

MEMORANDUM

NATIONAL SECURITY COUNCIL

*(final report  
July 19  
see page 21)  
7a*

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ACTION

June 21, 1974

*(also filed in  
TTP1 working file  
micronesian  
working file)*

MEMORANDUM FOR: SECRETARY KISSINGER  
FROM: JOHN A. FROEBE, JR.  
SUBJECT: Micronesian Status Negotiations

At Tab I is a draft memorandum from you to the President attaching Ambassador F. Haydn Williams' report to the President on his April round of negotiations with representatives of the five districts of Micronesia. As you recall, he is conducting separate negotiations with the representatives of the sixth district, the Marianas.

Ambassador Williams also recommends further amendments to his negotiating instructions.

Williams earlier had achieved agreement giving the U.S. control of foreign affairs and defense and the Micronesians control over internal government under a self-drafted constitution consistent with the Compact. Ambassador Williams reports that he has now reached agreement with Micronesian representatives on the two remaining issues - unilateral termination of the Compact of Free Association and U.S. financial assistance. However, Williams could get agreement on these two issues only by going beyond his current instructions in minor respects on an ad referendum basis, and he has therefore asked for Presidential approval of these undertakings.

--Unilateral Termination. Williams achieved a tentative agreement under which the Compact would be terminated only by mutual consent during the first 15 years after the Compact goes into force (tentatively set for 1980). Thereafter, the Compact could be terminated unilaterally by either side, but notification to terminate would be followed by a two-year waiting period during which both parties must reach agreement on a mutual security agreement covering our continued use of military bases and facilities in the islands and denial rights. Thus, in effect termination would be possible only by mutual consent.

This tentative agreement exceeds the letter, but not the spirit, of Williams current instructions -- which call for the Compact to include pre-negotiated arrangements providing for denial and military basing rights that would survive any termination of the free association relationship by 50 years.

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*JR*  
9/13/99 GDS



The likely reason for the Micronesian preference for a mutual security agreement that would subsequently be negotiated is that it contains more of the appearance of sovereignty. Substantively, this alternative approach assures the survival of our denial and basing rights just as effectively as our initial offer would. The concerned departments and agencies agree with Ambassador Williams' recommendation that we accept this revised form. I agree.

--U.S. Financial Assistance. Williams also achieved agreement on levels of U.S. financial assistance:

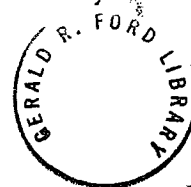
.For the first 15 years after the Compact goes into force the level would start at \$55 million annually for the first five years and would decrease to \$42 million annually during the last five years. (The President had authorized a \$60 million annual ceiling for this period.)

.As regards U.S. financial assistance that would follow the first 15 years, the Micronesian representatives objected to our proposal that this be left to later negotiations. They said that this would give them insufficient protection. They finally agreed to Ambassador Williams' proposal that, if agreement on subsequent levels were not readily achieved in later negotiations, U.S. financial assistance would continue on a scale that would decrease at the same rate as during the first 15 years.

.As regards U.S. financial assistance during the transition period before the Compact goes into force, the Micronesians agreed to our offer for an increased Capital Improvements Program (CIP) ranging from \$20 million in FY 75 to a high of \$35 million in FY 78, dropping to \$15 million in FY 80. (This would, of course, be in addition to U.S. financial support for current governmental operating expenses, which now are running at about \$55 million annually.)

Williams recommends that he be authorized to accept the revised formula for negotiating the level of U.S. financial assistance to follow the first 15 years, and to commit the U.S. to the amounts, in constant dollars, which he has agreed on for the transition period and for the first 15 years. The concerned departments and agencies, with the exception of OMB, agree with Williams' recommendations. OMB has two objections:

1) That, as regards U.S. financial assistance during the transition period, Williams should not commit the U.S. to a binding breakdown between CIP and government operating expenses; rather, the CIP figures he has proposed to the Micronesians should be reviewed in the preparation of annual budgets for the TTPI, with some CIP funds being re-allocated to current operating expenses if the agencies concerned thought necessary.



OMB doubts the administrative ability of our High Commissioner's Office and the Micronesians to spend the full CIP amounts, and also would like to leave open the option of using some CIP funds to support anticipated rising government operating costs in Micronesia. Ambassador Williams strongly disagrees: he contends that giving Micronesia an adequate infrastructure through implementation of the CIP is an important part of ending our trusteeship and of our understanding with the Micronesians. In addition, Williams believes we should gradually reduce U.S. support for Micronesian government operating expenses, and has obtained the agreement in principle of Micronesian representatives and Interior on this. Lastly, Williams believes that, if pressed, our High Commissioner's Office can implement the CIP on schedule.

I agree with Williams: our priority objective is to leave the Micronesians with an adequate infrastructure. Rising operating costs, to the extent they cannot be contained, should be met primarily through increasing local revenues, with possibly some temporary additional U.S. assistance.

2) That Ambassador Williams should not commit us to guarantee the negotiated levels of financial assistance in constant value U.S. dollars. OMB argues that it would be technically impossible to implement such a commitment, since there is no agreed-upon technical means for determining the value of U.S. dollars in Micronesia. OMB recommends that Ambassador Williams be limited to his present instructions, which authorized him to commit us to periodic reviews with the Micronesians for making such adjustments as may be required by changes in the value of the U.S. dollar. Ambassador Williams' office, upon reviewing the matter further, has decided to agree with OMB's position. So do I. I also agree with Williams' recommendations above on the levels of financial assistance <sup>and</sup> on the formula covering financial assistance after the first 15 years.

Issue of the Plebescite and Constitutional Convention. Williams also reached agreement with Micronesian representatives on procedures for bringing the Compact into force over a six year period. During the next two years the status negotiations (including military land negotiations) will be concluded, the Micronesian Congress will consider the Compact, a Micronesian Constitutional Convention will draft a constitution, and then a plebescite will be held. During the following four years the U.S. Congress will consider the Compact, the U.N. Trusteeship Council will take up termination of our trusteeship, and the President will proclaim the Compact.

As regards this tentative schedule, State, Defense (including the Joint Chiefs), Justice, and Interior recommend that a major effort be made to hold the plebescite before, rather than after, the Constitutional Convention. They think that the Constitutional Convention should operate within a political status framework approved by the Micronesian people. More

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fundamentally, they worry that the Micronesian representatives, although now driven to conclude an early agreement by the fear that the Marshall Islands District might follow the Marianas' example and secede, may try to reopen certain provisions of the Compact once they believe Marshallese separatism is under control.

Williams has strong reservations about trying to persuade the Micronesian representatives to hold the plebescite before, rather than after, the Constitutional Convention.

--As a practical matter, it would, in his opinion, be "virtually impossible" to hold the Plebescite before the Constitutional Convention, now scheduled for next April. Prerequisites for the plebescite include prior consideration of the draft Compact by the Congress of Micronesia (which does not convene until next January), and the conduct of a campaign to educate the Micronesian voters on the issues in the plebescite.

--He notes that Micronesian representatives believe strongly that the plebescite should place both the draft Compact and the draft constitution before the Micronesian voters.

--He believes that if some Micronesian representatives were to try to unravel certain provisions of the draft Compact, they would make the attempt when the Micronesian Congress considers the Compact, rather than later when the Constitutional Convention drafts a constitution.

I agree with Williams, especially since we have considerable financial leverage to bring to bear against any possible efforts to renegotiate.

Looking at the longer haul, however, the risk of unravelling does make it prudent for us to move as quickly as practicable to complete the transitional steps, including U.N. consideration, toward completion of the new Free Association arrangement. The Russians are making noises in the Trusteeship Council that they must approve any Micronesian agreement in the security because it is a "strategic trust;" we do not need to deal with this now, however.

Attached to the proposed memorandum to the President is a draft instruction to Ambassador Williams embodying my recommendations above.

Recommendation:

That you sign the draft memorandum to the President at Tab I.

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THE WHITE HOUSE  
WASHINGTON

~~SECRET~~ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: HENRY A. KISSINGER

SUBJECT: Micronesian Status Negotiations

At Tab B is the report of Ambassador F. Haydn Williams, your Personal Representative for Micronesian Status Negotiations, covering his April round of negotiations with representatives of the five districts of Micronesia. As you recall, he is conducting separate negotiations with representatives of the sixth district, the Marianas.

Ambassador Williams also recommends further amendments to his negotiating instructions.

As you know, Williams earlier had achieved agreement giving the U. S. control of foreign affairs and defense and the Micronesians control over internal government. He reports that he has now reached agreement on the two remaining issues -- unilateral termination of the Compact of Free Association and U. S. financial assistance. However, he was able to get agreement on these two issues only by going beyond his current instructions in minor respects on an ad referendum basis, and he therefore is asking your approval of these undertakings.

-- Unilateral Termination. The Micronesians objected to our proposal that the Compact contain pre-negotiated arrangements providing for denial (of Micronesia to third countries for military purposes) and U. S. military basing rights that would survive any termination of the Free Association relationship by 50 years. Instead, Williams subsequently achieved an agreement under which the Compact would be terminated only by mutual consent during the first 15 years after the Compact goes into force. Thereafter, the Compact would be terminated unilaterally by either side, but notification to terminate would be followed by a two-year waiting period during which both parties would have to reach agreement on a mutual security agreement covering our continued use of military bases and facilities in the islands. The concerned departments and agencies (Tabs C and D) agree with Williams' recommendations, and I have no objection.

-- U. S. Financial Assistance. Williams also achieved agreement on levels of U. S. financial assistance:

. For the first 15 years after the Compact goes into force, the annual level would start at \$55 million and decrease to \$42 million (which is below the \$60 million level you authorized).

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. As regards the period following the first 15 years, the Micronesians, refusing our proposal that this be left to later negotiations, finally agreed that, if agreement on follow-on levels were not readily achieved in later negotiations, U. S. financial assistance would continue on a scale that would decrease at the same rate as during the first 15 years.

. As regards the transition period before the Compact goes into force, the Micronesians agreed to a Capital Improvements Program (CIP) ranging from \$20 million in FY 75 to \$35 million in FY 78 and back down to \$15 million in FY 80.

Williams recommends that he be authorized to proceed with the above tentative agreements. The concerned departments and agencies agree, with the exception of OMB, which does not want Williams to commit us firmly to levels of CIP during the transition period. Rather, OMB would have the concerned agencies review these figures annually in the course of budget preparation, and reallocate some of the CIP funds to current government operating expenses in Micronesia if they believed necessary. Ambassador Williams objects strongly. He contends that priority must go to leaving Micronesia with an adequate infrastructure by the time we end the trusteeship; he also has obtained Micronesian agreement to gradually declining U. S. support for government operating expenses in Micronesia. I agree with Williams, and also support his recommendations above on other aspects of U. S. financial assistance.

Issue of the Plebescite and Constitutional Convention

Williams also reached agreement with Micronesian representatives on a tentative schedule for bringing the Compact into force over a six-year period. The departments agree with this schedule, except that they recommend that a major effort be made to hold the plebescite before, rather than after, the Micronesian Constitutional Convention. They believe that the results of the plebescite would constrain the possible proclivity of some Micronesian leaders to try to re-open certain provisions of the Compact in the course of drafting a Constitution.

Williams disagrees. He contends that Micronesian leaders strongly want to place both the draft constitution and Compact before the populace in the plebescite, and that there will not be sufficient time to hold a plebescite before the Constitutional Convention, scheduled for next April. I support Williams. I would also note that we have adequate leverage in terms of our contemplated financial assistance to contain possible Micronesian back-tracking on the draft Compact.

At Tab A is a draft instruction, in your name, from me to Ambassador Williams embodying my recommendations above.

Recommendation:

That you authorize me to sign the draft instruction to Ambassador Williams at Tab A.

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