

DEPARTMENT OF STATE
WASHINGTON

NSC UNDER SECRETARIES COMMITTEE

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NSC-U/DM-98G

May 24, 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Future Political Status of
Micronesia

The Under Secretaries Committee recommends your approval of the attached instructions for Ambassador F. Haydn Williams, your representative for Micronesian status negotiations, for the conduct of negotiations with representatives of five districts of the Trust Territory of the Pacific Islands (TTPI) regarding their future political status. An interagency study on this subject is also attached. These documents have been prepared in response to Ambassador Williams' request in his letter to you of December 10, 1975, for a review of the NSC policy paper on Micronesia dated August 27, 1973.

That policy study had recommended that the United States seek to attain the agreement of representatives of the five districts of the TTPI to a "free association" relationship (i.e. less than fully sovereign) with the United States -- with the US responsible for foreign and defense affairs and Micronesia fully self-governing with respect to internal affairs. Although Ambassador Williams and the Micronesia negotiators reached tentative agreement in October 1974 on a draft compact of Free Association, the Congress of Micronesia (COM) was unwilling to approve it subsequently on the grounds that it judged the United States offer of financial assistance inadequate

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Authority	E.O. 12958
By	JA TARA Date 1/11/02

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-2-

when measured against the authority the United States proposed to retain over Micronesian foreign and defense matters.

Meanwhile, pursuant to Presidential decisions based on another 1973 NSC study, Ambassador Williams negotiated a separate agreement with representatives of the Northern Marianas by which those islands would become an unincorporated territory (commonwealth) of the United States. This agreement was signed on February 15, 1975, and has been approved by the United States and the Northern Marianas. The Commonwealth Covenant is now Public Law 94-241, signed by you on March 24, 1976.

It now remains to try to work out an agreement establishing the political status of the Caroline and Marshall Islands. These islands, together with the Northern Marianas, make up the Trust Territory of the Pacific Islands, which is a strategic trusteeship administered by the United States pursuant to an agreement of 1947 with the United Nations. The TTPI is the last remaining UN Trusteeship. The situation in Micronesia has been complicated by several recent developments, in particular (1) the approval in November 1975 by a Micronesian Constitutional Convention of a draft constitution which purports to be "the supreme law of the Federated States of Micronesia" and which conflicts with the basic principles underlying the draft Compact of Free Association, and (2) evidence of growing separatist tendencies in two of the more important districts, the Marshalls and Palau, both of which have formally expressed their desire for separate status negotiations with the United States.

The major US security interests in Micronesia are: (1) the denial of these islands to the military forces of third countries; (2) US access to Micronesian land, water and air space through a continuation of current land use arrangements,

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Authority	E.O. 12958
By	JA TARA Date 1/11/05

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-3-

principally those relating to the missile testing range at Kwajalein, and the right of the US to negotiate additional land use option agreements in Palau, and elsewhere in case of emergency; and (3) the long-term protection of US access and denial rights in the event of substantial modification or termination of any future political relationship between the United States and Micronesia. In this connection, the continued growth of Soviet sea power in the Western Pacific is of particular concern.

The United States also has a political interest in a stable and cooperative relationship with Micronesia in order to safeguard our security interests in the Western Pacific. We have no specific economic interests, although law of the sea arrangements could create valuable rights to marine resources in Micronesia.

The general US negotiating objective is the conclusion of an agreement establishing a political relationship in the post-trusteeship period which will protect US strategic interests and establish a sound basis for a close, friendly and enduring relationship between the United States and a future Micronesian government representing the five districts of the TTPI.

As regards Micronesian views and interests, it is evident that Micronesia's leaders have not arrived at a consensus regarding the precise nature of the future political relationship with the US. Some support the proposed constitution which calls for full Micronesian sovereignty. This approach could point to an independent Micronesia which would be linked with the US by a treaty defining our respective rights, including defense rights, rather than by a Compact of Free Association. Others, probably a majority, still prefer Free Association, given Micronesia's need for substantial assistance

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Authority	E.O. 12958
By	J.A. NARA Date 1/14/03

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-4-

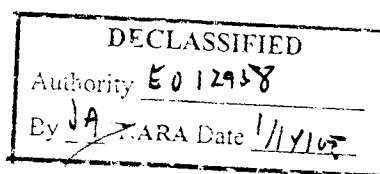
and its lack of capability or experience in the areas of foreign or defense affairs. In addition, the leaders in Palau and the Marshalls oppose the proposed constitution and have requested separate status talks with the US. However, they might be persuaded to accept unity with the other districts if the US refuses to negotiate separately and if a satisfactory status agreement and constitutional compromise can be worked out.

The Under Secretaries Committee believes that three options merit considerations:

1. Commonwealth -- This is the relationship to be established with the Northern Marianas. Micronesia would become a territory of the United States, like Guam, and the US would have full sovereignty and exercise complete authority over its foreign affairs and defense. Micronesians would become United States citizens or nationals. The arrangements would be permanent. Our rough estimate of the potential annual cost to the United States is \$100 million, but it could run considerably higher because of federal programs which would be extended to Micronesia. US grant subsidy to the five districts for FY 76 is \$73.3 million plus approximately \$8 million in US federal programs.

2. Free Association -- This is the arrangement embodied in the draft compact of October 1974. Micronesia would have full power of internal self-government but the United States would have full responsibility and authority in the areas of defense and foreign relations, although exact arrangements would have to be agreed to. The draft Compact stipulates that it can be terminated by mutual consent or terminated unilaterally by the new Government of Micronesia if two-thirds of those voting in Micronesia favor termination after 15 years, and if

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-5-

prior agreement is reached by the two parties on a mutual security treaty which ensures basic US military rights and interests in these islands. Maximum annual payments of about \$60 million for the 15 year period are envisaged.

Subsequent to completion of the interagency study, Micronesian representatives, meeting with Ambassador Williams in Saipan, indicated a desire to continue negotiations on the basis of the 1974 draft compact of free association, but they now wish the compact to be modified to grant them full authority over marine resources within a 200-mile economic zone, as well as the right to negotiate and conclude international agreements regarding these resources in the name of Micronesia.

3. Micronesian independence with a pre-negotiated security treaty with the United States -- Micronesia would become an independent state but the United States and Micronesia would negotiate a treaty prior to independence and sign it at the time of independence giving the United States specified defense rights, which would include use of Kwajalein, denial of Micronesian territory to a third power for any defense purposes, and rights for the United States to obtain base option rights in Palau. The United States would seek agreement in this security treaty that its provisions would continue for a stated period, such as 50 years, no matter what political status Micronesia might adopt over that period. Under this option we envisage annual payments on the order of a maximum of \$30 million, including payments for defense rights.

The Under Secretaries Committee believes that, given the lack of political unity in Micronesia and the uncertainties regarding its future course, independence together with a United States-Micronesia security treaty would afford less protection than the other feasible options for fundamental US security interests. A commonwealth

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DECLASSIFIED	
Authority	E.O. 12958
By	JA
DATE	1/11/05

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-6-

agreement would clearly provide the maximum security but would be much more costly than the other two options; Micronesian representatives rejected a US offer of commonwealth in 1970, and there is little sign that it would be acceptable to the Micronesians today. A Compact of Free Association would be more costly than a treaty relationship but would give the United States greater freedom of action in the critical areas of foreign and defense affairs.

Micronesian desires for full authority over marine resources and the right to negotiate their own international agreements could cause serious conflicts of interests with the United States and enforcement problems, and could create precedents for our relationship with US territories such as Puerto Rico. The Office of Micronesian Status Negotiations believes that in view of the free association relationship with the US, Micronesian authority over marine resources would not create a precedent with respect to US territories. We are sympathetic to Micronesian desires to use marine resources as a springboard for development of their economy. The Under Secretaries Committee believes we should explore with the Micronesian leadership ways of achieving their substantive economic goals through the use of marine resources without creating these problems for the United States.

The US Congress would probably be more receptive to a revised Compact of Free Association than it would be toward the other two options. Commonwealth would probably be considered too costly and to involve unnecessary obligations, in view of the rights obtained by the US in the commonwealth agreement recently reached with the Northern Marianas. Micronesian independence, even if accompanied by a security treaty, might appear to some in Congress to

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DECLASSIFIED	
Authority	E.O. 12958
By	J.A. -ARA Date 1/11/05

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-7-

afford inadequate protection for our long-term security interests.

We have stated that we will seek to obtain the approval of the United Nations for termination of our trusteeship and that we expect to seek termination by 1980 or 1981. We have reported annually to the United Nations Trusteeship Council regarding our administration, and the Trusteeship Council's visiting missions have inspected conditions in Micronesia every three years. It is of course unpredictable how the United Nations Security Council will view the arrangements which are ultimately submitted for termination of the US Trusteeship. However, if an independence option is not denied in the act of self-determination, and if the Micronesian people ratify, by a substantial majority, whatever arrangements are finally worked out, the basis for any opposition by the United Nations to this act of self-determination would be reduced, even if the arrangement would entail a permanent relationship between the United States and Micronesia.

The Departments of Defense and State disagree over the way in which the independence option should be treated in the negotiations and subsequent plebiscite. Defense strongly believes that the independence option is the least desirable alternative from a national security perspective and that accordingly it should be presented to the people of Micronesia only if there is clear and convincing evidence that they will not accept either commonwealth status or free association. Defense also states that the risks of an unstable Micronesia and an unsatisfactory treaty relationship would prevent it from supporting Micronesian independence if coupled with a firm US commitment to terminate the Trusteeship by 1981.

State does not take issue with Defense's contention that free association is preferable to

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DECLASSIFIED	
Authority	E.O. 12958
By	JA TARA Date 1/11/05

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-8-

independence and in fact recommends instructing the President's Personal Representative to make clear to the Micronesian negotiators that the US prefers a free association relationship. However, State believes a distinction should be made between the USG on the one hand taking steps intended to lead to Micronesian independence, a course which State like Defense would oppose, or on the other hand taking steps intended to lead to Micronesian free association, but entailing a formally stated offer of independence to the Micronesians during the last US-Micronesian free association negotiations and in the subsequent plebiscite. State strongly favors the latter course, believing that the Micronesian leaders' recent urgings to the US to complete agreement on free association demonstrate that the mere statement of an independence option need not be seriously feared. In State's view, the presence of such a statement in the official record would enhance the prospect of Congressional and UN approval of Trusteeship termination and potentially remove the Micronesian issue from the UN agenda during the post-Trusteeship decades.

The Office of Micronesian Status Negotiations notes that the President's Personal Representative is on record with the JCFS that the amounts offered under the financial provisions of the draft Compact for Free Association would be in constant dollars. The abandonment of this assurance would pose a major threat to the early conclusion of the status negotiations. It should be noted in this regard that assuming a 7 per cent annual rate of inflation; the \$60 million annual figure for the first five years under free association would shrink to about \$41 million in real terms, a consideration which will surely become apparent to the Micronesians if we were to withdraw our previous assurances. The Office of Management and Budget recommends against the use of constant dollar adjustments because of the administrative difficulties they create and would prefer to see specific step increases in the

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Authority	E.O. 12958
By	JA NARA Date 1/11/05

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-9-

annual amounts of financial assistance. Details are included in their comments which are attached.

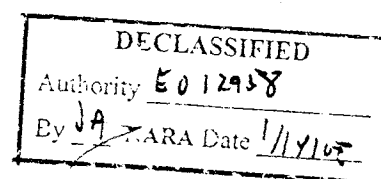
The Under Secretaries Committee accordingly recommends that you approve the attached negotiating instructions for your personal representative. The principal features of these new instructions are:

1. The continued authority to offer a free association relationship based on the draft compact of October 1974, and new authority to explore how the Micronesians might use development of marine resources to achieve a viable economy. Additional authority to offer either a commonwealth status or independence with a pre-negotiated security treaty if it becomes evident that the representatives of the Marshalls and the Carolines desire to pursue one of these options and if prior consultation with the Congress indicates that such a course of action would have a good chance of Congressional approval.

2. The authority to advise the Micronesians that the United States would feel compelled to consider measures to expedite the negotiations, possibly by presenting status options directly to the people in a plebiscite, if the negotiations have not produced agreement within a reasonable period of time, as for example, the spring of 1977. New instructions would be sought before action was taken on any specific measure.

3. The discretionary authority to defer efforts to reach immediate agreement for military land options in Palau (40 acres for harbor use, 2000 acres for ammunition and petroleum storage, and occasional use of 30,000 acres for maneuvers), on condition that the Micronesians give a commitment to negotiate in good faith at a later time for these options.

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-10-

4. US support for the goal of Micronesian unity, although the United States would avoid any commitment to guarantee the political unity of Micronesia. If events during the next twelve months demonstrate that Micronesian unity is not feasible, new instructions should be requested.

Charles W. Robinson

Charles W. Robinson
Chairman

Attachments:

1. Instructions for Ambassador Williams
2. Interagency Study
3. OMB Comments
4. Map

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