

THE WHITE HOUSE

WASHINGTON

Old Executive Office Bldg.
Room 361
Washington, D.C. 20506

June 18, 1974

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Dear Mr. President:

I am pleased to report that further progress was made in the just concluded fourth round of negotiations with the Northern Marianas leading to the eventual termination of our U.N. Trusteeship over these islands and their joining the United States in a permanent political union as a free expression of their right of self-determination. The talks were held on Saipan from May 15 to 31. A copy of the final joint communique is attached for your information.

The previous rounds of talks had concentrated on the political nature of the proposed relationship, possible financial arrangements and the extent of future military land requirements in the Northern Marianas. Agreements had been reached that the Northern Marianas would become a self-governing commonwealth within the definition of an American territory under full U.S. sovereignty. These basic understandings were reaffirmed last month. Agreements, however, had not been previously reached on the levels and duration of U.S. financial support under a new status nor on the land to be acquired for military purposes. Consequently the last round of talks centered on the unfinished business of land and finance in that order.

The question of land and especially the military use of land had become a highly emotional issue due in part to the partisan exploitation of the issue by local politicians, in part to the unique importance attached to scarce land by the inhabitants of small islands and in part to the controversy over the military use or non-use of land on nearby Guam. American expatriates, some with vested land interests, also are playing a behind the scenes role in influencing local attitudes toward the acquisition of land for military purposes, in particular on Tinian.

Finally after a number of long joint working sessions and briefings, joint public meetings, several days of internal debate within the Marianas Political Status Commission (MPSC) and private exchanges, the MPSC agreed to all of the stated U.S. military land requirements. These included the continued exclusive use of Farallon de Medinilla as a target island, two



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small parcels of land on Saipan for contingency purposes and the acquisition of approximately 2/3 of the island of Tinian including its only harbor. Acceptance of these requirements by the MPSC fully satisfies the Department of Defense stated needs and my instructions of May 9, 1973.

The decision to accede to the U.S. land requests was a difficult one politically speaking for the MPSC to make given the aforementioned concerns and the organized opposition to the so called military land takeover. It is likely that some opposition will continue and land may indeed still be an issue at the time of the plebiscite.

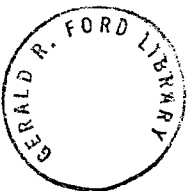
The sale of the land to the federal government according to the MPSC would be politically unacceptable to the people. It has therefore proposed a lease arrangement for 50 years with an automatic renewal provision for an additional 50 years at the option of the United States. The issue of purchase versus lease, has yet to be resolved. Also the terms of the arrangement including the determination of a fair market value price and methods of payment remain to be negotiated. These questions and others, such as joint use of harbor and airport facilities and leasing arrangements for unused military land, are to be turned over to a Joint Land Committee which both parties agreed to establish without delay.

In the discussion on economics and finance the MPSC sought clear and firm assurances that the U.S. Government would give special consideration to the start-up needs of the Marianas as they attempted to achieve higher standards of living after the new political union was effected. The MPSC asked in particular that the initial period of guaranteed U.S. support cover a seven year time span rather than the five year period we had offered earlier. Given the earlier commitment to the Micronesian Joint Committee on Future Status, guaranteeing to the other districts of the Trust Territory assistance on a declining scale over a fifteen year period, and the need to establish and maintain a favorable comparison between Commonwealth and Free Association, I did not think the MPSC's request was unreasonable. I therefore agreed to recommend to you that our initial offer of a guaranteed annual level of financial support for a five year period be extended to seven years as requested by the MPSC.

With respect to the annual levels of financial support for capital improvement programs, government operations and economic development loans the two sides were initially far apart. The MPSC's original demands of last May have since been greatly reduced and were lowered even further during the course of the last talks, particularly their support requirements for government operations. However, review of the Marianas projected needs

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in the face of rising costs produced compelling argument for at least some of the additional funds they were requesting.

In the case of capital improvements the U.S. proposal to earmark additional funds for the neglected islands of Rota and Tinian proved to be very appealing and politically advantageous to both sides, especially against the background of the withdrawal of the earlier American offer to relocate the village of San Jose for safety reasons related to the loading and unloading of ammunition. The 28% increase in district government operating costs over the past year justified additional funds in this category. With respect to loans it was felt that it was politically important to hold out the promise of a counter source of local capital for development purposes to lessen the dependence on and the attractiveness of and the availability of foreign capital, especially from Japan.

Given all of these considerations I agreed to recommend to you approval of an additional one million per year for capital improvement projects on Tinian and Rota (\$500,000 each) raising our earlier offer from \$3 to \$4 million, an additional \$500,000 per year for government operations, raising the level from \$7.5 to \$8 million annually, and \$500,000 per year for small loans to farmers and fishermen and for agricultural and marine cooperatives, raising the annual amount to \$1.5 million. The sum of the tentative agreements reached is \$13.5 million per year in constant 1975 dollars, exclusive of federal programs and services. This figure exceeds the upper limit of my instructions by some \$1.5 million per year. It was made clear that I was not authorized to make a commitment for this additional amount. I do however recommend now that the new agreed financial levels as negotiated be approved.

Agreement was also reached on the organization, the work-plan and a budget for transitional planning which will include a series of political, economic and social studies, a constitutional convention and referendum, and a status plebiscite. It was agreed that the transitional phase would begin with the signing of an agreement and end with the installation of the new government of the Northern Marianas under a locally approved constitution. Both sides agreed to set the beginning of FY 1977 as the target date for the end of the transition period. I also agreed in accordance with my instructions that the United States would fund the extraordinary costs attributed to the change of status. It is estimated that \$1.5 million will be required to cover the presently agreed transition plan.

Finally, the talks in Saipan took up at the request of the MPSC the question of separate administration for the Marianas prior to the termination of the Trusteeship Agreement. The MPSC

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took a strong and positive stand favoring early administrative action by the United States in this regard. I agreed that the United States would take the matter under advisement. I believe that the Department of the Interior with the advice of the NSC Under Secretaries Committee should give immediate and high priority attention to reaching a decision on this question since time is of great importance.

I also wish to say again that the Administration should not overlook the significance of the signs of growing unrest in Guam over the political status issue and other related questions. The negotiations with the Northern Marianas have upset some in Guam who feel that Saipan and the other islands in the Northern Marianas, which were once enemy islands, will be joining the American political family with a far superior political status than Guam now enjoys after 76 years under the American flag. Some others would appear to be using the status issue in Guam and the Marianas talks simply as a political weapon and to further personal political ambitions. In any case Guam feels neglected and needs to be made to feel that it is not being forgotten and overlooked by the federal government in favor of the Northern Marianas. This could cause real difficulty with Congress. It is a situation that needs careful study and steady attention in Washington with a view in particular to offering adjustments in the political status of Guam, if at all possible, before the new arrangements for the Northern Marianas are sent to the U.S. Congress for approval. I understand the Under Secretaries Committee will shortly forward to you a study embracing this issue.

In the meantime the objective of concluding the negotiations with the Northern Marianas will be pursued on a priority basis. The joint land committee referred to earlier will be conducting sub-negotiations and a senior joint drafting committee will be working on a number of remaining substantive questions of a legal and technical nature and the language of the final draft agreement. Mr. James Wilson, the U.S. Deputy Representative for Marianas and Micronesia Status Negotiations will be responsible for these two important activities. Hopefully, enough progress will be made to schedule the next full round of formal talks sometime in the early fall. Conceivably this could be the occasion for the signing of our agreement.

Further formal talks however must await your decision on the following: (1) extending the initial period of guaranteed financial assistance to the new Commonwealth of the Northern Marianas from five years to seven years. (2) Raising the total annual level of financial assistance provided for in my instructions from \$12 million to \$13.5 million annually, and (3) authorizing

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the special funding to cover transition costs and an early request to the Congress for \$1.5 million for this purpose.

Very respectfully yours,

Haydn Williams

Franklin Haydn Williams

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