

7610740

DEPARTMENT OF STATE  
WASHINGTONNSC UNDER SECRETARIES COMMITTEESECRET

NSC-U/DM-98G

May 24, 1976

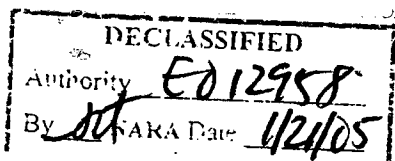
## MEMORANDUM FOR THE PRESIDENT

Subject: Future Political Status of  
Micronesia

The Under Secretaries Committee recommends your approval of the attached instructions for Ambassador F. Haydn Williams, your representative for Micronesian status negotiations, for the conduct of negotiations with representatives of five districts of the Trust Territory of the Pacific Islands (TTPI) regarding their future political status. An interagency study on this subject is also attached. These documents have been prepared in response to Ambassador Williams' request in his letter to you of December 10, 1975, for a review of the NSC policy paper on Micronesia dated August 27, 1973.

That policy study had recommended that the United States seek to attain the agreement of representatives of the five districts of the TTPI to a "free association" relationship (i.e. less than fully sovereign) with the United States -- with the US responsible for foreign and defense affairs and Micronesia fully self-governing with respect to internal affairs. Although Ambassador Williams and the Micronesia negotiators reached tentative agreement in October 1974 on a draft compact of Free Association, the Congress of Micronesia (COM) was unwilling to approve it subsequently on the grounds that it judged the United States offer of financial assistance inadequate

SECRET  
GDS



SECRET

-2-

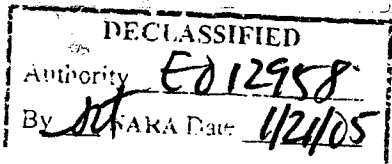
when measured against the authority the United States proposed to retain over Micronesian foreign and defense matters.

Meanwhile, pursuant to Presidential decisions based on another 1973 NSC study, Ambassador Williams negotiated a separate agreement with representatives of the Northern Marianas by which those islands would become an unincorporated territory (commonwealth) of the United States. This agreement was signed on February 15, 1975, and has been approved by the United States and the Northern Marianas. The Commonwealth Covenant is now Public Law 94-241, signed by you on March 24, 1976.

It now remains to try to work out an agreement establishing the political status of the Caroline and Marshall Islands. These islands, together with the Northern Marianas, make up the Trust Territory of the Pacific Islands, which is a strategic trusteeship administered by the United States pursuant to an agreement of 1947 with the United Nations. The TTPI is the last remaining UN Trusteeship. The situation in Micronesia has been complicated by several recent developments, in particular (1) the approval in November 1975 by a Micronesian Constitutional Convention of a draft constitution which purports to be "the supreme law of the Federated States of Micronesia" and which conflicts with the basic principles underlying the draft Compact of Free Association, and (2) evidence of growing separatist tendencies in two of the more important districts, the Marshalls and Palau, both of which have formally expressed their desire for separate status negotiations with the United States.

The major US security interests in Micronesia are: (1) the denial of these islands to the military forces of third countries; (2) US access to Micronesian land, water and air space through a continuation of current land use arrangements,

SECRET



SECRET

-3-

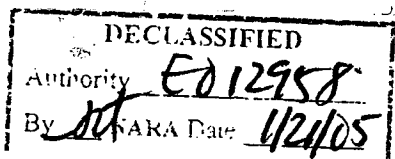
principally those relating to the missile testing range at Kwajalein, and the right of the US to negotiate additional land use option agreements in Palau, and elsewhere in case of emergency; and (3) the long-term protection of US access and denial rights in the event of substantial modification or termination of any future political relationship between the United States and Micronesia. In this connection, the continued growth of Soviet sea power in the Western Pacific is of particular concern.

The United States also has a political interest in a stable and cooperative relationship with Micronesia in order to safeguard our security interests in the Western Pacific. We have no specific economic interests, although law of the sea arrangements could create valuable rights to marine resources in Micronesia.

The general US negotiating objective is the conclusion of an agreement establishing a political relationship in the post-trusteeship period which will protect US strategic interests and establish a sound basis for a close, friendly and enduring relationship between the United States and a future Micronesian government representing the five districts of the TTPI.

As regards Micronesian views and interests, it is evident that Micronesia's leaders have not arrived at a consensus regarding the precise nature of the future political relationship with the US. Some support the proposed constitution which calls for full Micronesian sovereignty. This approach could point to an independent Micronesia which would be linked with the US by a treaty defining our respective rights, including defense rights, rather than by a Compact of Free Association. Others, probably a majority, still prefer Free Association, given Micronesia's need for substantial assistance

SECRET



SECRET

-4-

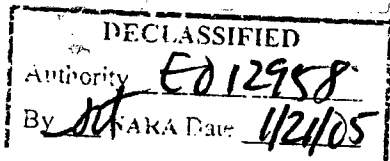
and its lack of capability or experience in the areas of foreign or defense affairs. In addition, the leaders in Palau and the Marshalls oppose the proposed constitution and have requested separate status talks with the US. However, they might be persuaded to accept unity with the other districts if the US refuses to negotiate separately and if a satisfactory status agreement and constitutional compromise can be worked out.

The Under Secretaries Committee believes that three options merit considerations:

1. Commonwealth -- This is the relationship to be established with the Northern Marianas. Micronesia would become a territory of the United States, like Guam, and the US would have full sovereignty and exercise complete authority over its foreign affairs and defense. Micronesians would become United States citizens or nationals. The arrangements would be permanent. Our rough estimate of the potential annual cost to the United States is \$100 million, but it could run considerably higher because of federal programs which would be extended to Micronesia. US grant subsidy to the five districts for FY 76 is \$73.3 million plus approximately \$8 million in US federal programs.

2. Free Association -- This is the arrangement embodied in the draft compact of October 1974. Micronesia would have full power of internal self-government but the United States would have full responsibility and authority in the areas of defense and foreign relations, although exact arrangements would have to be agreed to. The draft Compact stipulates that it can be terminated by mutual consent or terminated unilaterally by the new Government of Micronesia if two-thirds of those voting in Micronesia favor termination after 15 years, and if

SECRET

SECRET

-5-

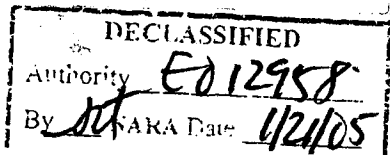
prior agreement is reached by the two parties on a mutual security treaty which ensures basic US military rights and interests in these islands. Maximum annual payments of about \$60 million for the 15 year period are envisaged.

Subsequent to completion of the interagency study, Micronesian representatives, meeting with Ambassador Williams in Saipan, indicated a desire to continue negotiations on the basis of the 1974 draft compact of free association, but they now wish the compact to be modified to grant them full authority over marine resources within a 200-mile economic zone, as well as the right to negotiate and conclude international agreements regarding these resources in the name of Micronesia.

3. Micronesian independence with a pre-negotiated security treaty with the United States -- Micronesia would become an independent state but the United States and Micronesia would negotiate a treaty prior to independence and sign it at the time of independence giving the United States specified defense rights, which would include use of Kwajalein, denial of Micronesian territory to a third power for any defense purposes, and rights for the United States to obtain base option rights in Palau. The United States would seek agreement in this security treaty that its provisions would continue for a stated period, such as 50 years, no matter what political status Micronesia might adopt over that period. Under this option we envisage annual payments on the order of a maximum of \$30 million, including payments for defense rights.

The Under Secretaries Committee believes that, given the lack of political unity in Micronesia and the uncertainties regarding its future course, independence together with a United States-Micronesia security treaty would afford less protection than the other feasible options for fundamental US security interests. A commonwealth

SECRET



SECRET

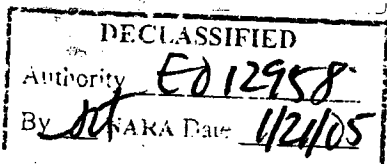
-6-

agreement would clearly provide the maximum security but would be much more costly than the other two options; Micronesian representatives rejected a US offer of commonwealth in 1970, and there is little sign that it would be acceptable to the Micronesians today. A Compact of Free Association would be more costly than a treaty relationship but would give the United States greater freedom of action in the critical areas of foreign and defense affairs.

Micronesian desires for full authority over marine resources and the right to negotiate their own international agreements could cause serious conflicts of interests with the United States and enforcement problems, and could create precedents for our relationship with US territories such as Puerto Rico. The Office of Micronesian Status Negotiations believes that in view of the free association relationship with the US, Micronesian authority over marine resources would not create a precedent with respect to US territories. We are sympathetic to Micronesian desires to use marine resources as a springboard for development of their economy. The Under Secretaries Committee believes we should explore with the Micronesian leadership ways of achieving their substantive economic goals through the use of marine resources without creating these problems for the United States.

The US Congress would probably be more receptive to a revised Compact of Free Association than it would be toward the other two options. Commonwealth would probably be considered too costly and to involve unnecessary obligations, in view of the rights obtained by the US in the commonwealth agreement recently reached with the Northern Marianas. Micronesian independence, even if accompanied by a security treaty, might appear to some in Congress to

SECRET



SECRET

-7-

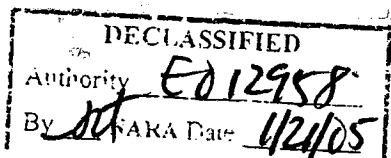
afford inadequate protection for our long-term security interests.

We have stated that we will seek to obtain the approval of the United Nations for termination of our trusteeship and that we expect to seek termination by 1980 or 1981. We have reported annually to the United Nations Trusteeship Council regarding our administration, and the Trusteeship Council's visiting missions have inspected conditions in Micronesia every three years. It is of course unpredictable how the United Nations Security Council will view the arrangements which are ultimately submitted for termination of the US Trusteeship. However, if an independence option is not denied in the act of self-determination, and if the Micronesian people ratify, by a substantial majority, whatever arrangements are finally worked out, the basis for any opposition by the United Nations to this act of self-determination would be reduced, even if the arrangement would entail a permanent relationship between the United States and Micronesia.

The Departments of Defense and State disagree over the way in which the independence option should be treated in the negotiations and subsequent plebiscite. Defense strongly believes that the independence option is the least desirable alternative from a national security perspective and that accordingly it should be presented to the people of Micronesia only if there is clear and convincing evidence that they will not accept either commonwealth status or free association. Defense also states that the risks of an unstable Micronesia and an unsatisfactory treaty relationship would prevent it from supporting Micronesian independence if coupled with a firm US commitment to terminate the Trusteeship by 1981.

State does not take issue with Defense's contention that free association is preferable to

SECRET



SECRET

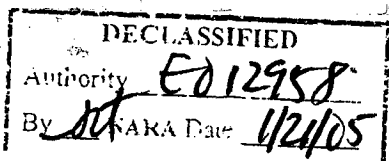
-8-

independence and in fact recommends instructing the President's Personal Representative to make clear to the Micronesian negotiators that the US prefers a free association relationship. However, State believes a distinction should be made between the USG on the one hand taking steps intended to lead to Micronesian independence, a course which State like Defense would oppose, or on the other hand taking steps intended to lead to Micronesian free association, but entailing a formally stated offer of independence to the Micronesians during the last US-Micronesian free association negotiations and in the subsequent plebiscite. State strongly favors the latter course, believing that the Micronesian leaders' recent urgings to the US to complete agreement on free association demonstrate that the mere statement of an independence option need not be seriously feared. In State's view, the presence of such a statement in the official record would enhance the prospect of Congressional and UN approval of Trusteeship termination and potentially remove the Micronesian issue from the UN agenda during the post-Trusteeship decades.

The Office of Micronesian Status Negotiations notes that the President's Personal Representative is on record with the JCFS that the amounts offered under the financial provisions of the draft Compact for Free Association would be in constant dollars. The abandonment of this assurance would pose a major threat to the early conclusion of the status negotiations. It should be noted in this regard that assuming a 7 per cent annual rate of inflation; the \$60 million annual figure for the first five years under free association would shrink to about \$41 million in real terms, a consideration which will surely become apparent to the Micronesians if we were to withdraw our previous assurances. The Office of Management and Budget recommends against the use of constant dollar adjustments because of the administrative difficulties they create and would prefer to see specific step increases in the

SECRET





SECRET

-9-

annual amounts of financial assistance. Details are included in their comments which are attached.

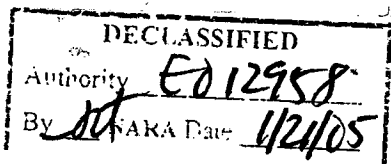
The Under Secretaries Committee accordingly recommends that you approve the attached negotiating instructions for your personal representative. The principal features of these new instructions are:

1. The continued authority to offer a free association relationship based on the draft compact of October 1974, and new authority to explore how the Micronesians might use development of marine resources to achieve a viable economy. Additional authority to offer either a commonwealth status or independence with a pre-negotiated security treaty if it becomes evident that the representatives of the Marshalls and the Carolines desire to pursue one of these options and if prior consultation with the Congress indicates that such a course of action would have a good chance of Congressional approval.

2. The authority to advise the Micronesians that the United States would feel compelled to consider measures to expedite the negotiations, possibly by presenting status options directly to the people in a plebiscite, if the negotiations have not produced agreement within a reasonable period of time, as for example, the spring of 1977. New instructions would be sought before action was taken on any specific measure.

3. The discretionary authority to defer efforts to reach immediate agreement for military land options in Palau (40 acres for harbor use, 2000 acres for ammunition and petroleum storage, and occasional use of 30,000 acres for maneuvers), on condition that the Micronesians give a commitment to negotiate in good faith at a later time for these options.

SECRET



SECRET

-10-

4. US support for the goal of Micronesian unity, although the United States would avoid any commitment to guarantee the political unity of Micronesia. If events during the next twelve months demonstrate that Micronesian unity is not feasible, new instructions should be requested.

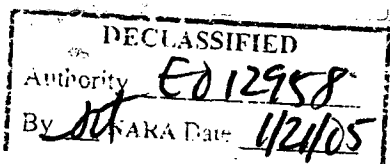
*Charles W. Robinson*

Charles W. Robinson  
Chairman

Attachments:

1. Instructions for Ambassador Williams
2. Interagency Study
3. OMB Comments
4. Map

SECRET



SECRET

INSTRUCTIONS FOR THE PRESIDENT'S PERSONAL REPRESENTATIVE  
FOR MICRONESIAN STATUS NEGOTIATIONS

1. General

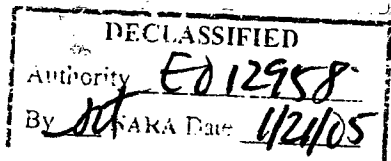
You are hereby given the responsibility and the authority for conducting on behalf of the United States Government negotiations with the duly appointed representatives of the Marshall and Caroline Islands with the objective of reaching an agreement as soon as possible which satisfies the following basic US objectives.

PRIMARY OBJECTIVES

An agreement which will establish a post-Trusteeship political relationship with Micronesia in a manner which will fulfill our international obligations and which will protect and further US political and strategic interests through the accomplishment of the following:

- The establishment of a stable, self-governing and progressively more self-sufficient political entity embracing all of the Carolines and Marshalls by satisfying the legitimate political and reasonable economic aspirations of the people.
- The establishment of a sound basis for a close, friendly and enduring special relationship between the future government and people of Micronesia and the United States.
- Access to Micronesian land, water and air space through a continuation of current land use arrangements and provisions for the negotiation of additional land use agreements as may be needed to meet future US defense requirements.

SECRET



SECRET

-2-

- Continued denial of the area to the military forces of third countries.
- Protection of US access and denial rights in the event of termination of any future political relationship through a pre-negotiated arrangement or arrangements.
- Satisfaction of US obligations relating to termination of the Trusteeship Agreement.
- To keep US financial obligations to Micronesia within reasonable limits and appropriate to the character of the future relationship.

SECONDARY OBJECTIVES

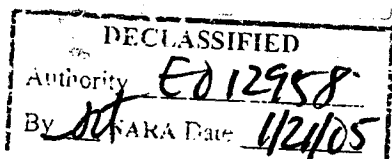
- To limit future US responsibilities for Micronesian affairs including administrative and other responsibilities, to those required to achieve primary US objectives.
- To preserve a Micronesian vested interest in maintaining a special political relationship with the US through, for example, the provision of US support or services as appropriate.

2. Future Status Options

Negotiations leading to any of the following acceptable options must satisfy at a minimum those objectives relating to US security interests -- e.g., access and denial and the guaranteed survivability of such rights in the event of changes in the future US-Micronesian relationship.

Commonwealth: You are authorized to offer a Commonwealth relationship along the lines of the Northern Marianas Commonwealth Covenant if you

SECRET



SECRET

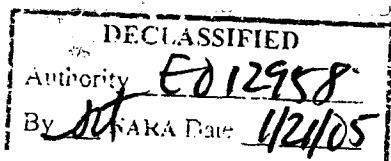
-3-

believe that such a status would be preferred by the people of both the Marshalls and the Carolines, and if prior consultation with the Congress indicates that such a course of action would have a good chance of approval by the Senate and House.

Free Association: You are authorized to pursue further this alternative on the basis of the text of the October 1974 draft Compact of Free Association. Modifications may be made to meet some of the Micronesian objections so long as the US retains basic authority over and responsibility for foreign affairs and defense matters provided that any negotiation proposal which would modify US authority or responsibility in foreign affairs is first approved by the Department of State. US agreement on a free association compact must be based on the principle that it will be the instrument which governs the future United States-Micronesian relationship and that the future Constitution of Micronesia cannot be in conflict with the Compact. An updating of previous Congressional briefings would also be required.

Independence: You are authorized to offer an independence option on the basis of a pre-negotiated mutual security treaty which incorporates the substance of applicable provisions found in Title III and Annex B of the draft Compact of Free Association, provided that the treaty be with a single political entity for all of the Carolines and Marshalls and that the duration of the treaty be no less than 50 years. Under this option a sovereign Micronesia will have authority over its foreign and defense affairs, elements of which would be delegated to the US under the treaty. The treaty should contain provision for survivability of US base rights in the event of political fragmentation of the Micronesian political entity. Prior to the offer of this option there must be consultation with Congress to determine current Congressional attitudes toward independence. However, actual negotiation of an independence option should be undertaken only if

SECRET



SECRET

-4-

there is a clear indication that the Micronesians desire to pursue this option.

3. Unity

You should strive to reach a single future status agreement for all of the districts of the Carolines and the Marshalls while avoiding any US commitment to guarantee the political unity of Micronesia in the post-Trusteeship period. In the event a common future political status for all of Micronesia becomes impossible and before any commitment is made for separate negotiations with any district you should seek further instructions from the President.

4. Timetable

You are authorized to inform the Micronesians that as set forth two years ago at Carmel the US intends to terminate the Trusteeship by the end of 1981.

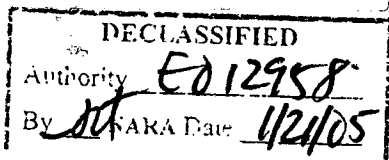
You are authorized to negotiate simultaneously more than one of the above options with the representatives of the Carolines and the Marshalls.

At your discretion you are authorized to advise the Micronesian leaders that the US is prepared to present status options directly to the people in a plebiscite if the Micronesian leaders refuse to negotiate on any basis other than the unmodified draft constitution or if the negotiations have not produced agreement within a reasonable period of time, e.g., Spring 1977. In such a case you should seek further guidance regarding the nature and timing of the plebiscite.

5. Finance

-- The maximum dollar levels, which includes federal programs and services and payments for

SECRET



SECRET

-5-

military lands identified in these instructions, to be offered for a Free Association relationship will remain as authorized by the instructions to the President's Personal Representative of March 29, 1974, except that the sums will not be expressed in constant dollars.

-- The maximum dollar level to be offered under an independence option and as an integral part of a pre-negotiated treaty of 50 years duration, will be \$30 million annually for each of the first 15 years, after which the level of aid would be reexamined. This dollar level will include the costs for leasing lands specifically required for defense purposes.

-- The maximum dollar level to be offered under Commonwealth would be equal to that provided for by the Marianas Commonwealth Covenant on a per capita basis. In addition, the Commonwealth option would include as full a range of federal programs and services as would operate under the Northern Marianas Covenant.

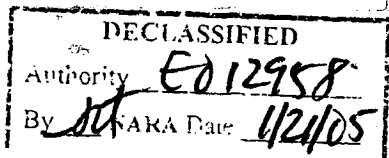
-- You are authorized to commit the US Government to provide up to \$25 million for one-time costs of moving the capital of Micronesia, with up to an additional \$10 million above that figure being provided on a matching basis of two US dollars for every dollar provided by Micronesia.

-- You should make it clear that all financial provisions under any of these options are subject to the approval of the US Congress.

## 6. Land

The minimum US land needs in Micronesia to be protected by any one of the three authorized options include: (1) all of those lands currently covered by lease agreements in the Marshalls; (2) continuing rights to occasional or emergency use of all harbors, waters and airfields throughout Micronesia; and

SECRET



SECRET

-6-

(3) continuing rights to use existing Coast Guard facilities.

To meet current US defense land needs any agreement negotiated should include a commitment to negotiate in good faith for those land options in Palau outlined in Annex B of the draft Compact. An effort should be made to assure that future land requirements will be met in accordance with the provisions dealing with future land requirements similar to those contained in Section 303(c) of the draft Compact.

In the negotiations on land you should continue to maintain the position that following Micronesia's change of status, the new Government of Micronesia, including its political subdivisions, must honor current leases for land utilized by the United States. The language of paragraph 303(e) of the draft Compact reflects the US position in this regard. Should the renegotiation of current leases become critical to the successful conclusion of the negotiations, however, you may in close consultation with the Departments of Defense and Interior agree to renegotiations on terms which would not unduly distort Micronesian land values or result in the US paying grossly inflated sums.

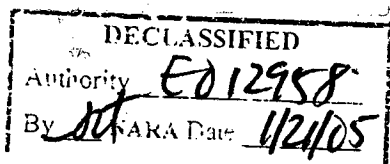
You should continue to resist the imposition of any restrictions on US military uses of land on which it obtains leases. Paragraphs 303(a) and 303(d) of the draft Compact reflect the US position on this matter.

#### 7. Marine Resources

You are authorized to explore with the Micronesian leadership their economic goals relating to the development of marine resources, including specific means of achieving these goals

SECRET





SECRET

-7-

within the context of your basic instructions. You should attempt to limit these exploratory discussions to issues relating to the development of marine resources, US-Micronesian consultative arrangements in the negotiation of international agreements affecting these resources, and the achievement of economic benefits for Micronesia from these measures. You should make it clear that you cannot offer the prospect of US agreement to exclusive Micronesian authority for the negotiation of inter-governmental agreements or the right of unilateral imposition by Micronesia of conditions regulating exploitation of marine resources. If the Micronesians press for inclusion of their amendments to the draft compact relating to marine resources, you should inform them that your instructions do not authorize you to agree on this basis, and that you must consult your government on these points. You should report your exploratory discussions, and a further review of our interests in this field will be conducted in the light of the Law of the Sea Treaty negotiations and other considerations.

7. Terms of Reference

The President has specifically approved the following as your Terms of Reference:

-- You are authorized to conduct the negotiations on behalf of the US Government. Your authority derives from the President's approval of these instructions, these terms of reference, and any subsequent guidance from the President. Within these Presidential guidelines, your authority will include responsibility for determining negotiating strategy and tactics, the composition of the US Delegation, and all procedural arrangements, taking into account the responsibilities and interests of the Departments of State, Defense,

SECRET

Authority EO 12958  
By JK AKA Date 1/21/05

SECRET

-8-

Justice and Interior and other agencies to the extent their responsibilities and interests are affected.

-- You will make recommendations on the negotiations directly to the President through the Office of the Assistant to the President for National Security Affairs.

-- You will consult directly as necessary with the Congress on political status matters in coordination with the NSC Under Secretaries Committee and keep appropriate committees and members of the US Congress informed of significant developments in the negotiations.

-- You will carry out the above responsibilities in coordination with the Departments of State, Defense, Justice and Interior and other involved agencies and will report back to them, as well as to the President, the progress of the negotiations.

-- You will be administratively supported by the Department of the Interior and draw upon other agencies and Departments as necessary for staff. In effect, you will work more closely with Interior than with the other departments, because of its on-going Administrative responsibilities for the Trust Territory of the Pacific Islands.

-- All US Government agencies and departments will provide you and the Office for Micronesian Status Negotiations necessary assistance in seeing these negotiations carried to fruition.

SECRET

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



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

7610740

S E C R E T

MAY 24 1976

MEMORANDUM TO MR. CHARLES W. ROBINSON  
Chairman, NSC Under Secretaries Committee  
Department of State

SUBJECT: Future Political Status of Micronesia

We have reviewed the memorandum to the President, proposed instructions, and the attached study, and have an appreciation for the complex and difficult political situation in Micronesia which is described in these documents. Further, we have noted that the Department of Defense (page 5, Section IV of the study) expresses concern over the value and life expectancy of any pre-negotiated mutual defense treaty or other security arrangements made with a commission which may not reflect the political interests of a post-trusteeship Micronesian government. However, in order to accommodate this concern, an indefinite postponement of negotiations, with continuation of the trusteeship, or further political fragmentation of Micronesia with increased risks to U.S. interests would result. We agree with State and Interior that these alternatives are unacceptable, and that negotiations should resume to define the future political status of Micronesia, with Free Association the U.S. preferred option.

You requested our comments and/or our concurrence on a draft memorandum for the President, instructions for Ambassador F. Haydn Williams, and an interagency study on the future political status of Micronesia. We understand the Ambassador expects to commence meeting with Micronesian leaders during the week of May 24 to 28 and, therefore, is requesting early approval for his instructions. Accordingly, our comments and recommendations are stated briefly as follows:

S E C R E T

CLASSIFIED DEC 31 1984

S E C R E T

Instructions

- We concur with the primary objectives as stated in the instructions with the exception that we strongly recommend that the first of the secondary objectives (e.g. "to keep U.S. financial obligations to Micronesia within reasonable limits and appropriate to the character of the future relationship") should be moved to become the third primary objective. We believe that it is essential for the financial assistance offered in these negotiations to be the minimum necessary to achieve the other U.S. primary objectives.
  
- We strongly concur with the instruction under Finance which states that the maximum dollar levels which include Federal programs and services and payments for military lands identified in these instructions, to be offered for a Free Association relationship will remain as authorized by the instructions of March 1974, except that the sums will not be expressed in constant dollars. While we concur with this change in instructions to delete the offer of constant dollar adjustments, we wish to point out that the change will result in a huge reduction in the number of dollars available to the Trust Territory government if the constant dollar adjustment provisions are maintained during the transition period up to fiscal year 1980. To illustrate, if one assumes a budget for the Trust Territory, other than the Northern Mariana Islands, in FY 1980 of \$54 million for operations and construction, and if one uses the gross national product implicit price deflator estimates as projected in the FY 1977 budget for FY 1980, the estimated constant dollar adjustments just for that year would total \$48.4 million. Consequently, we are raising with Interior and Ambassador Williams' office a question of whether the constant dollar adjustment provision should not be deleted commencing in FY 1978 to avoid having to make such a huge adjustment later on. We recognize that the Micronesians are certain to realize that withdrawal of the constant dollar adjustments would reduce the amount of annual U.S. financial assistance by nearly 50 percent and that they will resist such a change. If necessary to overcome their objections, we recommend that Ambassador Williams negotiate, Ad Referendum, new annual amounts as close as possible to the annual maximum (\$60 million) permitted under his instructions.

S E C R E T

3

- Also under Finance, we strongly object to the concept that the maximum dollar level to be offered under the Commonwealth option would be equal to that provided for by the Northern Marianas Commonwealth Covenant on a per capita basis plus a full range of Federal programs and services comparable to those provided by the Northern Marianas Covenant. In the study itself (under V Finance, page 7, item c) the IAG itself states: "On a per capita basis (which is not a good comparison), this would mean \$100 million annually for seven years plus a very wide range of Federal grant, loan and entitlement programs." (our emphases). We strongly recommend that some other bases be developed on which to base an amount to be offered under the Commonwealth option.

#### Terms of Reference

We concur with the terms of reference as stated but feel it is necessary to express our understanding of what those terms mean in the following two cases:

- The Ambassador is to carry out responsibilities "... in coordination with the Departments of State, Defense, Justice and Interior and other involved agencies...". Our understanding is that the Ambassador will be required to have policy level agreement of officials in an affected agency and OMB before he could offer to accept changes in legislation, as it pertains to the Trust Territory.
- The Ambassador is to be "... administratively supported by the Department of the Interior ...". We agree that because of their continuing responsibilities for the Trust Territory, Interior will provide substantial assistance for the Ambassador in carrying on these negotiations; however, our understanding is that the Interior Department will not be expected to seek appropriations to fund the administrative support of the Ambassador's office. Such support will continue to be provided by transfers of funds and staff from the Departments of Defense and State as it has been in the past.

S E C R E T

Authority ED 12958  
By JK SARA Date 1/21/05

S E C R E T

4

Issues Yet to be Resolved

We understand consideration is being given to developing some new proposed position regarding participation by Micronesia in foreign affairs and especially their relationship to the U.S. pursuant to Article 136 of the Single Negotiating Text of the Law of the Sea Treaty. We will have a major interest in reviewing the proposed instructions for these topics.

Should you have any questions concerning our comments or recommendations we would be pleased to discuss them with you.



Donald G. Ogilvie  
Associate Director

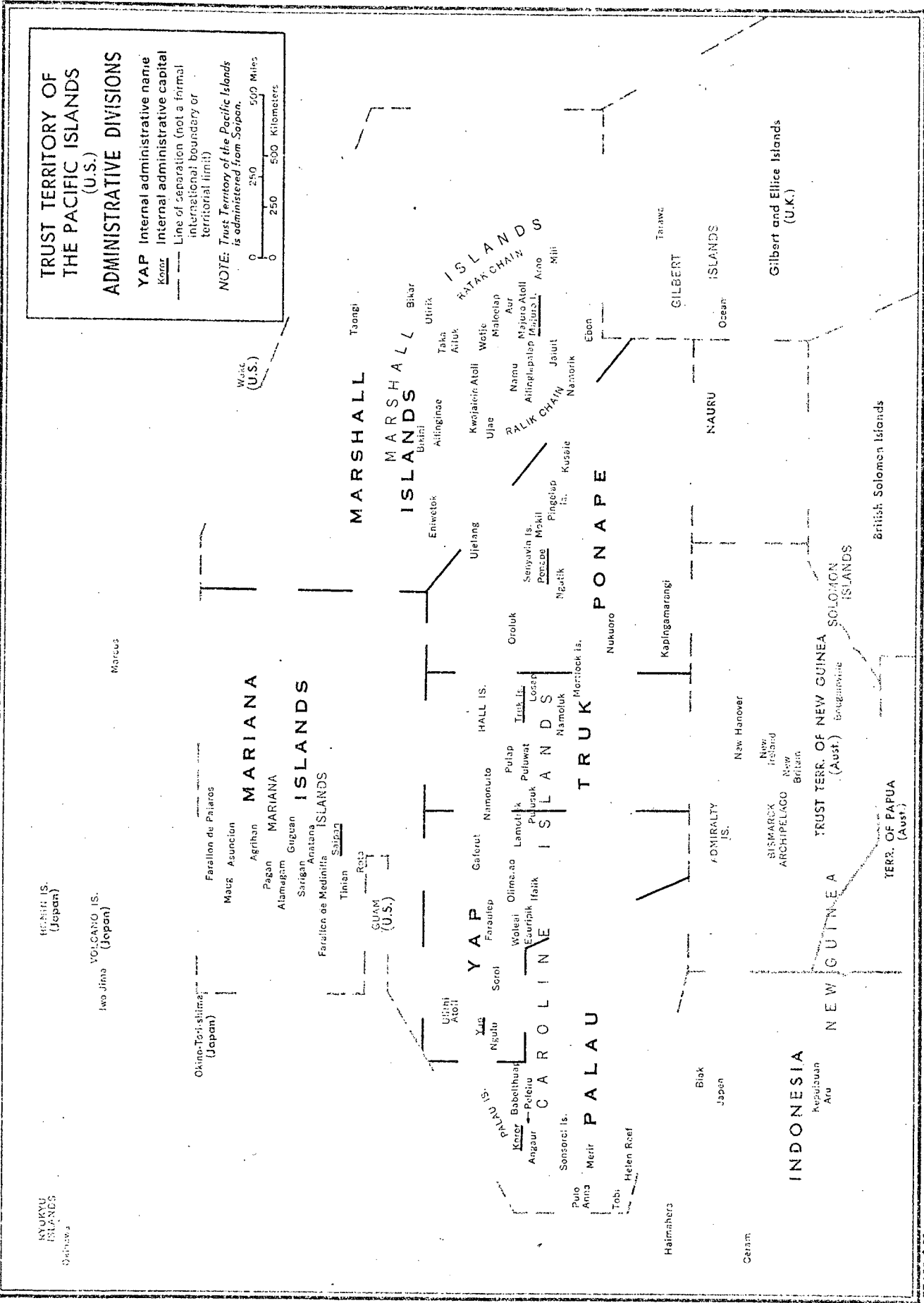
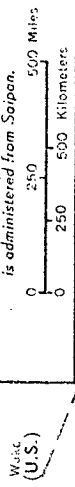
S E C R E T

OPS. DIVISION DEC 31 1984

**TRUST TERRITORY OF THE PACIFIC ISLANDS (U.S.)**  
**ADMINISTRATIVE DIVISIONS**

**YAP** Internal administrative name  
**Koror** Internal administrative capital  
 --- Line of separation (not a formal international boundary or territorial limit)

**NOTE: Trust Territory of the Pacific Islands is administered from Saipan.**



PACIFIC ISLANDS

NAME	STATUS	AREA	POPULATION	ECONOMIC DATA
1. Papua New Guinea	Independent, UN member	183,540 sq mi	2,714,000	GNP - \$1.3 b. ('73)
2. Fiji	Independent, UN member	7,055	575,000	GNP - \$329 m. ('73) \$600 per cap.
3. Tonga	Independent Kingdom	385	101,000	GDP - \$1.5 b. ('74) \$1,500 per cap.
4. Western Samoa	Independent	1,100	160,000	GNP - \$38 m. \$260 per cap.
5. Nauru	Independent	8.2	7,000	GNP - \$28 m. ('70) \$4,000 per cap.
6. Gilbert Isls, Tuvalu	Independent in '77 Independent in '76	376	67,000	GDP - \$740 per cap. ('74)
7. Guam	US organized, unincorporated territory	209	107,000	GNP - \$2,651 per cap. ('75)
8. Northern Marianas	Part of US Trust Territory; to be commonwealth of US		13,000	GNP - \$125 m. ('75) \$1,000 per cap.
9. Caroline & Marshall Isls	US Trust Territory; future status under discussion		90,000	

Authority ED12958  
 By AKA Date 1/21/05



- 10. American Samoa Unorganized and unincorporated US territory 76 27,159
- 11. Cook Isls Free Association with New Zealand; NZ controls foreign affairs 93 19,000 GDP - \$400 per cap. ('73)
- 12. British Solomons British Protectorate 11,500 193,000 GDP - \$29m. ('71)
- 13. French Polynesia French Overseas territory 1,544 120,000 GDP - \$259 m. ('70)  
\$1,963 per cap. ('71)
- 14. New Caledonia French Overseas territory 8,500 136,000 GNP - \$193 m.  
\$1,800 per cap. ('71)
- 15. Wallis and Futuna French overseas territory 80 9,000
- 16. New Hebrides UK-France Condominium 5,700 97,000
- 17. Wake, Johnston, Baker, Howland, Jarvis, Palmyra, Washington, Fanning, Midway - all US controlled islands administered by Dept of Interior.
- 18. US and UK both claim 18 Pacific islands, including Canton, Enderbury, Hull, Christmans and Funafuti.
- 19. US and New Zealand both claim 7 Pacific islands - Union island and Northern Cook Islands.

Authority: FA 12958  
 BY: [Signature] NAKA Date: 11/21/75