

THE DEPUTY SECRETARY OF STATE
WASHINGTON

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MEMORANDUM FOR: Mr. James T. McIntyre

FROM: Warren Christopher

Following up on our conversation today I am attaching (A), a list of the separate agreements called for in the Compact of Free Association. As you will see, specific authority exists for the financial commitments envisioned by these separate agreements except for (1) those relating to Northern Marshall Islands nuclear claims and (2) federal health and education programs. All other separate agreements draw on extant authority.

Costs cannot be estimated for nuclear claims because the scientific evaluation of such claims by the Departments of the Interior and Energy is still underway. The final amount in the federal health and education programs area is subject to an attempt by interested Congressional committees to increase the authorized annual ceiling of \$12 million which was authorized by October PD.

The transition and termination process will also involve costs that are not embodied in the separate agreements. This may include: the cost of transition programs and activities undertaken by the Department of the Interior on behalf of other USG agencies; U. S. administrative arrangements for the management of the new relationship; USG personnel costs; or costs incurred by federal agencies in winding down and phasing out federal programs and services which now apply to the Trust Territory but which would discontinue under the Compact of Free Association.

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The initialling is currently scheduled for Friday, October 31, noon.

Our assessment is that the Marshall Islands Government will not initial an agreement without the inflation adjustment provision. This would cause the collapse of the current political status negotiations. One possible result may be the immobilization of the Kwanjalein Missile Range.

Attachment A: Separate Agreements in the Compact

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SEPARATE AGREEMENTS IN THE COMPACT

1. Communications Agreement (Sections 131 and 132):

Will secure U.S. use of military communications channels

Cost: none

2. Northern Marshall Islands nuclear claims (Section 177):

This agreement will address, at a minimum, the following items which have budgetary implications:

- continuing health care and monitoring of affected persons (see P.L. 95-205);
- Rehabilitation of islands not permanently destroyed (Enewetak complete, Bikini not yet started);
- Relocation of populations awaiting rehabilitation of their home islands; and
- Land claims for islands permanently destroyed or materially affected by U.S. testing program.

Cost: cannot be approximated.

3. Extradition and law enforcement (Section 175):

Cost: none

4. Palau infrastructure projects (Section 212(a)):

This agreement will contain the scope of work for U.S. construction projects in Palau during free association. The list has been substantially agreed with Palau but it is, at any event, clearly understood that the total cost will not exceed the authorized limit.

Cost: \$45 million, approved in PD-NSC/49.

5. U.S. Civic Action Teams for the FSM (Section 212(b) and 277):

This agreement will set out the terms and conditions to the FSM for U.S. civic action team services. It will also provide the U.S. the right to remove the teams at any time for military contingency reasons.

Cost: borne by DOD/no new cost involved. FSM to pay for transportation and construction materials, partially with funds committed under the October PD.

6. Federal Programs and Services (Section 221 and 232):

-- Section 221(a) programs as elaborated in separate understandings with affected agencies are Postal and Weather Services, FAA, CAB and FEMA.

Cost: Levels of services, and agency cost projections reviewed and approved by OMB, authority included in PD-NSC/11 and PD-NSC/49.

-- Section 221(b) programs are health and education. Costs are set at \$12 million annual base without inflation adjustment. This is subject, however, to negotiations with congressional committees in accordance with December 1979 understanding with Congressman Phillip Burton.

Cost: Approved by OMB and agreed by Micronesians at Kona II on this basis.

-- Section 211(c) projects for alternate energy:

Cost: Dependent on level of such projects made applicable prior to termination of the Trusteeship Agreement. OMB approval exists on this basis. Trade-offs between this item and Item 4, above, being worked out after levels of applicable alternate energy projects have been ascertained.

7. Federal property turnover (Section 234):

This agreement will contain the inventory of federal property and assets located in Micronesia to be turned over to Micronesian Governments. Excluded will be property for which the U.S. has a continuing requirement.

Cost: Unknown; OMB cleared this term by approving Section 234 of the Compact and a similar provision in H.R. 7330.

8. Military Use and Operating Rights (Section 321):

Cost: Agreement for Palau, already negotiated, involves one-time payment of \$5.5 million (authorized under October PD and included in Compact) and annual payments ranging between \$1 million and \$10 million between 1997 and 2031 depending upon level of U.S. use;

Cost: Marshall Islands--agreement will cover 30 year period, cost during the first 15 years is affected by this request. Amounts between 16th and 30th years will be negotiated; and

Cost: FSM--Yap Coast Guard Station--OMB has approved authority to enter into use agreement based on fair market value payment (estimated at \$15,000 per annum). Agreement not yet negotiated with FSM.

9. Status of U.S. Forces Agreement (Section 323):

Cost: While this has yet to be negotiated, no additional costs are anticipated.