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## NATIONAL SECURITY COUNCIL

ACTIONSECRET

December 23, 1974

MEMORANDUM FOR: SECRETARY KISSINGER  
 FROM: JOHN A. FROEBE, JR. *JA*  
 SUBJECT: Proposed Negotiations with Guam  
 on a New Political Relationship

At Tab I is a draft memorandum from you to the President attaching a study done by State, Defense, and Interior which proposes negotiations with Guam on a new political relationship and several related issues. The question of a new political relationship and two other issues require Presidential guidance.

Issues

- Can we, within the framework of our basic interests in Guam, satisfy the Guamanian desire for complete internal self-government?
- Should we satisfy the Guamanian desire for some degree of participation in international agencies such as the ADB?
- What should be the level of U.S. financial support to Guam?

In addition, the study discusses a variety of lesser issues which do not require Presidential attention, at least at this time.

Tactically, there is some urgency in our beginning talks with the Guamanian leadership on the above issues. We should do so sometime in January, so that we can then proceed to sign the agreement with the Marianas on a commonwealth arrangement without implying that Guam is being left in an inferior political status.

The Background of These Issues

1. Guamanian Desire for Complete Internal Self-Government. Influential Guamanians have become discontented with their present political relationship to the U.S. Guam's present status, defined in the Organic Act of 1950, is that of an unincorporated territory, which means that we have

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By *HJR*, NARA, Date 9/13/99SECRET

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not decided to move it toward statehood (the essential step toward which would be making it an incorporated territory) and that the federal constitution does not fully apply. We have given Guam an increasing measure of internal self-government since the late 1960s. Guam now elects its own governor, and has a non-voting delegate in the House of Representatives.

Guamanian discontent with this status has grown slowly over the past decade, but the pace quickened last year when we offered commonwealth status to the Northern Marianas. Politically articulate Guamanians have wanted both a larger voice in federal affairs -- such as a vote in Presidential elections and a vote for their delegate to Congress -- as well as less control by the Federal Government -- the right to draft their own constitution and special exemptions in the application of federal laws in areas such as banking, shipping, and immigration.

Guamanian reaction to our offer of commonwealth to the Northern Marianas, which they believe are less advanced than they, is that Guam is now being shortchanged. Guamanians, who earlier had looked on statehood as the ultimate ideal, now seem more interested in commonwealth -- with the greater distance from the U.S. which it gives -- and some status in international organizations such as the ADB and the U.N. Economic and Fiscal Commission for Asian and the Pacific (ESCAP, which is the new name for ECAFE), which they apparently believe might also give them greater leverage with Washington. Commonwealth status for Guam, as well as for the Northern Marianas, also revives the question of Guam's possible eventual integration with the Northern Marianas. Guamanians' interest in commonwealth has not, however, included any significant interest in moving ultimately toward independence, just as it has not in the Northern Marianas.

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Our essential needs in our political relationship with Guam are control over Guam's defense and foreign affairs and continued military basing rights. To achieve this, we need a political framework that will continue Guam's close relationship with the Federal Government, but that will keep the island's growing political demands within manageable bounds. Such a relationship should also serve to limit the U.N. interest in our administration of Guam.

2. Guam's Desire to Participate in Certain International Organizations. Guam is not now a member of any international organizations. Guam participates in the annual conference of the South Pacific Commission



(a consultative body concerned with social and economic development in the South Pacific islands) but not as a member. Guam recently has become interested in membership in the ADB and in associate membership in ESCAP. We so far have discouraged this on the ground that territories are not eligible, although we have invited Guamanian representation on our delegations to ESCAP and WHO. As indicated above, some Guamanians apparently also believe that a degree of international status would strengthen Guam's leverage with the Federal Government.

3. U.S. Financial Assistance to Guam. Current annual U.S. financial assistance to Guam approaches \$300 million (\$270 million in FY 73). Of this, about 90 percent is in federal programs, and the remaining 10 percent is in a direct federal subsidy to the territorial budget. Guamanian demands, stimulated by the needs of a rapidly growing population, are on the rise: they now are asking for an additional \$56 million to support their six-year capital improvement program, which totals \$733 million.

Policy Options

A. Political Status. The inter-departmental study advances three options, all of which would retain federal control of foreign affairs and defense, would preserve our military basing rights, and would provide essentially complete internal self-government from Guam. The options differ on what ultimate direction they would move Guam's political status in -- toward statehood or toward independence -- and on their external political forms as this is important to Guamanian political aspirations. The paper cautions, however, that such changes in political status, if they are to be more fully effective, must be accompanied by action on Guamanian complaints in such areas as U.S. military land requirements, the application of federal laws, and federal financial support.

Option 1: Modified Unincorporated Territorial Status, in order to grant Guam essentially completed internal self-government either through (a) Congressional revision of the present Organic Act in line with Guamanian desires, or (b) a Guamanian-drafted constitution that would be approved by Congress.

-- Of the three options, this would involve the least change in Guam's present political status, while it would give probably an adequate degree of expanded internal self-government -- although it would probably be necessary to grant Guam a self-drafted constitution in order to achieve this end. This option would also more clearly leave open the

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ultimate possibility of statehood. On the other hand, Guamanians probably would fear that they had been given a political status inferior to the Northern Marianas. The Northern Marianas, for their part, would probably be less attracted to future integration with Guam.

Option 2: Incorporated territorial status, with complete internal self-government either through (a) Congressional revision of the Organic Act along lines desired by Guamanians, or (b) a Guamanian-drafted constitution that would be approved by Congress.

-- Would bind Guam into a closer relationship with the Federal Government, and would look toward early statehood. On the other hand, would probably encounter Congressional resistance to the idea of statehood for Guam, would obstruct future integration with the Northern Marianas, would lose Guam its presently substantial tax rebates and its free port status; and would inhibit a more flexible application of federal laws in Guam.

Option 3: Commonwealth status, the precise form of which would be decided on only after we had ascertained Guamanian desires more clearly. The inter-departmental paper inclines toward a form of commonwealth modeled on that which we have worked out with the Northern Marianas.

-- Would satisfy Guamanian political objectives probably more than either Options 1 or 2. The inter-departmental paper finds no significant disadvantages to this option.

1. Departmental Views. State, Defense, Interior, the Office of Micronesian Status Negotiations (OMSN), and OMB all agree that we should work out with Guam some form of commonwealth status that would be at least equal to that which we have negotiated with the Northern Marianas, and which would allow for a Guamanian-drafted constitution that would be acceptable to Congress. If the Guamanians reject commonwealth status, the departments propose that we fall back to Option 1.

2. My View. I am essentially in agreement with the departments. Commonwealth status meets basic U.S. needs, and offers probably the most effective means for satisfying current basic Guamanian political aspirations. Although commonwealth status conceptually implies some loosening of our ties with Guam, in actuality it probably would not: it would create a political framework that would accommodate basic



Guamanian interests as well as our own, and would therefore probably be more stable over the longer run. In addition, commonwealth status would conduce toward Guam's eventual integration with the Northern Marianas, which is in our interest.

B. Guam's Participation in International Organizations. This issue involves several separate but inter-related aspects -- whether Guam should conclude separate trade agreements (but not treaties), should have at least associate membership in ESCAP and full membership in the ADB, and whether we should discontinue our annual reports to the U.N. on our administration of Guam. (These reports are required until the U.N. General Assembly agrees that Guam has achieved complete internal self-government.)

Guam's reasons for wanting to move in this direction are not entirely clear. Its interest in trade agreements apparently derives only from its desire to expand trade. Guam's interest in ESCAP and the ADB seems to be in the hope of obtaining loans and technical assistance. Guam's relatively high per capita income probably renders it ineligible for such loans, however.

These issues, aside from the question of annual reports to the U.N., raise the basic question of whether we should acquiesce in some degree of international status for Guam. This question in turn has serious implications for our relations with the Northern Marianas (where we have not contemplated any such status), for our other territories (where it is a currently unresolved question with Puerto Rico), and indeed for our basic federal-state relationship.

Options:

-- On trade agreements and membership in ESCAP and ADB, the options essentially are to grant Guam's request, to clarify its requests, or to discourage its requests.

-- On annual reporting to the U.N., the options are either to cease the reports now, or to end them after we have negotiated a new political status for Guam.

1. Departmental Views. On trade agreements and membership in ESCAP and ADB, State and Interior favor a clarification of Guam's requests and a willingness to grant Guam's resulting requests to the



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extent that these do not conflict with basic U.S. interests and our federal system. Defense, OMSN, and OMB, however, believe we should firmly discourage Guam's requests, arguing that an international status for Guam would be inconsistent with the close relationship we want to preserve with Guam.

On annual reports to the U.N., State, Interior, and Defense favor continuing this reporting until we have settled on a new political status for Guam.

2. My View. On trade agreements and membership in ESCAP and the ADB, I believe we should first clarify the nature of Guam's interests in these areas. Even after we have done so, however, I believe we should try to satisfy the justifiable, practical needs involved through additional assistance of our own or through similar means. We should also wait to see to what extent our negotiation of a new political status and financial arrangements with Guam may satisfy some of their putative need for an enhanced international status. I also see no objection to our including Guamanian representatives on delegations to particular U.N. international bodies for meetings when the question is of legitimate concern to Guam. I believe, however, that we should avoid membership in international organizations for Guam.

C. U.S. Financial Assistance to Guam. Guam has planned a six-year capital improvements program of \$733 million to expand its infrastructure in water, sewerage, schools, and industry and commerce. Guam has asked our assistance on the program for the first three categories, the total of which comes to \$126 million. Of this latter amount, Guam has requested us to extend a grant of \$56 million.

The paper believes Guam's request is justifiable in terms of its longer-term economic needs, and believes the request is consistent with comparable levels of U.S. federal assistance to our other territories and to the TTPI.

The paper poses options in terms of the composition of the \$56 million financial assistance package:

Option 1: The whole sum as a grant.

Option 2: The education portion (\$32.37 million) as a grant, and the water and sewerage portion (\$23.7 million) as a loan. The education portion would be a grant, since schools do not produce revenue and are not self-amortizing.



• A first sub-option would be to extend the water and sewerage portion, half in a grant and half in a loan.

• A second sub-option would be to extend the water and sewerage portion in a federally-guaranteed bond issue to be floated in the U.S. capital market.

1. Departmental Views. State, Defense, and Interior support the additional \$56 million in financial assistance for Guam's capital improvement program, and recommend that this sum be composed as stated in the first sub-option of Option 2. They believed that the option would strike a better balance between federal responsiveness and our encouraging Guamanian fiscal responsibility. OMB advances a third option: raise the ceiling of the total federal assistance to Guam's capital improvement program to \$75 million, but make the entire sum a loan. OMB contends that, in light of its detailed review of Guam's finances, no grants are justified: (1) Guam already receives rebates of certain federal income and other taxes as well as grants under numerous existing federal programs which these loans would supplement, and (2) Guam's economy has grown at a remarkable rate over the past five years thereby increasing the local tax base.

2. My View. I agree with OMB that we should have a ceiling of \$75 million in federal assistance to Guam, but would allow a maximum of half this sum to be in the form of a grant. At present, we have little information on Guamanian sensitivity to comparability of fiscal treatment with the Northern Marianas; we know the Guamanians are highly sensitive to comparability on the question of political status. In addition, I believe we should try to satisfy Guam's legitimate needs for outside financial assistance through federal financial support, in order to remove an apparent stimulus for Guam to seek membership in international organizations. As regards OMB's objection that the level of Guam's revenues precludes any possible justification of any further U.S. grant assistance, Interior disagrees -- while admitting that the extent of possible additional grant assistance is a question requiring further study. The formula I have suggested would give the Under Secretaries Committee the authority to determine a justifiable level and composition of federal assistance in the light of the further study that should be given to this now murky area.

At Tab I is a draft memorandum from you to the President attaching a draft instruction from him to the Chairman of the Under Secretaries Committee embodying my recommendations above. I recommend that

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while the Chairman of the Under Secretaries Committee be given general authority to carry out the policies in the instruction, the supervision of the detailed negotiations themselves be assigned to the Director of Territorial Affairs in the Department of Interior.

RECOMMENDATION:

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

Concurrence:

- Mr. Kennedy *NR/JS*
- Mr. Smyser *[Signature]*
- Mr. Ross (Domestic Council) *NR/JS*

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MEMORANDUM

3433

THE WHITE HOUSE  
WASHINGTON

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ACTION

MEMORANDUM FOR: THE PRESIDENT  
FROM: HENRY A. KISSINGER  
SUBJECT: Proposed Negotiations With Guam on a  
New Political Relationship

The Departments of State, Defense, and Interior have completed a study which proposes negotiations with Guam on a new political relationship and examines several related issues / <sup>(Tab B)</sup> We need your guidance on the following issues:

- Can we, within the framework of our basic interest in Guam, satisfy the Guamanian desire for complete internal self-government?
- Should we satisfy the Guamanian desire for some degree of participation in international agencies such as the Asian Development Bank?
- What should be the level of U. S. financial support to Guam?

The Background of These Issues

1. Guamanian Desire for Complete Internal Self-Government.  
Influential Guamanians have become discontented with their present political relationship to the U.S. Guam's present status, defined in the Organic Act of 1950, is that of an unincorporated territory, which means that we have not decided to move it toward statehood (the essential step toward which would be making it an incorporated territory), and that the Federal constitution does not fully apply. We have given Guam an increasing measure of internal self-government since the late 1960s. Guam now elects its own governor, and has a non-voting delegate in the House of Representatives. It has been electing its legislature for some time.

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



Guamanian discontent with this status has grown slowly over the past decade, but the pace quickened last year when we offered commonwealth status to the Northern Marianas, the archipelago of which Guam is geographically a part. Guamanian reaction to our offer of commonwealth to the Northern Marianas, which they believe is less advanced than they, is that Guam is being shortchanged. Guamanians, who earlier had looked on statehood as the ultimate ideal, now seem more interested in commonwealth -- with the greater distance from the U.S. which it gives -- and some status in international organizations such as the Asian Development Bank (ADB) and the U.N. Economic and Social Commission for Asia and the Pacific (ESCAP, which is the new name for ECAFE). They apparently believe that both of these changes would give them greater leverage with Washington.

Commonwealth status for Guam, as well as for the Northern Marianas, also revives the question of Guam's possible eventual integration with the Northern Marianas. Guamanian's interest in commonwealth has not, however, included any significant interest in moving ultimately toward independence, just as it has not in the Northern Marianas.

Our essential needs in our political relationship with Guam are control over Guam's defense and foreign affairs and continued military basing rights. To achieve this, we need a political framework that will continue Guam's close relationship with the Federal Government, but that will keep the island's growing political demands within manageable bounds. Such a relationship should also serve to limit the U.N.'s interest in our administration of Guam.

2. Guam's Desire to Participate in Certain International Organizations.

Guam is not now a member of any international organizations. Guam participates in the annual conference of the South Pacific Commission, an economic and social consultative organization of South Pacific islands and interested metropolitan countries, but does not do so as a member. Guam recently has become interested in membership in the ADB and in associate membership in ESCAP. We so far have discouraged this on the ground that territories are not eligible, although we have invited Guamanian representation on our delegations to ESCAP and WHO. As indicated above, some Guamanians apparently also believe that a degree of international status would strengthen Guam's leverage with the Federal Government.

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3. U. S. Financial Assistance to Guam. Current annual U. S. financial assistance to Guam approaches \$300 million (\$270 million in FY 73). Of this, about 90 percent is in federal programs, with the remaining 10 percent in a direct federal subsidy to the territorial budget. Guamanian demands, stimulated by the needs of a rapidly growing population, are on the rise: they are now asking for an additional \$56 million to support their six-year capital improvement program, which totals \$733 million.

Policy Options

A. Political Status. The departmental study advances three options, all of which would retain federal control of foreign affairs and defense, would preserve our military basing rights, and would provide essentially complete internal self-government for Guam. The options differ on the ultimate direction in which they would move Guam's political status -- toward statehood or toward independence -- and on their external political forms as this is important to Guamanian political aspirations.

Option 1: Modified Unincorporated Territorial Status, in order to grant Guam essentially complete internal self-government either through (a) Congressional revision of the present Organic Act in line with Guamanian desires, or (b) a Guamanian-drafted constitution that would be approved by Congress.

-- Of the three options, this would involve the least change in Guam's present political status, while it would give a probably adequate degree of expanded self-government -- although it would probably be necessary to grant Guam a self-drafted constitution in order to achieve this end. This option would also more clearly leave open the ultimate possibility of statehood. On the other hand, Guamanians probably would fear that they had been given a political status inferior to the Northern Marianas. The Northern Marianas, for their part, would probably be less attracted to future integration with Guam.

Option 2: Incorporated Territorial Status, with complete internal self-government whether through (a) Congressional revision of the Organic Act along lines desired by Guamanians, or (b) a Guamanian-drafted constitution that would be approved by Congress.



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-- This option would bind Guam into a closer relationship with the Federal Government, and would look toward early statehood. On the other hand, it would probably encounter Congressional resistance to the idea of statehood for Guam, would obstruct future integration with the Northern Marianas, would lose Guam its presently substantial tax rebate and its free port status, and would inhibit a more flexible application of federal laws in Guam.

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-- Would satisfy Guamanian political objectives probably more than either Option 1 or 2. The inter-departmental paper finds no significant disadvantage to this option.

1. Departmental Views. State, Defense, Interior, the Office of Micronesian Status Negotiations (OMSN), and OMB all agree that we should work out with Guam some form of commonwealth status that would be at least equal to that which we have negotiated with the Northern Marianas, and which would allow for a Guamanian-drafted constitution that would be acceptable to Congress. If the Guamanians reject commonwealth status, the departments propose that we fall back to Option 1.

2. My View. I am essentially in agreement with the departments. Commonwealth status meets basic U. S. needs and offers probably the most effective means for satisfying current basic Guamanian political aspirations. Although commonwealth status conceptually implies some loosening of our ties with Guam, in actuality it probably would not: it would create a political framework that would accommodate basic Guamanian interests as well as our own, and would therefore probably be more stable over the longer run. In addition, commonwealth status would conduce toward Guam's eventual integration with the Northern Marianas, which is in our interest.

B. Guam's Participation in International Organizations. This issue involves several separate but related aspects -- whether Guam should conclude separate trade agreements (but not treaties), should have at least associate membership in ESCAP and full membership in the ADB, and whether we should discontinue our annual reports to the U. N. on

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our administration of Guam. (These annual reports are required until U. N. General Assembly agrees that Guam has achieved complete internal self-government.)

Guam's reasons for wanting to move in this direction are not entirely clear. Its interest in trade agreements apparently derives only from its desire to expand trade. Guam's interest in ESCAP and the ADB seems to be in the hope of obtaining loans and technical assistance. Guam's relatively high per capita income probably renders it ineligible for such loans, however.

These issues, aside from the question of annual reports to the U. N., raise the basic question of whether we should acquiesce in some degree of international status for Guam. This question in turn has serious implications for our relations with the Northern Marianas (where we have not contemplated any such status), for our other territories (where it is a currently unresolved question with Puerto Rico), and indeed for our basic federal-state relationship.

-- On trade agreements and membership in ESCAP and ADB, the options essentially are to grant Guam's requests, to clarify its requests, or to discourage its requests.

-- On annual reporting to the U. N., the options are either to cease the reports now, or to end them after we have negotiated a new political status for Guam.

1. Departmental Views. On trade agreements and membership in ESCAP and the ADB, State and Interior favor a clarification of Guam's requests and a willingness to grant Guam's resulting requests to the extent that these do not conflict with basic U. S. interests and our federal system. Defense, OMSN, and OMB, however, believe we should firmly discourage Guam's requests, arguing that an international status for Guam would be inconsistent with the close relationship we want to preserve with Guam.

On annual reports to the U. N., State, Interior, and Defense favor continuing this reporting until we have settled on a new political status for Guam.

2. My View. On trade agreements and membership in ESCAP and the ADB, I believe we should first clarify the nature of Guam's interests in these areas. Even after we have done so, however, I believe we

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should try to satisfy the justifiable practical needs involved through additional assistance of our own or through similar means. We should also wait to see to what extent our negotiation of a new political status and financial arrangements with Guam may satisfy some of their putative need for an enhanced international status. I also see no objection to our including Guamanian representatives on delegations to particular U.S. international bodies for meetings when the question is of legitimate concern to Guam. I believe, however, that we should avoid membership in international organizations for Guam.

On the question of annual reports to the U. N., I agree with the position taken by the departments -- that we should continue to make the annual reports until we have settled on a new political status for Guam.

C. U.S. Financial Assistance to Guam. Guam has planned a six-year capital improvements program of \$733 million to expand its infrastructure in water, sewerage, schools, and industry and commerce. Guam has asked our assistance on the program for the first three categories, the total of which comes to \$126 million. Of this latter amount, Guam has requested us to extend a grant of \$56 million.

The paper believes Guam's request is justifiable in terms of its longer-term economic needs, and believes the request is consistent with comparable levels of U.S. federal assistance to our other territories and to the TTPI.

The paper poses options in terms of the composition of the \$56 million financial assistance package:

-- Option 1: The whole sum as a grant.

-- Option 2: The education portion (\$32.37 million) as a grant, and the water and sewerage portion (\$23.7 million) as a loan. The education portion would be a grant, since schools do not produce revenue and are not self-amortizing.

. A first sub-option would be to extend the water and sewerage portion, half in a grant and half in a loan.

. A second sub-option would be to extend the water and sewerage portion in a federally-guaranteed bond issue to be floated in the U.S. capital market.

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1. Departmental Views. State, Defense, and Interior support the additional \$56 million in financial assistance for Guam's capital improvement program, and recommend that this sum be composed as stated in the first sub-option of Option 2. They believe that that option would strike a better balance between federal responsiveness and our encouraging Guamanian fiscal responsibility. OMB advances a third option: raise the ceiling of the total federal assistance to Guam's capital improvement program to \$75 million, but make the entire sum a loan. OMB contends that, in light of its detailed review of Guam's finances, no grants are justified: (1) Guam already receives rebates of certain federal income and other taxes as well as grants under numerous existing federal programs which these loans would supplement, and (a) Guam's economy has grown at remarkable rates over the past five years thereby increasing the local tax base.

2. My View. I agree with OMB that we should have a ceiling of \$75 million in federal assistance to Guam, but would allow a maximum of half this sum to be in the form of a grant. At present, we have little information on Guamanian sensitivity to comparability of fiscal treatment with the Northern Marianas; we know the Guamanians are highly sensitive to comparability on the question of political status. In addition, I believe we should try to satisfy Guam's legitimate needs for outside financial assistance through federal financial support, in order to remove an apparent stimulus for Guam to seek membership in international organizations. As regards OMB's objection that the level of Guam's revenues precludes any possible justification of any additional U. S. grant assistance, Interior disagrees -- while admitting that the extent of possible additional grant assistance is a question requiring further study. The formula I have suggested would give the Under Secretaries Committee the authority to determine a justifiable level and composition of federal assistance in the light of the further study that should be given to this now murky area.

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At Tab A is a draft instruction to the Chairman of the Under Secretaries Committee embodying my recommendations above. I recommend that, while the Chairman of the Under Secretaries Committee be given general authority to carry out the policies in the instruction, the supervision of the detailed negotiations themselves be assigned to the Director of Territorial Affairs in the Department of Interior.

RECOMMENDATION:

That you approve my signing, in your name, the draft instruction to the Chairman of the Under Secretaries Committee at Tab A.



NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20506

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MEMORANDUM FOR

Chairman  
Under Secretaries Committee

SUBJECT: Negotiations with Guam on a New Political  
Relationship

1. General

You are authorized to supervise, within the Executive Branch, implementation of the policies in this instruction, which are intended to give effect to the following objectives:

-- To retain U. S. sovereignty over Guam, and, in particular, to maintain U. S. control over Guam's foreign affairs and defense and to preserve U. S. military basing rights on Guam.

-- To move Guam toward complete self-government in internal affairs under a self-drafted constitution consistent with the Federal Constitution, in order to promote prospects for Guam's continued close relationship with the Federal Government and for long-term stability on the island.

-- To help promote the material well-being of Guamanians, in order to support stability on Guam.

-- To enhance the prospects for the ultimate integration of Guam with the Northern Marianas, if this accords with the desires of the majority of Guamanians.

2. Political Status

We should seek agreement with Guamanian representatives on a commonwealth arrangement no less favorable than that which we are negotiating with the Northern Marianas. If, however, Guamanian

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By RJR, NARA, Date 9/13/99





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representatives prefer a modified unincorporated territorial status, we will be willing to accept such an arrangement. Either arrangement should provide for full U. S. control of Guam's foreign affairs and defense, for U. S. military basing rights on Guam, for Guam's access to the Federal court system, and for internal Guamanian self-government under a locally-drafted constitution that would be consistent with the Federal Constitution.

3. International Status

Trade Agreements and Membership in International Organizations.

We should clarify the specific nature of Guam's interest in entering into international trade agreements and in participating in international organizations. Having done so, we should attempt to satisfy Guam's reasonable, practical needs first through means that would not lead to a separate international status for the island. We should also take into consideration the extent to which our negotiation of a new political status and financial support for Guam will indirectly satisfy their putative need for an enhanced international status. Basic U. S. policy will continue to be to discourage membership for U. S. territories in international organizations in order to avoid a separate international status for these territories. This will not preclude the inclusion of Guamanian representatives on U. S. delegations to international conferences and organizations such as WHO and ESCAP when the questions involved are directly relevant to Guam's reasonable, practical needs.

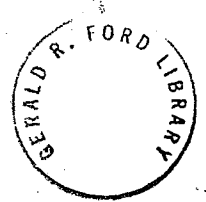
Annual Reports to the United Nations. We should continue to make annual reports to the United Nations on U. S. administration of Guam pending our agreement with Guamanian representatives on complete internal self-government.

4. Financial Assistance

You are authorized to offer up to a total of \$75 million in U. S. financial assistance for Guam's capital improvement program, with a maximum of one-half this amount to be in the form of a federal grant. Federal loans, which will constitute the remaining portion, will be repayable over 30 years, will bear interest equal to the average yield of outstanding marketable obligations of the U. S. of comparable maturities, and will be repaid by withholdings from sums collected by the U. S. to be rebated to Guam under Section 30 of the Organic Act. The Secretary of Interior, before requesting such loans in the

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budgetary process, should determine that the maximum debt service in any year during the life of these loans will not exceed 15 percent of the average annual revenues covered into the Guam general fund during the two preceding years.

5. Congressional Consultations

The Congress should be kept informed of significant developments in the negotiations with Guamanian representatives.

6. Negotiating Authority

Under your general supervision, the Assistant Secretary of Interior for Program Development and Budget should develop and implement a negotiating approach that will give effect to the above instructions, and should organize a U. S. negotiating team that will include representation from the Departments of State and Defense as well as the Department of Interior.

Henry A. Kissinger

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