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DOD WORKING PAPER

I. Are there new or different factors in the region that dictate the need for a revised statement of U.S. interests in Micronesia?

(S/NF) Study II listed U.S. strategic defense interests and requirements as follows:

- Deny access to Micronesia by foreign powers for military purposes.
- Maintain access to defense facilities on Kwajalein.
- Obtain the right of military access to certain lands in the Palau District of Micronesia (subsequently identified as 40 acres at Malakal Harbor and 2000 acres on Babelthaup, plus the non-exclusive use of 30,000 acres on Babelthaup for periodic military maneuvers).

(S/NF) The foregoing interests have been affected in the following ways since 1973:

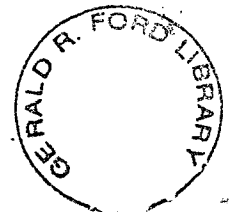
- (U) It always has been clear that we could not force the people of Micronesia to accept a political status which they did not want. Hearings on the Northern Marianas Covenant have emphasized that the people of the TTPI not only must accept their future political status, but also be willing to advocate it before the U.S. Congress. Their participation is essential.
- (S/NF) We no longer are involved on the mainland of Southeast Asia, but we still have an interest in what goes on in the South China Sea.
 - The Philippines are not likely to deny us access to Subic Bay as a place where we can support forward deployments during peacetime. However, there are more uncertainties concerning rights we would have during contingencies.
 - Without access to Subic, we could support a naval presence in the South China Sea somewhat better from Palau than from either Guam or Australia. The turn-around time for our underway replenishment ships would be less.
- Our access to the Indian Ocean from the Philippine Sea through the Lombok Strait presents a different problem.
 - Denial of the Palau Islands to the military forces of any foreign nation would not in itself secure the route from the Philippine Sea through the Lombok passage. We also would need a friendly understanding with Indonesia and Papua-New Guinea. We do not have a mutual security treaty with either one of these countries.

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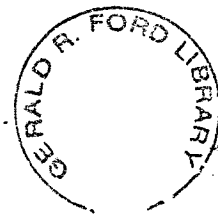
- Our access to the Palau Islands in an Indian Ocean contingency would be useful, but not as useful as our access to Australia. In terms of the distances involved, the cost of going back to the Marianas to replenish is not much greater than the cost of going back to Palau.
- (S/NF) While the proposed Palau Superport does not appear to conflict with land identified for future military use, this project could influence U.S. strategic and defense interests in the following ways:
 - Japan probably would not want to make such a major investment without assurance of political stability, and an effective local government.
 - The Palauans probably will want the United States to remain on the scene; at the same time, visions of new wealth will lead them to keep all political status options open. Only free association will satisfy this dual requirement.
 - Congress is not likely to accept new U.S. defense obligations or financial outlays related to the Superport.

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2. a. What are our assumptions regarding the viability of the draft Constitution, i.e., should the U.S. continue to promote the unity of the Carolines and the Marshalls or, alternatively, should we acquiesce to or tacitly encourage further fragmentation?

(U) Notwithstanding apparent inconsistencies between the Constitution and the draft Compact of Free Association, there are indications that the Micronesians want to buy time under some form of free association:

- The Constitutional Convention described the Constitution as a document which would be viable either in free association or as a sovereign state.
- Salii recently has reaffirmed his desire to resume discussions on free association.
- Both the Marshalls and the Palauans have indicated some dissatisfaction with the idea of Micronesian unity, particularly if it involves a new independent state with considerable authority at the federal level. They might want to take some foreign relations authority away from the United States, but they are not ready to give this authority to a new Government of Micronesia.



(C) If the JCSF begins to seriously discuss independence, the effect is likely to be fragmentation. If we encourage independence, the result will be the same, except that we will share the onus for fragmentation, i.e., not giving them enough time to work on a united, self-sufficient Micronesia.

(C) The position of Palau may be affected by the superport -- the linkage between the superport and continuation of a U.S. federal presence in the TTPI. A treaty relationship between the United States and Micronesia, limited to our interest in Kwajalein, may not satisfy the Japanese and, in turn, the Palauans.

(C) The position of the Marshalls is likely to be affected by their dependence on Kwajalein and a reluctance to share future revenues with a larger, independent Micronesia, the government of which has complete control over foreign relations and defense matters.

(C) In summary, our near-term assumption is that free association will promote Micronesian unity, while independence is more likely to produce the opposite result. These interrelated factors are not lost among the Micronesians who recently have said that there is a need to know the reaction and observations of the U.S. Government about Micronesian unity, political status matters, and the new draft Constitution.

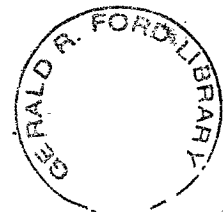
2. b. What are the pros and cons of further political fragmentation?

(S/NF) We are interested in a politically and economically stable Micronesia, the retention of rights we need to protect our national security interests in the years ahead, and an arrangement at Kwajalein which will provide the longest possible tenure at the lowest possible cost. We prefer that this be accomplished in negotiations with Micronesia as a whole. We would not dismiss out of hand approaches for separate political status discussions.

2. c. Are there any changes in U.S. long-term strategic interests in the light of the Ford Pacific Doctrine, events in the Carolines, new technology, Marianas accession, new threat analysis, etc.

(S/NF) The Pacific Doctrine implies that we will maintain a military presence in the East Asia and Pacific Region, so as to provide an equilibrium of power in which our friends and allies can have confidence. It serves to stabilize relations with our allies and current base arrangements. Over the long-term, the Marianas will be the only place where we can support forward deployments and an early warning capability from U.S. soil. With Johnston and Wake, our ability to defend LOCs to the Marianas is about as good as it could be. Denial of the Marshalls remains essential. Palau is not central to the defense of U.S. territory, but access to this island could be important in terms of our international commitments and goals.

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3. a. (1) Are there status alternatives other than those analysed in Study II, which deserve serious considerations? What are the advantages or disadvantages of Free Association versus a treaty relationship?

(S/NF) Study II is complete in its consideration of status alternatives. The second question is addressed below:

Free Association

Advantages

Would buy both sides some time to consider termination of the U.N. Trusteeship Agreement and eventual political status.

Assuming eventual independence, would provide for an orderly transition process.

Would preserve U.S. authority over foreign relations and defense matters while faced with an uncertain environment in Asia.

Disadvantages

Free Association is not likely to remove TPI from U.N. supervision.

Micronesia might be no more self-sufficient or united at the end of free association than it is today.

Such authority would entail responsibilities as well -- search and rescue, fishing zones, foreign investment, operation of Palau Superport, etc.

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Treaty Relationship

Advantages

Would remove Micronesia from U.N. supervision.

Would place total responsibility for civil government operations and services on the Micronesians.

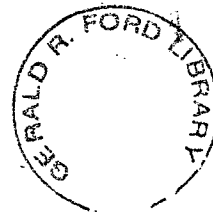
Disadvantages

Would end paramount U.S. influence over foreign relations and defense matters.

If too sudden, a treaty relationship could be destabilizing, i.e., cause fragmentation.

Would not eliminate the need for financial assistance under bilateral or multilateral arrangements.

Would still have a residue of problems related to clean-up of Enewetak and Bikini Atolls.



Would specify base rights over the term of the treaty relationship.

Would require agreement on national and international search and rescue obligations in the Central Pacific, i.e., U.S. or Micronesian responsibility.

Would enable U.S. to discuss defense matters with one central government.

U.S. and U.K. experience with base rights in developing countries is not encouraging. Micronesia could adopt third-world outlook, particularly if enticed by financial or technical assistance.

Would satisfy denial objectives at specific locations where we maintained military installations.

Would not deny third country access to Micronesian civil ports and airfields.

Would maintain U.S. operational control over military ports and airfields.

Would not preclude future requests for joint civil-military use.

3. a. (2) What would be the U.S. Congress' reaction to the options to Free Association, e.g., Kwajalein Denial Independence option or separate agreements with the Marshalls or the Carolines, or parts thereof?

(S/NF) This will depend on how the following issues are presented to Congress:

- The general consensus among the Micronesians concerning their future political status and their advocacy of it.
- The nature of fundamental differences in political outlook: whether some want independence and others free association.
- The viability of Micronesia standing alone as an independent nation: whether financial collapse or future fragmentation is a real concern.

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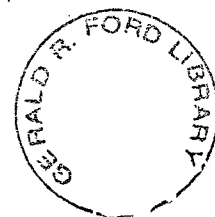
- Basic national security interests: whether free association is apt to provide for a better forward defense of U.S. territory than independence.
- The relative cost of any agreement: whether it seems too expensive in comparison with our national security interests or other ways in which we might protect these interests.
- Alternatives to our long-term use of the Kwajalein Missile Range: whether the USG carefully explored these alternatives prior to negotiating an agreement with the Micronesians.
- The relative tempo of ballistic missile RDT&E programs: whether we have an active program or tend to be hedging against future uncertainties, or both.
- The relative importance of the Palau Superport: whether it is related directly to our national security interests or more to our international commitments, obligations, and goals.
- The relationship between U.S. financial assistance and revenues (wealth) likely to stem from the Palau Superport: whether it appears that our assistance is in the form of a subsidy to any special interest group.

3. b. What is the compatibility of the draft constitution and a Compact of Free Association.

(U) There are basic inconsistencies in authority and responsibility, particularly in the areas of foreign relations and defense matters.

- Under Articles II and III of the draft Compact of Free Association, the United States will have full authority over and responsibility for foreign affairs and defense matters.
- The Constitution creates a sovereign Federation of Micronesia; declares this Constitution to be the supreme law of the Federated States of Micronesia; expressly delegates to the Congress of Micronesia the power to provide for the national defense, to ratify treaties, and to regulate navigation and shipping; and delegates to the President the power to receive all ambassadors and to conduct foreign affairs and national defense in accordance with national law.

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4. a. What is the status of DOD interests in Palau; are these of sufficient importance to condition the choice of status options or can they be put aside for later consideration or negotiations?

(S/NF) The Palau land options (40 acres of submerged land at Malakal Harbor and 2000 acres on Babelthaup) are not central to the defense of U.S. territory or any DOD responsibilities related thereto. However, this land could become important in terms of international commitments and goals, particularly those related to energy programs and the non-proliferation of nuclear weapons.

- As stated in the International Economic Report of the President in March 1975, the United States has reached tentative agreement on an International Energy Program (IEP), encompassing:
 - An integrated emergency arrangement to limit vulnerability to actual or threatened embargoes by the producers;
 - A long-term cooperative program to reduce dependency on imported oil;
 - An oil market information system aimed at improving knowledge of the operation of the world oil market and establishing a framework for consultation with individual companies; and
 - A program for coordination of relations with producing countries and the less developed consuming countries.
- In addition, the Arms Control and Disarmament Agency is seeking ways to avoid the proliferation of nuclear fuels reprocessing plants, because biproduct material can be used to produce nuclear weapons.
- Within the foregoing context, Palau already is being discussed as a place to build a POL storage complex. As part of the TTPI, it also has been mentioned as a possible site for the reprocessing of nuclear fuels. The two operations are not necessarily mutually exclusive, for reprocessing requires a good source of local energy, which most districts of the TTPI now lack.
- All of the foregoing strongly implies that a U.S. presence may be required in the Palau Islands in the years ahead, but not necessarily a military one. More likely, our presence during peacetime would be related to the management and supervision of these energy related programs. Nonetheless, we will have to consider the strategic value of the Palau Superport and make arrangements in advance to use Palau for military purposes, should this be required by unforeseen contingencies. The land option approach would satisfy this requirement.

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- It would be desirable for the Department of State, ERDA, and ACDA to state their interest in Palau in terms of international energy programs and the siting of nuclear reprocessing plants in the East Asia and Pacific Region.

4. b. Can we compromise on the principle of unrestricted use or on the Micronesian demand regarding renegotiation of existing leases?

(C) We should not accept restrictions on our use of the TTPI under agreements which provide for full U.S. authority over and responsibility for defense matters. Under a treaty relationship, we would have to take a more flexible position. The same thought applies to the renegotiation of existing leases.

5. What should be the relationship between the level of U.S. financial assistance offered and the nature of the status agreement, e.g., how do we deal with Micronesian attempts to clothe the new constitution in free association garb in an effort to salvage substantial U.S. aid commitments offered in the draft Compact?

(C) Broadly speaking, financial assistance should be related not to any specific status, but to the goals set forth in Study II:

- Establishment of a stable and friendly self-governing Micronesian political entity (or entities) through reasonable satisfaction of the political and economic aspirations of its people.
- Satisfaction of U.S. obligations relating to termination of the Trusteeship Agreement.

(C) The USG should assess the level of financial assistance required to satisfy these objectives first. This should be followed by an assessment of the additional cost of:

- Denial of the area for military use by third parties.
- U.S. responsibility for and authority over all matters which relate to the foreign affairs of Micronesia and to defense in Micronesia.
- The right of the U.S. to maintain certain U.S. Government facilities and to obtain land options that will guarantee use of the training areas and the right to establish future bases in Micronesia.

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6. How shall we specify termination provisions and protect the survivability of defense arrangements?

(C) It is doubtful that we can obtain more than we have in the draft Compact of Free Association. If Micronesia as a whole desires complete independence, followed by a treaty, then we and they will be looking at other mutual security treaties to determine what is attainable at what cost.

7. What position should we take on United Nations issues?

(U) It is important that the political status offered to the people of Micronesia come reasonably close to what they want. We and they must be satisfied that our obligations have been fulfilled when the issue of Trusteeship termination is raised in the U.N.

8. What issues must be considered during the transition process?

(U) We should continue to press for Congressional funding of Enewetak and Bikini cleanup operations as a residual U.S. responsibility.

(U) Outside the Marianas, where U.S. forces can continue to provide search and rescue services at relatively low cost, DOD desires to be relieved of this responsibility in the TTPI. This is a civil function and only civil authorities can make the case for necessary forces, facilities, and personnel.

(U) If the Micronesians' opt for independence, in order to pursue their own law of the sea policy, they must provide whatever capability is needed to enforce that position in their relations with other states. In free association, we would expect their position to be identical with that of the United States. In that event, U.S. forces could be used to document violations of territorial waters or fishing zones. The seizure or detention of fishing vessels must be accomplished by the USCG.

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