

DEPARTMENT OF STATE

Washington, D.C. 20520

June 6, 1983

UNCLASSIFIED
(With CONFIDENTIAL Attachment)

Interagency Group No. 5

TO :	OVP	- Mr. Donald P. Gregg
	NSC	- Mr. Robert Kimmitt
	AID	- Mr. Gerald Pagano
	Commerce	- Mrs. Helen Robbins
	Defense	- COL John Stanford
	Energy	- Mr. William Vitale
	EPA	- Mr. Paul Cahill
	HHS	- Miss Mary Frances Lowe
	Interior	- Mr. Barry Allbright
	JCS	- LTC Dennis Stanley
	Justice	- Mr. Roger Clegg
	OMB	- Mr. Alton Keel
	OMSN	- LTC Albert Short
	Transportation	- Mr. Logan H. Sallada
	Treasury	- Mr. David Pickford
	UNA	- Amb. Harvey Feldman
	USIA	- Ms. Teresa Collins

SUBJECT: IG Meeting Summary of Conclusions

Attached is the Summary of Conclusions for the IG Meeting on Micronesia held on May 25, 1983.

Copy
Charles Hill
Executive Secretary

Attachments:

1. Summary of Conclusions
2. List of Participants

UNCLASSIFIED
(With CONFIDENTIAL Attachment)





DEPARTMENT OF STATE

Washington, D.C. 20520

May 31, 1983

UNCLASSIFIED

Interagency Group No. 5

PARTICIPANTS: See List Attached

DATE AND TIME: May 25, 1983, 10:30 a.m.

PLACE: Operations Center Conference Room, Department of State

SUBJECT: IG Meeting on Micronesia, May 25, 1983

SUMMARY OF CONCLUSIONS

The Interagency Group on Micronesia met at the Department of State on May 25, 1983. The meeting was chaired by Edward J. Derwinski, Interagency Group Chairman and Counselor of the Department.

I. OPENING REMARKS

The Chairman opened the meeting by reviewing the legislative task ahead. He said that although many problems remained and much was to be done before we could submit the Compact of Free Association to the Congress, there were positive signs that we would be in a position to do so. He believed that we should move forward with the legislation, with the goal of introducing it as early as possible this year.

II. PROGRESS TOWARD COMPACT APPROVAL

Ambassador Zeder, the President's Personal Representative for Micronesian Status Negotiations, reported on the progress of Compact approval in the three states. He said OMSN has been meeting for the past month with a Marshallese delegation to work out a revised Section 177 (Nuclear Claims) agreement. It was his opinion that Marshallese President Amata Kabua is in charge and is now moving to complete the approval process. For the first time, Kabua is openly committed to supporting and selling the Compact. The Ambassador estimated that the plebiscite can be held in the Marshalls in September, 1983.

Declassified/Released from 9/16/95
under provisions of E.O. 12356
by D. Van Tassel, National Security Council
(FBI-249)

UNCLASSIFIED

148



Reproduced at the Ronald Reagan Library

CONFIDENTIAL

UNCLASSIFIED

He reported solid progress with the Federated States of Micronesia. The plebiscite information program is going well, and he expected Compact approval by 80 percent or better in the June 21 plebiscite, which should have a positive effect on the Marshallese and Palauans.

Palau remains volatile, and the problem of reconciling the "nuclear-free" provision of its constitution with U.S. defense authority under the Compact remains unresolved. The President of Palau has just appointed a task force whose mission is to make possible the implementation of the approved Compact. The Ambassador will meet with this group in Guam on June 23, two days after the FSM plebiscite, to discuss possible means of resolving the problem.

Ambassador Zeder said he was trying to wrap up the negotiating and plebiscite phases so that we could go to the Congress in September. He hopes we can obtain Senate approval by Christmas and then, early in 1984, concentrate our efforts on passage by the House.

III. PLEBISCITE FUNDING AND TRANSITION

Assistant Secretary Pedro Sanjuan, Office of Territorial and International Affairs, Department of the Interior, reported that Congress on February 10 approved the reprogramming of \$300,000 each for Palau and the Marshall Islands plebiscite information programs and \$1 million for the FSM, but turned down a request for a cost overrun contingency fund of about 10 percent more. Palau received all of its money but spent at least \$160,000 more than its allocation. The FSM has now received its full \$1 million, and the Marshalls have available a remaining \$225,000. The Marshalls may need more, but he would address that only after the FSM plebiscite. Interior will send a team of experts to observe the FSM plebiscite, headed by Howard Penniman of the American Enterprise Institute and accompanied by House staffers Tom Dunmire and Pat Krause.

He said the paring down of the Trust Territory Government has gone as far as it can, with only eight civil servants remaining, and that the TTG will not be made any smaller prior to implementation of the Compact.

IV. TRUST TERRITORY GOVERNMENT TRANSITION

M. Neiman Craley, Special Assistant to the High Commissioner, said that in addition to the eight GS employees, the TTG staff totalled about 200, with most in communications,

CONFIDENTIAL
UNCLASSIFIED

UNCLASSIFIED
CONFIDENTIAL
-3-

finance and federal programs. Sixty to 70 people were needed to maintain the programs alone, unless their administration could be transferred to the Micronesian states. The High Commissioner is walking a fine line. The governments are behaving as if they were sovereign and see her as an advocate, whereas she also has to represent our policies to them.

Allen Overmyer, State, asked Mr. Craley to look to the future and identify problems that would have to be dealt with in closing out the Trust Territory Government. Overmyer said he had discussed with TTG officials in Saipan such issues as legal cases before the Attorney General and High Court, planning and management for the Capital Improvement Program, guidelines for the phasing out of federal programs and the provision of law enforcement liaison.

Mr. Craley then listed the following areas which need to be addressed and in which residual duties may remain:

1) Capital Improvement Program: work currently planned will take two to four years more;

2) Federal grant programs: the TTG is administering grant programs with a current annual value of \$27 million, some on two-or-three year cycles. Mr. Craley understood that if the Compact comes into effect other than at the beginning of a fiscal year, these programs should run at least through the end of the fiscal year;

3) Communications: the question remains of shutting the TTG system down;

4) Financial Management Problems: residual problems would remain; some still exist with the Northern Marianas, even though the Commonwealth was created in 1976.

5) Legal Matters: lawsuits will continue.

Mr. Sanjuan commented that Interior has determined to seek \$32 million in additional funding to complete the C.I.P. The pending FY 84 request would put us within \$14.5 million of that point, and it is his intention that the funding continue in future budgets. The Interior Solicitor's Office is working with OTIA on the handling of legal issues. On financial matters he cited a new territorial policy which places emphasis on fiscal responsibility and said Interior would be developing four to five year plans in camera to avoid exaggerated shopping lists from the territorial governments. His office was also

UNCLASSIFIED
CONFIDENTIAL

Reproduced at the Ronald Reagan Library

UNCLASSIFIED
CONFIDENTIAL
-4-

working on the law enforcement and security problem. Mr. Sanjuan indicated that the Group should consider the economic development problem of double and triple taxation, which may cause U.S. companies to pull out. He would keep the IG apprised and would welcome any suggestions. He said the Interior IG auditors were working on financial statements for Palau and the Marshall Islands; he would make these reports available to the Interagency Group.

V. POST-TRUSTEESHIP MANAGEMENT

Allen Overmyer of the Counselor's Office, Department of State, presented a report on the Transition Working Group's progress in establishing a structure for the management of federal relations with the Freely Associated States following termination of the Trusteeship. He said the Group drew its initial mandate from NSDD-10, which called for a two-level structure: an interagency policy steering committee chaired by State, and a professional staff attached to State, headed by State and with deputies from Defense and Interior. The Working Group had decided to treat also the posts in the field and had thus produced a three-level structure.

He said the Group had deliberated the merits of establishing a single regional field office, but had decided that the need for continuous and direct representation in each of the Freely Associated States, using limited personnel resources, had dictated the establishment of a post in each capital.

He described the Office for Micronesian Affairs (OMA) as the central coordination point for all of the interests and activities related to the Compact; it would have responsibility for financial management, economic development, program monitoring and other quasi-territorial matters as well as the traditional functions of economic and political reporting and analysis. It would have much wider responsibilities than a traditional State Department regional office, due to the \$200 million annual funding stream it would administer and for which it would be responsible to the Congress.

The Interagency Group then considered four management papers which reflected the Working Group's conclusions.

I. Budget

The State Department, with Defense and Interior concurrence, has notified OMB of its determination that Compact

UNCLASSIFIED
CONFIDENTIAL

UNCLASSIFIED

Reproduced at the Ronald Reagan Library

funding should be in the 800 (General Government), rather than the 150 (International Affairs) budget function. Final agreement will be reached during preparation of the legislation.

The Administration will seek a permanent indefinite appropriation for the Compact funding. Mr. Sanjuan asked whether this would necessitate an appropriation of the full amount of more than \$2 billion in the first year and noted possible adverse reactions by the flag territories to such a huge request in a single year, even though the request would cover 15 years. Mr. Overmyer said it was his understanding that the appropriation would be incremental, but that Interior's point would have to be addressed as the appropriations request is developed.

Mr. Overmyer said that a separate account would be established for Compact funding and that OMA will be responsible for presenting the annual budget to Congress.

II. Management

The Office for Micronesian Affairs will be administratively supported by State's Bureau of East Asian and Pacific Affairs (EA), as will the field posts, through the Department's Salaries and Expenses account. Personnel will be detailed to OMA from Defense and Interior and assigned from State. EA is requesting positions in the FY 1985 budget cycle and office space within State. Mr. Overmyer alerted Defense and Interior that they should initiate similar requests. He explained that the option of creating OMA as a legislatively separate agency had been rejected on the grounds that it would have constituted a managerial nightmare.

He indicated that funding for construction and communications facilities at the three posts, currently estimated at \$30 million, would be sought in the Compact legislation. He requested that State's Foreign Buildings Office refine that figure prior to the drafting of the legislation.*

Mr. Sanjuan questioned the wisdom of adding the initial cost for the posts to the legislation, in view of the invidious comparison that could be made with requested funding levels for Micronesian capital relocation. Mr. Overmyer replied that the decision had been based on the fact that this would in any case be a supplemental request, and that it was better to go to Congress once with a full package than to try to get separate parcels considered.

UNCLASSIFIED

* FBO has subsequently revised its estimate to \$34,745,000.

UNCLASSIFIED
CONFIDENTIAL

III. Office for Micronesian Affairs

Mr. Overmyer indicated that the functions and staffing pattern as presented in detailed attached papers were for planning purposes and did not preclude the addition or redesignation of positions if, for example, responsibilities carried over from the Trust Territory Government indicated further needs.

Mr. Sanjuan, seconded by Mr. Barringer of the Office of the Secretary of Defense, International Security Affairs, objected to indicating ceilings on positions and requested that the two deputy positions be considered at a higher grade than the paper recommends (GS-15 or O-6) and be designated for the Senior Executive Service Level 4 or 5. Mr. Overmyer replied that these grade designations were intended to be consistent with the small size of the office and the need for the deputies to be working-level, rather than policy level, officers. Illustrative designations were needed for personnel-planning purposes; the actual levels could be set at the time the office is manned. He agreed to alter Paper III to indicate that the indicated position levels do not constitute ceiling grades.

He noted that OMA will be purposefully lean and will draw upon the resources of other agencies to supplement its own capabilities. The audit function will most likely be carried out in part by the Interior IG's Northern Pacific Region office in Guam (on a reimbursable basis) and in part by independent public accountants (under contract).

IV. Posts

Foreign Service posts will be established in the three capitals. Each will be staffed by four Americans and two Foreign Service National employees, except that the post in Ponape will have in addition a regional administrative officer. This staffing was the absolute minimum, in the judgment of State's Office of Management Operations, necessary to carry out the broad responsibilities of the resident representatives under the Compact.

Mr. Overmyer noted that all three governments, up through the presidential level, had requested of him that the posts be established as soon as possible, to help in the transition to Compact status.

UNCLASSIFIED
CONFIDENTIAL



Reproduced at the Ronald Reagan Library

~~CONFIDENTIAL~~
UNCLASSIFIED

He noted the possibility that, because of the long lead-time involved in funding, building and staffing posts, it might be necessary to set up an interim post on Guam, which could be done by moving the Status Liaison Offices from Saipan. Mr. Sanjuan cautioned that close liaison with Interior would be required, due to the extremely volatile political situation in Guam and Guam's own aspirations for "political status negotiations" with the U.S.

The four management papers were approved by the Interagency Group.

V. LEGISLATION

Mr. Derwinski achieved agreement that the Compact and its enabling legislation should be submitted to Congress as early as possible in September. He requested that Ambassador Zeder draft and circulate the legislation by August 15 or earlier, in order to allow adequate time for the interdepartmental approval process. He said we should intensify consultations at the staff level before and during the August Congressional recess and then carry through with the members immediately after Labor Day, at which time we will conduct a major effort that includes White House involvement.

The Group reached consensus that since at least two of the states are likely to have completed the Compact approval process by mid-September (the FSM and one other), we should submit legislation then, even if only two states have fully approved the Compact. Some support was expressed for the idea of going forward on the basis of full approval by the FSM alone (i.e., in the event that the Palauan constitutional problem has not been resolved by then and that the plebiscite in the Marshalls is delayed beyond early September); it was agreed that the idea should be considered as a possibility.

~~CONFIDENTIAL~~
UNCLASSIFIED



Reproduced at the Ronald Reagan Library

UNCLASSIFIED

LIST OF PARTICIPANTS

NSC	- Mr. Childress
Defense	- Mr. Barringer
	- Mr. Kubal
Energy	- Mr. DeFrancis
Interior	- Mr. Sanjuan
	- Mr. Downs
JCS	- LTC MacMurdy
Justice	- Mr. Shanks
	- Mr. Marcuse
OMSN	- Ambassador Zeder
	- Mr. Teare
State	- Mr. Brand, EA
	- Mr. Montgomery, H
	- Mr. Overmyer, C
	- Mr. Weatherford, O/C
Trust Territory Government	- Mr. Craley
UNA	- Ambassador Feldman