

THE WHITE HOUSE
WASHINGTON

October 8, 1980

MEMORANDUM FOR STU EIZENSTAT

FROM: JEFFREY FARROW *Jeff*

SUBJECT: Micronesian Negotiations

While the attached New York Times article reports that last week's multilateral talks brought us closer to an agreement on our future relations with the island groups which make up the Trust Territory of the Pacific Islands, I wish I could predict success for the \$1 billion, 15-year compact of free association.

A failure to reach accord soon with the three entities with which we're still negotiating (the Northern Mariana Islands agreed to become a U.S. territory earlier) would make it difficult to meet the President's goal of terminating the United Nations trusteeship in 1981. That would cause problems with the Marianas, which are understandably anxious to implement their territorial status, and with the Marshall Islands, which may declare unilateral independence.

Issues:

Money -- The discussions last week did seem to reach consensus on most persistent problem we've faced -- the money issue -- as well several others.

The key to that was the President's approval of the unanimous recommendation to expand the financial offer to include energy, communications and outer island infrastructure assistance.

Commenting that it was ridiculous, he agreed to the \$11 million a year but said the offer should be withdrawn November 1 by our Ambassador if not accepted by then.

Carter and Reagan -- I was brought in to demonstrate the President's interest in wrapping-up the talks and, in private sessions with the other parties, stress that the interest was turning into some impatience. The message was successfully conveyed to all three parties.

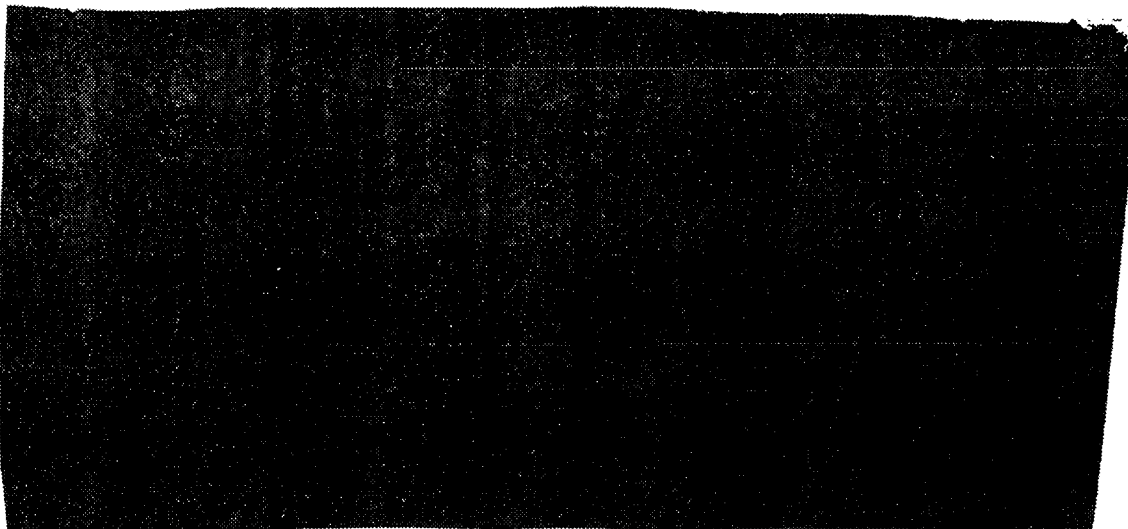
Each expressed the fear that a Reagan Administration would not respect their right to self-determination based on the candidate's position on the Panama Canal Treaty and Puerto Rico's political status. This serves as an impetus to resolving the issue with us, all three content

Denial -- The major outstanding issue is the strategic denial question raised by Senators Jackson, Johnston and McClure. They've stated they will not approve the agreement unless it denies military access to other countries for a long period (at least 50 years) or in perpetuity.

6/1/80 NARA

10114 Reagan informed.
John
XC: Kathy
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Decisions:

Palau and the FSM -- We should know whether the negotiations can be completed in about two weeks. Ambassador Rosenblatt meets with the Palauans on the 18th and may go from there to the Federated States of The Marshalls, which initialed the Compact in January, would probably then reinitiate if the others are on-board.

Marshallese Independence -- If the others aren't, a Marshallese declaration of independence is a distinct possibility. In my conversations last week with President Kabua and Foreign Secretary DeBorja, they stated they would conceive of this as "friendly" and would be an independence treaty that would contain the same terms as the Compact. After urging that they take no action this month as they were considering, I said that the Administration would not hold them hostage to a continued failure to reach agreement with other parties. I further expressed the belief that were the President not to be re-elected, the Administration would not abandon the issue to Reagan but would pursue the matter in its final days. They will probably ask for action November 5.

Alternatives -- Should all the above come together in the next few weeks, it would be advisable to reassess our basic policy. Immediate issues will include any action by the Marshalls; the Marianas status problem; our administration of the trust, including the focus of our spending and criticism of our record, and the President's publically stated objective of a 1981 termination.