

NATIONAL SECURITY COUNCIL

April 27, 1977

To - Dr. Brzezinski

From - Mike Armacost

This memo on Micronesia is rather long. I apologize. But I assume you have not devoted much time to this issue, and I have attempted to make this a more-or-less self-contained briefing paper, which follows the structure of the agenda.

10 am Thursday

MEMORANDUM

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NATIONAL SECURITY COUNCIL

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INFORMATION
April 27, 1977

MEMORANDUM FOR: ZBIGNIEW BRZEZINSKI
FROM: MIKE ARMACOST
SUBJECT: April 28 PRC Meeting on Micronesia

A PRC meeting on Micronesian status negotiations, chaired by Cy Vance, is scheduled for Thursday, April 28, at 10:00 a.m. in the Situation Room. The agenda for the meeting is attached (Tab A). So, too, is a copy of PRM-19 (Tab B), and the inter-agency group's response (Tab C).

The paper provides a fair summary of the background to this complex negotiation, a description of where we now stand, and an analysis of the outstanding issues and options. I suggest that you skim it, with particular attention to pp. 9-16 which focus on the most controversial outstanding questions, i.e. the marine resources issue and the pressures for fragmentation within Micronesia.

I. Purpose of the Meeting

- To discuss U.S. interests in the Micronesian status negotiations.
- To seek a consensus on recommendations to the President concerning negotiating guidelines on political status options, financial support levels, termination arrangements, and jurisdiction over marine resources.
- To determine the institutional arrangements for conducting and supporting the negotiations.

II. U.S. Interests

Cy Vance will probably ask Matt Nimetz to lead off the meeting with a brief discussion of U.S. interests in Micronesia. These are outlined on pp. 3-6 of the PRM response. Our primary security interests are to

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deny the armed forces of potential adversaries from establishing any footholds in these islands which set astride in important sea lanes of communications, while retaining the Kwajalein missile range (in the Marshalls) and land options for possible future bases (in Palau). Politically, we have an interest in nurturing self-government in Micronesia, assuring that the future status of the islands reflects the freely expressed will of the inhabitants, and (to) promoting their development -- not least in order to limit claims on our budget resources. (Currently, the lion's share of Micronesia's Gross National Product is derived from the U.S. Treasury.) Protection of all these interests presupposes the continuation of friendly U.S. -Micronesian relations.

III. Unresolved Issues

The discussion at the PRC will focus on these issues:

A. Political Status. What range of political status alternatives should the negotiator be authorized to offer?

Background. Micronesia consists of three island groups: the Northern Marianas, the Marshalls, and the Carolines. In February 1975, U. S. and Northern Marianas negotiators signed a Covenant pursuant to which the Northern Marianas will become a U. S. Commonwealth when the trusteeship is terminated. In a subsequent plebiscite, the people of the Northern Marianas approved the Covenant by an overwhelming majority, and in March 1976, following approval by the U. S. Congress, President Ford signed enabling legislation. The trusteeship will not be terminated for the Northern Marianas, however, until it can simultaneously be terminated for the Marshalls and Carolines.

The range of realistic possibilities extend from "free association" (which would give the Micronesians maximum local autonomy but preserve U. S. authority over foreign and defense affairs) through independence with a special treaty relationship. At the same time, the outcome of the negotiations could be a single arrangement with a united Micronesia to a mosaic of special arrangements with a Micronesia fragmented into several entities.

For years State and Defense have argued over the merits of free association v. independence. This dispute has petered out. All agree that we have an obligation to offer an independence option to the Micronesians and abide by their decision on the matter.

Agency Views: All agencies represented in the Inter-agency Group favor recommending to the President that he authorize the chief negotiator to offer at his discretion political status alternatives that range:

-- From free association with U. S. defense and foreign affairs responsibility 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.

Recommendation: I believe you should join this consensus. "Free association" would be preferable; whether it is possible will depend on our developing out a workable arrangement on marine reserves. By the same token, our interests would best be served by a single arrangement with a united Micronesia. Again, however, we cannot impose unity against the will of the districts. As a practical matter, I suspect it may be difficult to arrest pressures that are moving the Marshalls and Palau toward a break with the other districts and separate negotiations with us. We should avoid any encouragement of this, but we cannot force them to stick together.

B. Financial Arrangements. What level of financial assistance should the negotiator be authorized to pledge to the Micronesians?

Background. In March 1974 the President authorized a ceiling of \$60 million in annual financial assistance for the Carolines and Marshalls. The ceiling included grants, loans, federal programs, and services and payments for military land; it extended for up to 15 years, to be reviewed periodically in the light of fluctuations in the U. S. dollar and the impact of inflation. It was to be contingent upon continued Micronesian agreement to U. S. rights in foreign affairs and defense as specified in the Draft Compact of Free Association. In addition, the President authorized the negotiator to offer up to an absolute ceiling of \$35 million for the one-time cost of moving the capital of Micronesia from Saipan to another district, and to commit \$130 million to a Capital Improvement Program in the Carolines and Marshalls during the transition period.

Agency Views: The Inter-agency Group has recommended a ceiling of \$75 million annually for grant assistance (\$60 million), military leases (\$10 million), and support for ocean surveillance and enforcement capability (\$5 million). It also recommends authorizing expenditures for relocating the

the Micronesian capital from Saipan (\$10 - 25 million) and for acquiring a long-term lease in Palau (\$3 million), as well as continuation of the U. S. expense of postal, weather, and FAA services.

Recommendation: I suggest that you support these budget levels.

You should be aware of the following aspects:

-- Annual grant aid. The \$60 million does not exceed the level authorized in 1974.

-- Kwajalein. In the past we have assumed the lease agreements would survive trusteeship termination. The Marshallese now dispute this. Consequently, an additional \$10 million has been added to cover that contingency.

-- Palau land options. In past negotiations we had assumed only a token offer to talk about land options; the \$3 million is set aside for the actual lease of the land.

-- Protection of marine resources. Manhard has pressed for inclusion of \$5 million annually (on a matching basis) to help the Micronesians start up an enforcement and surveillance program in their fishing zone. This is especially important if we insist on full authority and jurisdiction over their marine resources. (Interior worries that the start-up costs may be higher, and may press for authorization to cover that in their budget.)

C. Termination Date. 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.

Agency Views: The Inter-agency Group recommends that a public statement be issued in the President's name, stating that we will make every effort to terminate the trusteeship by the end of 1981. State and Interior are particularly determined to view 1981 as a fixed deadline. State believes the longer we wait the more problems we will have in the Security Council. Interior wants to implement their five-year transition program in a methodical way. Defense would like to meet the deadline, but has some doubts about feasibility, particularly since the negotiations could become very complicated in the event we have to work out special arrangements with the Marshalls and Palau.

Recommendation: That you concur. We have given the people of the Northern Marianas reason to expect termination no later than the end of 1981; the terms of the Commonwealth Covenant with them is such that the full benefits of their new political status will not accrue to them until their termination. Congress is expecting termination in 1981. A deadline can help keep our feet to the fire. At the same time, if we wind up having to negotiate with a fragmented Micronesia, we may need more time or more than one negotiator. I would opt for the latter if it comes to that.

D. Marine Resources Jurisdiction.

Background. This is the most contentious issue. But for disagreement on it, we might have achieved a mutually acceptable Compact of Free Association last June.

The Micronesians have taken the position that they must exercise a large measure of direct control over their marine resources, maintaining that the U. S. , whose interests in the Western Pacific are those of a distant water state rather than a coastal state, cannot be relied on to serve Micronesia's interests faithfully. The Micronesians strongly support LOS draft provisions, which we strongly oppose, that would give them economic rights within a 200-mile zone around their islands in the hope that the full exercise of these rights will afford them economic benefits which the population of 100,000 greatly needs. There are over 2,000 islands in Micronesia, most of them small and uninhabited. Micronesia also seeks to establish an archipelago status, even though it does not qualify under current LOS criteria.

We agree that the Micronesians should have the beneficial rights from these resources, which would assure them the financial return from the exploitation of the resources. However, we are concerned that if the Micronesians were to obtain the right to negotiate and conclude all international agreements regarding their marine resources, then the U. S. , given its responsibility under the draft Compact for the conduct of the foreign affairs of Micronesia, could find itself responsible for Micronesian actions it could not control. Since marine resource issues will be the central foreign affairs concern of Micronesia, according it such rights would remove much of the substance from a key element of the "free association" concept: that the U. S. should have authority over and responsibility for the conduct of Micronesia's foreign affairs. We are in addition concerned that U. S. territories would seek to assert

any rights of direct control over marine resources granted Micronesia, despite the difference in legal status between a commonwealth/territory such as Puerto Rico or Guam, and a free association arrangement. Our problem therefore is to find common ground with the Micronesians which will give them assurance of the benefits of these resources and a voice in how these resources are managed without undercutting the position of the United States both in the Law of the Sea negotiations and under international law and agreements.

Options: The Inter-agency Group has defined these alternatives.

-- Option A: Offer proposals designed to allow the Micronesians the full management of marine resources, to help them develop marine resources, to guarantee the economic benefit of such development would go to them, and to send them as members of U. S. delegations dealing with marine resources in their regions.

-- Option B: The U. S. would agree to U. S. jurisdiction over marine resources except complete Micronesian authority within a 200-mile zone and recognize Micronesian competence to negotiate and conclude international agreements and to be seated at international conference on marine resources, on the condition that the Micronesians agree to refrain from actions which we deem incompatible with U. S. international marine resources policy, U. S. international obligations, or basic U. S. security interests.

-- Option C: The U. S. would agree to the Micronesian jurisdiction and authority described in "B" above, conditional upon Micronesian agreement to refrain from actions which the U. S. deems in actual or potential conflict with its international obligation or basic security interests. (They would not be required as in Option B to refrain from those actions which are merely incompatible with our international marine resources policy.)

-- Option D: The U. S. would propose that Micronesia under a Compact of Free Association should possess authority over all Micronesian foreign relations. We would retain jurisdiction over Micronesia's defense, and the Compact might specify that the U. S. would conduct on Micronesia's behalf certain foreign relations, but not including marine resources.

Agency Views: All agencies are prepared to extend the negotiator authority to offer Option A. It is quite attractive from our standpoint, but if the negotiator has only this card to play, we may force the Micronesians to dump the "free association" concept. It should certainly be our starting position. None of the agencies believe we should give the negotiator authority to offer Option D as a fall-back. It is tantamount to giving the Micronesians independence while we retain the defense burden.

Option B has not been given much attention. It goes too far to be acceptable to those who are worried about the impact of our position on our LOS negotiations, and it probably does not go far enough to satisfy the Micronesians.

Interior and Defense would be prepared to use Option C as a fallback if necessary to get an agreement. State is likely to support only Option A, but may be prepared to include an Option C fallback if others argue strongly for it. They may also attach other conditions to Option C, such as making no commitment at this time to let the Micronesians sign international agreements on their own behalf.

Recommendation: That you support Option A and concur in including Option C in the Presidential guidance as a fallback position, while requiring that the chief negotiator consult with the Policy Review Committee prior to moving from A to C. My own view is that the marine resources issue shouldn't be regarded as so decisive that we get hung up on it and wind up driving the Micronesians into independence now.

E. Institutional Arrangements. What arrangements within the U. S. Government should we make for conducting and supporting the negotiations?

Background. In the past the negotiations have been conducted by a Personal Representative of the President; departmental recommendations concerning the negotiations were coordinated by the NSC Under Secretaries Committee, supported by the NSC Inter-agency Group on Micronesia, chaired by the President's Personal Representative; the negotiation was supported by the Office of Micronesian Status Negotiations (housed in Interior; staffed by Defense, State, and Interior; financed by funds provided by State and Defense though administered by Interior).

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

Options: The study sets forward three arrangements for conducting and supporting the status negotiations and makes no recommendation.

A. Arrangement A would have an NSC ad hoc group chaired by the Counselor at State reporting to the NSC Policy Review Committee. The negotiator and staff would be located in State.

B. Arrangement B would have an NSC ad hoc group chaired by the Counselor at State reporting to the NSC Special Coordinating Committee chaired by the President's Special Assistant for National Security Affairs. The negotiator would be a Special Representative of the President and would remain in Interior with his staff.

C. Arrangement C would have the NSC ad hoc group chaired by the negotiator (Special Representative of the President) reporting to the NSC Special Coordinating Committee, chaired by the President's National Security Advisor. The negotiator and staff would be located in the NSC (OEOB).

Agency Views: State favors arrangement A; Defense, Interior and the Office of Micronesian Status Negotiations favor Option C. Essentially the latter fear that State's institutional biases are such that their own interests may be neglected if control is housed in State to the degree implied in Arrangement A.

Recommendation: I would favor Option B. To avoid endless wrangling, I do not believe State should chair the Policy Review Committee supervising the negotiations. I believe you are the only one who can do this in an institutionally impartial manner. You can, I presume, either chair a PRC or call it an SCC. Matt Nimetz has developed good working rapport with the agencies, and I see no reason why he should not continue as chairman of the NSC working group. I believe the negotiator should be someone regarded by all as free of Departmental loyalties -- thus would tend to favor someone from the outside. I would be inclined -- if we get a negotiator that Interior and Defense can feel comfortable with -- to relocate

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the Office of Micronesian Status Negotiations to State if this can be done without disrupting the work at this critical time. Otherwise, I would stick with the current arrangement.

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Agenda for the PRC Meeting
on the Micronesian PRM
April 28, 10:00 A.M
White House Situation Room

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- I. Discussion of Political Status. The study recommends that the negotiator be given the authority to offer the Micronesians status alternatives ranging from "free association" to independence and from a unified Micronesia to several distinct political entities.

- II. Discussion of Financial Arrangements. The study recommends a ceiling of \$75 million annually for grant assistance (\$60 million), military leases, (\$10 million) and support for ocean surveillance and enforcement capability (\$5 million). It also recommends authorizing expenditures for relocating the Micronesian capital from Saipan (\$10-25 million), and for acquiring a long term lease in Palau (\$3 million); as well as the continuation, at US expense, of postal, weather, and FAA services.

- III. Discussion of Termination Date. The study recommends that a public statement be issued in the President's name, stating that we will make every effort to terminate the trusteeship by the end of 1981.

- IV. Discussion of Marine Resource Jurisdiction in Free Association. There are four options to consider under this topic.
 - A. Option A is the basic US position and is recommended by the study. It allows the US to retain full foreign affairs and defense responsibility including the authority to negotiate international marine resource agreements on Micronesia's behalf, but gives the Micronesians internal marine resource management authority as well as all economic benefits from exploitation.

 - B. Options B through D are possible fallbacks should Option A prove unacceptable to the Micronesians. The study makes no recommendation regarding any of them and Agencies are asked to identify which of them (if any) they find acceptable fallbacks within a "free association" arrangement.

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1. Option B offers the Micronesians jurisdiction and authority (including competence to negotiate and conclude international agreements) over their marine resources subject to a US veto on actions which conflict with US marine resource policy, international obligations, or security interests.

2. Option C offers the Micronesians jurisdiction and authority over their marine resources subject to a conditional US veto for actions which the US deemed in conflict with its international obligations or basic security interests, but not for actions in conflict with US international marine resource policy.

3. Option D offers the Micronesians authority over all foreign affairs except security matters but subject to the conditional veto described in Option C above.

V. Discussion of USG Institutional Arrangements. The study sets forward three arrangements for conducting and supporting the status negotiations and makes no recommendation. Agencies are asked to identify which arrangement they support.

A. Arrangement A would have an NSC ad hoc group chaired by the Counselor at State reporting to the NSC Policy Review Committee. The negotiator and staff would be located in State.

B. Arrangement B would have an NSC ad hoc group chaired by the Counselor at State reporting to the NSC Special Coordinating Committee chaired by the President's Special Assistant for National Security Affairs. The negotiator would be a Special Representative of the President and would remain in Interior with his staff.

C. Arrangement C would have the NSC ad hoc group chaired by the negotiator (Special Representative of the President) reporting to the NSC Special Coordinating Committee chaired by the President's National Security Advisor. The negotiator and staff would be located in the NSC (OEOB).

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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February 15, 1977

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Presidential Review Memorandum/NSC 19

TO: The Vice President
The Secretary of State
The Secretary of Defense

ALSO: The Attorney General
The Secretary of Interior
The Secretary of Transportation
The United States Representative to the
United Nations
The Director, Office of Management
and Budget
The Chairman, Joint Chiefs of Staff
The Director of Central Intelligence

SUBJECT: Micronesian Status Negotiations

The President has directed that the Policy Review Committee, under the chairmanship of the Department of State, review our policy with respect to the Micronesian status negotiations. The review -- which should be no more than about 30 pages in length -- should be completed by March 25 and should:

1. Review briefly the record and current status of the negotiations.
2. Identify U. S. political, security and economic interests at stake in Micronesia including those which derive from our responsibilities under the trusteeship agreement with the UN; in particular, analyze U. S. security requirements in Micronesia, including their relation to U. S. interests in the East Asia and Pacific region; and assess the adequacy of the draft compact of free association initialled June 2, 1976 in protecting these interests.
3. Analyze Micronesian objectives in the negotiations, and assess trends toward separate status and independence in Micronesia and the impact of these trends on U. S. interests.

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4. Examine alternative courses of action (including an assessment of costs and benefits) for dealing with the following issues:

(a) Marine resources, including Micronesian claims to an archipelagic zone and to control over resources in any economic zones recognized by international agreement plus problems of surveillance and enforcement.

(b) U. S. missile testing in the Marshalls and the feasibility of using other sites or open ocean recovery.

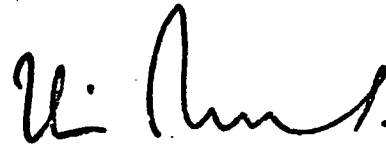
(c) Separatist and independence trends in Micronesia, and the problems of reconciling the draft Micronesian Constitution with a compact of free association.

(d) Termination of the trusteeship and transition arrangements.

(e) Timing and approach to the resumption of negotiations.

(f) Institutional arrangements to manage and conduct political status negotiations.

5. Recommend the basic elements of a negotiating strategy, within which detailed negotiating instructions will subsequently be developed.



Zbigniew Brzezinski