERENDUM, IN MOPES THAT THE SHIFT TOWARD INCREASING MICRONESIAN RESPONSIBILITY CAN BE LINKED TO ESTABLISHMENT OF GUVERNMENT STRUCTURE PROVIDED FOR IN CONSTITUTION. HOMEVER, UNLESS SOME MEANS OF MOLDING REFERENDUM BEFORE JULY 1978

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SECTION 32 OF 33 //NOC3E//

TAS PROVIDED FOR IN PL 6-130) OF SECTIONS WHICH ATTEMPT TO FORECLOSE FUTURE STATUS OPTIONS (E.G., PROBABLE MARSHALLESE ATTEMPT TO DRAFT TO SEPARATE STATUS).

POPPER VIS-A-VIS CENTRAL GOVERNMENT CLAIMED BY VARIOUS DISTRICES.

SOME, FOR INSTANCE, MAY MISH TO REGULATE ELEMENTARY EDUCATION:

STHEME, TO LEAVE IT TO CENTRAL GOVE AS PROVIDED IN INDICATIVE

EVELOPMENT FLAX. I BELIFVE HE CAN AFFORD TO ACCOMMODATE MANY SUCH MORKING AND MOREFULLY RERMANENT RELATIONSHIP AMONG THE DISTRICTS.

PAGE CZ RUMGSGG0976 C U N F I D E N T I A L
IN SOME CASES, SUCH DIFFERENCES MAY BE POSITIVELY DESTRABLE.
CONSIDER, FOR EXAMPLE, PROCUREMENT OF MEDICAL SUPPLIES. THERE ARE
SEVIOUS SAVINGS IN TIME AND MONEY IF DISTRICTS SUCH AS YAP, PALAU.
POSSIBLY TRUK, ARE SERVED BY A CENTRALIZED PROCUREMENT AGENCY IN
SAIPAA. BUT IT MAKES MUCH LESS SENSE TO SMIP SUCH SUPPLIES TO
BISTRICTS THAN FOR OTHERS HOULD HENCE BE JUSTIFIED. (NITH A MOVE
OF MEADULARTERS TO PONAPE, GEOGRAPHICAL BASIS FOR SUCH DIFFERENCES
PART [1]

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AND SIMPLICITY, MOULD RETAIN FINAL CONTROL BAFELY IN USG MANDS, AND MOULD WIN SOME FLEETING GOOD HILL. UNFORTUNATELY, IT WOULD DO NOTHING TO RESOLVE PRUBLEMS OUTLINED PARA 2 ABOVE, AND MIGHT COMPLICATE THEM. USG PERCEIVED INTERESTS ARE BOUND TO COMPLICT AT CERTAIN POINTS WITH WHAT MICRONESIANS SEE AS THEIRS! IN SUCH SITUATIONS. MICRONESIAN HICOM HOULD BE FORCED TO CHOOSE BETWEEN. SH DIE HAND. INSUBORDINATION AND RESIGNATION OR REMOVAL. AND BEING PAGE BS RUNGSGG6976 C O N F I D E N T I A L SEEN BY ONN PEOPLE AS A RENEGADE. MOREOVER, AS SHOWN ABOVE, ONE BASIC PROBLEM IS APPORTIONMENT OF POHER BETHEEN HASHINGTON AND SAIPAN: THE RETENTION OF FINAL AUTHORITY IN WASHINGTON HOULD BE EVEN MARDER TO TAKE IF HICOM WERE MICRONESIAN. FINALLY, AFTER INITIAL EURHORIA. A MICRONESIAN HICOM HOULD DUICKLY BECOME VULNERABLE TO INTER-DISTRICT AND PERSONAL JEALOUSIES WHICH WOULD TEND TO BACKFIRE M USG. 12. (C) (B) A SECOND POSSIBILITY MOULD BE TO DELEGATE INCREASED BECISION-MAKING AUTHORITY FROM WASHINGTON TO HICOM, WHO WOULD BE REQUIRED TO ACT IN ACCORDANCE WITH MICRONESIAN ADVICE ON ALL MATTERS EXCEPT THESE SPECIFICALLY RESERVED BY US - DEFENSE, FOREIGN AFFAIRS, ETC. - 1.E., RATHER LIKE THE GOVERNOR OF A SELF-GOVERNING OR IT IS H COLONY. THIS HOULD REPRESENT A GENUINE STEP TOWARD GREATER MICRONESIAN RESPONSIBILITY, PRESENTABLE AS SUCH AT UN. AND MOULD MAKE IT FEASIBLE GRADUALLY TO CURTAIL THE LIST OF USG RESERVED POWERS AS TERMINATION OF TRUSTEESHIP APPROACHES. NEVERTHELESS, IT WOULD BE DIFFICULT TO UNDERSTAND AND IMPLEMENT IN A POLITICAL SYSTEM MH ICH HAS DEVELOPED ALONG US RATHER THAN BRITISH CONSTITUTIONAL LIMES. AND IN ANY CASE IT SEEMS UNNORKABLE WITHOUT A PARLIAMENTARY FORM OF GOVERNMENT. HICOM COULD HARDLY RE BOUND BY ADVICE EITHER PAGE 84 RUNGSGG6976 C D N F I D E N T I A L FROM KON-ELECTED DEPARTMENT HEADS, OR MAJORITY OF THEM, OR FROM COM LEADERSHIP LACKING ADMINISTRATIVE RESPONSIBILITY. NOR HOULD THIS MORE OR LESS FIGUREHEAD ROLE BE WELCOME TO MOST PROSPECTIVE HICOMS. 23. (C) (C) A PREFERABLE OPTION WOULD BE RETENTION OF CERTAIN FUNDAMENTAL POWERS IN HANDS OF AN AMERICAN HICON. UNHISTAKABLY RESPONSIBLE ONLY TO USG. AND TRANSFER OF ALL OTHERS TO A MICROMESIAN CHIEF EXECUTIVE (INDIVIDUAL OR COLLEGIATE) ELECTED DIRECTLY BY PEOPLE OR INDIRECTLY BY COM. USG HOULD CONTINUE TO PERFORM THOSE FUNCTIONS (E.G. FOREIGN AFFAIRS) WHICH IT NOW PREFORMS FOR TT BOYT. MI OF CHES IAN CHIEF EXECUTIVE HOULD HAVE THE EXECUTIVE AUTHORITY AND SETS POWERS NOW EXERCISED BY MICOM, AND HOULD SE PROTAGONIST IN CONFIDENTIAL

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4. (C) UN THE PHULE, I AGREE WITH THE MICRONESIAN POSITIONS STATED IN PARA 2 AS OVE. OUR ADMINISTRATION OF TT HAS BEEN AT BEST A MIXED BAS OF ACCOMPLISHMENTS AND FAILURES, AND IT IS NOW DRAWING TO A CLOSE. IT SEEMS APPROPRIATE FOR US TO ACCOMMODATE MICRONESIAN DESINES FOR GREATER RESPONSIBILITY CLOSER TO HOME. 5. (C) IT IS ALSO IN OUR OWN INTERESTS. MOST IMPORTANTLY, THE REAL AND IMAGINARY DEFICIENCIES OF OUR ADMINISTRATION HELP TO AROUSE MESENTHENT AND HOSTILITY AMONG MICRONESIAN LEADERS HHICH ARE TRANS-LATED INTO DEMANDS COMPLICATING STATUS NEGOTIATIONS. FOR EXAMPLE. IT IS CLEAR THAT OVERCENTRALIZATION IS ONE FACTOR (BY NO MEANS THE ONLY ONE) WHICH HAS FUELED MARSHALLESE SEFARATISM. HE CANNOT WHOLLY PAGE 25 RUNGSGG6974 C O N F I D E N T I A L BLIMINATE THIS PROBLEM DURING TRUSTEESHIP (OR INDEED AFTER TERMI-MATION, IN ANY LIKELY SCENARIO), BUT HE CAN REDUCE IT BY A CON-SPICUOUS TRANSFER OF RESPONSIBILITY FROM AMERICANS IN MASHINGTON OR BAIPAN TO MICRONESIANS IN MICRONESIA. (C) THERE ARE SEVERAL OTHER ADVANTAGES TO SUCH A TRANSFER OF RE PONSIBILITY. IT MOULD ALLOH US TO CONCENTRATE DUR ATTENTION DN ES SE AT TAL USG INTERESTS IN MICRONESTA, MITHOUT BECOMING BOOGED DOWN IN ADMINSTRATIVE DETAIL. IT HOULD PROVIDE A VALUABLE TRANSITION PERIOD TO FULL SELF-GOVERNMENT. DURING WHICH USG HOULD RETAIN (AS UNDER COMPACT IT HOULD NOT) RIGHT TO INTERVENE IN CASE OF MAJOR EMERGENCY OR BHEAKDOWN OF ADMINISTRATION OR LAW AND ORDER (LATTER BEING CURRENTLY A REMUTE BUT NOT UNIMAGINABLE CONTINGENCY IN TRUK) IT MOULD REPHESENT FURTHER EVIDENCE PRESENTABLE TO UNTO OF PROGRESS UNDER TRUSTEESHIP AGREEMENT. IT HOULD HELP MAKE CLEAR TO US CONGRESSIONAL LEADERS MID FOR SECURITY REASONS ARE UNWILLING TO MELINGUISH CONTROL OF MICRONESIA, AND WHOSE ACQUIESCENCE IN EVENTUAL STATUS AGREEMENT WILL BE NEEDED, THE REALITIES OF CURRENT SITUATION. FINALLY, IT WOULD HELP TO IMPROVE THE STANDARD OF MICRONESIAN POLITICAL LIFE BY INTRODUCING A DEGREE OF RESPONSIBILITY TO AN ELECTURATE AMICH MOST MICRONESIAN POLITICIANS HAVE HITHERTO MANAGED PAGE 26 HUNGS GG6974 CONFIDENTIAL TO EVADE .

7. (C) PROBLEM OF TRANSFER OF RESPONSIBILITY FALLS NATURALLY INTO TWO PARTS: CENTRAL GOVERNMENT TO DISTRICTS, AND USG TO MICROMESIAN LEADERSHIP.

8. (C) IN FIRST AREA, COURSE HAS ALREADY BEEN RATHER CLEARLY LAID BUT IN BUTA DECENTRALIZATION PLAN "F 1975. WHICH IN PRINCIPLE APPEARS C O N F I D E N T I A L

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TO MAYE WIDESPREAD MICRONESIAN SUPPORT, AND IN PL 6-138 MHICH PROVIDES FOR DRAFTING DISTRICT CHARTERS. LATTER PROCESS IS GETTING
UNDER WAY. BUT WILL BE MINDERED (AND RELATIONS WITH USG UNMECESSARILY EXACERBATED) BY CAVEAT INCLUDED UPON INSTRUCTIONS IN
MICOM'S APPROVAL MESSAGE: NO CHARTER TO BE APPROVED TILL STATUS
ISSUES MAVE BEEN RESOLVED. AS ARGUED ABOVE, USG INTERESTS MOULD
BEST BE SERVED BY PROMPT APPROVAL AND IMPLEMENTATION OF CHARTERS.
SINCE IT IS UNKLALISTIC TO REGARD DELAY AS PROVIDING ANY USEFUL
LEVERAGE TOWARD AGREEMENT ON STATUS, AND BY ELECTION OF DISTADS.
(ON PROBLEM OF MAINTAINING CENTRAL GOVERNMENT AUTHORITY IN DISTRICTS.
SEE PARA 13 BELOW.)
9. (C) I TMEREFORE RECOMMEND USG POLICY STATEMENT INDICATING THAT
CHARTERS WILL BE PROMPTLY APPROVED SUBJECT TO ITEM VETO DR AMENDMENT

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SANCTION FOR MICRONESIAN BREACH OF SUCH A TREATY- HITHHOLDING FINANCIAL ASSISTANCE--IS IDENTICAL WITH THAT WHICH WOULD OBTAIN UNDER COMPATE. TYPE OF PAPER. OR LEGAL CONCEPTS OF SOVEREIGNTY INVOLVED. IN DEFINING US-MICRONESIAN RELATIONSHIP WILL NOT BE NEARLY SO IMPORTANT AS SUBSTANCE OF RELATIONSHIP IN DETERMINING ITS DURABILITY. A COMPACT WHICH IS UNPOPULAR WITH SIGNIFICANT POPTION OF MICRONESIAN LEADERSHIP AND WHICH IS CONSTANTLY BEING SNIPED AT WILL BE NO MORE ENDURING THAN A MORE POPULAR TREATY RELATIONSHIP, AND MAY BE MORE DIFFICULT TO GETAIN. ON THE OTHER HAND, ANOTHER SUBSTANTIAL BODY OF MICRONESIAN OPINION EXPLICITLY FAVORS A CLOSE RELATIONSHIP AND WOULD PREFER COMPACT TO TREATY. THESE ELEMENTS WOULD, HOWEVER, BE PAGE 25 RUNGSGG6106 C O N F I D E N T I A L ATTRACTED BY A DOCUMENT, WHATEVER IT IS CALLED, WHICH CREATES AN EXPLICIT RELATIONSHIP BETWEEN U.S. AND EACH DISTRICT AS WELL AS BETHEEN U.S. AND MICPONESIA AS A WHOLE. FINALLY, MANY ELEMENTS OF DRAFT CUMPACT REPRESENT GENUINE AREAS OF AGREEMENT WHICH SHOULD BE PRESERVED AS FAR AS POSSIBLE IN ANY NEW NEGOTIATING EFFORT. 6. (C) IN DUE VIEW, THEREFORE, USG CAN READILY ACCEPT EITHER COMPACT OR TREATY DEPENDING ON WHICH IS MORE GENERALLY ACCEPTABLE TO MICHONESIANS, SIMILARLY, HE CAN OF COURSE RETAIN THE TERM "COMPACT" EVEN THOUGH CONTENTS ARE MODIFIED IN DIRECTION OF TREATY RELATIONISHIP. 7. LC) IN URBER TO SECURE DESIRED SORT OF FUTURE RELATIONSHIP WITH MICRONESIA, US WILL NEED TO BE PREPARED TO REOPEN NEGOTIATIONS IN <u> SEVERAL BASIC AREAS. STATUS AGREEMENT (HOWEVER STYLED) SHOULD BE</u> MODIFIED TO ALLOW MICHONESIANS COMPLETE FREEDOM IN FOREIGN AFFAIRS EXCEFT IN AREAS AFFECTING US SECURITY INTERESTS IN MICRONESIA. US WOULD HAVE VETO PUWER OVER ANY FOREIGN AFFAIRS ACTIVITY WHICH IS DEEMED DAMAGING TO US SECURITY REQUIREMENTS. US HOULD DISASSOCIATE ITSE.F COMPLETELY FROM ALL OTHER GOVERNMENT OF MICRONESIA (GOM) FORE ON AFFAIRS ACTIVITY AND DISCLAIM BEFORE OTHER NATIONS ANY RESPONSIBILITY FOR ITS EFFECT ON THEM. US WOULD NOT BE OBLIGATED PAGE 86 RUNGSGG6186 C O N F I D E N T I A L TO PROTECT OF RESCUE MICRONESIA FROM PREDICAMENTS IT MIGHT BRING ON ITSELF, EXCEPT IN EXTHEME CASES WHICH THREATEN FUNDAMENTAL STABLLITY OF AREA. THIS MOVE WOULD GO FAR TO REMOVE LOS MATTERS AS A STUMBLING BLUCK TO ACHIEVEMENT OF A FINAL AGREEMENT. US WOULD OF COURSE BE ABLE TO PROVIDE DIPLOMATIC AND CONSULAR PROTECTION AND SERVICES AS AT PRESENT, AND FACILITATE MICRONESIAN COMMUNICATIONS AND CONTACTS

WITH FUREIGN GOVERNMENTS BY RELAYING COMMUNICATIONS FOR GOM TO THESE C O N F I D E N T I A L

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GOVERNMENTS. US NEED NOT AGREE WITH CONTENT OF MERSAGES, PASSING THEM CALY AS A SERVICE TO GOW RUT IN NO MAY ASSOCIATING ITSELF WITH CONTENTS UNLESS IT SO DESIRES.

8. (L) US SHOULD AGREE TO RENEGOTIATE KMR AGREEMENTS, MAKING RENEGOTIATION AND SUBSEQUENT PAYMENTS CONDITIONAL ON CONTINUED MARSHALLESE PARTICIPATION IN SOME SORT OF UNIFIED MICRONESIA.

MARSHALLESE FROM ALL POLITICAL FACTIONS ARE AGREED THAT THESE AGREEMENTS MUST BUT REOPENED AND BETTER COMPENSATION GIVEN. NO AGREEMENT APPEARS PUSSIBLE WITH MARSHALLS, EITHER SEPARATELY OR IN CONTEXT OF UNITY, IT KMR AGREEMENTS ARE NOT RENEGOTIATED, FURTHER, IT WOULD PRUBABLY BE EASIER TO NEGOTIATE WITH LANDOWNERS NOW THAN TO WAIT AND BE FURGED TO RENEGOTIATE WITH PARTICIPATION OF MIPSO OR CEPST.

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CHARGED WITH REVISING CESM SO THAT IT HAS BROADER APPEAL. ESPECTALLY IN MARSHALLS AND PALAU. AREAS TO BE REASSESSED WOULD BE REPRE-SENTATION, REVENUE SHARING, POWERS OF CENTRAL GOVERNMENT AND OTHERS. MUCH CLOSER COORDINATION AND COOPERATION BETWEEN US AND MICRO-MESIANS DURING THIS EFFORT THAN HAS CASE FOR FIRST CONCON. COUPLED WITH PROPOSED CONCESSIONS ON COMPACT, SHOULD LEAD TO DRAFTING OF PAGE 32 RUNGSGG6150 C O N F I D E N T I A L MORE ACCEPTABLE DOCUMENT. IF, AS IS VERY LIKELY, IT IS NOT POSSIBLE TO CONVINCE MICRONESIANS FROM SEVERAL DISTRICTS TO TRY ANOTHER CONCON, US SHOULD MAKE CRYSTAL CLEAR PRIOR TO HOLDING OF REFERENDUM ON CESM, THAT IT WILL INSIST ON SOME SORT OF LOOSE CONFEDERATION FOR MICRONESIA INCLUDING EVEN THOSE DISTRICTS WHICH REJECT CESH. RE-JECTION OF CESH WILL OF COURSE MEAN GREATER AUTONOMY FOR A DISTRICT BUT THROUGH FORCEFUL POLICIES AND MORE FLEXIBLE AND ATTRACTIVE COMPACT, US SHOULD BE ABLE TO PERSUADE DISTRICTS TO FORM LOOSE CONFEDERATION. AS A FURTHER INDUCEMENT FOR ACCEPTANCE OF SOME SORT OF UNITY, US SHOULD THEN PRESENT DISTRICTS WITH CHOICE BETWEEN COMPACT (AS MODIFIED ALONG LINES PARAS 7-8) PROVIDING FOR CON-1 D F N T 1

AITH MICRONESIAN LEADERSHIP TO HOLD A SECOND MICRONESIAN CONCON

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FEDERATION AND FULL INDEPENDENCE. NO DISTRICT IN TTPI PRESENTLY WANTS IMMEDIATE, FULL INDEPENDENCE (ESPECIALLY NOT PALAU OR EVEN MARSHALLS) AND IT IS THUS SAFE TO ASSUME THEY HOULD OPT FOR CONFEDERATION AND NOT INDEPENDENCE, SUCH A CONFEDERATION SHOULD PROVIDE FOR MAXIMUM DISTRICT AUTONOMY WHILE STILL PROVIDING ALL CONCERNED WITH ESSENTIAL BENEFITS OF UNITY. CENTRAL GOVERNMENT WOULD PROVIDE LIMITED SERVICES TO DISTRICTS IN AREAS OF TRANSPORTATION AND COMMUNICATIONS, FOREIGN AFFAIRS, LOS MATTERS, CONTACT HITH INTER-NATIONAL DRGANIZATIONS AND ACQUISITION OF FOREIGN EXPERTISE. IT PAGE 83 RUHGSGG6158 C O N F I D E N T I A L HOULD IN ESSENCE BE A SECRETARIAT OF SORTS PROVIDING SERVICES FOR MEMBER ENTITIES. BASIC DECISION-MAKING POWER WOULD REST PRE-DOMINANTLY IN MEMBER "STATES", WHITHER THERE BE THREE OF MORE.

18. (C) SEVERAL OTHER ACTIONS ARE POSSIBLE BY USG TO DEFUSE
SEPARATIST MOVEMENTS IN PALAU AND MARSHALLS, PROVISION SHOULD BE HADE IN AGREEMENT GOVERNING US-HICRONESIAN RELATIONS AFTER TERMI-NATION TO ALLOW FOR DIRECT RELATIONSHIP BETWEEN ANY DISTRICT AND US AND TO ALLOW THAT DISTRICT TO MAINTAIN TIES WITH US AS LONG AS !" SO DESIRES. AGREEMENT HIGHT ALSO ALLOW A DISTRICT TO ESTABLISH CLOSER-TIES WITH US WHICH WOULD BE GUARANTEED TO SURVIVE ANY ACTION BY OTHER DISTRICTS TO LOOSEN THEIR TIES WITH US AT SOME FUTURE POINT. IT SHOULD BE CLEARLY STATED IN NEW DOCUMENTS, WHETHER COMPACT, CONSTITUTION OR CHARTER OF CONFEDERATION, THAT LARGEST PERCENTAGE, SAY 90 PERCENT, OF REVENUE FROM BASE LEASES WILL STAY IN LOCAL DISTRICT, IT SHOULD BE MADE CLEAR THAT ALL OTHER FUNDING SUPPLIED TO MICRONESIA BY US IS IN NO WAY RELATED TO PRESENCE OF US RASES BUT INSTEAD IS IN RECOGNITION OF SPECIAL RELATIONSHIP BETWEEN US AND MICRONESIA AND IN ORDER TO SECURE DENIAL IN AREA. FURTHERMORE, NEGOTIATIONS ON LAND MATTERS SHOULD BE WITH LOCAL LAND-DINERS AND DISTRICT LEADERS WITH LOW PROFILE PARTICIPATION BY CENTRAL PAGE 84 RUNGSGG6158 CONFIDENTIAL GOVERNMENT. PROVISIONS FOR LAND NEGOTIATIONS IN CESM SHOULD NOT STAND IN WAY AS IT IS HIGHLY UNLIKELY CESM WILL BE RATIFIED IN MARSHALLS OR PALAU, AREAS OF PRIMARY CONCERN ON THIS ISSUE, TO FURTHER REDUCE OBJECTIONS TO UNITY, REPRESENTATION IN CENTRAL GOVERNMENT, WHETHER IN CONFEDERATION OR UNDER REVISED CONSTITUTION. SHOULD BE ON BASIS OF EQUAL REPRESENTATION FOR EACH DISTRICT. IMPACT THIS SHOULD NOT BE GREAT FOR MORE POPULATED STATES SINCE POHER WILL BE AT DISTRICT LEVEL ANYWAY. 11. (C) WITH REFERENCE TO LOS MATTERS, US SHOULD VETO CURRENT

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MARINE JURISDICTION BILL PASSED BY 7TH COM AND SHOULD INSTEAD ESTABLISH A FISHERIES ZONE WHICH IS BASED ON COM BILL EXCEPT FOR MDDIFICATIONS TO PORTIONS DEALING WITH TUNA AND CONTACT WITH FOREIGN SOVERNMENTS. IT SHOULD BE MADE CLEAR THAT THIS IS ONLY TO COVER INTERIM PERIOD UP TO TERMINATION, FOLLOWING TERMINATION, MICRONESIA CAN STRUCTURE ITS OWN ZONE IN ANY WAY IT DESIRES SO LONG AS US SECURITY INTERESTS ARE NOT COMPROMISED. USG WOULD OF COURSE BE UNDER NO OBLIGATION TO RECOGNIZE, RESPECT, OR ASSIST IN ENFORCEMENT OF MICRONESIAN CLAIMS NOT JUSTIFIED BY INTERNATIONAL LAW, SINCE THERE IS SOME CONFUSION, USG SHOULD ACKNOWLEDGE THAT DEFENSE REFERS ONLY TO DEFENSE OF MICRONESIA AGAINST EXTERNAL AGGRESSION AND DOES PAGE 05 RUNGSGG6150 C D N F I D E N T I A L NOT REFER TO FISHERIES PATROLLING. PROVISION SHOULD BE MADE FOR TRAINING OF A SMALL MICRONESIAN COAST GUARD AND FOR US ASSISTANCE IN AERIAL SURVEILLANCE. THIS WOULD BY NO HEARS PROVIDE MICRONESIA WITH AN AIRTIGHT PATROL CAPABILITY BUT THAT IS NOT ACTUALLY REQUIRED. THIS SYSTEM WOULD ALSO NOT INVOLVE US FORCES IN UPHOLDING LAWS AND RESULATIONS WHICH MIGHT BE DIFFERENT FROM THOSE APPLICABLE IN US WATERS. A PART OF COST OF THIS PROGRAM COULD BE FUNDED FROM REVENUE GENERATED BY ECONOMIC ZONE WITH ANOTHER PART COMING FROM US GRANT FUNDS AND LOCAL REVENUE. 12. (C) WHILE MANY OF ABOVE RECOMMENDATIONS DO COMPLICATE PROCESS OF REACHING FUTURE STATUS AGREEMENT, THEY ARE NECESSARY BECAUSE CENTRIFUGAL FORCES IN TTPI ARE MAKING AREA MORE AND MORE COMPLEX AS TIME PASSES. SINGLE, BROAD STROKE SOLUTIONS CANNOT BE EFFECTIVELY APPLIED ACROSS BREADTH OF MICRONESIA. POLICIES MUST BE FLEXIBLE AND RESPONSIVE TO VARIED DEMANDS ORIGINATING FROM MANY SOURCES IN MICRONESIA. MANY OF PROPOSED ACTIONS WILL ALSO BRING FORTH CRITICISM OF US FROM VARIOUS QUARTERS. BUT THIS IS ALREADY THE CASE. SINCE CRITICISM IS A CONSTANT, WHY NOT MOVE FORWARD IN A POSITIVE MANNER TO GAIN NECESSARY US OBJECTIVES AND FULFILL OUR OBLIGATIONS, RATHER THAN CONTINUE TO ABSORB CRITICISM AND HAVE PAGE 86 RUNGSGG6158 C O N F I D E N T I A L NOTHING TO SHOW FOR IT? BENNETT GD 5-83

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OFFICIALS (COM AND/OR DISTRICT LEGISLATURES; (C) THE TOTAL BIZE OF THE CENTRAL ADMINISTRATION SHOULD BE MARKEDLY REDUCED (THOUGH NOT AT THE EXPENSE OF VOTE-GETTING BERVICES, AND NOT BY GETTING RID OF EMPLOYEES FAGH DISTRICT OF WHATEVER LEADER IS TALKING ABOUT THE SUBJECT): (D) DECISION-MAKING AUTHORITY SHOULD BE LOCATED IN MICRONESIA. NOT MASHINGTON: AT SAME TIME NEARLY ALL MICRONESIAN LEADERS REACTLY CONCEDE USG RIGHT NOT TO A MONOPOLY BUT TO FINAL SAY ON QUESTIONS OF, E.G., DEFENSE AND FOREIGN.AFFAIRS (THOUGH THEIR DEFINITIONS OF WHAT IS "FOREIGN" MAY NOT COINCIDE EXACTLY MITH PAGE 23 RUNGSGG6974 C O N F 1 D E N T 1 A L CURS); (E) SOME. THOUGH NOT ALL, EXECUTIVE POSITIONS IN CENTRAL ADMINISTRATION AND IN DISTRICTS NOW HELD BY AMERICANS SHOULD BE ABOLISHED OR FILLED BY MICRONESIANS. 3. (C) MICRONESIANS ARGUE THE FOREGOING POINTS ON SEVERAL BASES. MME IS SIMPLY IMPROVED GOVERNMENT EFFECTIVENESS AND LOWER COST. A MARE PUNDAMENTAL ARGUMENT IS USG COMMITMENT IN TRUSTEESHIP AGREEMENT TO INCREASING SELF-GOVERNMENT. IN POINT OF FACT, US PERFORMANCE ON THIS ISSUE HAS NOT BEEN PARTICULARLY IMPRESSIVE. IN 38 YEARS OF TRUSTEESHIP, IT BOILS DOWN TO TWO FORMS OF PROGRESS AT CENTRAL LEVEL: (A) MANY MICRUNESIANS ARE HOLDING JOBS ONCE FILLED BY MERICANS, AND THIS PROCESS OF MICRONIZATION IS LIKELY TO CONTINUE. MENCE, POINT (E) OF PARA 2 ABOVE IS A RELATIVELY MINOR IRRITAN! COMPAREU TO THE OTHERS. (B) COM HAS ESTABLISHED 1965 AND EXERCISES IEGISLATIVE AUTHORITY SUBJECT TO OCCASIONAL USG REVERSAL ON ISSUES MATURE OF MICH IS NOT CLEARLY ARTICULATED CEXCEPT FOREIGN AFFAIRS AND DEFENSED AND WHICH SOMETIMES STRIKE MICRONESIANS AS CAPRICIOUSLY CHOSEN (SUCH AS WHETHER US RESIDENTS OF KHAJALEIN SHOULD PAY 3 OR 4 PERCENT INCOME TAX). A GROWING NUMBER OF MICROMESIANS NOW BELIEVE THAT THIS SECUND ASPECT OF "PROGRESS TOWARD SELF-GOVERNMENT" MAS NOT BEEN A SUCCESS. CRITICIEM OF COM DOES NOT STEM FROM RE-PAGE 64 RUNGSG 66 674 C O N F I D E N T I A L JECTION OF CONCEPT OF HICHONESIANS LEGISLATING FOR HICHGRESIANS! ONE DEES NOT MEAR WIMILAR CRITICISM OF DISTRICT LEGISLATURES. IT FLOWS INSTEAD FROM FEELINGS ABOUT OVERCENTRALIZATION. PARA 2 (A) ABOVE, FROM INTER-DISTRICT RIVALRIES, AND FROM GROWING PRESSURE OF TOURSER, LESS TRADITIONALLY-MINDED POLITICIANS ON ESTABLISHED PELITICAL FIGURES WHO HAVE NORMALLY DOMINATED COM. COM IN TURN IS IRRESISTIBLY TEMPTED TO DEFEND ITSELF AGAINST BUCH CRITICISM BY DISTING BLANE FOR ITS PAILINGS TO USG, AN BASY TASK IN VIEW OF OUR METBATION OF FINAL CUNTRUL.

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