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THE WHITE HOUSE
WASHINGTON

Old Executive Office Building
Room 361

Washington, D.C. 20506

April 12, 1974

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Dear Mr. President:

Your approval of the recommendations contained in my letter of January 25, 1974 and the subsequent amendment of my instructions has enabled Mr. Wilson and me to proceed on schedule with the Micronesian future political status negotiations. A week of private informal talks has just been concluded with the Chairman and Co-Chairman of the Congress of Micronesia's Joint Committee on Future Status (JCFS), and I am pleased to report that we have now reached tentative agreement with them on a complete draft of a Compact of Free Association.

The agreed draft compact is now being referred to the concerned U.S. departments and agencies for comment, and the Co-Chairmen of the Micronesian delegation will be presenting the draft to the full JCFS next week for its approval. Assuming their agreement and your approval, the next steps will include: (1) negotiations for military land usage as set out in the agreement; (2) a final formal round of negotiations to approve the draft officially; (3) the signing of the Compact; (4) referral of the Compact to the Congress of Micronesia; and (5) a status plebiscite. Thereafter final actions will include the approval of the Compact by the Congress of the United States, the formal termination of the Trusteeship Agreement between the United States and the United Nations and, as the last step, a Presidential proclamation announcing the effective date of the Compact.

It is our hope, and the Micronesians have agreed, that every effort should be made to conclude the status negotiations, to draft a Micronesian constitution and to hold a status plebiscite and a constitutional referendum by the spring of 1976. We have further agreed tentatively that after this two year period a final four year period of transition leading to full self-government and a new political status would be desirable. If this schedule is finally adopted and followed the Trusteeship would come to a formal end in July, 1980.

I believe the terms of the agreed draft Compact satisfy my instructions and meet our basic negotiating objectives. Titles II and III give the United States full responsibility for and authority over both foreign affairs and defense. Annex B meets the Defense

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E.O. 12958, Sec. 3.5

NSC Memo, 11/24/98, State Dept. Guidelines
By RAE, NARA, Date 9/13/99

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Department's maximum land requirements as set forth in my instructions and subsequent letters from the Secretary of Defense. The Compact can be terminated only by mutual consent during the first fifteen years after its effective date. Thereafter it may be terminated unilaterally with a two year waiting period during which time both parties would be committed by the Compact to negotiate a mutual security agreement which would embody the military rights and uses in lands covered by then existing leases and the rights of denial as set forth in the Compact. This agreement guaranteeing the survival of U.S. base and denial rights would have to be concluded before termination could become effective, thus in effect making termination possible only by mutual consent even after the first fifteen years.

My agreement on the section of the Compact covering termination and the survival of U.S. defense interests was conditional upon my receiving subsequent approval of the U.S. Government since the new formula exceeded the letter but not the spirit of my instructions. These instructions authorized me to agree to unilateral termination provided that pre-negotiated arrangements were built into the Compact which would guarantee the survival of U.S. base and denial rights for fifty years beyond the date of the termination of the Compact.

If the full JCFS approves the new draft termination formula, I believe U.S. defense interests and the survival of such interests would be amply protected even in the very real unlikelihood of termination of the Compact some time after 1997. This is so because the question of the duration and extent of the U.S. defense rights would have to be met to our satisfaction in the new mutual security agreement before the Compact could be terminated. I recommend approval of the new formula.

The Micronesian Co-Chairmen accepted without counter proposals a new U.S. fifteen year plan for financial assistance in the post-trusteeship period starting at \$55 million annually for the first five years and decreasing to \$42 million annually during the last five years. Their response was most surprising in view of their earlier high dollar demands and their threats of what would happen if their levels were not met. The amounts which we offered, excluding the payments for military land which have yet to be negotiated, were below the new maximum of \$60 million per annum for fifteen years that you authorized last month. The U.S. proposal covers support for government operations, Capital Improvement Programs, development loans and the provision of certain U.S. federal services for five districts on a gradually descending scale and in constant dollars. The average annual payment for the first fifteen years in the above categories is \$48.7 million.

The Micronesians were concerned about the level of assistance following the first fifteen years of free association and were not satisfied with our proposal that such amounts be left to later



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negotiations. They asked that the assistance be kept at the fifteenth year level until a new "mutually acceptable" agreement was reached. We objected to this proposal on the grounds that it would empower them to freeze U.S. financial support indefinitely at the fifteenth year level and suggested as a compromise that U.S. financial assistance continue pending a new financial agreement but at reduced rates following the same descending scale that was established for the first fifteen years of the Compact.

I made it clear that this counter-proposal went beyond my instructions and that it was therefore tentative in nature and subject to change. It was agreed to with that understanding. I feel that the compromise is fully consistent with the statement of our primary objective of building a lasting relationship with Micronesia set forth in my instructions, and I recommend that it be approved.

Our success in getting the Co-Chairmen of the JCFS to agree to our financial proposals and to the new termination provision was made possible in large measure, we believe, by their enthusiastic response to our presentation of a new U.S. six year plan for transition covering the period beginning with FY 1975 and ending with FY 1980. This plan was based in part on Secretary Morton's message to the Micronesian people of January 1974 in which he outlined in broad terms his views on the need for an accelerated program to complete the basic physical infrastructure in Micronesia before the end of the Trusteeship.

Our transition plan worked out earlier with the Department of the Interior calls for an increase in funds for CIP during the next four years as suggested in Secretary Morton's statement and then tapers off during the last two years of the Trusteeship. Proposed figures range from \$20 million in FY 1975 to a high of \$35 million in FY 1978 and drop to \$15 million in FY 1980 for six districts. This proposal for an accelerated CIP program during the period of transition is fully consistent with my instructions.

It was also agreed that a determined effort would be made to hold the line and then to begin a reduction in the cost of government operations in Micronesia before the end of the Trusteeship. During the past five years the number of personnel employed by the TTPI Government has increased by 50%, average salaries by 113% and over-all personnel costs by 220%. It was agreed that this trend had to be gradually reversed and that the process should begin during the transition period. Proposed levels for Government operations subsidies went from their present high of \$55 million per year in FY 1975 and 76 to a low of \$45 million in FY 1980 for six districts.



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It is clear that the Micronesians have linked the transition plan with the terms and the levels of U.S. assistance proposed in the draft compact, and they will certainly make the implementation of the proposed six year transition plan a condition for their final acceptance of the new draft compact. I therefore believe that this plan should be approved and recommend that I be authorized to commit the United States to providing these amounts in constant dollars contingent during the last four years upon Micronesian approval of the Compact of Free Association.

In summary the Co-Chairmen of the JCFS have now agreed to a complete draft Compact and a tentative timetable for the termination of the Trusteeship. Rather than taking their usual contentious and hard line they were very conciliatory and conceded on one point after another. I am inclined to believe that the main reason for the abrupt "turn around" in their attitude stemmed from a recognition on their part that an early and congenial settlement of the future political status question with the United States was the only thing that would counter and check growing Micronesian political disunity.

The question now is whether the two Co-Chairmen can win the approval of the full JCFS for the draft compact. They seemed confident on this score. We are not so sanguine since the JCFS in the past has broken ranks and repudiated its leadership and also its own tentative agreements with respect to future political status issues. The meeting next week in Saipan is therefore of the greatest importance. If their committee were to reject the draft compact it would be a most serious setback for the negotiations and would raise serious questions including whether the U.S. should consider various alternatives to continuing to negotiations with the Congress of Micronesia. On the other hand if the JCFS approves the agreements in principle reached last week I then see the likelihood of an early and successful conclusion of the Micronesian status negotiations.

I can also report that since my letter of January 25th a series of private talks with the leadership of the Marianas has been successful in laying the groundwork for the next formal round of negotiations with the Marianas Political Status Commission, which is now scheduled to begin on May 15, 1974.

Very respectfully yours,

F. Hayden Williams
Franklin Hayden Williams



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