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 DEPARTMENT OF STATE

December 21, 1976

TO: Ambassador Philip W. Manhard
 U.S. Deputy Representative for
 Micronesian Status Negotiations

FROM: Lester E. Edmond
 Deputy Assistant Secretary
 Bureau of East Asian and Pacific Affairs

SUBJECT: Review of US Policy on Micronesia's Future Status

REFERENCE: Your Memorandum of November 30, 1976

Responding to the draft recommendations set forth at pages 8 and 9 of Part A of your draft review, the Department makes the following comments and recommendations:

We endorse the proposals that the US negotiator should make further efforts to complete negotiations for a Compact of Free Association in the near future, and that the US at present should continue to refuse to undertake separate status negotiations with any single district.

We recommend that in a negotiating session in the near future the US side should fully explore with the Micronesian side the marine resources proposals set forth in my November 5 memorandum to Mr. Poats, forwarded to you under cover of a November 10 memorandum from Mr. Poats (copy attached). Therefore recommendation 3 of your draft study should be redrafted in accordance with that guidance, which proposed authorizing the US negotiator to offer a negotiating package under which the US would be responsible for the negotiation on behalf of Micronesia all international agreements dealing with marine resources and would commit itself to "consider sympathetically" any Micronesian requests for the negotiation of such agreements. Until an explanation of these proposals has been conducted, we believe it would be premature to consider additional marine resources proposals such as that proposed as recommendation 4 of your draft study.

For the present, a report to the President should be limited to the foregoing points. In addition, we believe that a further expansion of your study should be carried out urgently on an interagency basis with the

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intention of forwarding to the Under Secretaries Committee by the end of January 1977 recommendations with regard to (a) preparations for the negotiating session now anticipated for March 1977, and (b) consideration of steps to be taken should the Micronesian negotiators at that session reject our marine resources proposals.

Preparations for the March Session. In order to maximize the effectiveness of the next negotiating session, we believe the following questions pertaining to political unity need to be addressed in the early weeks of 1977: Should the US side approach the Marshallese, Palauans, and Kusaieans in January or February in an effort to persuade them to participate on the Amaraich negotiating commission? Should such an approach include an indication that the Marshalls and Palau would get more US financial assistance in a politically-unified Micronesia than as politically separate entities? Should there be a simultaneous approach -- with parallel financial aid indications -- to the Amaraich group regarding the need to develop a looser confederation than that envisaged under the draft Constitution? If such effort evokes no response by March, should the US side talk with the Amaraich commission as constituted or first make additional efforts to secure participation by the absent districts? If the Micronesians accept our proposals at a spring negotiating session, would we move to a summer plebiscite on free association if the Marshalls, Palau and Kusaie had participated in the negotiations? If they had not?

Post-March alternatives. An unequivocal Micronesian rejection of the US marine resources offer, as recommended above and attractively fleshed out, would mean that free association as defined through five years of US-Micronesian negotiations -- i.e., entailing full US conduct of Micronesian foreign and defense relations -- was no longer a viable goal. Thus the US would have arrived at a major watershed in its Micronesia policy, and would be faced with the necessity of carefully examining the considerable array of conceivable post-Trusteeship political statuses which would remain, of varying degrees of desirability from a US viewpoint:

-- free association with US conduct of Micronesian defense affairs and of foreign affairs with the exception

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 force matters. (Sweetners dealing with enforcement/surveillance^{1/} and with military land lease renegotiation^{2/} might be added);

-- free association in which the US would be responsible for Micronesian defense affairs but Micronesia would be responsible for all foreign affairs including marine resource matters;

-- free association which could be unilaterally terminated at any time, rather than not until 15 years after Trusteeship termination;

-- free association between the US and several different Micronesian political entities^{3/};

-- independence, whether of a politically unified or politically fragmented Micronesia, with a pre-negotiated mutual security treaty;

-- independence with a subsequently-negotiated mutual security treaty; and

-- independence with no mutual security treaty.

A central element in US thinking on Micronesia policy should now be that the passage of time during which the US and Micronesia continue to demonstrate an inability to reach full agreement increasingly frays Micronesian

1/ In order to facilitate prospective discussion of your draft study's recommendation 4 or other enforcement/surveillance possibilities, we recommend you immediately ask the Coast Guard to develop an estimate of what a reasonable program for Micronesia might be expected to cost

2/ To the extent that a lease renegotiation proposal would constitute a US acknowledgment that all provisions of the June 1976 initialed draft Compact of Free Association can be renegotiated, this concession would carry implications extending well beyond the Kwajalein land issue itself.

3/ In this connection we note that recommendation 5a of your draft study would in effect accede to the Marshalllese and Palauan demands for separate negotiations. We question whether the proposed direct US intervention could succeed in resolving the complex interdistrict differences, and are doubtful that it would prove feasible to erect a multilateral "umbrella" agreement over a series of bilateral agreements.

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confidence in the US and hence erodes the prospects of agreement on the closer forms of US-Micronesian political relationships. The events of recent weeks suggest that this process may be accelerating, and a Micronesian rejection of our proposals at the next negotiating round might be expected to produce a further acceleration of this tendency.

In consequence, it is strongly in the US interest to be able to move reasonably rapidly from one negotiating stage to the next, avoiding the long gaps between negotiations which have occurred in the past and aiming at full agreement with the Micronesian negotiators in 1977 if at all possible. To that end, the US side should not wait to see whether the March talks succeed before it considers such questions as the following, with which we will be faced if those talks fail:

-- What range of status options retain a prospect of attainment sufficiently high to merit serious consideration?

-- Which position within that range should be the US goal, and what strategy is best calculated to reach that goal?

-- Where are the trade-offs? e.g., do we abandon political unity to preserve free association, and if so when and how?

-- Where are the bargaining points? In what order should we offer any proposals on such matters as lease renegotiations, marine resources, enforcement/surveillance or unilateral termination, and what commitments should be sought in return from the Micronesians on such subjects as the new Commission's endorsement of the provisions of the June 1976 draft Compact, or the Constitution?

The Department believes that the foregoing matters, dealing with the preparations for the next negotiating session and with the US's alternatives should the next session fail to achieve agreement, should be considered in an expansion of your draft study to be undertaken with interagency participation during January 1977.

Attachment: As stated

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