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NSC UNDER SECRETARIES COMMITTEE

MEMORANDUM FOR THE PRESIDENT

Subject: Future Political Status of  
Micronesia

The Under Secretaries Committee recommends your approval of the attached instructions for Ambassador F. Haydn Williams, your representative for Micronesian status negotiations, for the conduct of negotiations with representatives of the Caroline and Marshall Islands regarding their future political status (see attached map at Tab 1). Also attached is an interagency study on this subject. These documents have been prepared in response to Ambassador Williams' request in his letter to you of December 10, 1975, for a review of the NSC policy paper on Micronesia dated August 27, 1973.

That policy study had recommended that the United States seek to attain the agreement of representatives of the Carolines and Marshalls to a "free association" relationship (i.e. less than fully sovereign) with the

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United States. Although Ambassador Williams and the Micronesia negotiators reached tentative agreement in October 1974 on a draft compact of Free Association, the Congress of Micronesia was unwilling to approve it subsequently on the ground that the United States offer of financial assistance was inadequate when measured against the authority the United States proposed to retain over Micronesian foreign and defense matters.

Meanwhile, pursuant to another 1973 policy study, Ambassador Williams negotiated a separate agreement with representatives of the Northern Marianas by which those islands would become an unincorporated territory (commonwealth) of the United States. This agreement was signed on February 15, 1975, and has been approved by the United States and the Northern Marianas. The Commonwealth Covenant is now Public Law 94-241, signed by you on March 14, 1976.

It now remains to try to work out an agreement establishing the political status of the Caroline and Marshall Islands. These islands, together with the Northern Marianas, make up the Trust Territory of the

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Pacific Islands, which is a strategic trusteeship administered by the United States pursuant to an agreement of 1947 with the United Nations. The TTPI is the last remaining UN Trusteeship. The situation in Micronesia has been complicated by several recent developments, in particular (1) the approval in November 1975 by a Micronesian Constitutional Convention of a draft constitution which purports to be "the supreme law of the Federated States of Micronesia" and which conflicts with key provisions of the draft Compact of Free Association, and (2) evidence of growing separatist tendencies in two of the more important districts, the Marshalls and Palau, both of which have formally expressed their desire for separate status negotiations with the United States.

The major US security interests in Micronesia are: (1) the denial of these islands to the military forces of third countries; (2) US access to Micronesian land, water and air space through a continuation of current land use arrangements, principally those

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relating to the missile testing range at Kwajalein, and the right of the US to negotiate additional land use option agreements in Palau, and elsewhere in case of emergency; and (3) the long-term protection of US access and denial rights in the event of substantial modification or termination of any future political relationship between the United States and Micronesia. The continued growth of Soviet sea power in the Western Pacific is of particular concern.

The United States also has a political interest in a stable and cooperative relationship with Micronesia in order to safeguard our security interests in the western Pacific. We have no specific economic interests although law of the sea arrangements could create valuable rights to marine resources in Micronesia.

The general US negotiating objective is the conclusion of an agreement establishing a political relationship in the post-trusteeship period which will protect US strategic interests and establish a sound basis for a close, friendly and enduring relationship between the United States and a future Micronesian

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government representing the Caroline and Marshall Islands.

As regards Micronesian views and interests, it is evident that Micronesia's leaders have not arrived at a consensus regarding the precise nature of the future political relationship with the US. Some support the proposed constitution which calls for full Micronesian sovereignty. This approach could point to an independent Micronesia which would be linked with the US by a treaty defining our respective rights, including defense rights, rather than by a Compact of Free Association. Others, probably a majority, still prefer Free Association, given Micronesia's need for substantial assistance and its lack of capability or experience in the areas of foreign or defense affairs. In addition, the leaders in Palau and the Marshalls oppose the proposed constitution and have requested separate status talks with the US. However, they might be persuaded to accept unity with the other districts if the US refuses to negotiate separately and if a satisfactory status

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agreement and constitutional compromise can be worked out.

The Under Secretaries Committee believes that three options merit consideration:

1. Commonwealth -- This is the relationship to be established with the Northern Marianas. Micronesia would become a territory of the United States, like Guam, and would have full sovereignty and exercise complete authority over its foreign affairs and defense. Micronesians would become United States citizens or nationals. The arrangements would be permanent. Our rough estimate of the potential annual cost to the United States is \$100 million, but it could run considerably higher because of federal programs which would be extended to Micronesia.

2. Free Association -- These are the arrangements embodied in the draft compact of October 1974 which was not accepted by the Micronesian Congress. Micronesia would have full power of internal self-government but the United States would have full

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responsibility and authority in the areas of defense and foreign relations, although exact arrangements would have to be agreed to. The arrangements would have a duration of 15 years and would thereafter be either renewable or subject to termination upon one year's notice; we would seek agreement that our defense rights would continue for 50 years if the free association were to be terminated. We envisage annual payments of about \$60 million for the 15 year period.

3. Micronesian independence with a pre-negotiated security treaty with the United States -- Micronesia would become an independent state but the United States and Micronesia would negotiate a treaty prior to independence and sign it at the time of independence giving the United States specified defense rights, which would include use of Kwajalein, denial of Micronesian territory to a third power for any defense purposes, and rights for the United States to obtain base option rights in Palau. The United States would seek agreement in this security treaty that its provisions would continue for a stated period, such as

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50 years, no matter what political status Micronesia might adopt over that period. Under this option we envisage annual payments on the order of \$30 million, including payments for defense rights.

The Under Secretaries Committee believes that, given the lack of political unity in Micronesia and the uncertainties regarding its future course, independence together with a United States-Micronesia security treaty would afford less protection than the other feasible options for our fundamental security interests. A commonwealth agreement would clearly minimize and perhaps totally eliminate any security apprehensions but would be much more costly than the other two options; Micronesian representatives rejected a US offer of a modified commonwealth in 1971, and there is little sign that it would be acceptable to the Micronesians today. A Compact of Free Association, modified to meet some of the more legitimate demands of the Micronesian leaders, as might be the case in certain Law of the Sea matters, for example, would be more costly than a treaty relationship but would give

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the United States greater freedom of action in the critical areas of foreign and defense affairs.

The US Congress would probably be more receptive to a revised Compact of Free Association than it would be toward the other two options. Commonwealth would probably be considered too costly and to involve unnecessary obligations, in view of the rights obtained by the US in the commonwealth agreement recently reached with the Northern Marianas. Micronesian independence, even if accompanied by a security treaty, might appear to many in Congress to afford inadequate protection for our long-term security interests.

We have stated that we will seek the approval of the United Nations for termination of our trusteeship and that we expect to seek termination by 1980 or 1981. We have reported annually to the United Nations Trusteeship Council regarding our administration, and the Trusteeship Council's visiting missions have inspected conditions in Micronesia every three years. It is of course unpredictable how the United Nations Security

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Council will view the arrangements which are ultimately submitted for termination of the US Trusteeship. However, an independence option is included in the act of self-determination, and if the Micronesian people ratify whatever arrangements are finally worked out by a substantial majority, the basis for any opposition by the United Nations to this act of self-determination would be reduced, even if it would entail a permanent relationship between the United States and Micronesia.

The Under Secretaries Committee accordingly recommends that you approve the attached negotiating instructions for your personal representative. The principal features of these new instructions are:

1. The continued authority to offer free association based on the draft compact of October 1974. Additional authority to offer either a commonwealth status or independence with a pre-negotiated security treaty if it becomes evident that the representatives of the Marshalls and the Carolines

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desire to pursue one of these options and if prior consultation with the Congress indicates that such a course of action would have a good chance of Congressional approval.

2. The authority to advise the Micronesians that the United States would feel compelled to consider measures to expedite the negotiations, possibly by presenting status options directly to the people in a plebiscite, if the negotiations have not produced agreement within a reasonable period of time, as for example, the spring of 1977. New instructions would be sought before action was taken on any specific measure.

3. The discretionary authority to defer efforts to reach immediate agreement for military land options in Palau (40 acres for harbor use, 2000 acres for ammunition and petroleum storage, and occasional use of 30,000 acres for maneuvers), on condition that the Micronesians give a commitment to negotiate in good faith at a later time for these options.

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4. US support for the goal of Micronesian unity, although the United States would avoid any commitment to guarantee the political unity of Micronesia. If events during the next twelve months demonstrate that Micronesian unity is not feasible, new instructions should be requested.

Attachments:

1. Map
2. Instructions for Ambassador Williams
3. Interagency Study

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INSTRUCTIONS FOR THE PRESIDENT'S PERSONAL REPRESENTATIVE  
FOR MICRONESIAN STATUS NEGOTIATIONS

1. General

You are hereby given the responsibility and the authority for conducting on behalf of the United States Government negotiations with the duly appointed representatives of the Marshall and Caroline Islands with the objective of reaching an agreement as soon as possible which satisfies the following basic U.S. objectives.

PRIMARY OBJECTIVES

An agreement which will establish a post-Trusteeship political relationship with Micronesia in a manner which will fulfill our international obligations and which will protect and further U.S. political and strategic interests through the accomplishment of the following:

- The establishment of a stable, self-governing and progressively more self-sufficient political entity embracing all of the Carolines and Marshalls by satisfying the legitimate political and reasonable economic aspirations of the people.
- The establishment of a sound basis for a close, friendly and enduring special relationship between the future government and people of Micronesia and the United States.
- Access to Micronesian land, water and air space through a continuation of current land use arrangements and provisions for the negotiation of additional land use agreements as may be needed to meet future U.S. defense requirements.
- Continued denial of the area to the military forces of third countries.
- Protection of U.S. access and denial rights in the event of termination of any future political relationship through a pre-negotiated arrangement.

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E.O. 12958, Sec. 3.5  
NSC Memo, 11/24/98, State Dept. Guidelines  
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ment or arrangements.

- Satisfaction of U.S. obligations relating to termination of the Trusteeship Agreement.

SECONDARY OBJECTIVES

- To keep U.S. financial obligations to Micronesia within reasonable limits and appropriate to the character of the future relationship.

- To limit future U.S. responsibilities for Micronesian affairs including administrative and other responsibilities, to those required to achieve primary U.S. objectives.

- To preserve a Micronesian vested interest in maintaining a special political relationship with the U.S. through, for example, the provision of U.S. support or services as appropriate.

2. Future Status Options

Negotiations leading to any of the following acceptable options must satisfy at a minimum those objectives relating to U.S. security interests— e.g., access and denial and the guaranteed survivability of such rights in the event of changes in the future U.S.-Micronesian relationship.

Commonwealth: You are authorized to offer a Commonwealth relationship along the lines of the Northern Marianas Commonwealth Covenant if you believe that such a status would be preferred by the people of both the Marshalls and the Carolines, and if prior consultation with the Congress indicates that such a course of action would have a good chance of approval by the Senate and House.

Free Association: You are authorized to pursue further this alternative on the basis of the text of the October 1974 draft Compact of Free Association. Modifications may be made to meet some of the Micronesian objections so long as the U.S. retains basic authority over and responsibility



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for foreign affairs and defense matters. U.S. agreement on a free association compact must be based on the principle that it will be the instrument which governs the future United States-Micronesian relationship and that the future Constitution of Micronesia cannot be in conflict with the Compact. An updating of previous Congressional briefings would also be required.

Independence: You are authorized to offer an independence option on the basis of a pre-negotiated mutual security treaty which incorporates the substance of applicable provisions found in Title III and Annex B of the draft Compact of Free Association, provided that the treaty be with a single political entity for all of the Carolines and Marshalls and that the duration of the treaty be no less than 50 years. Under this option a sovereign Micronesia will have authority over its foreign and defense affairs, elements of which would be delegated under the treaty. The treaty should contain provision for survivability of U.S. base rights in the event of political fragmentation of the Micronesian political entity. Prior to the offer of this option there must be consultation with Congress to determine current Congressional attitudes toward independence. However, actual negotiation of an independence option should be undertaken only if there is a clear indication that the Micronesians desire to pursue this option.

3. Unity.

You should strive to reach a single future status agreement for all of the districts of the Carolines and the Marshalls while avoiding any U.S. commitment to guarantee the political unity of Micronesia in the post-Trusteeship period. In the event a common future political status for all of Micronesia becomes impossible and before any commitment is made for separate negotiations with any district you should seek further instructions

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from the President.

4. Timetable

You are authorized to inform the Micronesians that as set forth 10 years ago at Camp David the U.S. intends to terminate the Trusteeship of the Islands at the end of 1981.

You are authorized to negotiate simultaneously more than one of the above options with the representatives of the Carolines and the Marshalls.

At your discretion you are authorized to advise the Micronesian leaders that the U.S. is prepared to present status options directly to the people in a plebiscite if the Micronesian leaders refuse to negotiate on any basis other than the unmodified draft constitution or if the negotiations have not produced agreement within a reasonable period of time, e.g., Spring 1977. In such a case you should seek further guidance on the nature and timing of the plebiscite.

5. Finance

- The maximum dollar level, which includes federal programs and services and payments for military lands identified in these instructions, to be offered for a Free Association relationship will remain as authorized by the instructions to the President's Personal Representative of January 1974, except that the sum will not be expressed in constant dollars.

- The maximum dollar level to be offered under an independence option and as an integral part of a pre-negotiated treaty of 50 years duration will be \$30 million annually for each of the first 15 years, after which the level of aid would be re-examined. This dollar level will include the costs for leasing lands specifically required for defense purposes.

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- The maximum dollar level to be offered under Commonwealth would be equal to that provided for by the Marianas Commonwealth Covenant on a per capita basis. In addition, the Commonwealth option would include as full a range of federal programs and services as would operate under the Northern Marianas Covenant.

- You are authorized to commit the U.S. Government to provide up to \$25 million for one-time costs of moving the capital of Micronesia, with up to an additional \$10 million above that figure being provided on a matching basis of two U.S. dollars for every dollar provided by Micronesia.

- You should make it clear that all financial provisions under any of these options are subject to the approval of the U.S. Congress.

6. Land

The minimum U.S. land needs in Micronesia to be protected by any one of the three authorized options include: (1) all of those lands currently covered by lease agreements in the Marshalls; (2) continuing rights to occasional or emergency use of all harbors, waters and airfields throughout Micronesia; and (3) continuing rights to use existing Coast Guard facilities.

To meet current U.S. defense land needs any agreement negotiated should include a commitment to negotiate in good faith for those land options in Palau outlined in Annex B of the draft Compact. An effort should be made to assure that future land requirements will be met in accordance with the provisions dealing with future land requirements similar to those contained in Section 303(c) of the draft Compact.

In the negotiations on land you should continue to maintain the position that following Micronesia's change of status, the new Government of Micronesia, including its political subdivisions, must honor current leases

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for land utilized by the United States. The language of paragraph 303(e) of the draft Compact reflects the U.S. position in this regard. Should the renegotiation of current leases become critical to the successful conclusion of the negotiations, however, you may in close consultation with the Departments of Defense and Interior agree to renegotiations on terms which would not unduly distort Micronesian land values or result in the U.S. paying grossly inflated sums.

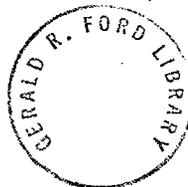
You should continue to resist the imposition of any restrictions on U.S. military uses of land on which it obtains leases. Paragraphs 303(a) and 303(d) of the draft Compact reflect the U.S. position on this matter.

7. Terms of Reference

The President has specifically approved the following as your Terms of Reference:

-- You are authorized to conduct the negotiations on behalf of the U.S. Government. Your authority derives from the President's approval of these instructions, these terms of reference, and any subsequent guidance from the President. Within these Presidential guidelines, your authority will include responsibility for determining negotiating strategy and tactics, the composition of the U.S. Delegation, and all procedural arrangements, taking into account the responsibilities and interests of the Departments of State, Defense, Justice and Interior and other agencies to the extent their responsibilities and interests are affected.

-- You will make recommendations on the negotiations directly to the President through the Office of the Assistant to the President for National Security Affairs.



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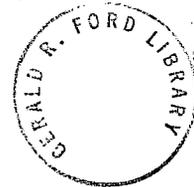
-- You will consult directly as necessary with the Congress on political status matters in coordination with the NSC Under Secretaries Committee and keep appropriate committees and members of the U.S. Congress informed of significant developments in the negotiations.

-- You will carry out the above responsibilities in coordination with the Departments of State, Defense, Justice and Interior and other involved agencies and will report back to them, as well as to the President, the progress of the negotiations.

-- You will be administratively supported by the Department of the Interior and draw upon other agencies and Departments as necessary for staff. In effect, you will work more closely with Interior than with the other departments, because of its on-going Administrative responsibilities for the Trust Territory of the Pacific Islands.

-- All U.S. Government agencies and departments will provide you and the Office for Micronesia Status Negotiations necessary assistance in seeing these negotiations carried to fruition.

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TYPE OF MATERIAL . . . . . Report  
CREATOR'S NAME . . . . . Interagency Group for Micronesian  
Status Negotiations  
TITLE . . . . . Review of U.S. Policy Toward the Future  
Political Status of Micronesia  
CREATION DATE . . . . . 1976?  
VOLUME . . . . . 41 pages  
COLLECTION/SERIES/FOLDER ID . . . . . 033600009  
COLLECTION TITLE . . . . . NATIONAL SECURITY ADVISER. NSC  
INSTITUTIONAL FILES  
BOX NUMBER . . . . . 38  
FOLDER TITLE . . . . . 7602540 - Future Political Status of  
Micronesia (1)  
DATE WITHDRAWN . . . . . 10/14/1999  
WITHDRAWING ARCHIVIST . . . . . HJR

*Declassified with portions exempted*  
*MR-NLF-00-19-24 TTPI Project 4/19/00*  
*HJR 6/19/00*