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Politically speaking, financial support is inextricably bound up with the quality of our relationship. As the United States Delegation stated at Hana: "...it is clear that the form, substance, and continuity of a future association will have a direct bearing in the long term on our financial relationship." What this means is that, as the United States sees it, the closer the association the greater the willingness of the American people and their representatives to assume long-term and abiding financial obligations. Conversely, the more tenuous the relationship, the more difficult it will be to assure a constant level of support.

For purposes of illustration and discussion (bearing in mind that final Executive Branch concurrence and Congressional action would be needed to translate a proposal into reality), the United States would suggest financial assistance or payments to a new Government of Micronesia along the following lines:

- A. Services by U.S. Government Departments to be provided (in millions) annually. Services by U.S. Government Departments \$6 would be determined by 1) the expressed needs of the Government of Micronesia and 2) the feasibility of the U.S. Government's providing the desired services. The provision of these services would have to be negotiated in detail, possibly by means of individual contracts, and could be renegotiated as circumstances dictated.

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- B. Direct budget support to be provided annually for as \$6
long as the need exists. Direct budget support would
be intended to help the Government of Micronesia meet
the extraordinary expenses of setting itself as a going
concern. Its continuation would depend on the agree-
ment of both sides that the support was still required
and that it was being prudently used.
- C. Direct payments for land rentals in the Marshalls to be \$1.2
provided annually. Contracts for leases of land options
on land for military purposes would be confirmed; negoti-
ated, or renegotiated upon termination of present contracts,
as otherwise agreed and payment would then be on the basis
of the new contracts. It should be borne in mind that
the present contracts with private individuals for land
use in the Marshalls are satisfactory to us and that any
renegotiation would have to ensure that U.S. interests
were preserved. Options for land use in Palau would
be negotiated with a one-time payment being made.
- D. Special Economic Development Trust Fund to be provided \$10
annually for a period of five years. The purpose of a
Trust Fund for Economic Development would be to give the
new Government of Micronesia an assured source of capital

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funds for the first few years of its existence. Expenditure of Trust Fund monies would require joint U.S.-Micronesian agreement as to the economic worth and the feasibility of specific projects.

Having sketched out some possibilities regarding the size and variety of future U.S. assistance to Micronesia, it is now necessary to pose specific questions about the kind of U.S. programs in which the Micronesians would be interested and the mechanisms by which funds of U.S. origin would be managed. Some of these questions were raised at Hana and elicited general responses. Now, before proceeding to a formulation of a formal proposal within the Executive Branch of the U.S. Government, and well before presenting it to the U.S. Congress, detailed Micronesian plans for managing these programs and funds at the Government of Micronesia level and at the district and local levels will be called for.

First of all, a detailed statement of U.S. programs and services which would be desired by the Government of Micronesia is urgently needed so that the U.S. Government can tabulate with precision the cost of assistance and determine whether it is feasible to provide it. Secondly, a detailed description of the Micronesian governmental entities which would be responsible for accepting and using U.S.-supplied money and services is needed, as well as a statement of what is contemplated by way of a breakdown between the resources and responsibility of the central governments: in other words, an elaboration of the financial side of the future Government of Micronesia's constitutional framework.