

Amelia Williams

4/20/1972

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Moving to finance, it has seemed to us that reaching agreement, even tentatively, in the area of finance, poses many problems. We think it would be useless and perhaps even harmful if we were to attempt to frame a Compact without thoroughly exploring in advance each other's views on your future budgetary needs, levels and kinds of economic and technical assistance desired, the feasibility of attaining various types of support through U. S. budgetary processes, and many other questions of a detailed and technical nature.

Before going on, I would like to say that we are aware of and respect your resolve that your future status not be dictated by money. We know also that voices have been raised from time to time in Micronesia saying that the present level of U.S. financing is actually a source of dismay, that the United States may be inflating an already artificial economy by pumping into it large sums of money. We further understand that one of the principal objectives of any future relationship should be directed toward attaining greater Micronesian self-sufficiency and economic independence.

These are fundamental issues which you must weigh as you consider your future. Our contribution here at Palau will be limited to presenting for your consideration some of our general views on your future financial relationship with the United States. We will also make positive and, we hope, constructive suggestions as to how we might speed up the process of reaching agreement in this area. For example, it might be useful if our two delegations were to consider appointing a joint subcommittee to study this whole question before attempting to draft the financial provisions of the Compact. Many, if not all, of the answers will be influenced by the kind of relationship you desire in the future with my country. As we stated at Hana: "It is clear that the form, substance and continuity of a future association will have a direct bearing on our long-term financial relationship."

What this suggests is that under a close association there is a greater likelihood that the United States Congress and the American taxpayer will be willing to accept the responsibility of long-term and abiding commitments to the people of Micronesia. It stands to reason, conversely, that the more tenuous the relationship, the more difficult it will be to assure continuing and adequate budgetary support and the availability of federal programs and services.

We do not wish to press this point. We know - I repeat, we know - that you have recognized this logical consequence and we are not urging any realignment of your principles or priorities for monetary considerations. We do hope, however, that you will not overlook the practical implications of the relationship between anticipated future budgetary support levels and the character of your future status.

In any event, we will wish to make the point again that Micronesia's economy, Micronesia's development, and the management of Micronesia's resources should and would be under Micronesian control. Under a new government, responsibility for determining your priorities and overall economic needs will be yours. The questions of what future direction Micronesia will wish to take in terms of its economic growth; the relationship of this development to your own cultural and traditional values, the pace of change and other considerations affecting the quality of life for your people will be for you to debate and to determine. Certainly your own desires, your own needs as you see them, and your own initiative and resolve will be critical factors in your economic future.

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Sen. Salis

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Thank you, Mr. Ambassador, for your presentation. Now I would like to present the Micronesian Delegation's position on the issues of finances and transition. The Micronesian Delegation has given considerable thought to the issue of financing, both as it relates to the transitional period and also with respect to the status which will exist when the new relationship of free association comes into existence.

It appears to us that the financing to be furnished by the United States derives from four mutual interests. The first of these is the continuing economic support which the United States is to furnish during the transition of Micronesia from trust status to economic independence. Included in this category will also come the provision of various United States Government programs and services that may on request of the Government of Micronesia be made available. The second category of financing would be in the nature of a payment to the Government of Micronesia on an annual basis in compensation for the agreement of the Government of Micronesia to exclude from its land and territorial waters the military presence of any nation other than the United States. The third annual payment would be for the continuing right of the United States to use certain agreed upon land and territorial waters of Micronesia for the purpose of United States military bases and operations. The fourth would be the specific rentals for the particular land and territorial waters utilized for military base purposes and payments for the

options which are to be granted to the United States for the possible construction of military bases and facilities in the future. The first category of support payments and services and the second two categories of payments would be furnished directly by the Government of the United States for the use of the Government of Micronesia. The fourth category reflecting leases and payments for options on specific land would, in some instances, be channeled through the Government of Micronesia to individual land owners.

Insofar as the level of payments is concerned, the Micronesian Delegation requests that the United States Delegation give favorable consideration to the amount of \$50,000,000 annually for economic support and the United States programs determined to be desirable for Micronesia. In the remaining three categories of compensation for the military privileges afforded to the United States, an additional aggregate sum of \$50,000,000 appears appropriate.

It would be anticipated, of course, that the overall payment level would be adjusted appropriately to reflect inflation or possible dollar devaluation.

The Micronesian Delegation also recognizes that some provision would have to be made for the phasing out of the existing Trust Territory Government and the takeover of full executive, legislative and judicial responsibility by the Government of Micronesia. During this transitional period, some portion of the overall financing will be required for the continued support of the Trust Territory Government. The Micronesian Delegation believes that a two year period will be adequate to complete the phasing out of the Trust Territory Government and the assumption of Micronesian control. The appropriate allocation of the overall financing level can be determined as necessary during this transitional period.

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Sen. Salie

April 12, 1973

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At the Third Round of Negotiations at Hana, Maui, and the Fourth Round of Negotiations at Koror, Palsu, the Micronesian and United States Delegations have reached general agreement in principle on all of the key matters relating to the future political status of Micronesia other than the question of financing. The area of finances, including a determination of the various United States programs to be made available to Micronesia at its request, will be the subject of a joint study by subcommittees of the two delegations. Also assigned to subcommittees will be the problems of drafting the specific terms of the Compact of Free Association and the mutual security treaty which would go into effect in the event of termination of the Compact.

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Hon. Williams

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With respect to finance, we are willing to pursue further this important question with you. As we said on April 3, we do not believe that it will be possible to frame an agreement in this area until we have had the benefit of your views on a number of important questions relating to your future needs, your future financial policies and institutions, the degree to which you want U.S. federal programs and services to continue under your new status, and other important and related questions.

As I have said on more than one previous occasion, it stands to reason that any commitment on the part of the United States will depend not only on the answers to the above practical questions, but also on the nature, the closeness and the continuity of our future relationship. I can also repeat that we respect your desire to control your own financial affairs and future economic development of Micronesia. We also wish to say again that we admire your resolve to work toward the goal of greater Micronesian economic self-sufficiency.

I would suggest that finance, along with transition and other questions such as future U.S. programs and services, land issues, etc., be the subject of further study, perhaps by a joint group, as I have already recommended. Such a study would be most useful as background for our further exchanges and the joint drafting of the final Compact. Your ideas on this would be welcome.

Finally, on finance, I would be doing you a disfavor if I were to leave this issue without stating candidly that our views on the future level and categories of U.S. support are far apart. A resolution of this issue and a coming together on an appropriate, just and reasonable level of financial commitment on the part of the United States would, we believe be facilitated by the study just referred to and a further exchange on this question.

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