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II. The Nature of the Political Relationship

A. General

Given the expressed desire of the Mariana Islands District for a close association with the United States and a political status separate from the remainder of Micronesia, the United States Government must first decide what type of relationship it prefers with the Marianas and what alternatives are acceptable, if the preferred status cannot be achieved.

While this is a matter for negotiation, the Marianas representatives have clearly and consistently had in mind not only a relationship closer than "free association", but one akin to U.S. territorial status. This is the type of relationship which the U.S. Government had originally envisioned for all the Trust Territory, and it would by definition meet the fundamental U.S. negotiating objective of bringing the Marianas under U.S. sovereignty.

If however, the Marianas talks should be allowed to drift off toward some looser type of arrangement which would be no more than a disguised form of free association there would be little to gain to the U.S. from separate talks. In that event, the Marianas should rejoin the rest of Micronesia. For this reason, no alternative will be considered here which does not bring the Marianas into a territorial type relationship with the U.S.

In this regard, it clearly would be to the advantage of the United States, and possibly the Marianas as well, if U.S. goals can be met within a framework which has some precedent within U.S. experience. This would provide a common point of departure, reduce the problems of meshing the Marianas into the American system, and ease the acceptance and implementation of any final agreement by the U.S. Congress. At the same time, any

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solution must be subject to the approval of the people of the Marianas in a plebiscite.

B. Optional Approaches

Four basic precedents appear to offer practicable alternatives from the U.S. viewpoint. These are: integration with Guam, integration with Guam including safeguards for the Marianas, unincorporated territorial status, and commonwealth status. Within each of these options there is wide latitude for designing a formula which might meet the separate needs of both the Marianas and the United States. The following description of each option is not meant to be definitive, but rather to outline the broad framework of each approach in light of the goals outlined in Section II above.

There are theoretically two other options, incorporated territorial status and union with Hawaii, which are not discussed in this paper. The first is considered an "advanced" form of territorial status which has historically led territories into statehood. It is too advanced for the Marianas. The second would give the Marianas the immediate advantages of statehood as part of Hawaii. It is wholly impractical at this stage in the Marianas' development and probably impossible without Guam any time in the future.

OPTION 1. "Integration" of the Marianas with the Territory of Guam

The U.S. Government would seek to work out with the leadership of Guam and the Marianas an arrangement whereby the Marianas would become part of the Territory of Guam. The Organic Act of Guam would be amended to include the Marianas. The United States would provide continued and special financial assistance to cover budgetary support and capital improvements for a period of years until the Marianas became self-sufficient or at least integrated completely into the Guamanian governmental system. The

people of the Marianas would become U.S. citizens eligible for the benefits of that status to the same extent as citizen residents of Guam. There would be an integration of Marianas governmental functions and services with those of the Government of Guam wherever possible, with any services provided by Guam to be paid for by the Marianas Government.

PRO

1. Simplifies the negotiating process, since the Guam Organic Act would apply in its entirety: This option would avoid the need to negotiate a number of sensitive questions, e.g. the power of Federal eminent domain.
2. Provides the U.S. the simplest long-range solution from an administrative standpoint by avoiding the establishment of and U.S. support for another territorial government.
3. Requires less long-range financial support than options which do not involve integration, since the Marianas would gradually develop as part of Guam. Eventually there would be greater reliance upon Federal programs and services than upon outright cash grants.
4. For the above reasons, this option would probably be viewed favorably by the U.S. Congress.

CON

1. Acceptance by Guam voters is uncertain at best, considering the results of an informal 1969 Guamanian plebiscite rejecting integration. The Governor of Guam insists that Guam would vote differently today. The fact remains that this option would rest on U.S. ability to obtain bipartisan support for its proposal in the dynamic and extremely partisan political atmosphere of Guam.

2. Acceptance by the Marianas is very questionable. Opinion in the Marianas appears to have turned against union with Guam, at least for the immediate future. This trend was manifested in an informal survey in 1971 which indicated widespread opposition to integration with Guam and strong support for separate Commonwealth status. The Marianas leadership is opposed, in the main, to reintegration now.

3. More specifically, the Marianas people are concerned about losing control over local affairs to government and corporate interests on Guam. They fear political and economic domination by the more sophisticated and populous Guamanians. They would oppose any outside (i.e., non-Marianas) ability to control or acquire local lands (e.g., control by Government of Guam or purchase by U.S. or foreign speculators or developers) and would want a strong voice in any financial support the United States might furnish.

4. Guam holds little appeal as a model for the remainder of Micronesia, and this option would therefore have little favorable impact on the negotiations with the other districts.

5. It would not meet the legal requirements of the Trusteeship Agreement's "self-government or independence" language, unless Guam had in the meantime been accepted as "self-governing" within the U.N. context or Guam itself had adopted its own constitution. These are unlikely developments.

OPTION 2. Integration with Guam with Safeguards (Variation on Option 1)

A variation on the previously described formula for Option 1 could possibly be devised which would establish safeguards against total domination of the Marianas by Guam, to be in effect for a specified period of years, leading to a fully integrated status. First, there would be

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established a separate local government for the Marianas which would have authority in the areas of greatest concern, e.g. land regulation and control, business regulation, and disbursement of local funds. Other program areas would be under a central administration serving both Guam and the Marianas. In addition, there could be a moratorium on the acquisition of real property in the Marianas by other than bonafide local residents -- this would preclude an immediate takeover of the islands by outside speculators and developers, whether from Guam or elsewhere.

This expedient would change somewhat the balance of pros and cons as listed under option 1:

PRO

1. Establishing safeguards for protection of the vital interests of the Marianas would presumably make the option more attractive to the people of the Marianas and might overcome opposition to integration. The ability to vary the timing of full integration could be a strong selling point - if the Marianas have a decisive voice in this decision. The success of such a proposal could only be determined by putting it to an actual test in the negotiations.
2. Sets the stage for the eventual full union of the Marianas and Guam.
3. Assuming eventual full integration with Guam, provides and attractive long-range solution for the U.S. from an administrative standpoint, by avoiding the establishment and U.S. support of another territorial government.
4. Again, requires probably less long-range financial support than options which do not involve integration, but there would be no particular advantage in the short term.

1. Acceptance by both Marianas and Guam voters is still uncertain. The provision for safeguards would not make to proposal more appealing to Guamanians.

2. Seriously complicates the negotiations by introducing the issue of safeguards which must be agreed to by three instead of two parties.

OPTION 3. Unincorporated Territory

The U.S. Government would draft and present to the Marianas a proposed organic act creating an unincorporated territory of the Marianas, similar to the present status of Guam. The organic act (rather than a local constitution) would establish the internal structure of the territorial government as well as the working relationship between the territory and the Federal Government. The U.S. would have sovereignty in the islands and full legislative authority on behalf of the Marianas. The precise internal structure of the territorial government (e.g. elective or appointive governor, local budgetary controls, land arrangements, etc.) would be the subject of negotiation, as would the elements of the Federal-territorial relationship (e.g., presence of Federal comptroller, election of non-voting delegate to Congress, etc.). Any significant changes in the local governmental structure would require additional action by Congress.

PRO

1. Maintains considerable U.S. control over the internal affairs of the Marianas.

2. If reintegration with Guam is deemed a long-term rather than short-term goal, provides a parallel structure to Guam which could be merged with Guam at a later date. Such a move would still require some additional Congressional action.



3. Offers good prospects for obtaining approval of U.S. Congress, since it envisages a traditional territorial relationship and structure.

CON

1. Acceptance by the Marianas is very unlikely. The Marianas leaders obviously desire wide control of their local affairs and have had their expectations raised by the negotiations with the JCFS. They consider this status less prestigious than the 1970 Commonwealth offer, and believe that to accept it would belittle them in the eyes of Guam and the remainder of Micronesia.

2. For the same reasons, this status is unlikely to assist negotiations with the remainder of Micronesia. The Micronesian representatives rejected a similar offer. Micronesians who oppose close association with the U.S. cite the organic act approach as an attempt to retain control of local affairs in Washington in a manner not even as forthcoming as the Commonwealth offer of 1970 made to all Micronesia.

3. More U.S. financial assistance will probably be required than under proposals to integrate with Guam, and for a longer period.

4. There will be strong voices in the U.N. contending that since the constitution is in effect an act of the U.S. Congress, this status gives the U.S. too much control over the internal government of the Marianas and does not meet the legalities or spirit of the Trusteeship Agreement any more than integration with Guam would.

OPTION 4. Commonwealth Proposal

The U.S. Government would adapt its 1970 Commonwealth proposal for Micronesia to the special situation of the Marianas, and seek to gain approval thereof by the people of the Marianas. Commonwealth would offer internal self-government with separation of powers in a framework of over-

all U.S. sovereignty - to include among other features the return of the public lands to the local government, unspecified applicability of Federal Supremacy, U.S. citizen or national status, substantial economic benefits, and a locally drafted constitution consistent with the U.S. Constitution, executive orders and legislation. In addition, the Marianas would be tied into the existing Federal District Court at Guam.

While commonwealth status and unincorporated territory status are two points on a continuum and overlap in many ways, a fairly clear distinction can be made with respect to the degree and sources of internal autonomy of each. The structure of the commonwealth government would be established by a locally drafted and adopted constitution, which would need to be consistent with the U.S. Constitution and the general enabling legislation passed by the U.S. Congress, but otherwise a local product. The Commonwealth status also requires a republican form of government, which includes elected and separate executive and legislative branches, and an independence judiciary. This arrangement is in contrast to an unincorporated territorial status, where the constitutional framework of the local government would normally be contained in the organic act passed by the U.S. Congress, with changes thereto requiring Congressional approval.

PRO

1. Has an excellent prospect of being accepted by the people of the Marianas. An elected government, the ability to govern their own affairs, and control of their land (subject to U.S. Government requirements) would have a strong appeal for the people of the Marianas. As mentioned earlier, the Marianas District Legislature endorsed the 1970 Commonwealth at one point, and Marianas representatives have subsequently expressed strong interest in a commonwealth arrangement.

2. Offers an attractive example to the rest of Micronesia and good prospects for exercising a moderate influence on the Micronesian Status Negotiations. This option provides the people of the Marianas with political and financial security and control over local affairs -- goals which all Micronesians seek.

3. If buttressed by strong local support, satisfies the legal requirements of the Trusteeship Agreement and offers a fair prospect for gaining U.N. approval of the new status (assuming agreement on status with the remainder of Micronesia).

CON

1. Continues U.S. financial responsibility for the area; even a self-governing Marianas would require substantial long-term assistance because of limited resources and population. More financial assistance will probably be required than under proposals to integrate with Guam, and for a longer period.

2. U.S. Congressional position regarding separate status for such a small entity is uncertain. In this regard, however, the 1970 commonwealth proposal was not viewed unfavorably by the Interior Committees but applied to a larger entity.

3. Granting the Marianas Commonwealth status may add to other pressures for a change in Guam's status. However, Guam will, sooner or later and on its own merits, probably seek a change in its relationship with the U.S.

4. It will be somewhat more difficult for the Marianas to integrate eventually with Guam. To do so would require a comprehensive change in the governmental structure of either Guam or the Marianas and some additional legislation.

C. Summary

The following discussion takes a brief look at the options in order to assess their appeal and feasibility from four different perspectives.

1. The Marianas

This study assumes that the people of the Marianas do in fact want a close association with the U.S. They believe that such an arrangement will give them measures of political stability and economic assistance which a looser relationship cannot offer. Within that framework, however, the Marianas will strive to obtain as much control over their local affairs and as much freedom from Washington as possible. An important element in this equation is the prestige and pride of the Marianas people vis-a-vis the rest of Micronesia. Consequently, the Marianas representatives will strongly resist, at this time, an arrangement which integrates those islands immediately with Guam. For similar reasons, the Marianas Political Status Commission will greatly prefer commonwealth status to an unincorporated territorial option, if it can be tailored to meet some of its specific concerns (these will be discussed shortly).

2. Negotiations with the Remaining Districts

It is to the advantage of the U.S. to conclude the Marianas negotiations successfully, reaching in short order, agreement which will demonstrate the serious intent and generosity of the United States. This example could be an effective tool for dealing with the rest of Micronesia, by putting pressure on the "holdouts" from the other districts, and by exhibiting the tangible benefits of a close association. Indeed, the rapid implementation of such a status prior to termination of the Trusteeship could serve as a favorable example for other districts.

The commonwealth option is considered to offer the best prospects for rapid agreement and the best example for influencing the views of the

remaining districts. Commonwealth offers the Marianas more internal autonomy than any of the other three alternatives and appears to be accorded more prestige by the Micronesians themselves than the other forms of territorial status. The same provisions of the commonwealth offer making it attractive to the people of the Marianas - particularly those concerning a locally drafted constitution, control of land, and financial support - will be noted throughout the Trust Territory and could well have a significant and positive impact on the negotiations with the rest of Micronesia. It is probably too much to hope that the other Micronesian districts and their leaders would retreat from free association or independence to a Commonwealth arrangement. But the positive effects of a successful commonwealth arrangement in the Marianas could influence the other districts toward a closer association than now appears to be in the cards.

3. United Nations

As mentioned earlier, it may be difficult to fashion an agreement meeting U.S. objectives which will receive U.N. approval. Assuming widespread acceptance of the final agreement by the people of the Marianas, the U.N. will look most closely at the arrangements for self-government - the more local autonomy the more acceptable. Using that yardstick, some type of commonwealth would clearly be the preferred option.

4. Administrative Considerations.

As a long-range solution, there is little doubt that from the U.S. standpoint it would be preferable for Guam and the Marianas to be united into one U.S. territorial jurisdiction. There are clear administrative advantages to absorbing the new territory into an already established and functioning structure. Accordingly, such a union should be the eventual goal of the United States. This does not mean, however, that it should be

the immediate negotiating objective. Indeed, there are major reasons why the opposite may be the case as discussed in the preceding paragraphs.

Unincorporated territorial status provides the greatest Federal control and offers prospects for eventual integration with Guam if it is not considered possible or desirable to achieve that objective in the near term.

Commonwealth would be the most complex arrangement from the administrative standpoint. However, while it may not appear to be the optimum preliminary step to a subsequent integration with Guam, union at some future point would not present insurmountable problems. The U.S. proposal can be specifically tailored to promote this goal, by fostering joint Federal programs and program administration, by adopting similar laws and policies having a major impact (minimum wage, Jones Act, etc.), and by developing a program of financial assistance geared toward economic self-sufficiency after a stated period of years. Indeed, Guam itself may eventually move toward a commonwealth-type status and would probably do so rapidly if the Marianas became a commonwealth, in which case integration might come about by a somewhat different but quite satisfactory route.

There is some concern as to how the U.S. Congress would view a separate commonwealth of such limited size, but if the new status has the support of the local people and meets other U.S. interests, there is a reasonable likelihood that the Congress will go along with commonwealth.

Before drawing conclusions and framing final recommendations, it is necessary to look with more specificity at some of the problems of particular concern to the Micronesians, which promise to become important issues within the negotiations, and which must be accommodated within any framework prepared by the U.S.

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III B - Financial Arrangements1. Purpose

A fundamental incentive for the residents of the Mariana Islands to seek close association with the U.S. has been the anticipation of economic benefits and rewards. The primary reinforcement for that incentive has been the remarkable economic growth of Guam in the past few years and to a lesser extent the recent prosperity of Saipan itself. There is no question that the Marianas Political Status Commission will exercise all its leverage to attain the best possible financial arrangements with the U.S. Government, particularly in the areas of governmental support and land use.

The Mariana Islands currently receive financial assistance from the U.S. through annual appropriations and extension of U.S. federal programs and services to the Trust Territory. The Marianas share of the FY73 TTPI budget of \$60 million was some \$9.3 million, which included district government operational costs, district infra-structure projects, and Trust Territory headquarters expenditures credited to the Marianas. The Marianas share of U.S. programs and services runs about \$2.5 million annually (This figure may vary upwards for any single year when an individual project is funded separately). Therefore, U.S. assistance normally totals around \$12 million annually. This figure probably does not represent the full extent of U.S. support because a larger portion of the revenues allocated to the TTPI headquarters, which is located on Saipan, flows to local residents.

The Marianas government is by no means completely self-supporting. Tax revenues available to the local government were only some \$.75 million in FY73, while operational costs alone of the District's executive branch

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were over \$5 million during the same period. Local infra-structure costs were an additional \$2.2 million. Demands for expanded facilities and services in the future will keep government expenditures and costs at or above their present levels. Although more tax revenues can be expected after status agreement has been reached, the need for U.S. financial assistance will continue.

In addition to the revenue pressures on local government in the Marianas, there are high expectations among local residents for government services commensurate with rising standards of living and luxury and their perceptions of what close association means. Many Micronesian families have grown dependent upon the U.S. programs and services now extended. To reduce these programs at this time, given the relatively underdeveloped level of the Marianas and local attitudes, could impair the stability of the local government and its relationship with the U.S. Development expectations are resulting in growing pressures for additional, and identifiable U.S. programs and services. Mariana residents hold the general attitude that the U.S. should be willing to extend at least the same relative per capita level of financial assistance to the Marianas under a "close association" as the U.S. extends to its other territories. The Marianas Status Commission is currently examining the financial arrangements between the U.S. and its territories to assist in identifying their own financial goals. Financial arrangements in other newly emerging island states such as the Maldivo Islands, Western Samoa, and the Cook Islands will also be studied.

There are two additional factors to be considered: the financial agreement to be reached between the U.S. and the remainder of Micronesia, and the political sensitivities of Guam as any arrangement with the Mariana Islands. In prior negotiations with the Congress of Micronesia, the United

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States has argued that the amount of assistance extended by the U.S. should be related to the closeness of the political association. It is therefore imperative that the amount of support rendered to the Marianas clearly compare favorably with that given to the remainder of Micronesia but not such as would impair relations with Guam.

2. Basis of Assistance

The provision of U.S. financial assistance to the post-Trusteeship Government of the Mariana Islands is necessarily founded upon one of two possible approaches, which shall here be referred to as a "quid pro quo" basis and a "program" basis. As the term implies, a quid pro quo basis for assistance would normally involve an arm's-length bargaining arrangement in which the U.S.G. would pay the Marianas the least acceptable amount, in cash or programs, in return for satisfaction of its requirements in the district, whether such requirements are strategic or political. (In the current negotiations with the rest of Micronesia, the JCFS has suggested that U.S. economic assistance should be the quid pro quo for satisfying U.S. strategic requirements).

A program basis, however, implies a relationship whereby each party will assist the other as needed, and which relies less on a legal definition of rights and obligations than upon the pledged faith of the two parties. As for the actual level of financial assistance, this would depend upon the needs of the local government and people. This has been the basis for providing assistance over the years to American Samoa, Guam and the Virgin Islands, where the U.S. has provided substantial aid in a number of forms, usually as a supplement to local financial resources.

A program basis is indicative of a relationship of close association which in this case both parties are presumably seeking. On the other hand, a quid pro quo basis reflects a looser relationship more contractual in

nature and less suited to meet U.S. objectives. It is therefore recommended that U.S. assistance be built on a program basis, as with other U.S. territories, and that a financial assistance program be tailored to the specific needs, circumstances, and status of the Marianas.

3. Nature and Level of Financial Assistance Program

a. General. The financial assistance program for the Mariana Islands can be expected to have two parts: direct grants and the provision of Federal programs and services. In either case, the provision of post-Trusteeship assistance to the Marianas would require Congressional action. Direct grants of any sort could only be based upon specific legislative authorization. To receive certain federal programs the Marianas would also have to be specified by Congressional action as an eligible recipient. For some programs, the Marianas would be eligible automatically upon attaining territorial status.

b. Direct Grants. The Marianas, under any of the status options discussed in section III, will require grant subsidies to assist the operations of local government and to fund capital improvement programs. The Marianas Political Status Commission has recognized this problem and has asked the U.S. Government to consider furnishing direct operational support for the local government. Current TTPI Government expenditures in the district are estimated at \$9.3 million annually. Operational expenses of the Marianas Executive Branch in FY73 ran approximately to \$5 million and the remainder were set aside for capital improvement. It is likely that the costs of running a completely separate government would be even greater. Without having developed as yet an economic model for the district which factors in the applicability of Federal minimum wage laws, the loss of some TTPI activity and an increase of military and tourist development, this estimate is not considered precise; only future circumstances can reveal these needs.

In any event it is expected that local revenues, now under \$1 million, will be significantly increased by the applicability of Federal income tax laws and institution of other revenue measures. The direct grant portion of the Federal assistance program should be set up in such a manner as to foster and encourage the development of local revenue sources. This can best be done by means of a matching grant system, which would help fund the basic costs of infra-structure and operating the Marianas Government. In addition to matching funds, provision should be made for the extraordinary transitional costs of starting up a new government, although much of this cost will perhaps come in the period prior to actual termination of the Trusteeship.

To ensure that the financial arrangements do not close out eventual union with Guam, if such a union is not effected immediately, a time limitation (e.g., 10 years) or provision for periodic review should be built into any agreement with the Marianas regarding direct grants. This is desirable for several reasons. As capital improvement projects are completed and as the Marianas develop an increasing self-reliance, the U.S. may want to withdraw from the support picture. Similarly this scheme offers a device for applying pressure on the Marianas to merge with Guam, if that eventuality continues to be a goal of the United States. In any event, periodic review is desirable to provide some method for reassessing the financial aspects of the relationship.

With all the uncertainties in the picture, it is preferable to avoid a specific commitment to the Marianas in the negotiations. This tactic, however, ignores the realities and cannot be pressed too far. This subject is at the heart of the Marianas' position on close association, and their representatives will probably press hard for a financial commitment of some sort. The President's Personal Representative should have

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considerable flexibility in this area since any offer would depend on so many as yet undefined variables, e.g., the nature of the relationship and financial proposals of the Marianas Political Status Commission. He should, however, be provided a "direct grant" figure below which he is authorized to commit the Executive Branch, if he believe such action is necessary. Such an offer, of course, must be qualified so that the Marianas representatives clearly understand that U.S. Congressional approval is required before finalizing such an agreement.

A direct grant level of twelve million dollars annually is recommended. This figure exceeds the per capita direct grant level of any other U.S. territory, is considerably higher than the present level of funding for the Marianas, and when considered with federal services available, as well and military land rents, should allow sufficient latitude to insure that the U.S. offer will compare favorably with any settlement likely to come from the negotiations with the JCFS and restricted enough to preclude Guamanian criticism. If this figure proves inadequate, further guidance should be sought from the Under Secretaries Committee.

It is essential that the appropriate committees of the U.S. Congress be informed and consulted on this subject at the earliest opportunity. If financial agreements are to be implemented the Congress must be a part of the process from the outset and be made to feel that it has played a role in planning as well as implementation.

c. Programs and Services

In addition to direct subsidies, one of the objectives of close association from the Marianas point of view, is participation in many Federal programs and services available to the states and territories of the United States. Local residents currently depend to a great extent upon

U.S. technical assistance and professional services because local manpower is not sufficiently trained to meet local demands. This is particularly true in the areas of health, law, education, and construction. This dependency will remain for some time to come. The Marianas, as part of the TTPI, is now receiving approximately \$2.5 million in Federal services and programs annually and in FY73 received an additional one-shot \$5.1 million FAA airport construction grant. The level of U.S. services and programs would probably increase with a change in status. Presumably, the Marianas would be included, as they now are, within the jurisdiction of the Postal Service, the Coast Guard, the FAA and the CAB. In addition, the Marianas will wish to be eligible for various grant programs under HEW, HUD, DOT, etc. In this regard, eligibility would be determined by Congressional action, based upon recommendations to be made by a joint U.S.-Marianas survey group after review of potentially desirable Federal programs and statutes. The two exceptions are: 1) that if the Marianas is integrated with Guam from the outset, the whole question of Federal programs is moot, for the Marianas would be eligible to the same extent as Guam; and 2) that the Marianas, by assuming any sort of territorial status, would be eligible automatically for a number of programs in which the statutory language refers simply to "territories".

The United States should be very forthcoming in this area. Historically, U.S. territories have shared the benefits of such programs and services and have been tied more closely to the U.S. Government as a result. This is a fundamental objective of the U.S. in regard to the Marianas. Likewise, it is in this area that the contrast between the status of the Marianas and the solution which the rest of Micronesia seeks may be the sharpest. It is essential that the U.S. illustrate to all of Micronesia that a close association has some tangible and worthwhile

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benefits which free association or independence cannot match. Moreover, generosity in this area should permit a reduction in direct grants if not immediately, at least with the passage of time.

d. Land Payments. An important and sizeable source of U.S. support will be any rents paid by the U.S. Government in return for military and non-military use of Marianas land. As discussed in the foregoing land section, the U.S. Government intends to buy or lease land from the Marianas in order to fulfill its requirements. Payments for land should be made in the same fashion as they are made in any U.S. territory, and will come directly from the agency which will use the land. The price paid for the land or lease of the land will be negotiated as part of the overall agreement. This subject will precipitate hard bargaining because of local attitudes toward land and because of its scarcity. It is impossible to formulate specific guidelines, since the value of land in Micronesia cannot be estimated using U.S. standards and techniques. The TTPI Government has negotiated as high as \$4,000 per acre for a 25 year lease, but local expectations vary from district to district. The objective is to arrive at an agreed price which is reasonable under all circumstances. Of necessity, the President's Representative must have a great deal of latitude here and must consult closely with the pertinent departments of the Executive Branch.

e. Capital of Micronesia

The political considerations involving the possible requirement of moving the capital of the rest of Micronesia at some point are discussed elsewhere, but in view of the substantial cost involved, should also be addressed here. Estimates by the Congress of Micronesia for relocating and rebuilding in another district run as high as \$30-40 million range. The U.S. should be prepared at an early date to make provision for this

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requirement, and at the same time to derive as much negotiating leverage as possible from such an offer.

4. Recommendations. It is recommended that: (1) Direct U.S. assistance be structured generally in the form of matching grants to the Marianas (or to the Guam-Marianas Government in the event of union), and should be of a level which will continue to promote the economic well-being and prosperity of the Marianas. The transition period to the new status will provide a guide in this regard. In any event, the President's Representative should not commit the U.S. to direct grant assistance exceeding \$12 million annually. (2) The U.S. be as forthcoming as possible in offering Federal services and programs; the Marianas should be eligible for Federal Programs in the same manner as other territorial areas. (3) Assistance be provided to help with transitional costs. (4) A limiting time frame or provisions for periodic review be included in any agreement on such assistance. (5) The President's Representative be given the necessary latitude to negotiate agreed prices for U.S. land requirements. (6) Approval in principle be given to financing a new capital for the rest of Micronesia. Finally, it should be noted that the foregoing discussion and recommendations do not suggest any particular status option. All of the alternatives discussed in Section III lend themselves equally well to the financial approach outlined above.

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