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MICRONESIAN STATUS NEGOTIATIONS

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MICRONESIAN STATUS NEGOTIATIONS

I. INTRODUCTION

This paper responds to Presidential Review Memorandum/ NSC-19 which requested a review of our policy with respect to Micronesian status negotiations, designed to determine the US-Micronesian relationship following termination of the UN Trust Territory of the Pacific Islands.

The Trust Territory of the Pacific Islands, comprised of the Northern Marianas, Carolines and Marshalls, is the sole remaining UN Trusteeship. It consists of 2,100-odd islands scattered over three million square miles of the mid-Pacific, with a rapidly-growing population of 115,000. (See Figure 1 for map). Historically the inhabitants of the Micronesian area have been divided by cultural and linguistic differences, political rivalries and distrust, and traditional loyalties focused within clans and small island groups. Their only linkage together has been under the varying policies of controlling foreign powers--Spanish, German, Japanese and American.

Our administration of Micronesia began in World War II when American armed forces captured the Japanese-mandated islands. In 1947 the U.S. entered into a Trusteeship Agreement with the United Nations Security Council which placed the islands in the "strategic trusteeship" category with the U.S. as administering authority. Since World War II the U.S. has used the islands for nuclear weapon testing (Bikini and Enewetak), ballistic missile testing (Kwajalein), intermittent military training, and for monitoring and surveillance functions. Financially, the U.S. is supporting the Trust Territory by U.S. grant aid and federal programs at the current annual rate of about $92 million (mainly from Interior funds) in contrast to local revenues of only about $5 million. (See Annex B for Financial Chart).

Following approval of Commonwealth status last year, the Northern Marianas are being administered separately from the remaining six districts of Micronesia, but the full implementation of Commonwealth status will occur only after termination of the Trusteeship Agreement. This is expected by the end of 1981 but not before the future status of the rest of the Trust Territory has been resolved. It is the intention of the U.S. that the agreement be terminated for the entire Trust Territory at one time.

The other six districts of Micronesia (Yap, Palau, Truk, Ponape, Kosrae, Marshalls) are governed by the popularly-elected Congress of Micronesia (COM), elected district legislatures, and

the Trust Territory Administration, headed by a Presidentially appointed High Commissioner who supervises the local Executive Branch now mostly staffed by Micronesians at both the central and district levels.

A. Brief History of Negotiations. Early in the status negotiations the U.S. offered first, territorial or commonwealth status, which the Congress of Micronesia rejected, insisting instead on negotiations for a self-governing relationship in "Free Association" with the U.S. Negotiations for that purpose (minus the Marianas since 1973) have continued for nearly eight years without final agreement and are currently at an impasse. In July 1976 a newly created Micronesian negotiating body refused to endorse its predecessor's initialling of a nearly complete Compact of Free Association, mainly on the grounds that (1) the Compact was not in strict conformity with a draft Micronesian Constitution (containing the attributes of independence) and (2) Micronesia's authority over marine resources had not been satisfactorily resolved in previous status negotiations. Also, this COM-mandated negotiating body is being boycotted by the Marshalls and Palau districts, the leaders of which are pressing for separate talks with the U.S. Their campaigns to separate from the rest of Micronesia are growing stronger, and in these districts we have important security interests--Kwajalein Missile Test Range in the Marshalls and specific military land options in Palau.

B. Lessons Learned in the Negotiations

1. There is as yet no single leader or groups of leaders in Micronesia with sufficient charisma or broad influence to claim the allegiance of Micronesians in general or effectively represent all six districts.

2. The Congress of Micronesia has not been able or willing to make the hard decisions necessary to resolve the problems between the districts, to support economic development needs realistically, and to establish a clear policy on future status. These problems are increasingly undermining the intended role of the Congress and diminishing its effectiveness.

3. The representatives of the most populous districts, Truk and Ponape, tend to dominate the Congress, resist accommodations with Palau and the Marshalls and thus drive those districts further toward separation. Key Trukese leaders and some Ponapeans also dominate the new Micronesian negotiating group and appear to prefer independence to Free Association. They have raised obstacles to the completion of a Free Association agreement while championing the draft Constitution which, in effect, provides for independence. Meanwhile the Marshalls and Palau are becoming increasingly anxious to terminate the Trusteeship sooner rather than later.

4. A vast majority of the people in all districts appear to support a close relationship with the U.S., but Micronesian negotiators have long tended to avoid a public information policy which adequately and accurately keeps their constituents informed about positions of either side in the negotiations. Thus, the people of these islands often lack understanding of U.S. offers and positions on a wide range of issues.

C. Scope of U.S. Policy Review. Against this general background, the following study seeks to:

1. Identify U.S. political, security and economic interests at stake in Micronesia.

2. Analyze Micronesian objectives in the negotiations, assess trends toward separate status and independence within Micronesia, and evaluate the impact of these trends on U.S. interests.

3. Analyze the practical range of political status alternatives which would meet basic U.S. and Micronesian objectives.

4. Present options on institutional arrangements within the Executive Branch to provide necessary authority and flexibility to manage and conduct the political status negotiations.

5. Present decisions requested of the President designed to enable the U.S. to regain the initiative in the negotiations and successfully conclude them in an expeditious manner.

II. U.S. INTERESTS. The United States has a large stake in the political stability and future orientation of Micronesia. The islands are strategically located relative to Asia, the Pacific Basin, and U.S. territories and possess a clear potential to enhance or degrade our defense posture in the Pacific. We also have obligations under the United Nations Trusteeship to prepare the peoples of Micronesia for greater self-government or independence if that is their choice. Thus, over the long-term we will have two basic interests in the area:

Domestic Tranquility within Micronesia. We want to encourage and establish internal political institutions which will receive strong support at the local or district level and survive our administration of the area.

Micronesia closely tied to the United States. We much prefer that the people of these islands look to the United States rather than some other nation in the years ahead.

In addition, there are specific interests that we want to pursue in the political status negotiations:

A. Security Interests. From a security perspective, the status negotiations should clearly define the scope of U.S. authority over Micronesia's foreign relations, our obligations to defend the area, and the right to use these islands for U.S. military purposes. As a minimum any agreement must embody the following provisions:

1. Denial of the area to the armed forces of foreign nations. This objective will ensure that present or potential adversaries do not establish a foothold in the area that might be used to weaken our defense posture in the Pacific.

2. Access to the area for U.S. military forces. Assured access to the ports, harbors and airfields of Micronesia on an occasional or emergency basis will sustain our capability to conduct ocean surveillance, protect our lines of communication, and support the contingency resupply of U.S. forces in the Central Pacific. In addition, such rights will enhance our flexibility to defend in the Pacific if a NATO contingency requires redeployment of U.S. forces from this theater to the Atlantic, Europe or Mediterranean.

3. Retention of Kwajalein Missile Range in the Marshalls. The location of this range 4,200 miles from Vandenburg Air Force Base provides an ideal trajectory path for strategic missiles during test and development, and the shallow lagoon at Kwajalein is indispensible for the recovery and examination of missile components. In the post-Trusteeship period, we want to retain 1,320 acres of land, plus the mid-Atoll safety corridor, and the unfettered right to use this $700 million installation. An essential element will be mutually-agreed compensation for the use of this land.

4. Future Use and Development of Palau. In this district, we are seeking the option to lease 40 acres of land at Malakal Harbor for modest fleet support and 2,000 acres on the island of Babelthuap for the contingency storage of war reserve material, plus non-exclusive use of 30,000 acres on Babelthuap for intermittent ground training and the right to jointly use the airfield at Arai. In addition, the Navy would like the option to use Angaur airfield when this facility no longer is required by the U.S. Coast Guard. These rights and options will provide a complement and limited alternative to bases elsewhere in the Western Pacific.

5. Retention of Land, Facilities, and Rights needed to Operate the U.S. Coast Guard LORAN-C Station at Yap.

In addition, we must safeguard the right of U.S. forces to transit through or operate within any extended economic zone or territorial sea which may be established in the future by Micronesian or international law.

B. Political Interests. Our interests in East Asia and the Pacific and our need for continued access to Kwajalein give the U.S. a strong political interest in the maintenance of a close and friendly relationship with Micronesia over the decades to come. It follows that we should seek post-Trusteeship arrangements which:

1. Enhance the prospects for political stability in Micronesia; and

2. Establish a US-Micronesian friendship which would survive any political instability within Micronesia.

C. U.N. Considerations. The U.S. has told the U.N. that we intend to take up with the Security Council the question of termination simultaneously for the entire Trust Territory--Northern Marianas as well as Marshalls and Carolines--and that we expect termination to occur by the end of 1981. We have told the Senate Committee on Foreign Relations that the U.S. recognizes an obligation to seek Security Council approval for termination of the agreement. Before the International Court of Justice (1949) the U.S. opposed South Africa's attempt to unilaterally terminate its League of Nations mandate over Southwest Africa. It is too early to reach a decision on what we should do if faced with a Soviet or Chinese veto or with an inability to obtain the majority necessary for Security Council approval for termination of the U.N. Trusteeship.

Other U.S. obligations under the Trusteeship Agreement are:

1. The promotion, in accordance with the "freely expressed wishes" of the "peoples concerned", of "self-government or independence", including local self-government while the Trusteeship is in effect. This obligation clearly commits the U.S. to accept Micronesian independence if that proves to be the wish of the Micronesian people. It does not offer clear guidance on Micronesian unity, notwithstanding the fact that the U.N. in general has strongly advocated unity. In 1975 the U.S. entered into a separate political status agreement with the people of the Northern Marianas. The political status aspirations of the Northern Marianas had long differed from those of the Marshalls and Carolines, and the Northern Marianas' links in language and culture were with the nearby U.S. territory of Guam rather than with the more distant Marshalls and Carolines. These considerations led us to conclude that the right to self-determination in this case should reside in the people of the Northern Marianas rather than in the people of the Trust Territory as a whole.

2. The promotion of "economic advancement and self-sufficiency", including the development of fisheries, agriculture and industries, and also including the protection of the people against the loss of their lands and resources.

D. Economic Development. Not only does the U.S. have an obligation as Trustee to further Micronesian economic development, but also a positive interest in doing so:

1. Rising expectations and a rapidly increasing population compel economic development. If this does not occur, the Micronesians rightly or wrongly will place much of the blame on the U.S., to the detriment of a good US-Micronesian political relationship on which the attainment of our security interests depends.

2. A failure to achieve sustained economic development could foster undesirable political instability in Micronesia.

3. Substantial economic development is the only foreseeable acceptable path to an eventual reduction in the scale of U.S. financial assistance to Micronesia.

E. Unresolved Problems and Dilemmas.

1. Marine Resources and Law of the Sea Considerations. A principal potential source of benefit to the Micronesians is the resources of the surrounding seas, notably tuna. The U.S. has an interest in facilitating the development of these resources as a contribution to their thin economic base. We do not wish to control for our own benefit the exploitation of their marine resources and we are prepared to offer arrangements designed to assist in promoting their development and to assure that the resulting economic benefit flows to Micronesia.

The Micronesians, however, have created a major dilemma in the status negotiations by proposing that in the field of marine resources they should act in their own behalf, negotiating and signing agreements with third countries and participating in their own name(s) in international conferences with the right to be among the contracting parties to, for example, the Law of the Sea (LOS) Treaty which will grant broad jurisdiction over maritime matters. Based on its experience at several international conferences, the Congress of Micronesia's LOS delegation takes the position that U.S. and Micronesian marine resource interests are too divergent to permit Micronesian confidence that the U.S. could represent them in good faith.

From our perspective formal Micronesian jurisdiction over marine resources could create U.S. international liabilities for actions we could not fully control and impact undesirably on the U.S. bargaining position in global or regional LOS negotiations

Neither the U.S. nor Micronesia have come to grips with the problem of providing surveillance and enforcement against foreign fishing vessels poaching in Micronesian waters, which will

approximate the continental U.S. in area, assuming that a 200-mile economic zone is established.

2. Micronesian Unity. On the whole, it would be desirable or at least convenient if the Micronesians supported and preserved some form of political unity. This would enable us to deal with one political entity and have one status agreement, and a case could be made that such an entity might be more predictable than several. The United Nations is inclined to prefer unity.

On the other hand, Micronesia has never been united except under foreign administration, and the desire for political, economic and cultural autonomy has been growing stronger at the district level. We have never denied the right of each district to determine its own political future and acceded to separate political status negotiations with the people of the Northern Marianas.

III. MICRONESIAN INTERESTS

A. Security. Over the course of the political status negotiations, the United States has made known to the Micronesian leadership the nature of its long-range and specific security interests in the area. The Micronesians understand the meaning of strategic denial and the extent of specific U.S. land requirements and emergency access. They have generally come to believe that Micronesia is critical to U.S. security interests in the Pacific and that the U.S. should and will be willing to pay handsomely for the defense rights we seek. The articulated Micronesian view is that they expect friendly relations with all nations of the world and therefore will not need to be concerned about their own security.

B. Use of Micronesian Land for U.S. Defense Purposes. Presently, the U.S. holds land in the Marshall Islands for defense purposes under both set-term and indefinite-term leases. The Micronesians have expressed strong opposition to the indefinite-term leases but are willing to "negotiate to accommodate" all U.S. land requirements by set-term lease. Equally important, the Micronesians feel that leases already in force should be renegotiated prior to termination of the Trusteeship Agreement and that the U.S. should increase its payments substantially. The Marshalls and Palau (where we have specific land requirements) have strongly argued that any lease negotiations and payments should be handled only at the local level and the Marshallese have stated that renegotiation of the principal Kwajalein lease is a prerequisite to any political status settlements.

C. Enforcement of Fishing Zone. On their own, the Micronesians have no capability to guard or enforce a fishing or economic zone significantly larger than that of the United States. They

contend that the U.S. has an obligation to do this now under the U.N. Trusteeship Agreement. In the status negotiations, we can presume that if the U.S. presses for a high level of jurisdiction over Micronesia's marine resources, they will demand a substantial U.S. commitment to protect these resources against unauthorized exploitation. The cost of such a commitment in ships, aircraft, and facilities easily could reach levels unacceptable to the U.S. and likely would be disproportionate to economic benefits flowing to Micronesians from marine resources.

D. Economic Development. Assisted by the U.N. Development Programme, the major thrust of the work of the Congress of Micronesia over the past two years has been on economic development planning. In these efforts, they have been joined by the Trust Territory Administration and the Interior Department which is attempting to put in place by 1981 a basic infrastructure of airports, docks, and roads valued at over $130 million. The Micronesians generally agree that this expenditure for construction is necessary if they are to reach their stated goal of economic self-sufficiency by 1996, although they would prefer even higher levels.

While the Micronesians would like to see an increase in foreign investment through joint venture projects, they approach the subject with caution owing to a xenophobic tendency at the district level (less pronounced in the Marshalls and Palau). The Palauans are seriously interested in considering the possibility of a privately financed oil transshipment port as a central element of their future development.

The Marshallese know how important Kwajalein Missile Range is to our national security and count on much higher compensation from the U.S. for their economic development.

Micronesians estimate that substantial revenues will accrue from the licensing of foreign fishing fleets within their waters and are looking for ways to secure the authority to effect such licensing. The U.S. has agreed that the economic benefits of Micronesian marine resources should accrue to Micronesia.

Finally, the Micronesians have expressed some interest in securing additional capital from the World Bank Group, the Asia Development Bank and other international fora. There has been no noticeable movement by the Micronesians to secure direct grant assistance from nations other than the U.S.

E. U.S. Technical Assistance and Support Services. Because of Micronesia's long association with the U.S., there is a preference for American technical assistance after the Trusteeship Agreement is terminated as opposed to similar support from other nations. The U.S. has been forthcoming in this area since provision of such assistance (specifically, postal, weather and FAA

services) serves our interest and maintains links between the U.S. and Micronesia.

F. Political Unity vs. Separatism. There is no single Micronesian view on this topic. The stated view of the Congress of Micronesia is for the unity of the Marshalls and Carolines under the terms of the draft Micronesian constitution. The Marshalls and Palau both refuse to participate with the COM in any political status related subjects and both are officially seeking separate negotiations with the United States. Both districts feel that for economic and political reasons, unity in Micronesia is unworkable. Separatist sentiment does not appear to be strong in the other districts but may develop should the U.S. deal separately with the Marshalls and Palau. The driving force of separatism is not necessarily the question of a future relationship with the U.S. but rather internal political issues which the Micronesians have not been able to resolve.

IV. DISCUSSION OF KEY ISSUES

A. How much control does the U.S. need over Micronesia's foreign relations and defense matters?

1. Foreign Relations. Although the June 1976 draft Compact of Free Association would grant Micronesia limited rights to undertake minor international action in non-controversial fields such as culture and education, the overall concept of "free association" has been that the U.S. would exercise full authority for defense and foreign relations.

The U.S. interest in a substantial role in the conduct of Micronesian foreign relations has rested on a conviction that retention of U.S. control of Micronesian foreign relations would provide a desirable safeguarding of security matters which are central to U.S. interests in Micronesia. A significant division of foreign relations responsibilities between the U.S. and Micronesia risks an unsatisfactory definition of the borderline between these areas and the possibility of U.S. involvement in the consequences of Micronesian actions which we could not fully control. For example, Micronesian authority over marine resource matters could raise the question of whether a Soviet proposal to send fishing fleets to Micronesia was or was not a defense matter and whether the U.S. would be willing to have such a matter adjudicated by a dispute settlement procedure. It could lead also to such situations as a Japanese assertion that the U.S. was liable concerning alleged Micronesian violations of a Japanese-Micronesian fishing agreement. Finally, Micronesian authority over additional areas of foreign relations might permit, for example, the establishment of a Soviet embassy in Micronesia even if the U.S. considered that detrimental to its defense interests.

On the other hand, neighboring Pacific island groups such as the Gilberts and the Solomons are progressively attaining independence, and the Micronesians clearly are attracted by the various attributes of this. This factor tends to lead toward a contrary judgment that the less we manage Micronesia's foreign relations, the more harmonious the relationship is likely to be.

Given this situation, there are three basic ways the U.S. could define its role in the conduct of Micronesian foreign affairs:

a. The U.S. could seek to retain full authority over Micronesian foreign (and defense) relations, with minimal Micronesian rights. This approach is embodied in the draft Compact of June 1976. It would attempt to satisfy the Micronesian demands regarding marine resources by offering a package of proposals under which the U.S. would involve itself in practical ways, assisting in developing marine resources and securing their economic benefit to Micronesia, while at the same time retaining for the U.S. formal international jurisdiction over those resources

b. The U.S. could seek, along lines set forth in the June 1976 draft Compact full authority over Micronesian foreign and defense relations except in the field of marine resources, wherein the Micronesians would exercise international jurisdiction subject to certain U.S. rights to limit or restrain Micronesian actions.

c. Micronesia might have overall authority to conduct foreign relations, subject to provisions obligating the Micronesians to refrain from foreign relations actions which the U.S. had determined would impinge unacceptably on U.S. international obligations or basic security interests. The U.S. might seek or accept responsibility for specifically-defined areas of Micronesian foreign relations, such as the conduct of Micronesian diplomatic relations or the protection of Micronesian citizens abroad.

2. Defense Aspects. Based on the security interests stated in Section II, we believe that the United States should retain complete authority over and responsibility for the defense of Micronesia against external attack. This does not necessarily require complete control over their foreign relations, but we do want Micronesia to consult with us before taking actions which might impinge on U.S. national or international security responsibilities and refrain from such actions when requested to do so by the United States. Although we prefer the sort of foreign relations authority which flows from the 1976 draft Compact of Free Association, we believe that the U.S. can adequately influence Micronesia's foreign relations through a special treaty relationship if they prefer independence. We would want the details of this to be negotiated before termination of the Trusteeship Agreement.

3. Marine Resources Jurisdiction.

a. Marine Resources and the Law of the Sea Conference. The divergence between U.S. and Micronesian views on marine resources was initially manifested in the Law of the Sea negotiations, which involve over 150 countries. In the negotiations, the U.S. has adopted a posture designed to protect a broad range of interests as they pertain both to national security considerations and to jurisdiction over marine resources, including tuna. This posture has limited the degree to which the U.S. could be responsive on the issue of importance to the Micronesians:

(1) The application of the archipelago concept to Micronesia. As part of an overall, satisfactory LOS treaty the U.S. is prepared to recognize the archipelago concept, provided it is limited to a small number of independent island nations, and further provided that U.S. national security and commercial interests in navigation and overflight are protected. However, Micronesia does not fall within the archipelago definition in the LOS draft treaty and will not be covered under any likely LOS outcome.

(2) Micronesian signature/ratification of an eventual LOS treaty. The U.S. has opposed signatory status for entities other than sovereign states. U.S. concerns relate to the question of whether such entities could fulfill their obligations and hence be fully responsible under a comprehensive treaty; to certain political concerns relating to U.S. territories; and to the desire of some that the PLO and other liberation organizations be permitted to sign. The Micronesians take the position, with which the USG does not agree, that the treaty establishes a "double standard" in marine resources and that they must sign the treaty in order to be able to charge fees based on the "developing country" fee schedule rather than the lower charge level applicable to the U.S. and other developed countries.

(3) The resource rights of dependent territories. The Micronesians support this provision of the LOS treaty, but the U.S. seeks its deletion since we believe it addresses questions which transcend LOS and which the treaty cannot hope to answer adequately. It raises politically sensitive issues including the PLO, territorial disputes such as that between the UK and Argentina over the Falkland Islands, and U.S. relations with its territories.

b. Marine Resources in the Status Negotiations. In the bilateral status negotiations, the U.S. is potentially able to address Micronesian marine resource concerns more directly than in the LOS negotiations. A central consideration is that

the U.S. does not wish to retain control over the resources of Micronesia in order that such resources be exploited for U.S. benefit.

If the Micronesians become independent, jurisdiction over marine resources would not be an issue. In the case of free association, there are several ways--not mutually exclusive--in which the U.S. might respond to Micronesian demands that Micronesians should conduct their own foreign relations in the marine resource field, negotiating and signing international marine resource agreements on their own behalf and attending international conferences on marine resources in their own name.

Three approaches--Options A, B, and C below--focus directly on ways to grant Micronesia more control over its marine resources. Option D would solve the marine resource problem by giving Micronesia authority over all of its foreign relations:

Marine Resource Option A:

The U.S. would offer proposals designed to allow the Micronesians the full management of marine resources, to help them develop marine resources, to guarantee to them that the economic benefit of such development would flow to them, and to seat them as members of U.S. delegations dealing with marine resources in their region. The U.S. would attempt to persuade the Micronesians that this package of proposals was sufficiently protective of and advantageous to Micronesian interests that the Micronesians should feel able to abandon their demands for an international role in the marine resources field.

US-Micronesian consultative mechanisms might be established to assist in the development and management of Micronesian marine resources and to develop coordinated positions on international issues affecting such resources. The U.S. in the Compact of Free Association could guarantee its "sympathetic consideration" to Micronesian requests to negotiate international marine resource agreements on behalf of Micronesia, and would agree not to apply to Micronesia any international marine resource agreement primarily affecting the exploitation of marine resources off the coast of Micronesia without the consent of the Government of Micronesia.

This option would allow the broadest scope of U.S. authority over Micronesian foreign relations, but its provisions are not likely to gain acceptance from Micronesia as a whole.

Marine Resource Option B:

The U.S. would agree to Micronesian jurisdiction over marine resources, accept complete Micronesian authority within a 200-mile zone, and recognize Micronesian competence to negotiate and conclude international agreements and to be seated at international conferences on marine resources. However, such U.S. agreement would be made contingent on Micronesian agreement to refrain from actions which the U.S. deemed incompatible with U.S. international marine resources policy or with U.S. international obligations or basic security interests.

This option would be much more likely than Option A to be accepted by the Micronesians, since it would grant them most of the jurisdiction they demand over marine resources.

On the other hand, this option in effect would acknowledge a Micronesian right to sign the LOS treaty, and it would not eliminate the potential for U.S.-Micronesian friction arising from U.S.-Micronesian differences of opinion as to the interpretation of international law and the extent of coastal state competence. The resolution of U.S.-Micronesian disputes could be difficult to control and potentially embarrassing. Some would argue that Puerto Rico, Guam, the Virgin Islands, and American Samoa might contend that Micronesian autonomy in marine resource matters set an example for U.S.acquiescence in similar negotiating and jurisdictional rights for them, notwithstanding the fact that Micronesia is not a U.S. territory and its people are not U.S. citizens.

Marine Resource Option C:

The U.S. would agree to the Micronesian jurisdiction and authority described in Option B, contingent upon Micronesian agreement to refrain from actions which the U.S. deemed in actual or potential conflict with its international obligations or basic security interests. The Micronesians would not be required as in Option B to refrain from actions incompatible with U.S. international marine resources policy. The U.S. also might issue to the international community a disclaimer of responsibility and liability for Micronesian actions in the field of marine resources, although there would be no assurance as to the legal affect of such a disclaimer.

This option would appear to grant all of the Micronesian demands concerning marine resources; their agreement to refrain from certain actions would follow terms already agreed upon in the June 1976 draft Compact dealing with such limited fields as education and culture. It would have the disadvantage of allowing the Micronesians greater latitude in taking international marine resource positions and actions at variance with those of the U.S.;

like Option B, it would effectively acknowledge a Micronesian right to sign the LOS treaty.

Marine Resource Option D:

The U.S. would propose that Micronesia, under a Compact of Free Association, and not the U.S., should possess authority over all Micronesian foreign relations. The Compact might specify that the U.S. would conduct on Micronesia's behalf certain foreign relations not including marine resources. As in Option C, the Micronesians would be committed to refrain from actions conflicting with U.S. international obligations or basic security interests.

This option would eliminate marine resources as a cause of U.S.-Micronesian contention by giving the Micronesians formal responsibility for all of their foreign affairs. The U.S. would however retain veto power over Micronesian actions which in its judgment would conflict with U.S. international obligations or basic security interests, as in a case--to give an extreme example--where Micronesia might consider authorizing the establishment of a Soviet embassy. As a practical matter Micronesia would likely rely on U.S. advice and personnel as well as financial assistance in the conduct of its foreign relations.

On the other hand, to give the Micronesians responsibility over all their foreign affairs would take most of the meaning out of free association since Micronesia would then have all of the attributes of independence except defense. Micronesian conduct of foreign affairs could impinge upon U.S. defense responsibility in many ways. U.S. veto of Micronesian actions could be a cause of misunderstandings and friction to the detriment of our security interests. For the U.S. to agree to conduct certain foreign relations activities on Micronesia's behalf, while Micronesia had formal responsibility, would put us in an awkward position where foreign nations could try to hold us accountable for the policies of Micronesia we were executing.

4. Marine Resources Surveillance and Enforcement. It is neither feasible to guard over 2-3 million square miles of ocean against unauthorized exploitation, nor is it desirable for the U.S. to assume full responsibility for this, given the fact that all benefits from marine resources will accrue to Micronesia rather than to the United States. At the same time, the Micronesians can do virtually nothing unless the U.S. supports them in some way. In short, our problem is how to be helpful without being drawn into an unacceptably large commitment of U.S. ships, aircraft, and manpower.

In our view, the best approach would be a U.S. offer to provide a limited amount of financial support to the Microne-

sians on a dollar-for-dollar matching basis to establish a surveillance and enforcement capability. Under this burden-sharing arrangement, the end result could be (a) a modest expansion of the U.S. Coast Guard presence in the Central Pacific; (b) establishment of a Micronesian Coast Guard; or (c) the purchase of commercial services. We believe that the U.S. should commit no more than $5 million annually to this requirement.

B. How should the U.S. handle the question of Micronesian unity? The unresolved issue of unity/separatism is presently a major stalling element in the political status negotiations. The Marshall Islands and Palau have each made formal requests for separate political status negotiations with the U.S. As a result, the Congress of Micronesia's only authorized negotiating commission has been unable to secure official representation from these two districts.

1. The Congress of Micronesia as a unifying entity. During the first five to six years of its existence, the COM was the symbol of Micronesians working together for the greater good of the entire area. The emergence, however, of economic development priorities at the district level, revenue sharing between the central and local governments and internal political jealousies has removed this cachet from the Congress. While the Congress as an entity continues to support unity, it has withdrawn from actively working toward it. A March 1977 resolution of the COM states that it has done all it can and the future of Micronesian unity is in the hands of the U.S.

2. The U.S. record on unity. The U.S. has attempted to foster unity in Micronesia by establishing a Congress of Micronesia in 1965, developing a central TTPI administration, issuing policy statements that we support the unity of the Marshalls and Carolines and supporting institutions in Micronesia which bring persons from all the districts together. At the same time, it is also part of the U.S. record that in 1975 we entered into a separate political status agreement with the people of the Northern Marianas.

3. The Recommended U.S. Approach. Inasmuch as we do not wish to impose unity on unwilling districts, there are sharp limits on what we can realistically do to bring about the political unity of Micronesia. We can issue a public policy statement committing the U.S. to work for unity and we can attempt to mediate among the districts.

If these efforts fail, it would be highly desirable for the U.S. to rest any decision to enter into separate negotiations on the clearly expressed preference of the Micronesians as expressed in a UN-observed plebiscite or by other appropriate means, since the UN Trusteeship Council is on record supporting political unity.

C. What are U.S. interests with regard to termination of the Trusteeship and in transition arrangements?

1. Trusteeship termination. The United States has stated that the purpose of the political status negotiations with Micronesia is to bring about an agreed basis on which to end the Trusteeship Agreement. The two issues which surround termination are the questions of timing and method.

In 1974, the Micronesian negotiators proposed and the U.S. agreed that 1981 should be the target date for termination of the agreement. Subsequent TTPI administration programs have been designed with this date in mind and the four-to-five years still remaining before that date provide adequate time to effect an orderly transition to a new political status, once the alternative(s) is agreed upon. There has been some discussion recently by the Micronesians that 1981 may be too early, since they believe levels of U.S. grant assistance will decline following termination. The UNTC on the other hand has taken note of the 1981 date but has also urged an earlier termination date if possible. The U.S. has a moral commitment to the people of the Northern Mariana Islands, who have been given reason to expect termination no later than the end of 1981. The Northern Mariana Islands Commonwealth Covenant is such that the full benefits of the new political status do not accrue until termination.

The United States has a legal obligation to seek Security Council agreement to termination of the Trusteeship but the manner need not be decided in this paper, since we will want to take into account political realities at that time. We believe that no U.S. commitment beyond existing statements should be made either toward a commitment to obtain Security Council approval for termination or in the opposite direction toward any U.S. action which would preclude obtaining such approval. It is nevertheless reasonable to assume that the Security Council would refuse to agree to termination of the trust on a basis other than independence, unless an independence option had been considered and unambiguously rejected by the Micronesians in a U.N. observed plebiscite.

Our intention is that the Trusteeship Agreement be terminated simultaneously for the entire territory and we have so informed the Congress and the U.N. If we cannot reach agreement with the Micronesians in time for a 1981 termination, our implied commitment to the Northern Mariana Islands will make it necessary to reconsider the possibility of terminating separately for the NMI. This is of course an incentive to the U.S. to reach agreement with the Micronesians rapidly. From the U.S. point of view, delay beyond 1981 appears to have no advantages and would only create unwanted complications. We believe that the 1981 target date should therefore receive official U.S. endorsement as the intended termination date. This will have beneficial effects on the pace of the negotiations.

2. Transition. A final critical element leading to termination is the type of transition arrangements which the U.S., in cooperation with the Micronesians, institutes. In some ways, the specifics of these arrangements will be determined by the type of political status alternatives to which the U.S. and the Micronesians agree. There are however several elements of transition to self-government which are desirable from the U.S. and the Micronesian point-of-view regardless of the final political solutions. The first of these is the progressive assumption of executive branch functions by Micronesians. Whether unity or fragmentation is to be the form of Micronesia's future, the installation in the near future of elected district chief executives appears to be a desirable goal. The Congress of Micronesia is on record supporting this and acceptable methods can be devised to provide for financial management and the accountability of U.S. grant funds under Trusteeship.

Other necessary elements of any transition include the working out of details for eventual Micronesian involvement in their foreign affairs (to the limit of the agreed status alternatives) arrangements for dealing with Micronesian marine resources, foreign investment and economic development encouragement and institutionalization of the eventual post-termination links between the U.S. and Micronesians. The TTPI administration's economic development, construction and infrastructure programs should continue. There should also be a gradual and phased cutback in federal agency program assistance to Micronesia so that, by 1981, it is at the projected post-Trusteeship level.

D. What range of political status alternatives will provide a fairly stable Micronesia which looks to the U.S. in the post-Trusteeship? Several alternatives have been flatly rejected by the Micronesians, seem unrealistic to achieve, or fail to provide the close relationship we desire to maintain in the years ahead. These are commonwealth status, a united independent Micronesia, and a relationship narrowly defined by a mutual security treaty.

The range of realistic possibilities is from free association to independence with a special treaty relationship, and at the same time is from a united Micronesia to one which has fragmented into several entities. This window of possibilities is described below:

Compact of Free Association with a not fully independent Micronesia. In this relationship, the source of U.S. authority over foreign relations and defense affairs flows from the people of Micronesia voting in a U.N. observed plebiscite. During the life of the Compact, Micronesian self-government would include internal affairs and the government(s) of Micronesia would not assume authority over external affairs reserved to the U.S. by the Compact.

Special Treaty Relationship. In this case, the Micronesian government(s) immediately after independence would cede authority over defense matters to the U.S. but retain overall authority to conduct foreign relations, subject to provisions obligating them to refrain from foreign relations actions which the U.S. had determined would impinge on U.S. international obligations or basic security interests. Provisions to terminate or modify the arrangement would be embodied in the treaty itself.

United Micronesia. This Micronesia is one which has one central government strong enough to assume rights and responsibilities broadly stated in the 1976 draft Compact of Free Association.

Fragmented Micronesia. In this case, the basic political unit in Micronesia is the district or more than one combination of districts. The districts could establish a central commission or similar institution to deal with social, economic or cultural affairs but this commission would have no power over the internal or external affairs of the districts.

Any arrangement within the limits of the foregoing matrix would be without detriment to our basic security interests. Four solutions within this matrix are presented below:

Political Status A

A unified but not fully independent Micronesia enters into free association with the United States. This arrangement would give Micronesia full internal authority while the U.S. has overall authority over foreign affairs and defense matters, along the lines set forth in the 1976 draft compact. The Palauans and Marshallese would join the other districts in the relationship.

Political Status B

Several not fully independent Micronesian entities (some composite of all six districts) enter into free association with the U.S. by a single agreement. This option assumes that all districts desire the USG to exercise basic authority over foreign relations and defense matters but cannot form a central government which is acceptable to each. In this case, from three to six district governments would sign a single document freely associating themselves with the U.S. in the same way. We might encourage formation of a consultative commission or small central body to deal with common essential services or economic, social or cultural issues of concern to each of the districts.

Political Status C

Several Micronesian political entities enter individually into different relationships with the U.S.; some might be independent and others might be less than fully independent. Our security relationship with each would be different--some by special treaty and some by compact--but we might form a central commission to deal with non-security matters.

Political Status D

A confederation of independent Micronesian states collectively enters into a special relationship with the U.S. by one treaty. This relationship is one that the USG might consider if all of the districts favored, for one reason or another, independence without a central government encompassing them. Several independent mini-states would be tied to the U.S. by one treaty.

E. How adequate is the level of financial assistance previously authorized and pledged to the Micronesians?

1. Level Authorized. In March 1974 the ceiling of $60 million in annual financial assistance for the Carolines and Marshalls was authorized by the President. This ceiling included grants, loans, federal programs and services, and payments for military land and extended for up to fifteen years. This financial assistance was to be subject to reviews periodically in order to consider such adjustments as may be required by changes in the value of the U.S. dollar, and already the effect of inflation would be to raise the assistance ceiling to over $75 million annually in 1981. It was to be contingent upon continued Micronesian agreement to U.S. rights in foreign affairs and defense as specified in the Compact of Free Association. Additionally, the negotiator was authorized to commit the U.S. Government to provide up to an absolute ceiling of $35 million for one-time costs of moving the capital of Micronesia from Saipan to another district. The negotiator was also authorized to commit the U.S. to a Capital Improvements Program during the transition period in the amount of about $130 million for the Carolines and Marshalls contingent during the last four years upon Micronesian approval of the Compact of Free Association. These amounts would also be reviewed periodically to consider such adjustment as may be required by changes in the value of the U.S. dollar.

2. Amount pledged to the Micronesians. The negotiator has previously pledged that the U.S. Government "would assist" in funding the relocation of the capital but no specific amounts have been discussed with the Micronesians. The Capital Improvement Program has been started but the FY-78 Presidential budget cut certain amounts from this program in view of the general budget

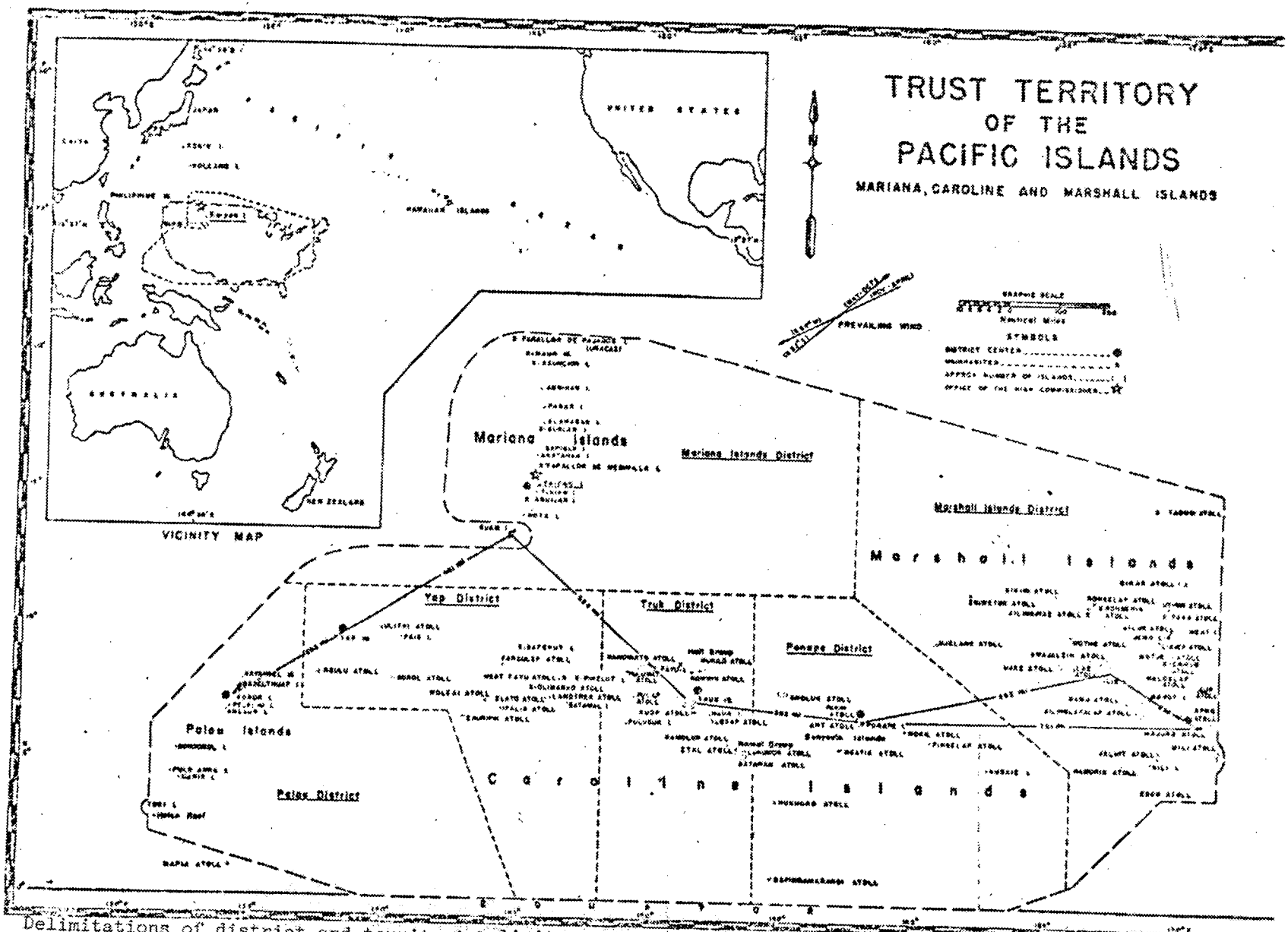

Figure 1

Delimitations of district and territorial limits are not to be interpreted as international boundaries.

cuts and the lack of Micronesian agreement to the Compact of Free Association. The 1976 Compact of Free Association, initialled by the U.S. negotiator, contains the following pledges on financial assistance:

-- $57 million grant assistance annually for the first five years;

-- $52 million grant assistance annually for the second five years; and

-- $47 million grant assistance annually for the third five years.

-- The above grant assistance levels would be reviewed at the time of the effective date of the Compact and at least at five year intervals thereafter to take into account changes in economic conditions and in the purchasing power of U.S. currency since the beginning of FY-76.

-- The U.S. would provide, without compensation except for land at no cost, Postal, Weather and FAA services at the level provided Micronesia during U.S. FY-76. No other federal services or programs are pledged.

-- Total levels of pledged grant assistance would be $780 million for the fifteen years. The cost of the three federal services is estimated to be about $6 million per year. These total levels would be less than that currently being provided to Micronesia ($92 million this year). On a per capita basis it would start at a level of about $600 per capita and gradually descend thereafter.

3. Adequacy of amounts previously authorized. The levels previously authorized and pledged are inadequate for two reasons:

a. Land leases. The financial assistance pledged to the Micronesians does not provide for any additional compensation for land leases for military purposes in the Marshalls and Palau, even though it now appears certain that the current land arrangements in the Marshalls (indefinite and set-term leases) will have to be renegotiated in order to obtain Marshallese acceptance to any future relationship with the U.S. This renegotiation could result in additional costs to the U.S. as high as $10 million annually. Land desired in Palau should cost no more than $3 million, assuming that we obtain Congressional authorization prior to Trusteeship termination.

b. Protection of Marine Resources. Not included in the previous pledges is any financial assistance for the enforcement and conservation of Micronesian fishing and other marine resources.

4. Political considerations. The U.S. Congress will be reluctant to agree to sustained financial support levels equal to or greater than current outlays. Additionally, the per capita level of $1,000 was provided to the Northern Marianas in grant assistance annually for seven years plus about $500 per capita in federal programs annually and for political reasons that level should not be approached too closely with districts who do not desire a commonwealth relationship.

5. Recommended Level of Financial Assistance. We believe that the U.S. negotiator should be authorized to work within a ceiling of $75 million per year (FY-77 dollars) extending up to fifteen years for the acceptable range of political status alternatives. While this figure is substantially higher than the $60 million level authorized in 1974, it is significantly lower on a per capita basis than the Northern Marianas level and provides adequately for the additional financial requirements foreseen above. These amounts would be expressed in set, non-inflation-adjusted dollar levels. Expected inflation would provide a descending value to such assistance. This would provide descending per capita levels starting at about $750. Within the $75 million ceiling:

a. Up to $60 million annually could be committed in grant assistance which, in the event a fragmented solution results, would be divided among the various entities.

b. Up to $5 million annually would be authorized, on a matching basis with Micronesian funding, to support a fishery surveillance/enforcement program. Upon completion and approval of acceptable political agreement(s) by the peoples of Micronesia and the U.S. Congress, the Interior Department should be authorized to provide for such an enforcement program in its regular budget submission for the Trust Territory.

c. Up to $10 million annually would be authorized solely for the purpose of obtaining a satisfactory continuation of Kwajalein land use.

Separate from the above, we believe that a ceiling of $25 million for the one-time cost of relocating the capital

should be authorized; extension of FAA, weather and postal services to Micronesia at FY-76 levels of activity should be separately authorized at a cost of about $6 million annually; and $3 million should be approved for the lease of land in Palau.

F. What must be done within the U.S. Government to facilitate the rapid and successful conclusion of these negotiations?

1. U.S. Initiative and Flexibility in the Negotiations. During the first several years of the Micronesian status talks, the U.S. felt no strong need to reach agreement. It was extremely difficult for the U.S. to take negotiating initiatives, because on the one hand the interested USG agencies held conflicting views on how to proceed, while on the other hand Micronesia was too small in overall U.S. interest to secure attention of government levels high enough to resolve the conflicts. The frequent result was a least-common-denominator and essentially reacting negotiating posture.

Now, however, the need to complete the negotiations is urgent. The passage of time without agreement is accelerating a Micronesian loss of confidence in the U.S. and progressively eroding the prospects for satisfactory post-Trusteeship United States-Micronesian relationships. In the U.S. Congress, in the U.S. press, and at the U.N., pressure grows for effective U.S. action to move the negotiations to a conclusion. Thus the USG needs now to be capable of prompt and flexible initiatives and responses in the negotiations.

At the same time, however, many USG departments and agencies reflecting many different interests and concerns must continue to be involved in the evolution of U.S. Micronesian policy.

In order to balance these considerations so as to best serve U.S. interests, it is important that the Presidential instructions be particularly precise as to which future decisions are to be reserved to the President, which must be referred by the chief negotiator to the NSC committee or the Interagency Group and which are at the discretion of the chief negotiator.

2. U.S. Institutional Arrangements. From mid-1971 to present the institutional arrangements have been marked by these features:

a. Broad negotiating guidelines and limitations were approved by the President upon the recommendations of the NSC Under Secretaries Committee.

b. The NSC Under Secretaries Committee, which coordinated departmental recommendations concerning the U.S. negotiating

position and other matters, was supported by the NSC Interagency Group on Micronesia, which was chaired by the President's Personal Representative for Micronesian Status Negotiations.

c. Negotiations were conducted on behalf of the Executive Branch by the President's Personal Representative, who was also responsible for undertaking such consultations with the U.S. Congress as were required (in coordination with the NSC Under Secretaries Committee).

d. The Negotiator was supported by the Office for Micronesian Status Negotiations (housed in Interior; drawing its staff from State, Defense, and Interior, financed by funds administered through Interior but provided by State and Defense).

At present, the position of the President's Personal Representative is unfilled, and the negotiations are being supervised by an Acting Representative. The Under Secretaries Committee has been abolished, and relocation of its responsibilities concerning Micronesia are in abeyance pending decisions resulting from this study.

Alternative institutional arrangements for conducting and supporting the negotiations are addressed below:

U.S. Institutional Arrangement A

Locate responsibilities for coordination of interagency views in an NSC ad hoc group on Micronesia, chaired by the Counselor at State, which would present options and recommendations to NSC/ Policy Review Committee chaired by the Secretary of State. The negotiations would be conducted by an Ambassador at Large, supported by the Office for Micronesian Status Negotiations which would be relocated to State (staffed and funded as at present). The Ambassador would be a member of the NSC ad hoc group on Micronesia.

U.S. Institutional Arrangement B

Locate responsibilities for coordinating interagency views in an NSC ad hoc group chaired by the Counselor at State, which would present options and recommendations to the NSC/Special Coordinating Committee, chaired by the President's Special Assistant for National Security Affairs. The negotiations would be conducted by a Special Representative of the President for Micronesian Status Negotiations, supported by the Office for Micronesian Status Negotiations (housed, staffed and financed as at present). The Special Representative would be a member of the NSC ad hoc group.

U.S. Institutional Arrangement C

Locate responsibilities for coordinating interagency views in an NSC ad hoc group chaired by the Special Representative of the President for Micronesian Status Negotiations, which would present options and recommendations to the NSC/Special Coordinating Committee, chaired by the President's Special Assistant for National Security Affairs. The Office for Micronesian Status Negotiations would be relocated to the EOB (staffed and funded as at present).

3. Congressional considerations. It can be assumed that in the Senate the Committees on Energy and Natural Resources (formerly Interior), on Foreign Relations and on Armed Services, and in the House primarily the Interior Subcommittee on Territorial and Insular Affairs but also the Committees on Armed Services and International Relations will continue to have the most serious interest in Micronesia and our status negotiations. Experience gained in the course of numerous consultations and briefings on the Hill over the last several years regarding Micronesia in general and in 1975-76 on the Marianas Covenant, indicates that the following considerations will continue to influence to varying degrees the attitudes of those Senators and Congressmen most concerned about Micronesia:

-- Both Houses will want an agreement which provides for adequate protection of long term U.S. security interests.

-- Both independence and free association will have protagonists and antagonists, but either will probably be approved by the majority of both Houses if, in addition to U.S. long term security interests being protected, the people of Micronesia support the agreement(s).

-- Independence would probably be the preferred alternative for those who in 1976 opposed the Marianas Covenant including possibly a significant number in the Foreign Relations Committee, but it would probably encounter serious opposition and misgivings from a majority of the other concerned committees.

-- Most members of Congress would expect independence to cost less than free association and even for free association there would be substantial reluctance to agree to sustained financial support levels equal to or greater than current outlays.

-- Acceptability to the United Nations of the terms on which the Trusteeship Agreement would be terminated might be of primary importance to some members, particularly in the Foreign Relations Committee, but probably would be of less importance to a majority in both Houses, assuming that the final agreement had

the active support of the Executive Branch and had received prior Micronesian approval.

-- Separate agreements with a fragmented Micronesia would encounter serious opposition in both Houses unless it was clear that reasonable effort had been made to preserve some form of unity and that fragmentation had proved to be unavoidable.

-- Key members and their staffs will continue to expect periodic briefings from the Executive Branch concerning its intentions and the progress of negotiations, and they would be seriously upset if not consulted prior to any major shift in U.S. policy concerning Micronesia.

V. DECISIONS REQUESTED OF THE PRESIDENT

We recommend that the President authorize:

A. The chief negotiator to offer at his discretion political status alternatives ranging

-- from "free association" with U.S. defense and foreign affairs responsibilities for a less than fully independent Micronesia, to an independent Micronesia tied to the U.S. by a special treaty relationship; and

-- from a single, politically united Micronesia, to a Micronesia divided into two or more politically distinct entities.

A description of four possible arrangements within this range is provided in Section IV.D. Any solution within this range is authorized provided that it safeguards U.S. security interests for a period no shorter than 15 years after termination of the U.N. Trusteeship. Assurance must also be provided that future leases shall continue on their own terms regardless of termination or modification of political status arrangements.

Approve_____ Disapprove_____

B. The chief negotiator to offer at his discretion the following financial assistance with the understanding that such assistance is contingent upon ultimate approval by the U.S. Congress:

1. No more than $60 million annually in grant assistance for no more than fifteen years after Trusteeship termination.

2. Continuation of U.S. postal, weather and FAA services at FY-76 levels of activity.

3. $10-25 million for relocation of capital, contingent upon the number of districts served by this installation.

4. No more than $10 million annually, as necessary to obtain satisfactory and legally binding agreements covering exclusive U.S. use of all land, waters, and airspace required by the Kwajalein Missile Range and its activities for no less than fifteen years after Trusteeship termination.

5. Up to $3 million on a one-time basis to obtain a long-term lease of land required for U.S. defense purposes in Palau.

6. No more than $5 million annually to be provided to Micronesia on a dollar-for-dollar matching basis, to establish, in coordination with the Departments of Interior and Transportation, a surveillance and enforcement capability for the area.

Approve_____ Disapprove_____

C. Issuance of a U.S. public statement, made in the President's name, that the United States Government will take steps to achieve termination of the Trusteeship by the end of 1981.

Approve_____ Disapprove_____

The President is asked to decide on two matters on which the study participants have divergent views which are furnished separately from the study itself:

A. Marine Resources Jurisdiction in Free Association

1. All participants join in recommending that the chief negotiator be authorized to offer at his discretion to a unified or fragmented Micronesia the following:

Marine Resource Option A

Proposals designed to allow the Micronesians the full management of marine resources, to help them develop marine resources, to guarantee to them that the economic benefit of such development would flow to them, and to seat them as members of U.S. delegations dealing with marine resources in their region. The U.S. would attempt to persuade the Micronesians that this package of proposals

was sufficiently protective of and advantageous to Micronesian interests that the Micronesians should feel able to abandon their demands for an international role in the marine resources field.

Approve_____ Disapprove_____

2. The President is asked to decide which if any of the following offers the chief negotiator should be authorized to make, should he reach the judgment that a further U.S. negotiating initiative is required to resolve the marine resources matter:

Marine Resource Option B:

Agree to Micronesian jurisdiction over marine resources, accept complete Micronesian authority within a 200-mile zone, and recognize Micronesian competence to negotiate and conclude international agreements and to be seated at international conferences on marine resources. However, such U.S. agreement would be made contingent on Micronesian agreement to refrain from actions which the U.S. deemed incompatible with U.S. international marine resources policy or with U.S. international obligations or basic security interests.

Approve_____ Disapprove_____

Marine Resource Option C:

Agree to the Micronesian jurisdiction and authority described in Option B, contingent upon Micronesian agreement to refrain from actions which the U.S. deemed in actual or potential conflict with its international obligations or basic security interests. The Micronesians would not be required as in Option B to refrain from actions incompatible with U.S. international marine resources policy. The U.S. might also issue to the international community a disclaimer of responsibility and liability for Micronesian actions in the field of marine resources, although there would be no assurance as to the legal affect of such a disclaimer.

Approve_____ Disapprove_____

Marine Resource Option D:

Propose that Micronesia, under a Compact of Free Association, and not the U.S., should possess authority over all Micronesian foreign relations. The Compact might specify that the U.S. would

conduct on Micronesia's behalf certain foreign relations not including marine resources. As in Option C, the Micronesians would be committed to refrain from actions conflicting with U.S. international obligations or basic security interests.

Approve_____ Disapprove_____

B. USG Institutional Arrangements. With the Under Secretaries Committee having gone out of existence, new USG arrangements for conducting and supporting the status negotiations are required. The President is asked to decide which of the following arrangements (more fully described in Section IV.F.) should be established:

Arrangement A

An NSC ad hoc group chaired by the Counselor at State would coordinate interagency views and present options and recommendations to the NSC Policy Review Committee, chaired by the Secretary of State. The chief negotiator and his staff would be located at State.

Approve_____ Disapprove_____

Arrangement B

An NSC ad hoc group chaired by the Counselor at State would coordinate interagency views and present options and recommendations to the NSC Special Coordinating Committee, chaired by the President's Special Assistant for National Security Affairs. The chief negotiator and his staff would continue to be located in the Interior building.

Approve_____ Disapprove_____

Arrangement C

An NSC ad hoc group chaired by the chief negotiator would coordinate interagency views and present options and recommendations to the NSC Special Coordinating Committee, chaired by the President's Special Assistant for National Security Affairs. The

chief negotiator and his staff would be located at the Executi
Office Building.

Approve_____ . Disapprove_____

ANNEX A

NEGOTIATING HISTORY

1. Historical Overview

For more than a decade, the United States has been engaged, though intermittently, in attempts to work out a post-Trusteeship political status for Micronesia. A year after its creation in July 1965, the Congress of Micronesia called for establishment of a commission to ascertain the political desires of the people of Micronesia and to recommend procedures by which those aspirations could be realized. In July 1968, the Commission issued an "Interim Report" identifying without recommendation four political alternatives open to Micronesia: (1) independence; (2) free associated state; (3) integration in some form with a sovereign nation; and (4) remaining a Trust Territory.

In the wake of repeated failure of attempts in the US Congress to establish a US Commission to study Micronesia's political status, a Presidential decision was made in May, 1968 to have the Executive Branch work with representatives of Micronesia to resolve the issue of future political status. The first round, exploratory in nature, took place in Washington in October, 1969, chaired by the Department of Interior. The Micronesian negotiators rejected a US offer of territorial status (objecting to US eminent domain authority and US control over Micronesian internal affairs through application of provisions of US Constitution and US law), and recommended Free Association, following the pattern of relations between the Cook Islands and New Zealand. The negotiators' report to the Congress of Micronesia recognized the desire of the Northern Mariana Islands to become a US territory and recommended that the Congress of Micronesia "not oppose" separate negotiations between the US and the Northern Mariana Islands. At Round II in 1970, the Micronesians rejected a US offer of Commonwealth status on similar grounds to their rejection of territorial status, and set forth the four "non-negotiable principles" to which they have adhered throughout subsequent rounds: (1) sovereignty resides in the people of Micronesia and their duly constituted government; (2) the right of self-determination includes a choice of independence or self-government in free association with any nation; (3) the people of Micronesia have the right to adopt their own constitution and amend or revoke it at any time; and (4) free association should be in the form of a revocable compact terminable unilaterally by either party.

In 1971 the President shifted responsibility for the negotiations from the Department of Interior and appointed a Personal Representative for Micronesian Status Negotiations. An independent interagency office - the Office for Micronesian Status Negotiations - was established as part of the National Security Council to provide support.

Round III (October 1971 in Hawaii) saw agreement on the principles and major framework of a Free Association relationship, calling for internal self-government and US responsibility for foreign affairs and defense. Further implementing steps were taken at Round IV at Koror (April 1972). Draft language for the first three Titles of a Compact was negotiated at Round V in Washington (July-August 1972). Shortly thereafter a special session of the Congress of Micronesia attacked the three draft titles as granting too much authority to the US, and adopted a resolution instructing the Micronesian negotiators to pursue the negotiations on two tracks, toward two different options: free association and independence. However, a few weeks later at Round VI (September/October 1972 at Barbers Point, Hawaii) the Micronesians said it would be "diversionary and premature" to attempt to negotiate an independence option at that time and called for completion of the Compact.

The issue of return of public land, held in trust by the Trust Territory Government since US acquisition of the islands after WW II, while long latent, became a live issue in the spring of 1973 when the Congress of Micronesia requested a halt in the negotiations until public land should be transferred to local control and ownership. Following extensive study of the problem the USG issued a policy statement on November 1, 1973 providing guidelines to effect such transfer.

Negotiations were then resumed in Round VII in Washington (November 1973) which, despite some further progress in technical matters, failed to reach agreement on the amount and distribution of US financial aid. This problem was faced in an informal meeting of Heads of Delegations in Carmel, California (April 1974) when the US agreed ad referendum to provide $145 million annually (for six districts including the Marianas, $130 million without the Marianas) for an infrastructure system to be installed over a five-year transition period, contingent upon Micronesian approval of the Compact. At a further meeting of Heads of Delegations (Guam, July 1974), agreement was reached on a revised text of a completed Compact which provided for retaining US primacy in all cases of conflict or overlap between foreign and internal affairs.

Micronesia's interest in matters pertaining to marine resources and the pertinence of this subject to post-Trusteeship status, was recognized in Micronesia's participation, as part of the US delegation in the LOS Conference in Venezuela in May 1974. In October the US supported Micronesia's successful application for "separate observer status" at subsequent sessions.

In mid-1975 a Micronesia-wide referendum called by the Congress of Micronesia to designate status preference brought a low voter turn-out and inconclusive results. The Constitutional Convention, convened on July 12, completed its work on November 8 with a "Constitution of the Federated States of Micronesia", which declared the Constitution to be "supreme", thereby providing in effect for a status of independence and thus conflicting with the draft Compact.

On March 24, 1976 the separation of the Northern Mariana Islands became a fact with the President's signature of the Covenant and a Secretarial Order administratively separating the Northern Mariana Islands from the balance of the Trust Territory.

2. Ad referendum agreements by the US

During the course of the negotiations the US has publicly agreed to the following, on an ad referendum basis, relevant to future political status. (References are to the draft Compact of Free Association of June 1976.)

A. Political

1. Micronesia will have its own government under its own constitution with full responsibility for and authority over its internal affairs (Title I).

2. USG will have full responsibility for and authority over the foreign affairs of Micronesia (Sec. 201a).

3. USG will consult with GOM at its request on matters of mutual concern relating to foreign affairs (Sec. 201b).

4. US will not apply to Micronesia any treaty or other international agreement to which US is a party and which relates exclusively or predominantly to Micronesia rather than to the US, if GOM objects to such application (Sec. 202).

5. GOM may seek and US will sponsor membership in certain regional organizations (Annex A, Ia).

6. GOM may conclude agreements of a cultural, educational, financial, scientific or technical nature that apply only to Micronesia with any international organization of which Micronesia is a member (Annex A, Ib).

7. USG will give sympathetic consideration to GOM request to negotiate with foreign countries agreements of a commercial, cultural, educational, financial, scientific or technical nature that apply to Micronesia (Annex A, Ie).

8. USG will have full responsibility for and authority over defense matters in Micronesia (Title IV).

9. Micronesia's future political status will be determined by a plebiscite (Sec. 1201), preceded by a full information/education program.

10. 1981 should be target date for termination of Trusteeship (as proposed by Micronesians).

11. Compact may be terminated unilaterally after 15 years (Sec. 1102b).

B. Economic

1. US will provide $780 million in US grant assistance on a declining scale over a 15-year period (Secs. 401; 402; financial limit in current instructions (1974) is up to $60 million annually.)

2. US will provide without compensation postal, weather and FAA services at FY 76 levels (Sec. 403).

3. To greatest extent feasible, USG will give sympathetic consideration to requests for preferential conditions for importation of goods of Micronesian origin into US (Sec. 602).

4. In the event of unilateral termination, US will negotiate in good faith for economic assistance to be provided thereafter (Sec. 1103b).

5. US will provide assistance in funding removal of the capital. (Presidential instructions of March 29, 1974 authorize $25 million with additional amount up to $35 million on basis of 2-1 ratio with Micronesian allocation. Precise amount not specified to Micronesians.)

6. US acknowledges that the benefits derived from exploitation of the living and non-living resources off the coasts of Micronesia accrue to the people of Micronesia (Manhard letter to Amaraich, 10-17-76).

3. Ad referendum agreements by Micronesian negotiators

The Micronesians, for their part, have agreed ad referendum in the draft Compact that:

-- The US shall have full responsibility for and authority over the foreign affairs of Micronesia (Sec. 201).

-- The US has the right to apply to Micronesia any appropriate treaty or other international agreement to which the US is a party, provided that no treaty relating exclusively or predominantly to Micronesia rather than to the US will be applied to Micronesia if the Government of Micronesia objects (Sec. 202).

-- Upon notification by the USG that an activity proposed or undertaken in the field of foreign affairs conflicts or is likely to conflict with the exercise of responsibilities assumed by the US under the Compact or under its international obligations or basic security interests, the GOM will refrain from or promptly discontinue such activity (Annex A, IV).

-- The US shall have full responsibility for and authority over defense matters in Micronesia (Sec. 301; this authority defined in Sec. 302a).

-- US may conduct activities and operations within Micronesia in support of above responsibility (Sec. 302b).

-- The US shall have exclusive and unencumbered right to establish, maintain and use military facilities in Micronesia described in Compact, specifically including areas in the Marshalls (Sec. 303).

-- GOM and its subdivisions will respond promptly to a USG request for land uses in Palau and concerned subdivision will negotiate in good faith such use (Sec. 303d).

-- Existing rights and uses (i.e. in the Marshalls) shall extend for term of the relative agreement (Sec. 303f). (This is under challenge by the Marshallese.)

-- US has sole right to conduct military activities or establish and maintain military facilities within Micronesia (Sec. 304).

-- GOM will negotiate in good faith as to amounts of economic assistance subsequent to the first 15 years of the Compact (Sec. 404).

-- GOM shall make available at no cost to USG the use of land necessary for operation of US Postal and Weather Services and FAA (Sec. 403).

-- GOM will enact any appropriate legislation required to enforce or implement treaties and international agreements applicable to Micronesia (Sec. 502b).

-- GOM will undertake to comply with and enforce faithfully applicable treaties, international agreements and laws set forth in the Compact (Sec. 502c).

-- Compact may be terminated unilaterally after the first 15 years (Sec. 1102b).

-- In event of termination, US land use rights and rights of denial will continue in force until changed or terminated by mutual consent (Sec. 1103a).

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

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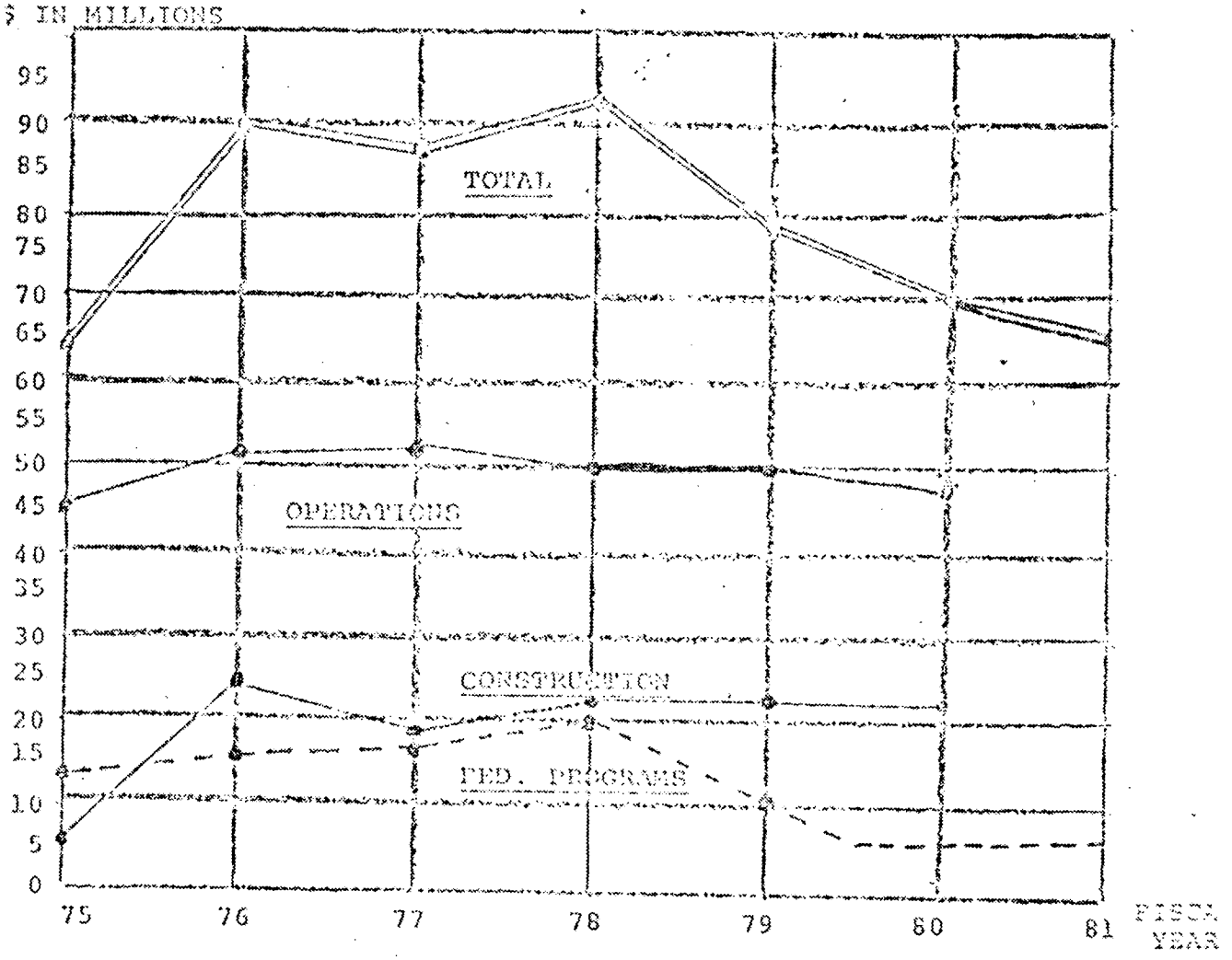
FEDERAL FUNDING FOR THE TRUST TERRITORY OF THE PACIFIC ISLANDS
DEPARTMENT OF THE INTERIOR BUDGET



NOTES

1. Northern Mariana Islands excluded from all amounts.
2. FY's 75, 76, and 77 are amounts appropriated including inflation adjustments.
3. FY 78 is proposed amount subject to appropriation and reflects lower level for construction as determined by President.
4. FY's 79 and 80 are proposed amounts, do not include adjustments for inflation and are subject to change.
5. FY 81 represents the level of federal grant assistance and categorical programs as listed in the June 1976 version of the draft compact.

ANNEX B