

5/26/76

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MEMORANDUM

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NATIONAL SECURITY COUNCIL

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ACTION

MEMORANDUM FOR BRENT SCOWCROFT

FROM: THOMAS J. BARNES

SUBJECT: Your Meeting with Ambassador Williams

Ambassador Williams has sent you a memorandum (Tab A) about current developments in our negotiations with the Micronesians. Williams believes that there is a new and unexpected opportunity to push forward on a Free Association Compact with the other five districts of Micronesia. The Micronesian leaders, he reports, are anxious to forestall, if possible, the breakoff of Palau and the Marshalls. (The legislature of the Marshalls passed a May 11 resolution, which Williams intends to reject, calling for separate status negotiations with the United States or unnamed other powers.) Williams contends that the leadership now sees the Compact of Free Association with the United States as perhaps the best and last chance for Micronesian unity. The Ambassador wants to move ahead rapidly. He may seek authorization from you and the President to make concessions to the Micronesians on the issue of authority over marine resources.

Background

Williams states that the Micronesian Joint Committee on Future Status (JCFS) is pressing him for a firm commitment for a round of informal meetings in Micronesia toward the end of May. (One reason may be that the term of the current members, some of whom will not be replaced, expires June 7.) The Micronesian leadership, he says, hopes to place a signed Compact of Free Association before the Congress of Micronesia in July for approval.

Williams' talks in Saipan in April with the JCFS and more recently in Washington with Paul Warnke, their legal counsel, indicate that the Micronesians are prepared to move ahead on the basis of the 1974 draft Compact with minimum changes in the financial provisions but with agreement by the United States to divest full authority and responsibility over marine resources in the oceans around Micronesia to the Micronesians.

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Under the present Compact language full authority for foreign affairs is vested in the United States, and thus granting Micronesia authority over marine resources would not be permitted. Williams points out that the new language that the JCFS proposes includes the caveat that any future Micronesian agreement with respect to its ocean resources with any third party would be subject to a U. S. review, and could not conflict with the international commitments or basic security interests of the United States. The Ambassador claims that U. S. concession on this point is critical to an early agreement and that a failure at this point could lead to the early breakup of Micronesia.

The Ambassador has a special compulsion to seek an early agreement with the Micronesians. He has told you that he plans to resign sometime in July, and we expect that he has given a commitment to this effect to the Asia Foundation. The Micronesians also could escalate their demands once again, and even if we reach an agreement with the JCFS, the Congress of Micronesia could repudiate it.

The IAG Study

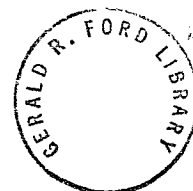
The Under Secretaries Committee is currently obtaining agency comments on the IAG study covering new negotiating instructions for Williams. The USC plans to have the memorandum to us by the end of the week. The IAG study, however, does not address the question of concessions to the Micronesians on marine resources. The study notes State's strong opposition to any further concessions to the Micronesians in the field of foreign affairs, and no other agency takes exception.

State is now trying to sort out its position on the proposed language on marine resources. The EA Bureau and the Law of the Sea office apparently have no problem with it. State's Legal Advisor's office, however, is still strongly opposed. The USC has not formally sought the views on this particular issue of other agencies and departments.

The Independence Option

In the IAG study, State and Interior both argue that for U. N., Congressional and other political reasons we should advise the Micronesians that the U. S. is prepared to discuss an independence option as well as commonwealth or free association. State and Interior believe that in order to make a Micronesian choice of free association a credible act of political self-determination, it is important that the U. S. and Micronesian negotiators discuss the inde-

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pendence possibility openly and at an early date. Although Williams believes the Micronesians are not interested in independence, he does not want to be directed to offer the independence option. I understand, however, that in recent discussion with Phil Habib he indicated that in principle he now had no objection to doing so. In my view, offering the independence option would be a good tactic precisely because the Micronesians don't want it. Their reaction would be a greater appreciation for the benefits of the Compact.

Recommended Position

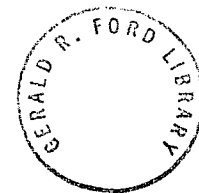
I believe we should emphasize to Williams that while the resurgent Micronesian interest in the Compact is encouraging, the question of authority over marine resources and the splitting up of foreign affairs responsibility are important questions. If there is inter-agency agreement on the proposed concession on marine resources, the USC should address a letter to the President informing him of the new situation, and that the Committee intends to approve Ambassador Williams' early resumption of negotiations on the 1974 draft Compact. The letter should indicate the concessions Williams intends to make on Law of the Sea, and indicate that there is unanimous support for this stance. The NSC could then make a special effort to obtain early Presidential action on the matter. If the President approves, we could issue a modification to the current instructions to Ambassador Williams. The letter from the USC should also include a recommendation on laying the independence option on the table and should describe inter-agency views. In this case we would hold the IAG study in abeyance.

If there is inter-agency disagreement on the marine resources provision, the IAG study should be amended to include a discussion of this point, and the differences should be reflected in the Under Secretary's memorandum transmitting the IAG study. This course would mean that the Ambassador could not meet his time schedule.

Talking Points

-- I am glad to hear that the Micronesian leaders are now pushing for a unified status solution under the Free Association Compact.

-- This development is rather surprising given recent indications of some districts wanting to splinter off and others favoring in effect a sovereign nation.



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-- The question of authority and responsibility over marine resources, however, is a critical issue.

-- Providing authority and responsibility in this field to the Micronesians would seem to go beyond your current negotiating instructions.

-- Therefore, we should either have a revision of the current instructions, or the IAG study and the Under Secretaries Committee memorandum should cover this issue and describe the inter-agency positions.

-- If there is inter-agency agreement, then in order to move quickly, I recommend that the USC write a letter to the President describing the situation and requesting early Presidential approval of a revision of your instructions.

-- This course conceivably could be accomplished by next week.

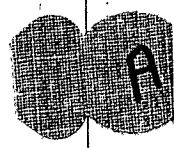
-- If there remains inter-agency disagreement, however, the IAG report should cover the issue, and the USC's memorandum transmitting the study should describe the different agency views and set out options.

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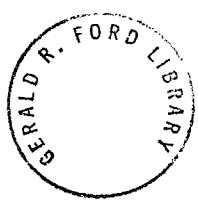


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WITHDRAWAL ID 009354

REASON FOR WITHDRAWAL National security restriction
TYPE OF MATERIAL Memorandum
CREATOR'S NAME Richard B. Finn
RECEIVER'S NAME Interagency Group
DESCRIPTION Re Future Status of Micronesia
CREATION DATE 04/29/1976
VOLUME 1 page
COLLECTION/SERIES/FOLDER ID . 033700031
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BOX NUMBER 37
FOLDER TITLE Micronesia Study (7)
DATE WITHDRAWN 10/12/1999
WITHDRAWING ARCHIVIST HJR

Declassified with portions exempted
MR-NLF-00-19-23 TTPI Project 4/19/00

HJR 6/19/00



DEPARTMENT OF STATE

Washington, D.C. 20520

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April 29, 1976

MEMORANDUM TO: S/P - Mr. Veliotos
 Mr. Armacost
 Ms. Froebe
 EA - Mr. Edmond
 EA/ANP - Mr. Williams
 PM - Mr. Leonard
 IO/UNP - Mr. Macuk
 L/UNA - Mr. Surena
 NSC - Mr. Taylor
 Interior/OMSN - Ms. Trent
 Interior/DOA - Mr. Zeder
 DOD/ISA - Mr. Abramowitz
 CIA - [REDACTED]

Subject: Future Status of Micronesia

Attached is a paper I have done on this subject. It reflects my own observations and conclusions and is intended to present some differing points of view and emphasis from the interagency study even though it is not radically different in its major recommendations.

I would appreciate your comments on any points of fact or interpretation by c.o.b. May 7. Handwritten comments on the draft will be quite acceptable.

RAF

Richard B. Finn
Member, S/P

Attachment

DECLASSIFIED • E.O. 12958 Sec. 3.4
With PORTIONS EXEMPTED
E.O. 12958 Sec. 1.5 () 1.5 (c)

MR-NLF-00-19-23

By TTPI, NARA, Date 4/19/00

Project

NR 6/19/00

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United States Interests and Policy
in the Trust Territory of the Pacific

Conclusions and Recommendations

a. US political and military interests in Micronesia are important. A good political relationship with the Caroline and Marshall Islands (the Marianas now have a separate status), buttressed by their need for substantial US assistance, will make a key contribution to the protection of our interests no matter what specific agreements we reach with them. Our long-term use of the Kwajalein missile range is not in doubt since the Marshallese realize their need for our continued payments and economic assistance and want a permanent association with the United States. Denial of all of the western Pacific to a potential adversary is not possible while denial even of Micronesia will depend as much on our political relationship with the Carolines and Marshalls and on our military strength in the Pacific as on the wording of any specific agreements we make with them.

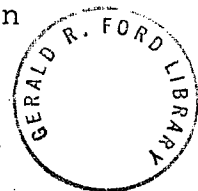
The Palau land options are of uncertain military value, now that the US has obtained extensive land rights in the Marianas, and may be politically unattainable given separatist trends in Palau.

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b. The US should try to negotiate a free association with the Caroline and Marshall Islands. To reach agreement, the US should be willing to accord considerable

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E.O. 12958, Sec. 3.5

State Dept. Guidelines

By HR, NARA, Date 9/16/99

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|| autonomy to a Federation of Micronesia in the conduct of its foreign affairs and to provide substantial annual assistance, i.e. greater than \$60 million a year. If the free association arrangement is terminable after 15 years, provision should be made for negotiation of a defense treaty that would continue for a longer period.

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c. A commonwealth or closely linked arrangement is probably not negotiable in view of Micronesian desires for a considerable degree of autonomy. A relationship with Micronesia by which we recognized their independence and they granted us defense rights in a long-term treaty is an acceptable but less desirable (for defense and congressional reasons) arrangement than free association.

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d. Micronesia has no prospect for economic self-support and will be dependent for many years to come on US assistance. The US should give the Micronesians more responsibility for their economic development, thereby stimulating their self-reliance.

o
e. The US should continue to press for Micronesian unity, even though centrifugal forces have been steadily growing in Micronesia, but our interests would not be seriously damaged if we were forced to negotiate different arrangements with the island districts and even if Palau chose to be independent.

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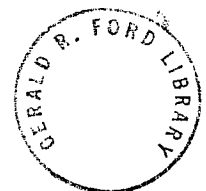
f. The US should plan to unify eventually (i.e. after the UN Trusteeship ends) its administration of Guam, the Northern Marianas, and those districts of Micronesia with which we enter into permanent association.

g. A considerable number of mini-island states are emerging on the South and Southwestern Pacific, nearly all of them weak and poor. The US should strengthen consultative arrangements with other interested countries (UK, Australia, New Zealand, France and Japan) and with international economic financial institutions (Asian Development Bank, South Pacific Commission, Economic and Scientific Commission for Asia and the Pacific) to promote the development and stability of these small island states.

h. The US should, as termination of its trusteeship nears, take actions which will improve the chances of favorable UN consideration, by offering the Micronesians a choice of independence as one of the options open to them and by permitting UN observation of plebiscite by which the Micronesians chose their future status.

i. The US should progressively institute a series of transitional arrangements as soon as convenient, such as reducing the High Commissioner's staff, making legal adjustments, and in particular establishing a Micronesian

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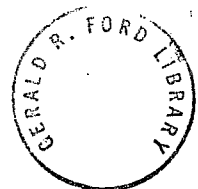


chief executive responsible, subject to a US veto in limited areas, for administration of the islands.

j. A public statement by the US defining its position might be issued at an early point in the negotiations with the Carolines and Marshalls. This statement would make the points that the US will fulfill its trusteeship obligation by offering the inhabitants the choice of self-government or independence, that the US would continue in the future to provide economic assistance to the extent its resources and our future relationship permitted, that future arrangements must take into consideration the importance of Micronesia to the peace and security of the Western Pacific, and that the US believes its trusteeship should be terminated by 1980 or 1981. Such a statement would clarify US policy for the Micronesians and might have a beneficial impact on the UN and public opinion as well.

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The Problem

The United States decided in 1963 to seek a permanent association with the islands of the Trust Territory of the Pacific, which had been placed under US trusteeship as a strategic area by agreement with the United Nations in 1947. The United States commenced negotiations with the TTPI in 1969 and decided in 1973 to offer a "free association" between the United States and the islands of the Trust Territory. A draft compact of free association was tentatively agreed to in 1974 but was not approved by the Congress of Micronesia on the ground that the United States had offered inadequate financial assistance in the light of the authority it desired to retain. The US undertook separate negotiations with the Northern Marianas in 1973 and reached agreement with them in February 1975 on a commonwealth status; this agreement has now been approved by both the United States and the Northern Marianas.

The United States is now preparing to resume negotiations with the other islands of the Trust Territory regarding their future status.

I. Setting

1. The TTPI consists of over 2000 islands (about 100 of them are inhabited) in the Western Pacific between

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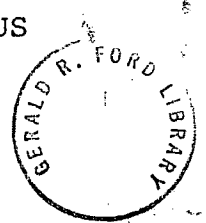
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Hawaii and the Philippines (see attached map). The TTPI has a land area of 700 square miles and the Micronesian archipelago, of which it constitutes the major portion, occupies a sea area of three million square miles, roughly equal to the continental United States.

2. Guam, the most populous and most important island of the Marianas and of Micronesia, has been a US territory since its cession by Spain after the Spanish-American war of 1898. Its status is that of an organized unincorporated territory, i.e. governed by an organic act passed by the United States Congress but not under the United States Constitution. The 14 other islands of the Marianas group lie to the north of Guam and include the major islands of Saipan and Tinian. Under the terms of the commonwealth covenant signed in 1975, the 14,000 people of the Northern Marianas will become citizens or nationals of the United States and will obtain the right of self-government in local affairs. Basic provisions of the US Constitution will apply to them. The islands will receive grant assistance from the United States of \$14 million annually for seven years. They will make available to the United States 18,700 acres on Tinian Island under a 50 year lease, renewable for another 50 years, for development as a military installation if the US should decide to do so; the US will pay a lump sum of \$19.5 million for these military rights. The US will have the authority for the conduct of foreign relations and defense of the Northern Marianas.

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3. The TTPI is administered by a High Commissioner, appointed by the President, and responsible to the Department of the Interior. An elected bicameral congress of Micronesia has legislative authority except in defined areas and subject to the veto right of the High Commissioner. The Congress recently drafted a constitution which is scheduled to be submitted to a referendum throughout the TTPI in July 1977; its status however is uncertain because of the separation of the Northern Marianas and the threatened secession of the Palau Islands at the western end of the TTPI and of the Marshall Islands in the east.

4. The United States is now providing an annual grant subsidy to the TTPI, including the Northern Marianas, of about \$80 million plus about \$10 million worth of US federal programs operating in Micronesia. The local economy produces about \$15 million from local taxes and export earnings. Gross domestic product for the Trust Territory is about \$105 million a year. The operations budget of the Trust Territory government is \$51.9 million for FY 1977. Prospects for the economic development of Micronesia are dim in view of the paucity of resources, the inertia of the islanders, the weakness of long term planning, the confidence of the people that the United States will take care of them, and the uncertainty of the future status of Micronesia. It is unlikely that the islands can become self-supporting for many years, if ever.

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5. Under the terms of the UN trusteeship, the US is obligated "to foster the development of such political institutions as are suited to the Trust Territory and which promote the development of the inhabitants of the Trust Territory towards self-government or independence." Since the TTPI was designated by the UN Security Council as a "strategic area" there were no restrictions on US use of the islands for military purposes. There are no military installations on the islands today although Kwajalein in the Marshalls is a major missile testing range controlled by the US Army and US naval units operate throughout the area. The US trusteeship, one of eleven established by the UN after World War II, is now the only one which has not been dissolved pursuant to permanent arrangements, although the trusteeship status of South West Africa is under dispute between the UN and South Africa. The US provides annual reports to the UN Trusteeship Council regarding its administration of the Trust Territory and the Council sends missions every three years to inspect conditions there. The US has advised the UN that it plans to terminate the trusteeship by 1980 or 1981.

6. The prospect of achieving the US objective of bringing the Trust Territory into a permanent association with the US remains unclear, even though one small part of the territory--the Northern Marianas--will become a

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US commonwealth upon termination of the trusteeship and will be administered as a separate entity before that time. The situation in Micronesia has recently been complicated by

-- Strong separatist tendencies in the Palaus and the Marshalls both of which have formally advised the US that they desire to conduct separate status negotiations. The Marshalls clearly desire a close association with the US while the Palaus appear to want a loose relationship or possibly even independence.

-- The Micronesian draft constitution of 1975 reflects an effort toward Micronesian unity. It may fail, however, because of separatist tendencies. It also contains provisions relating to the sovereign control of a Micronesian government which would be inconsistent with free association with the United States, as, for example, its assertion of law of the sea rights.

-- The separation of the Northern Marianas removes the most advanced and financially most promising part of the territory.

-- Micronesian concern that the deadline of 1980 or 1981 for a new status is too soon and that US assistance is too small has been mounting.

7. Micronesia is one of three major island groupings in the Pacific, the others being Melanesia to its south and Polynesia to its southwest. A number

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of small island groups in those areas have recently become independent, especially those under UK, Australian or New Zealand control. The French however refuse to entertain the idea of independence for their territories in New Caledonia and Tahiti. Most of these newly independent island groups are small and straitened economically, thus requiring large subventions from the former metropolitan power.

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II. US Interest in the Trust Territories

United States policy toward the Trust Territory is currently under review. Our interests are broadly defined as follows:

- long-term use of the Kwajalein missile testing range;
- denial of the islands to a potential adversary;
- contingent need for land in the Palau Islands for use as a harbor, for ammunition storage and, on an occasional basis, as a maneuver area;
- a political relationship with the islands which will promote their stability and cooperation with the US;
- economic assistance which will contribute to the islands' development and not impose an unreasonable burden on the United States.

1. Use of the Kwajalein missile range is expected to be of importance to the US for a long time. There is little indication that technological developments will obviate its future usefulness. Because US spending in connection with the range constitutes a major source of income for the Marshall Islands, there is little prospect that the Marshallese will seek a relationship with the US which might risk this source of revenue. Their main goal in fact appears to be to assure permanent association with

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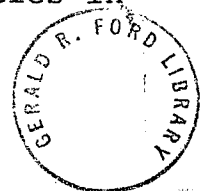


the United States and to avoid any dilution of their income that will result from financial sharing with or tax rebates to other island groups in Micronesia.

2. The second US interest in Micronesia--denial of the islands to potential adversaries--is important in terms of US control of the Western Pacific and access to East Asia. Micronesia lies close to but not astride US communication routes to the Philippines and to Australasia. Soviet naval strength in the Western Pacific may soon expand to the point where it could pose a threat to US dominance of the area. China and Japan might conceivably pose threats some years from now. US naval and air strength should however be adequate to counter any such adversary threat for the foreseeable future.

Our ability to deny the Western Pacific to others will become increasingly qualified as island groups in Melanesia and Polynesia achieve independence. It would be idle to expect that they will not establish relations with China, Japan, the Soviet Union and others. The likelihood is that over time naval and air access to the Western Pacific by other powers will increase. The current situation has already been described as "Dutch door denial, since the Pacific Islands to the north of the Equator are generally under US control but those to the south are for the most part independent and therefore not easily deniable to other powers. Good relations with all the political entities in

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the region backed by military strength will be the best assurance of US interests but total denial is an impossibility.

3. The Palau Islands are perhaps the most strategic in Micronesia since they lie close to north-south communication routes in the Western Pacific and to Japanese tanker routes plying the Middle East trade. The US seeks rights in Palau to 2,400 acres for construction of a small harbor and for ammunition storage as well as the right to use a 30,000 acre plot on an occasional basis for Marine maneuvers. It is noteworthy that under the Marianas covenant the US has acquired rights to 18,700 acres of land on the Island of Tinian for possible construction of bases and ammunition storage as well as for use as a maneuver area; Congress however failed to appropriate funds for construction. The Palau land options are subject not only to similar funding uncertainties but, what is more serious, to the separatist attitudes of the people there who increasingly desire to avoid entanglement with the rest of Micronesia. The Palau options appear to fall in the category of something that would be nice to have but is not essential and would probably be very costly to obtain.

The Palau options raise the issue of contingency planning for a fallback position in case US forward bases in Japan, Korea and the Philippines become untenable. The argument is made that these areas are subject to shifting political considerations and that some or all of the bases

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we now have in those countries may have to be abandoned in the future. Base rights in Micronesia would then, according to this view, become important to US security and therefore flexible base rights should be obtained throughout the Trust Territory for possible exercise even in the indefinite future.

In connection with this fallback argument it should be noted that US military land holdings on Guam now total about one-third of the 225 square miles of the island including major air and port facilities; these are in addition to the rights recently acquired in the Northern Marianas. Moreover, it would appear that for the foreseeable future at least US bases in Japan, Korea and the Philippines are reasonably secure. There is a further question whether an extended chain of island bases in the Pacific would have the same military utility in a future crisis as they afforded in World War II. And, finally, one could argue that the US would probably have the military and political leverage needed in any future crisis to obtain base rights in Micronesia even if no such rights were specifically provided for in a post-trusteeship relationship.

4. In evaluating our interests in the TTPI we have usually put our military interests first and treated our political and economic interests as ancillary to our strategic concerns. As we search for a more enduring relationship, however, these secondary interests will take on more importance and the programs designed to

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serve those interests will merit more attention.

We have built up a good record in promoting the growth of political institutions in Micronesia. The establishment of legislative bodies, including particularly the Congress of Micronesia, the training of administrative and legal specialists and an improving level of education have all been signal successes. Our administration in Saipan has increasingly delegated authority to the Micronesians. At a local level the Peace Corps has contributed to the training of young professionals and students. In growing numbers Micronesians are attending the Community College on Ponape, the University of Guam, and the East-West Center in Honolulu.

We have not encouraged the establishment of a Micronesian executive with authority over the entire area. It would seem desirable that this step be taken, subject to limited safeguards, in order to prepare the islands for independence and to strengthen the prospects of a unified Micronesia.

5. We have an economic interest in helping the islands of the TTPI move toward self support and in reducing their independence on us. Our efforts to date have been a failure and future prospects are poor. Large and increasing US assistance has eroded any sense of self-reliance the islanders might have developed. Indeed they complain that the US has not done enough for them. US private investment has been small while Japanese



investors have largely confined their activities to tourism and fishing where their own nationals conduct the operations and from which most of the profits are repatriated. Development of the economy remains an important US goal and can only be achieved by more self-reliance on the part of the islands and by greater US and foreign investment.

At the same time the dependence of the islands on the United States is the major reason for their wanting a continued association. Their need of assistance is a virtual guarantee that they will want to maintain a political link with us over a long period of time and that they will even be willing to grant us some military rights to assure this relationship. This dependence does not however mean that the United States should slacken its efforts to promote the development of the territory or be willing indefinitely to dole out \$100 million or more a year in order to preserve political and military control, but rather it is a recognition that for some time a considerable degree of Micronesian dependence on the United States is inevitable.

One island group--the Palaus--may be an exception to the situation elsewhere in Micronesia. Several US fishing companies operate there and have built a cannery. The Japanese and the Iranians are considering the construction of a larger port in the Palaus to service an oil storage and refinery complex. But they are far from a final

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decision. This project has nevertheless buoyed hopes in the Palaus and also stirred some concern about ecological impact. The Palauans also feel themselves to be culturally and ethnically different from the rest of Micronesia. For all these reasons the Palauans have come more and more to feel that they should have a different status from the rest of the TTPI. They may well calculate that the US will be willing to continue to support them even if they opt for a very loose association with the United States, which in effect would amount to quasi-independence, because of their economic assets and their strategic location along tanker and communication routes along the rim of East Asia.

The economic weakness of Micronesia could conceivably be reconsidered as a result of law of the sea decisions and improved marine technology. Current proposals now being considered at the Law of the Sea Conference would permit the establishment of a zone of 200 miles around all inhabitable islands and this could well mean that at least several hundred islands in Micronesia would be endowed with this right. This might be the basis for valuable economic rights in the future.

Looking broadly at US interests in Micronesia it might well be concluded that the United States has important interests in the area but has tended to exaggerate military considerations and to play down the political and economic aspects. Good political relations and more modest economic



programs emphasizing Micronesian self-reliance would help bolster our long term interests and to enhance prospects both for access to the bases we may need in the future and for denial of the area to possible adversaries.

III. United States Policy

What kind of future association will best serve US interests? The choice now under consideration involves three possibilities: a commonwealth, a free association, or a treaty relationship with an independent Micronesia. The possibility exists however that none of these options will succeed and that the United States might end up with a variety of agreements involving different elements of these three arrangements with the island groupings of the Trust Territory.

Commonwealth. This is the relationship we now have with Puerto Rico and will eventually have with the Northern Marianas. The US would have sovereign rights over the land and inhabitants of the commonwealth, the latter becoming citizens or nationals of the United States. US authority would of course include defense and foreign affairs. The United States Constitution would apply to the commonwealth as would US legislation unless specified to the contrary. A commonwealth link is intended to be long-lasting but could of course be altered by vote of the inhabitants and acceptance by the US to another status such as that of the state of the union or free association or independence.

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Commonwealth status for the TTPI would give the US the defense rights we consider important and would assure US control for an indefinite period. It would also obligate the US to promote the economic well being of the people of Micronesia and would in effect commit the US to make substantial contributions to the "commonwealth of Micronesia" for some years at least. The economic rights the US might acquire under Law of the Sea agreements might eventually prove to be of considerable value although the benefits would probably be used for the welfare of the local inhabitants.

The Micronesians rejected a US commonwealth proposal some years ago and there appears to be little prospect that their position has changed. They appear to want a high degree of autonomy in the administration of their affairs including the conduct of foreign relations. They are particularly jealous of their land rights and would be most reluctant to agree to any arrangement with the US by which they would surrender control over their own land.

A commonwealth arrangement may well prove impossible to negotiate. The costs involved, which would probably amount to at least a \$100 million a year plus application of federal programs to Micronesia, would be very high. Commonwealth would perpetuate the dependence of Micronesia on the United States. Furthermore, it would run counter to the belief of some in the Congress that a looser form of

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about
US control is desirable now that the US is ~~xxx~~ to take
over sovereign authority in the Marianas. There would
also be many in the UN who would take the view that
commonwealth status would merely represent continued US
domination of the TTPI under a new guise.

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Free Association

This is the arrangement which the US negotiated with all of the TTPI in 1974. The Congress of Micronesia however rejected it because the financial terms (about \$60 million annual subsidy for 15 years) were considered inadequate, the Micronesians countering with a request for \$100 million. Free association would be a new arrangement between the US and a territory under its control, ^{and} would involve either a division of sovereign authority or a delegation by the territory to the US ^{of} the exercise of sovereign rights in relation to foreign affairs and defense.

The US would accordingly assume full responsibility for and authority over Micronesian foreign affairs and defense matters. Under this authority and pursuant to a specific annex to the agreement the US would be granted defense rights to bases and facilities now being used, contingent rights to facilities we might need in the future, and a guarantee that the area would be denied to the military forces of a third power. The Government of Micronesia would have full authority over its internal affairs. US laws would apply to the extent provided in the compact of association or by bilateral agreement. The Micronesians would become nationals of the United States. US obligations to provide assistance would be regulated by terms of the agreement, the current estimate placing the cost at about \$60 million annually for a period of 15 years. The compact could be terminated by mutual consent at any time, and upon

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the request of either party, with two years notice, after a period of 15 years. If the agreement were terminated a defense treaty would be negotiated prior to termination giving the US rights for an additional period, probably fifty years. It should be noted parenthetically in connection with defense rights that to provide Coast Guard services and protection for the far-flung Micronesian Islands would be virtually impossible and even small scale patrolling of the area would be extremely costly.

Despite the failure, or at least the suspension, of the 1974 agreement on free association, Micronesian representatives have recently emphasized their interest in exploring this option once again although the positions of the Palauans and the Marshallese are ambiguous at best. One major obstacle, however, is the 1975 draft constitution of Micronesia which contains several provisions inconsistent with US control over foreign affairs and defense: the federation of Micronesia would exercise full sovereignty over foreign as well as domestic affairs and would assume all rights conferred under a Law of the Sea agreement; there would be no constitutional provision for eminent domain, thus making it difficult to take over land for defense purposes. Resolution of these problems either by amendment of the constitution or by separate bilateral agreement between the US and Micronesia would be required if a free association arrangement is to be achieved.

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Furthermore, the Congress of Micronesia has indicated that it would desire to exercise a number of foreign affairs rights, such as dealing with other governments and international institutions to promote trade and economic development. The Marshallese have in fact already negotiated and received a small loan from the phosphate-rich island of Nauru, which is nearby. The draft compact of association already contains language giving the Micronesians some flexibility in the conduct of their foreign relations but they may insist upon more.

The major question is whether a free association agreement will be sufficiently flexible and loose to give the US the defense rights it desires and also to accord the Micronesians a satisfactory level of economic aid, some autonomy in the conduct of their foreign relations, and the opportunity to choose at a later time either independence or a continuing relationship with the United States. The flexible and transitional terms of free association are appealing to the Micronesians but they may not seem to be sufficiently definite and precise to provide long term protection for all US defense interests.

Independence Plus Military Agreement with the United States

Under this option arrangements would be worked out by which the TTPI would become independent and US military rights would be protected by a defense treaty coming into force at the same time. A separate economic agreement might also be negotiated. These arrangements would be

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comparable to the US-Philippine agreements of 1947 which recognized the independence of the Philippines, granted the US military rights and provided for reciprocal economic benefits.

The Micronesians would thus attain their goals of self-government and assured US assistance while the US would acquire military rights for the period provided in the treaty. The length of this period could pose problems if the US sought a 50 year or longer period but a shorter period with provision for renewal might be adequate. It is expected that the US would offer \$30 million a year in economic assistance under this option.

The US would prefer not to resort to the independence option and would do so only if the Micronesians showed a clear preference for it and if soundings with the Congress indicated that such an arrangement would be acceptable. It is not clear whether independence plus a defense treaty would be an acceptable arrangement with the Congress since many might feel that our military rights need more definite protection. The independence option would probably be preferable to the UN despite some unhappiness over the attachment of a defense agreement.

The Micronesians would probably prefer independence if they could be assured of a high level (e.g. \$50 million or more a year) of US assistance for a long period of time. Their attachment to the US is not as solid as that of the

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people of the Northern Marianas and the example of independence being achieved by other island groups in the South and Southwest Pacific is an attractive one. The Micronesians would like to have their cake and eat it.

From the US point of view the reduced cost of the independence option is attractive, as is the prospect of the Micronesians might assume a greater degree of responsibility and self-reliance in handling their affairs. On the other hand we would run greater risks in pursuit of our defense interests if an independent Micronesia became subject to international political and military pressure.

There are some who advocate unqualified independence for Micronesia. Proponents of this point of view argue that this would be an enlightened policy for the US to follow, that it would be in full conformity with UN standards, that our basic security interests in the Western Pacific are now satisfied by our control of Guam and our new arrangements in the Northern Marianas, and that we are not in any case effective colonial administrators and therefore should cut our losses and get out. Each of these arguments has some merit but they are counter-balanced by others: most of the islanders appear to want or at least accept the need for a continuing association with the US as the price for continued financial support; US military interests though no longer so pressing because we now have the Marianas agreement point to the

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value of a continuing link with Micronesia; the cost of a continuing association even as high as \$100 million a year may not be exorbitant when measured in terms of the rights and security obtained and in light of the certainty that we will be providing large subsidies to and Micronesia in any case; Congressional/UN reservations would be largely met if a large majority of the islanders vote in favor of an association with the United States.

A review of the three options now under consideration points to a free association as probably the one combining both adequate protection and feasibility of negotiation, assuming that its provisions in regard to both cost and defense rights are reasonable. A free association may prove to be non-negotiable however and we will then have to turn to the option of independence plus defense treaty or even look to the possible fragmentation of Micronesia.

IV. Micronesian Unity

It remains a US goal to try to preserve the unity of the TTPI despite our agreement to a separate status for the Northern Marianas. It is an implicit obligation of our UN trusteeship that we try to preserve Micronesian unity. The time may have arrived however when this is no longer a realistic goal in view of Palauan and Marshallese desires to obtain separate status.

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It would seem desirable however for the US to use its powerful economic leverage to pressure various districts of the TTPI to stay together. Our military and political interests would be better served by a unified Micronesia than by a fragmented one. The Marshallese will probably present a relatively minor problem since they want and need a continuing association with the US based on the value to both sides of Kwajalein. We should tell the Marshallese frankly that we envisage our relationship with them as connected with a broader association with the rest of Micronesia and that this relationship will be more beneficial to them if they stay in the federation. If necessary a somewhat higher level of US assistance or adjustment of tax rebates would appear to offer a practical way of assuring that they remain in the federation.

Palau will be more difficult. It is not likely to accord us military rights without a substantial payment and it will probably in any case seek a large measure of political autonomy in its relations with us and the rest of Micronesia. We may have to accept a separate status with the Palaus but we should try to preserve a Palauan link both with the US and the rest of the TTPI; in that event we will have to decide how high a price we are willing to pay.

If our current emphasis on Micronesian unity is not successful we may end up with a patchwork of diverse arrangements ranging from commonwealth in the case of the

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Northern Marianas through free association with the Marshalls and possibly most of the Carolines to independence with the Palaus. At the present time we are best advised to aim for Micronesian unity but if this approach does not succeed we will have to find the best alternative. Unity is desirable but fragmentation may be unavoidable.

In getting ready for further negotiations with the Trust Territory we should give thought to the possible usefulness of a public statement setting out US views on the kind of arrangement we seek. Such a statement might make four basic points: We will carry out our obligation to the UN to promote the self-government or independence of the territory; we intend to continue our economic and financial support of the territory to the extent that our resources and our eventual relationship permit; the Trust Territory is important to the peace and security of the Western Pacific and any future arrangements must provide for this aspect; and we desire to terminate our trusteeship and enable Micronesia to enter upon a new status by 1980 or 1981.

Such a statement might be made within the next few months either in the context of UN discussion regarding the Trust Territory or on the occasion of a visit to the territory by a senior American. It would probably be advisable that such a statement not be made at a time when it might become a political issue in the United States.

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V. Regional Aspects

A. Guam and the Northern Marianas. The US already has a defined relationship with Guam, is entering upon a new commonwealth relationship with the Northern Marianas and has in prospect some kind of association with the rest of Micronesia or its component parts. It would seem to be sensible from the point of view of administration and policymaking that the US try to follow a unified approach to these territories. For example, it would be desirable within a few years to unify our administration on Guam and the Northern Marianas and it would be desirable thereafter to associate the rest of Micronesia with this entity to the extent that our future relationships with Micronesia permit. There is a danger that Guam, the largest and most advanced of our holdings in the Western Pacific, might dominate the rest of the territory but on the other hand it is also in a position to provide some leadership and direction to the rest of the region.

B. Other Pacific Islands. A large number of mini-island states is rapidly being created in the South and Southwest Pacific: Western Samoa, Fiji, Tonga, Nauru, the Gilberts, Tuvalu, Western Samoa, Cook, and the Hebrides. In general the British, the Australians and the New Zealanders have encouraged their territories to become independent. The French on the other hand have sought to hold back any move by their territories in the direction of independence or autonomy. There are also several islands whose possession is in dispute between the US and the UK,

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such as Canton, Enderberry, and Christmas Island. The potential for political instability is considerable throughout the South and Southwest Pacific although the small size and dispersed character of most of the islands will probably prevent any serious disruption in normal political and economic activity.

C. Interests of Other Countries. The UK, Australia, New Zealand and France have had long historical connections with these islands and maintain many interests there at the present time. These countries along with the US are members of the South Pacific Commission, an advisory body which seeks to coordinate political and economic activity among the island groupings. Several of the islands are also members of the SPC. Japan also has historical and economic interests in the region, particularly in relation to Guam and the Trust Territory. The Japanese have however been careful to avoid any political involvement and to limit their economic activity. A higher degree of coordination among the former metropolitan powers and the various island states of the region would seem to be desirable and inevitable. Japan can be a particular force for economic assistance in the case of the Micronesian regions and perhaps with some of the other island states as well.

D. International Financial Institutions. The economic needs of all of these island areas point to the desirability of greater attention and support from the IFIs. The Asian

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Development Bank and ESCAP (Economic and Scientific Commission for Asia and the Pacific) might be particularly helpful if they could be structured so as to provide special attention to the problems of Oceania.

VI. Other Considerations--Congressional Attitudes, United Nations, Timing, and Transitional Arrangements

A. Congressional Attitudes. It is difficult to evaluate the different points of view in the Congress about Micronesia. As the debate over the Northern Marianas covenant indicated there was wide support for a close and permanent association of these islands with the US although pockets of opposition developed in the Senate. Congressional attitudes toward the rest of Micronesia are far from clear but it is probable that there would be strong sentiment of some kind of permanent association with the US, possibly of a somewhat looser nature than that of the Northern Marianas. There seems to be only minor concern in the Congress about the costs of any permanent relationship, attention having focussed more on the defense interests and political aspects entailed in our relationship with Micronesia.

B. United Nations. Aside from the wide variety of view points that would inevitably be found in the UN on trusteeship issues, the US can probably present a reasonably good case at the time it submits post trusteeship recommendations to the UN if the Micronesians have been presented

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a choice between independence and a permanent relationship with the US, if the vote in favor of the option selected reflects a definite majority, and if the UN is given an adequate opportunity to observe the election process. The possibility exists that the UN Security Council might vote against the US post trusteeship proposal or that a veto against this proposal might be exercised. This would create a legal dilemma but would not necessarily prevent the US from implementing the arrangements it had worked out with the Micronesians.

C. Timing. Although the US has advised the UN that we plan to terminate/ ^{our} trusteeship by 1980 or 1981 there are some in the US and in Micronesia who feel that this is too soon. The arguments are made that until Micronesia has developed a stable government whose policies give some assurance of continuity the US might be well advised to maintain the status quo and not risk our interests there in a volatile and unpredictable situation. This concern is felt particularly by those who consider our defense interests as having major importance. Many Micronesians also believe that until they have achieved self-government in a self-supporting economy, which they know will take many years, they should ^{not} alter their present status. The answering argument is that the US has already been administering the TTPI for nearly 30 years and will do so for at least five more, that a political framework

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for local autonomy has already been created in Micronesia, that economic self support is many years off, that divisive forces are at work which may eliminate our chance of working out reasonable arrangements if we wait much longer, and that as the last nation to terminate its post World War II trusteeship, we should not delay any longer. The argument seems persuasive that if we maintain the status quo much longer centrifugal forces in Micronesia will make unity impossible and may reduce our ability to preserve our interests there.

D. Transitional Arrangements. In the five years that remain before we terminate our trusteeship we should give thought to additional steps which will turn over greater authority to the Micronesians and also encourage the growth of unified administration. It would be particularly useful to establish a Micronesian chief executive who would have administrative authority throughout the territory, subject to US veto in certain limited situations. It may be too late to take this step but it is important that it be given careful consideration. In addition, the US should work with the Micronesians regarding measures to implement the Micronesian constitution, to change laws that will no longer be applicable when the trusteeship ends, to confer foreign affairs authority on the Micronesian government in agreed situations, and to establish a new capital of Micronesia now that Saipan is to become the capital of the Northern Marianas.

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