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THE WHITE HOUSE  
WASHINGTON

June 10, 1976

MEMORANDUM FOR:

JIM CANNON  
JIM CAVANAUGH

FROM:

STEVE McCONAHEY *SM*

SUBJECT:

Puerto Rico Visit

On Tuesday and Wednesday I met with the current Governor of Puerto Rico, Rafael Hernandez-Colon, the current Mayor of San Juan, Carlos Romero Barcelo, and the former Governor of Puerto Rico Luis Ferre. The purpose of my visit was to brief these officials on the nature and status of the Economic Summit Conference plans, solicit their ideas and suggestions regarding the Conference planning and to gain their agreement on minimizing the domestic political rhetoric and debate that has surfaced recently -- largely because of the Puerto Rican compact and because the Governor and Mayor will be opposing one another in November for the Governorship.

I met individually with these gentlemen and did meet with the press after each meeting. I intended to keep a low profile; however, I was unable to do so because my name appeared on the daily schedule of the Governor and Mayor. Nonetheless, from my understanding of the stories that were carried and what I heard on the English radio broadcast, I do feel that my presence helped to smooth out some of the rough edges that had developed over the last week to ten days.

The major issues raised by the Mayor and Governor regarding the Conference were:

- o The role of the Governor and Mayor in welcoming ceremonies.
- o Minimization of the domestic political turmoil and debate -- particularly in controlling excessive press coverage over domestic issues and handing of the planned demonstrations.



- o Extent of support by the Commonwealth in areas of transportation, security, etc.

I debriefed the advance team on my meetings and participated in a final wrap-up session with the Secretary of State of Puerto Rico who will be acting as the Governors' contact point.

I feel the visit was worthwhile and provided a more positive reaction to the Summit Conference, and perhaps will help lower the local political rhetoric surrounding it.

THE WHITE HOUSE  
WASHINGTON

June 21, 1976

MEMORANDUM FOR:

JIM CANNON  
JIM CAVANAUGH  
RED CAVANEY

FROM:

STEVE McCONAHEY

SUBJECT:

Puerto Rico

Based on telephone conversations this morning, I would like to provide you an update on several issues surrounding the upcoming Summit Conference.

1. Welcoming Ceremony

I discussed with former Governor Luis Ferre and current Mayor of San Juan, Carlos Romero Barcelo, the proposed welcoming plans which include participation by the Governor, the heads of the Puerto Rican House and Senate and a group of bipartisan Mayors. The former Governor suggested that we include invitations to the remaining three former Governors, Roberto Sanchez Villela, Luis Munoz Marin and himself. He indicated that this gesture has been made in other ceremonies at Puerto Rico. Moreover, he feels that his exclusion would be a political negative because of his close association with the Administration.

Mayor Carlos Romero expressed his concern over the proposed invitees to the welcoming ceremony because it included Mayor Benjamin Colz of Mayaguez who is the current chairman of an association of Mayors in Puerto Rico. Because of his inclusion, the Mayor of San Juan would be placed in a secondary role. As an alternative, the Mayor has suggested that the Mayors be limited to himself, as Mayor of the capitol city, and to Mayor Manuel Fernandez Corujo of Carolina, which is the city in which the airport is located.



2. Anticipated Demonstrations

Last week the current Governor, former Governor Ferre along with heads of the major Puerto Rican political parties met to discuss the potential for political demonstrations during the Economic Summit. The main purpose of the meeting was to gain an agreement from the Independent and Socialist parties to keep the demonstrations nonviolent. Apparently demonstrations are scheduled to be held on the road running in front of the Dorado Beach Hotel. The Independent party will hold its demonstration on Sunday morning. The Socialist party plans to demonstrate Sunday afternoon at the same location.

There is a general consensus that these demonstrations will be nonviolent, but given the ease with which individuals could disrupt peaceful demonstrations, there is continued concern. As part of the plan to keep these demonstrations nonviolent, the Independent and Socialist parties requested that an appeal be made to the President to pardon a group of Puerto Ricans currently in prison because of their attempted assassination on President Truman at the Blair House and the shooting incident in the U.S. House of Representatives. There is growing sentiment in Puerto Rico for the release of these prisoners. A formal request from the prisoners has not been made; however, they have sought support from the political parties to request a pardon on their behalf. We can anticipate some news being generated over this pardon request during the Conference.

3. Presidential Meetings with the Governor and Mayor

Given the political sensitivity within Puerto Rico, I think it would be beneficial for the President to meet individually with Governor Rafael Hernandez-Colon of Puerto Rico and Mayor Carlos Romero Barcelo of San Juan. It is my understanding that the President may have some free time on Monday, June 28th prior to his departure when these meetings could occur. For security reasons, I recommend that these meetings be held in Dorado to avoid having the President within the city limits of San Juan.

THE WHITE HOUSE  
WASHINGTON

June 22, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *Jmi*  
SUBJECT: Briefing Material on Puerto Rican  
Domestic Issues

This briefing book provides a summary of relevant information about Puerto Rico, with a particular emphasis on current political and domestic issues. The book contains the following materials:

- I. General Background Information
- II. Domestic/Political Climate
- III. Commonwealth Compact Status
- IV. International Issues
- V. Q & A's
- VI. Federal Assistance Data
- VII. Welcoming/Meetings

THE WHITE HOUSE  
WASHINGTON

Copies to:

Cannon

Cavanaugh

Scowcroft

Cheney

Deason

O'Donnell

President



Cannon sent to Pres. for signature July 14, 1976:

July 13, 1976

Dear Governor Hernandez:

Thank you for the warm and gracious hospitality shown to me and my staff while attending the Summit Conference in Puerto Rico.

I believe the Conference was successful in continuing the international dialogue on economic matters. I am confident these efforts will lead to improved economic growth and stability throughout the world.

Again, many thanks for the important part you played in making the Summit Conference a success.

Sincerely,

The Honorable Rafael Hernandez Colon  
Governor of Puerto Rico  
San Juan, Puerto Rico 00902



THE WHITE HOUSE

WASHINGTON

July 23, 1976

MEMORANDUM FOR: DICK PARSONS  
FROM: JIM CANNON  
SUBJECT: Response to Senator Jackson

I talked to Senator Jackson. He would like to have some Administration response about the third week of August.

Should we acknowledge this or should we do this for the hearings.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

July 15, 1976

MEMORANDUM FOR: Jim Cannon

FROM: Dick Parsons *D.*

SUBJECT: Attached Correspondence from Senator Jackson

As you know, our official posture regarding work on the Compact of Permanent Union Between Puerto Rico and the United States is that the Compact is "under careful review." Beyond that, we have nothing to say.

In light of this, I do not think a further reply to Senator Jackson's letter is necessary. Do you:

\_\_\_\_\_ Agree

\_\_\_\_\_ Disagree

*Write for  
H.M. Walker  
Talk w/  
Ann,  
& others*

*Jackson:  
It's people  
views growing -  
What's happening in Jamaica  
ought to have a hearing  
didn't want to start over  
who after views -  
not now hearings -  
after 8/23*



HENRY M. JACKSON, WASH., CHAIRMAN

FRANK CHURCH, IDAHO  
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DALE BUMPERS, ARK.

PAUL J. FANNIN, ARIZ.  
CLIFFORD P. HANSEN, WYO.  
MARK O. HATFIELD, OREG.  
JAMES A. MC CLURE, IDAHO  
DEWEY F. BARTLETT, OKLA.

# United States Senate

COMMITTEE ON  
INTERIOR AND INSULAR AFFAIRS  
WASHINGTON, D.C. 20510

May 6, 1976

GRENVILLE GARSIDE, SPECIAL COUNSEL AND STAFF DIRECTOR  
WILLIAM J. VAN NESS, CHIEF COUNSEL

The President  
The White House  
Washington, D.C.

My Dear Mr. President:

Three years ago President Nixon and Governor Hernandez Colon of Puerto Rico appointed a distinguished Ad Hoc Advisory Group to review the existing relationship between the United States and Puerto Rico and recommend ways to provide greater self-determination and self-government for Puerto Rico within the framework of the Commonwealth.

The report of this Group, recommending a new Compact between the United States and Puerto Rico, was presented to you last October.

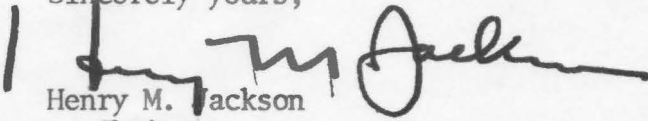
The Committee was led to believe that the Administration's comments and recommendations on this report of the Ad Hoc Advisory Group would be forthcoming early this year. I am frankly surprised that, seven months after the report was submitted, the Executive Branch still has not commented on the proposed new Compact.

It should be obvious that the development of our relationship with Puerto Rico has significance extending far beyond the borders of Puerto Rico and the United States. In light of this, the Administration's failure to respond to the report of the Ad Hoc Advisory Group is all the more surprising.

Congress began work on the proposed new Compact several months ago. Initial hearings have been held in both House and Senate and amendments to the Compact are now being considered. It is absurd that this work is going forward without the Administration's participation.

The Interior Committee has delayed final action on the Compact pending receipt of the Administration's views. I would hope and expect that these views will be transmitted to the Congress promptly.

Sincerely yours,



Henry M. Jackson  
Chairman

HMJ:ggd



May 11, 1976

Dear Mr. Chairman:

This will acknowledge receipt and thank you for your May 6 letter to the President requesting information regarding the report of the Ad Hoc Advisory Group with respect to Puerto Rico.

Please be assured I shall call your letter to the President's attention without delay.

With kindest regards,

Sincerely,

William T. Kendall  
Deputy Assistant  
to the President

The Honorable Henry M. Jackson  
United States Senate  
Washington, D. C. 20510

✓ ccc: w/incoming to Dick Parsons for DRAFT REPLY

WTK:JEB:VO:vo



**United States Senate**

COMMITTEE ON  
INTERIOR AND INSULAR AFFAIRS

WASHINGTON, D.C. 20510

OFFICIAL BUSINESS

*Henry M Jackson*

U.S.S.

The President  
The White House  
Washington, D.C.

Puerto Rico file

THE WHITE HOUSE  
WASHINGTON

August 10, 1976

MEMORANDUM FOR: DICK PARSONS  
FROM: JIM CANNON *Jm*  
SUBJECT: Puerto Rico -- Ad Hoc Committee

In Puerto Rico the President told former Governor Ferre that he will consider, before November, making an interim Administration comment on the proposals of the Ad Hoc Committee, and then reserve decision on a more complete proposal at the end of the year.

Cavanaugh was present and the President directed him to coordinate (see attached). Senator Jackson asked me, a couple of weeks ago, to have an Administration spokesman come up to testify before his Committee about Administration reactions to the Ad Hoc Committee proposals.

I suggest we ask Paul O'Neill to do it. He can give a wide picture of how the Ad Hoc proposals would affect existing programs.

What do you think?

attachment



August 5, 1976

Dear Governor Ferre:

Thank you so much for your letter of July 12. I appreciate very much your views on the Ad Hoc Committee on the Status of Puerto Rico. You can be sure that Jim Cannon and others on our staff will be in touch with you before this report is transmitted to the Congress so that we may have the benefit of your wise counsel and advice.

I recognize the desire of the people of Puerto Rico to have a focal point here at the White House for coordinating matters that bear on the Commonwealth. Accordingly, I have designated Jim Cavanaugh, Deputy Assistant to the President for Domestic Affairs, to act in this capacity.

I appreciate your comments on the importance to Puerto Rico of Fort Buchanan, and have passed them along to Don Rumsfeld, the Secretary of Defense, for his consideration.

It was good to visit with you at Dorado during the recent Economic Summit, and I look forward to seeing you in Kansas City.

Sincerely,

**GERALD R. FORD**  
The Honorable Luis A. Ferre  
Suite 1211  
Chase Manhattan Building  
Hato Rey, Puerto Rico 00913

cc: Jim Field, Jim Cannon, Jim Cavanaugh, Donald Rumsfeld

GRF:HJF:frw



a

*File*

THE WHITE HOUSE  
WASHINGTON

*Take up  
w/ Jack*

August 10, 1976

MEMORANDUM FOR: DICK PARSONS  
FROM: JIM CANNON *J.C.*  
SUBJECT: Puerto Rico -- Ad Hoc Committee

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Sincerely,

GERALD R. FORD

The Honorable Luis A. Ferre  
Suite 1211  
Chase Manhattan Building  
Hato Rey, Puerto Rico 00918

cc: Jim Field, Jim Cannon, Jim Cavanaugh, Donald Rumsfeld

GRF:EJF:frw



Puerto Rico - Ad Hoc

SENIOR STAFF MEETING  
Friday, August 27, 1976  
8:00 a.m.

↓ ALL

Puerto Rico

12:

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Agenda - 1) Parks -

2) ~~Spot~~ Exec Director Group -  
Meet w/ ~~Agenda~~ today.

~~3) ~~Wks~~ -~~

4)

---

10 Vari -

A) R - S -

President's Committee on Urban Development.



D R A F T

THE WHITE HOUSE

DECISION

WASHINGTON

August 31, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

SUBJECT: Compact of Permanent Union Between  
Puerto Rico and the U.S.

Senator Jackson, Chairman of the Senate Interior Committee, has asked that someone from the Administration come before his committee in September to testify as to the Administration position on the Compact of Permanent Union between Puerto Rico and the U.S.

The Administration is obligated to make a comment on the proposed compact by October 1, 1976.

My recommendation is that Paul O'Neill appear as the principal Administration witness on this complex, highly sensitive and costly proposal.

(OMB) and (Max Friedersdorf) concur.

Approve \_\_\_\_\_

Disapprove \_\_\_\_\_

THE WHITE HOUSE

WASHINGTON

March 1, 1976

*Puerto Rico*  
DECISION

MEMORANDUM FOR THE PRESIDENT

FROM:

JIM CANNON *JC*

SUBJECT:

Proposed Compact on the Status of  
Puerto Rico

BACKGROUND

On October 1, 1975, the Ad Hoc Advisory Group on Puerto Rico transmitted to you a proposed Compact of Permanent Union Between Puerto Rico and the United States. Under the Federal Advisory Committee Act, you are required to make a report to the Congress stating your proposal for action, or reasons for inaction, on the recommendations contained in the report within one year (October 1, 1976).

The proposed Compact is a sweeping document, which if adopted in its entirety, would significantly change the nature of the relationship between the United States and Puerto Rico. In essence, the Compact would grant to citizens of Puerto Rico many of the benefits of statehood, but without imposing all the obligations of statehood, such as paying U.S. taxes.

OMB, NSC and the Domestic Council are preparing for your review an options paper on this complex and costly proposal. In soliciting the views of members of your Cabinet, a number of serious problems have been brought to our attention, and it will be several months before a comprehensive Administration position can be developed.

In the meantime, the proposed Compact was introduced in the House as a bill by Puerto Rico's representative, Jaime Benitez; and Phil Burton, as chairman of the Territorial and Insular Affairs Subcommittee of the Interior Committee, started hearings on the Compact. Burton is attempting to maneuver the hearings and the Committee to force an early Administration response.

Senator Jackson held one day of hearings and indicated he will hold no more hearings until the President sends the Compact to the Hill.

Governor Hernandez of Puerto Rico and Mayor Romero of San Juan have also indicated to me that they would like to know the Administration's position on the Compact.

RECOMMENDATION

Since we need until about June 1, 1976 to assess thoroughly this proposal and develop an Administration position, I recommend that our response until that time should be:

The proposal relating to the relationship between the United States and Puerto Rico is of great and lasting significance to both Puerto Rico and the United States and requires the most thorough evaluation and consideration. We have the proposal under study, and an Administration position will be taken after that study is completed.

OMB (O'Neill), NSC (Scowcroft), Counsel's Office (Lazarus), Rogers Morton, Jack Marsh, Robert T. Hartmann (Smith) and Max Friedersdorf concur.

APPROVE \_\_\_\_\_

DISAPPROVE \_\_\_\_\_

THE WHITE HOUSE  
WASHINGTON  
September 13, 1976

DRAFT

Dear Senator Jackson:

Thank you for your recent inquiry in regard to the Compact of Permanent Union between Puerto Rico and the United States.

As you know, the proposal regarding the relationship between the United States and Puerto Rico is of great and lasting significance. The complex issues involved in the Compact require thorough evaluation and consideration. Study of the proposal which has been completed thus far has raised a number of serious questions which call for advised and judicious solutions. We believe that prior to taking a position on the Compact, many additional pertinent questions must be more thoroughly examined and their implications better understood.

Not only will the compact bear upon legal and economic matters; it will influence the personal lives of thousands of citizens who are affected by its provisions. We do not feel that it is prudent for the Administration to give public testimony on this issue until it is possible to objectively and thoroughly present the complete range of its impact and implications.

For this reason, continued efforts to review and study the proposal is required. Please be assured that an Administration position will be formulated as promptly as possible once the issues are thoroughly and objectively reviewed.

*Complexities  
important  
complex  
not  
issues  
of people  
carefully reviewed.*



*Passon*

CLEARANCE SHEET

*file - Puerto Rico*

*send new report*

DATE: 9/15

976 SEP 15 PM 5 54 JMC ACTION Required by: \_\_\_\_\_

STAFF RESPONSIBILITY A. Quern

SUBJECT: Letter to Senator Jackson Re: Ruerto Rican Compact

RECEIVED FROM: \_\_\_\_\_ DATE RECEIVED: \_\_\_\_\_

STAFF COMMENTS:

QUERN/MOORE RECOMMENDATION:

- APPROVE
- REVIEW & COMMENT
- DISCUSS

For your action. Art

CANNON ACTION: \_\_\_\_\_ DATE: \_\_\_\_\_

Material Has Been:

- Signed and forwarded
- Changed and signed
- Returned per conversation
- Noted

JIM CANNON

Comment:



*09/605*



ACTION

DOMESTIC COUNCIL

FROM:

PARSONS

SUBJECT:

Draft memo to the President

re: Puerto Rico (request of 10/11/76)

Date: 10/21/76

COMMENTS:

PARSONS: Wishes to staff this around.

QUERN: "I'd staff this around post debate #3."

DECISION:

OK TO STAFF \_\_\_\_\_

OTHER \_\_\_\_\_

*D. Quern*

ACTION:

Date:

THE WHITE HOUSE  
WASHINGTONINFORMATION

(REQUEST)

OCT 15 1976  
October 15, 1976

MEMORANDUM FOR: Jim Cannon  
FROM: Dick Parsons  
SUBJECT: Puerto Rico

Attached for your consideration is a redraft of the Puerto Rico memorandum we discussed earlier this week.

I have not suggested as an option informing the Congress that there are only two ways for Puerto Rico to go -- complete independence or Statehood -- because I believe that conclusion can appropriately be reached only after more thought has been given to this matter. I do not believe it is a legitimate option at this time. If you feel that it is, however, something along the following lines could be added as Option 4:

"Direct OMB, in consultation with the Domestic Council and the National Security Council, to prepare a report outlining your objections to the proposed Compact and suggesting to the Congress that the real issue for debate and resolution is whether Puerto Rico should be made a State of the Union or given its independence."

Attachment

*Dick - let's include  
as an option in those  
papers, and see if  
anyone supports it.  
Thanks Jim*

102/12

DRAFT: DICK PARSONS -- 10-1-76

MEMORANDUM FOR THE PRESIDENT

FROM: Jim Cannon

SUBJECT: Compact of Permanent Union Between Puerto Rico  
and the United States

Three years ago, President Nixon and Governor Hernandez-Colon of Puerto Rico appointed a joint U.S.-Puerto Rico ad hoc advisory group to review the existing relationship between the United States and Puerto Rico and to recommend ways to provide Puerto Rico with a greater degree of self-government and self-determination within the existing framework of common defense, common market, common currency and common citizenship. The group's report, recommending a new Compact of Permanent Union between Puerto Rico and the United States, was submitted to you on October 9, 1975.

The proposed Compact would institute fundamental and far-reaching changes in the relationship between the United States and Puerto Rico and its provisions affect a wide array of Federal programs and interests. Since its receipt, therefore, the report has been under intensive study by the Domestic Council, OMB and the departments and agencies of the Executive Branch. By law, you have one year within which to review the report and submit it to the Congress, together with your recommendations for action.

Notwithstanding the fact that the law provides that the President shall have a year within which to review this report, Jaime Benitez, Resident Commissioner of the Commonwealth of Puerto Rico, introduced the Compact in legislative form in the Congress last December. It was his hope, and the hope of Governor Hernandez-Colon and other members of the majority party in Puerto Rico (the Popular Democratic Party), that the Congress and the President would act on the Compact this year, before Puerto Rico's general election in November. While hearings on the bill were conducted by the House and the bill was twice amended, the Congress adjourned without taking further action on the matter.

#### SUMMARY OF MAJOR PROBLEMS WITH THE COMPACT

On merit, the proposed Compact is highly objectionable to the Administration. The objectionable features fall into four principal categories: status; economic; legal; and international.

- Status

Our most serious objection derives from various features of the proposed Compact that would create an equivocal relationship between Puerto Rico and the United States under which Puerto Rico would enjoy certain attributes normally associated with sovereign nations while retaining or expanding upon other rights and programs typically associated with a U. S. commonwealth or territory. At the same time, Puerto Rico would potentially benefit from programs that historically have been available only to the several States.

For example, the Compact provides that citizens of Puerto Rico should have the right to "participate equally in the benefits provided by the laws of the United States relating to social and economic aid" but continues to exempt inhabitants of Puerto Rico from Federal and other income taxes. The fiscal impact of treating Puerto Rico as a State for the purpose of Federal assistance programs would be significant. OMB estimates that Public Assistance costs would have risen by about \$80 million, Medicaid costs by about \$280 million and Supplementary Security Income program costs by about \$300 million in the current fiscal year had Puerto Rico been eligible to participate as a State.

- Economic

In an attempt to enable Puerto Rico to rehabilitate her ailing economy, the Compact grants to Puerto Rico special rights and privileges relating to the regulation of commerce among Puerto Rico, the United States and foreign countries. Specifically, the Compact would authorize Puerto Rico to levy, increase, reduce or eliminate tariffs and quotas on articles imported directly from foreign countries or transshipped through the United States and would allow Puerto Rico to import materials duty-free for subsequent shipment and sale in the United States, provided that the shipping price includes at least 35 per cent value-added in Puerto Rico.

These provisions are highly inconsistent with the concept of a "common market." Under the former, it is conceivable (indeed, likely) that Puerto Rico could enact more restrictive

tariffs than the United States to protect its domestic industry. The latter authorization would, in effect, enable Puerto Rico to import goods for resale in the United States at a price below that charged by either the United States or foreign manufacturers who do not have the "duty-free" privilege. Both of these provisions could, therefore, have a serious adverse impact on U. S. industry and employment.

Finally, as was mentioned earlier, the Compact would continue to exempt inhabitants of Puerto Rico from Federal income and other taxes and would specify that all taxes collected in Puerto Rico or in the United States under the internal revenue laws of the United States on articles produced or manufactured in Puerto Rico shall be covered into the Treasury of Puerto Rico. When read together with the other provisions respecting tariffs and imports this provision is antithetical to the common market which now exists between the United States and Puerto Rico.

- Legal

The Compact proposes a number of alterations in the existing relationship between the United States and Puerto Rico of questionable constitutional validity and/or legal soundness. For example, the Compact provides that Federal laws and administrative rules and regulations would cease to apply to Puerto Rico if they were "incompatible" with the provisions of the Compact. The question of incompatibility, in the first instance, would rest with Puerto Rico. This would cause great uncertainty as to the applicability of existing and future Federal laws and regulations in Puerto Rico.

Further, the Compact would provide that title to all crown lands and navigable waters seaward to the Continental Shelf shall be vested in Puerto Rico, and would deny to the United States the right of eminent domain. These provisions are inconsistent with our continuing obligation to provide for the defense of Puerto Rico and to provide essential services, such as transportation, to the people of Puerto Rico. Additionally, with respect to navigable waters, the Compact would literally oust the United States Government from any jurisdiction over the waters surrounding Puerto Rico. This immunity from U. S. jurisdiction over navigable waters is not now enjoyed by any State or any other U. S. Possession.

Finally, the Compact provides that, prior to enactment of any legislation applicable to Puerto Rico, the President, at the request of the Governor of Puerto Rico, may suspend the application of such law to Puerto Rico. However, such suspension could be terminated by the Congress by Joint Resolution. The Compact also provides for the transfer, by Executive Order, of responsibility for carrying out major Federal functions to Puerto Rico, but that such transfer would not become effective if either House of the Congress objected to it within ninety days of promulgation of the Executive Order. The Department of Justice has raised constitutional questions concerning both of these provisions.

- International

The Compact would authorize Puerto Rico to participate in international organizations in its own right and to enter into international agreements, unless the President specifically finds such participation and such agreements to be inimical to the foreign relations of the United States. This authority is incompatible with the overriding responsibility and authority of the Federal government to conduct foreign affairs and to provide for the military defense of Puerto Rico. It would grant to Puerto Rico foreign relations prerogatives in excess of those enjoyed by any State or other U. S. Possession.

These are but a few of the problems we have with the Compact. There are many others. Attached at Tab A is a more detailed analysis of these problems.

#### OPTIONS

In sum, the proposed Compact is not acceptable to the Administration. Moreover, it is doubtful that, even if enacted as proposed, it would resolve the very serious economic, social and political problems facing Puerto Rico.

Because the Congress adjourned sine die on October 2, you cannot transmit your report on the Compact until the Congress convenes next January. The question arises as to what your response should be at that time, however, and to what use, if any, you should put the time between now and the convening of the 95th Congress. Several alternative courses of action are



available:

1. Simply direct OMB, in consultation with the Domestic Council and the National Security Council, to prepare a report indicating the nature of your objections to the proposed Compact for submission in January.
2. Appoint a special in-house task force to develop an alternative proposal to be submitted to the Congress next January, together with a report outlining your objections to the instant proposal.
3. Inform Governor Hernandez-Colon of Puerto Rico that you have serious problems with the proposed Compact in its current form and suggest that, together, we might profitably use the additional time to jointly develop a more appropriate proposal for submission to the Congress upon its return.