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*Tracy*

DRAFT

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*10/4/53*

FUTURE COURSES OF ACTION WITH JCFS

I. Introduction - What this paper will cover

A. Immediate Problems.

1. What to say to press in Honolulu, Guam and Saipan.
2. How to treat Salii in Saipan.
3. How to deal with other members of JCFS

B. Intermediate Range Problems.

1. How to take initiative from Salii and COM, preempting field.
2. How to offset possible Burton damage.
3. How to set stage for Morton's New Years' statement of policy.
4. Possible letter to Salii and JCFS members.
5. Other alternatives.

C. Longer Range Policy Decisions

1. Options for report to President.
2. Continue on present tack, with variants
3. Preempt fully de facto free association idea.
4. Look for other alternatives.

II. Immediate Future (Press and Delegation Guidance).

A. Keep options open, but do not mention we are considering other options.

B. Explain rationale of U.S. position on finance at length.

1. Theme of self-sufficiency, taken from Micronesians themselves.

2. Replacement of high-priced American help



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By *SR* NLF Date *9/21/99*

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3. Decentralization and streamlining of administration.

C. Continue to emphasize our rationale based on real needs of future GOM.

1. Assumption of firm infrastructure base as result completion of major element of TT CIP.

2. Need for fiscal discipline; e.g. increasing reliance on loans versus grants in development process.

3. Increasing reliance on foreign investment and foreign financing of commercial type projects in post-trusteeship period with doors open to foreign investment.

4. Availability of assistance from international institution and other countries.

5. Limitations on absorptive capacity.

6. Realistic assessment of optimum economic growth rates and attainable economic goals.

D. Underline generous nature of U.S. offer.

1. Present level of support the base, adjusting then in terms of factors mentioned above.

2. Present level many times higher already than in any other foreign area in the world on per capita basis.

a. Cooks highest at \$97 per capita (TT \$600).

b. Present level of U.S. support more than total per capita income of most countries.

3. Acknowledge peculiar nature of other economic problems but not much worse than other islands. (This consideration already built into present level of support).

4. Compare with unreasonable COM proposal of \$100 million.



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a. Original demand was for over \$1,000 per capita if all elements added together.

b. Modified demand only slightly less and still twice U.S. offer.

E. Emphasize U.S. willingness to continue seventh round, bypassing finance temporarily and going on to other important outstanding topics; e.g., termination and transition.

1. Substantial progress already made in drafting process (finance, termination, application of laws titles).

2. Expectation that much more could be done at technical level had JCFS been willing to do so.

F. Make clear U.S. continues ready to resume discussions either at level of full delegations or at technical level.

1. Indicate willingness to talk further with Chairman JCFS and other committee members at any time - no real break-off.

2. U.S. prepared to be fully forthcoming and cooperative; continues to believe progress can be made, as FHW has already indicated in his interim report to the President.

3. U.S. attitude one of disappointment, not discouragement.

4. Hope we can find means to resume soon.

### III. Intermediate Range Program (Secret)

A. Need to defuse possible Sallii move to call for de facto free association under continued trusteeship, with maximum internal self-government (new constitution, massive CIP, open door on foreign investment, etc.) followed by full independence.

B. Necessity for stand-by action to repair possible damage resulting from Burton visit.



1. Theme of U.S. and Micronesian Congress, as friends, vs U.S. Administration, the enemy.

2. "I'll give you whatever you want" - Burton

3. Promise of generosity from new U.S. administration in 1977.

C. Preemptive action in proposed Morton statement delivered early January.

1. Self-government theme.

a. Need to implement public land policy.

b. Need to move on constitutional convention and establishment of own form of government.

c. Change in foreign investment policy.

d. Continuing CIP at guaranteed levels.

2. Policy for remainder of current U.S. administration, leaving door open for later decisions on future political status.

D. Possible letter to Salii and JCFS suggesting technical level meetings while COM going on.

1. Anticipate eighth round after COM in spring.

2. Examine real basis for future needs in calm atmosphere.

3. Find basis for bridging gap in monetary figures.

4. Pros

a. Need to maintain momentum vs uncertainty of silence.

b. Further preemptive U.S. action prior to COM grand-standing.

c. Possibility of genuine progress at technical level with agreement on goals and methods.

5. Cons



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a. Simply restates previous U.S. insistence on working out Micronesian needs, already rejected by JCFS, and asking to proceed on this basis.

b. Provides no convenient ladder for JCFS to climb off its previous position.

c. May be too soon after Seventh Round, allowing insufficient time for JCFS to reflect on firmness and rightness of U.S. approach.

d. If accepted could lead to over concentration on finance to neglect of other items of great importance from U.S. standpoint, i.e., termination, and could set stage for future impasse on the latter to U.S. disadvantage.

E. Other Alternatives.

1. Delay letter to Salii till after Burton visit and Morton statement.

a. Allows time to pick up Burton pieces and tailor letter to situation in post-visit period.

b. Could pick up Morton theme and still preempt response from COM if done prior to initial organization period of COM.

c. But could contribute to loss of momentum if too long delayed.

2. Indicate to Salii, JCFS and press that U.S. studying situation in wake of Seventh Round and believes if JCFS continues in present stance U.S. and JCFS should give serious consideration to other approaches to the problem, including other alternatives.

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a. Could act as open invitation to COM to jump for independence, either immediate or after de facto free association period under trusteeship.

b. But could also serve as clear indication of seriousness of U.S. intentions and unwillingness to pay any price.

c. Could serve as vehicle for surfacing "modified Kwajalein" option on independence to show U.S. has no intention of going along with "independence" unrelated to U.S. defense responsibilities in the Pacific.

3. Stand pat and let JCFS wonder what move U.S. will make next.

a. Gives initiative to JCFS

b. Puts U.S. in role of "dog in the manger".

#### IV. Long Term Policy (Secret)

A. Need for substantive report to President on future of negotiations.

1. Timing of report

a. Take into account:

(1) Further JCFS reactions.

(2) Reactions to Morton's statement

(3) Marianas Third Session.

b. Should not wait for definitive COM reaction in forthcoming session.

2. Should consider possible alternatives involving major policy change.

3. Should make definitive recommendations for future policy.

4. Would probably require NSC/USC action if substantial

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deviations from current instructions involved.

5. Sanitized version might be considered for public release if deemed tactically advantageous.

B. Alternatives

1. Continue present course towards Compact of Free Association.

a. Pros

(1) Remains JCFS announced course and preferred by apparent majority of people.

(2) Compact could be completed in minimal time given work already done.

(3) Offers reasonable means of assuring U.S. defense requirements

(4) Preserves large measure of internal unity in Micronesia, though loose.

b. Cons

(1) JCFS leadership may already have discarded it as viable alternative.

(2) Could be costly in monetary terms and too short lived to be worthwhile.

(3) Might offer continuing appeal to the Marianas.

(4) May be practically unworkable (e.g. West Indies)

(5) Will have tough sailing in U.N.

c. Conclusions (later)

2. Delay resumption of negotiations to provide cooling off period and time for reflections resuming after two or three years in effort to complete free association compact, meanwhile pressing

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ahead with Marianas negotiations.

a. Pros

(1) Provide opportunity to demonstrate advantages of close association with U.S. if Marianas negotiations successful.

(2) Corresponds to views expressed to JCFS by people that negotiations are moving too fast.

(3) Recognizes Micronesians are not yet ready to govern themselves.

b. Cons

(1) Provides opportunity for anti-U.S. elements to blame U.S. publicly for foot dragging.

(2) Would give rise to increasing criticism in U.N. and among liberals in U.S. Congress and press.

(3) Would give more time for independence movement to organize complete independence sentiment.

(4) Would leave Palau options up in the air.

(5) Could fragment Micronesia.

3. Continue trusteeship for as many years as possible while giving maximum internal self-government and reasonable economic support to GOM prior to independence.

a. Could involve new constitution and new form of government with own executive (Philippine pattern)

b. Minimum controls (fiscal matters, foreign affairs, defense) left in U.S. hands.

c. HICOM role strictly U.S., not U.N. or neutral.

d. Pros

(1) If extended to 10-15 years and coupled with



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treaty providing for denial and continuation of U.S. military leases would accomplish essential elements of free association option.

(2) Could assure Kwajalein range and even permit U.S. military to obtain Palau options on straight commercial basis (and exercise them if required).

(3) In long run likely to be less costly to U.S. since U.S. would control purse strings.

(4) Would satisfy most Micronesians who favor status quo and take wind out of sails of many independence advocates by offering guaranteed independence politically and guaranteed economic base by launch time.

e. Cons

(1) Would subject U.S. to continuing and growing criticism from U.N. and world opinion - also U.S. Congressional liberals

(2) Would make U.S. target for continuing griping from Micronesians.

(3) Could give substantial support to independence movement by indicating it was really a viable alternative.

(4) Would provide U.S. no sure long-term guarantee for military requirements in post trusteeship period, since Micronesians would be free to renounce previous commitment at time of independence.

f. Conclusions (later)

4. Call off negotiations and announce appointment of commission to study problem and make recommendations to President on future status of five districts.



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a. Could be joint commission with Micronesian representation from cross section of population and not limited to COM.

b. President free to accept or reject recommendations; if accepted results could be put to plebiscite in Micronesia

c. Pros

(1) A fresh start getting away from problems inherent in COM and adversary approach.

(2) U.S. control could be assured throughout.

(3) Could be defended as much more truly representative of Micronesian views than COM treatment.

(4) Could save U.S. money.

d. Cons

(1) Subject to severe U.N. and liberal criticism.

(2) Would incur unending COM hostility even among present friendly members.

(3) Micronesians themselves don't know what they want, so how could Micronesian commission members really represent anyone.

e. Conclusions (later)

5. Other alternatives discarded because of non-viability in practical terms.

a. U.S. to impose unilateral solution and put it up for vote:

b. Other variants on independence theme (from study two)

c. Push them out the door.

d. Give them back to the Japs (This has great appeal as ultimate fall-back).

C. Recommendations (later)