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Authority	EO 12958
By	SAKRA Date: 11/21/05

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 18 1973

MEMORANDUM FOR DR. HENRY KISSINGER
Assistant to the President
for National Security Affairs

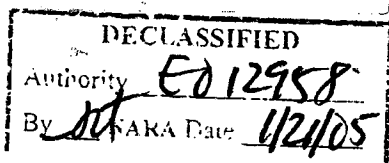
Subject: OMB Comments re Negotiations on the Future
Political Status of the Trust Territory of
the Pacific Islands

The Under Secretaries Committee of the National Security Council (USC-NSC) requested OMB comments on the draft memorandum to the President as well as the underlying study concerning the resumption of negotiations between the U.S. and the Joint Committee on Future Status (JCFS) which represents the Micronesians. We have chosen to make our comments directly to you on the memorandum and the study which we understand now has been formally concurred in by the other members of the USC-NSC.

The memorandum to the President raises two issues for his decision.

Issue #1: Should Ambassador Haydon Williams be authorized to offer to negotiate a marginally qualified independence option as well as a Compact of Free Association with both options to be offered to Micronesians (except the Mariana Islands District) in a plebiscite?

Issue #2: Should the Ambassador be given revised instructions under which he would make a continuing determined effort to negotiate a fifteen-year moratorium period on unilateral termination of Compact of Free Association but, if necessary, be authorized to agree to a unilateral termination period in the range of ten to fifteen years in order to obtain satisfactory terms for the survivability of U.S. defense interests in the event the compact were terminated?



OMB recommendations on these two issues are as follows:

Issue #1: We concur with the Ambassador, Interior and Justice in recommending that the Ambassador be given discretionary authority to offer the marginally qualified independence option described in the interagency study on page 5 of the summary. Under any independence option, denial of base rights to third countries and continued U.S. use of facilities on Kwajalein and associated facilities on Bikini must be guaranteed and the Ambassador should attempt to obtain basing options in the Palau Islands.

Issue #2: We concur with State, Interior, and Justice in recommending that the Ambassador be authorized to agree, if necessary to a moratorium period on unilateral termination of a Compact within a range of ten to fifteen years.

Future Potential Issue

Finances: No formal negotiations have taken place with the JCFS on the future annual level of financial assistance which the U.S. would provide under the terms of a Compact of Free Association. However, the Ambassador's current instructions are to negotiate within the range of \$25 million to \$50 million annually (for the Trust Territory exclusive of the Mariana Islands District) starting at the lower end of that range and moving upward as necessary to achieve agreement to U.S. defense requirements.

No change in these instructions is requested at this time. However, the study (page 9, summary) indicates the Ambassador may find it necessary to request additional flexibility in negotiating financial assistance to Micronesia in order to reach agreement on the major U.S. objectives.

Any request by the Ambassador for new instructions authorizing an increase beyond \$50 million as a maximum annual level of U.S. financial assistance under a Compact of Free Association with the Trust Territory exclusive of the Mariana Islands

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District should be coordinated through OMB and, if rebates of Federal taxes were to be proposed by the Micronesians, through Treasury. We also request that whatever financial arrangements might be contemplated under any independence option be coordinated through the Office of Management and Budget.

B. A. Bridgewater, Jr.

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Associate Director