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VISIONS OF E.O. 12356 BY
HARRY DELASHMUTT, CHIEF
BRANCH OF SECURITY, DOI
SIGNED: *Harry Delashmutt*

To: OSN - Captain Crowe
From: TTPI POLAD - John C. Dorrance *p*
Subject: TTPI - Financing Arrangements

This is with reference to your March 10 memorandum to the IAG which covered a draft statement on financing, and to other memoranda from various IAG members on the same subject.

My primary concerns with respect to the draft statement as it presently stands are threefold:

(a) We are being unrealistic by suggesting levels of assistance in the absence of information on the nature of Micronesia's future government, and on the likely nature of that government's programs and policies -- particularly with respect to economic development. Any estimates put together at this time would be pure guesswork.

(b) Even in the absence of concrete information on the financial requirements of a self-governing Micronesia, it is probably safe to assume the proposed levels of assistance are out of line with realities in Micronesia today. Micronesia could not conceivably support even a minimum of the services and development that we have built into the Micronesian infrastructure, e.g., staffing of schools and hospitals, and maintenance of inter-island transportation services.

(c) The levels of assistance suggested in the draft statement could become a forceful argument (from the Micronesian point of view) for independence. For the districts other than the Marianas, the primary and almost only reason for association is access to economic and other assistance (but especially budget support) difficult or impossible to obtain at adequate levels under independence. If they could convince themselves (however naively) that they could do as well or nearly as well in the financing area with independence, we are in trouble. In this regard, I do note that a tactical purpose for discussion of the proposed low levels of financing is considered to be that of highlighting the problems of the loose association the Micronesians seek and which we will be discussing. But if that exercise is to have any value, we must assume that scaring the wits out of them on financing will in

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effect cause them to drop their four principles, put up their arms, and shout surrender, and go for a far tighter relationship than has been considered in Micronesia. In my view there is no possibility this will happen. The danger is precisely the opposite, a new review on their part of the advantages and disadvantages of independence vis-a-vis free association.

In the above circumstances, I would propose that we follow the following line at the Palau talks:

(a) Point out that any discussion of specific levels of budget support and other financial assistance requires far more information than is presently available on the nature of Micronesia's future government and programs, including precise information on the levels and nature of U.S. programs and services that will operate in Micronesia. In this connection, we could propose a Joint U.S.-Micronesian study on future requirements which would establish the minimum levels of assistance required.

(b) The above does not preclude discussion of the mechanics of funding, but in this area it might be best first to attempt to draw Micronesians out and determine what their own further thoughts may be.

(c) Also, we should solicit further information from the Micronesians on the nature and levels of programs and services they will wish to have in Micronesia after the Trusteeship. Again the mechanics of arrangements and perhaps even model agreements could be worked out.

(d) All the above does not preclude the possibility of discussing financing arrangements for our land requirements. But in the main, our effort here should be to establish more firmly the mechanics for the land negotiations. We must bear in mind that the lands in question in the Marshalls are private lands. Will the Marshallese permit negotiations with a territory-wide body insofar as their lands are concerned? As to Palau, the lands for the most part are TTPI public, but probably will be either district public or even private (clan) lands after termination of the Trusteeship Agreement. In these circumstances, will the Palauans go along with negotiation of the option arrangements with a territory-wide body? These are questions that must be answered far more satisfactorily than has been the case to date, but the problem is primarily a Micronesian one and our effort should be directed at assuring that suitable negotiating arrangements are established, not what they are.

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