



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240-

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June 30, 1972

ACTION MEMORANDUM

To: The Chairman, Under Secretaries Committee

From: Franklin Haydn Williams, The President's Personal Representative for Micronesian Status Negotiations

Subject: Future Financial Aid to Micronesia

ACTION REQUESTED

1. This memorandum requests authority to discuss with the Joint Status Committee of the Congress of Micronesia during meetings in July a possible level of future financial support to Micronesia to be provided by the U.S. once agreement on an association between Micronesia and the U.S. has been reached and the UN Trusteeship terminated.

2. The proposed level of support would fall somewhere in the range from \$25 million to \$50 million annually depending on (1) the closeness of the association and (2) the price that will have to be paid to satisfy basic U.S. security interests. Determination of the precise level would require detailed study within the Executive Branch and close consultations with the Congress.

3. The form of U.S. assistance will have to be negotiated. It could consist of an annual lump sum payment, or it could be broken down into some or all of the following categories: budget support, a matching development fund, provision of U.S. programs and services, and land rentals.

4. The use of such a range of proposed support in discussions with the Micronesians would be subject to the following assumptions and qualifications:

- a. The Marianas have been excluded from the calculations because of their decision to seek a closer, permanent association with the United States.
- b. The Micronesians will move toward a simpler, less costly government once the Trusteeship is terminated.
- c. U.S. financial assistance will be contingent on prior agreement guaranteeing that U.S. foreign affairs, defense, and land requirements will be satisfied.

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Such assistance would be subject to periodic review.

d. Any U.S. proposal for future financial support at any level would be subject to Congressional review and approval.

5. The Interagency Group supporting the Micronesian Status Negotiations concurs in the sense of this request, but there has not been agreement as to the precise range of financial support the U.S. should contemplate. Working level suggestions from IAG members range from \$15 - \$35 million (JCS) to \$25 - \$40 million (State). My own judgment is that the \$25 - \$50 million range noted above would provide me with the flexibility I need in case it should seem useful to discuss a particular figure within this range with the Micronesians.

Approved _____

Disapproved _____

DISCUSSION

A. General

1. My current negotiating instructions do not set forth any financial guidelines. The NSC-USC Options Paper of March 31, 1971, however, assumed a U.S. commitment for general support of a future government of Micronesia and payment for land usage to satisfy minimum U.S. military requirements. Moreover, my instructions direct me to "build up vested Micronesian interests" in a close association through the provision of U.S. programs and services.

2. It has been the U.S. position up to now that, before discussing specific levels of support, the USG must learn more about what the Micronesians think their financial needs to be and their plans for disbursing and accounting for whatever funds may be available. The Micronesian Status Delegation has been reluctant to be specific, preferring to talk in terms of the overall level of support. It may be necessary at the next session, in order to avoid an impasse on this issue and/or to impress the Micronesians with economic realities, to cite, for illustrative purposes only, a general level of support which the U.S. is considering.

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B. Rationale for Financial Assistance to Micronesia

1. In a post-trusteeship association the United States will feel a continuing responsibility to help these island people work themselves out of their long period of dependent tutelage toward a greater self-sufficiency.

2. Continued economic assistance will tie Micronesia more closely to the U.S. and can be regarded as a quid pro quo for the protection of U.S. interests in foreign affairs and defense as guaranteed by a Compact of Association.

C. Why this particular range of assistance?

1. There are two conflicting considerations. It is desirable to keep the support furnished by the United States at a reasonable level. For purposes of negotiation, it would be wise to start with a low figure. On the other hand, the initial figure must not be so low as to completely alienate the Micronesians and to cause a severe setback in the negotiations.

2. The Department of Interior's current budget for the TTPI is \$50 million annually and estimates for beyond FY 73, assuming a continuation of the Trusteeship, run to \$70 million. In addition, U.S. programs and services funded by other departments come to about \$15 million a year. Exclusion of the Mariana Islands District from these calculations would allow for roughly a one-sixth reduction of current expenditures.

3. Taking into account the current budget and the request of the Micronesians, presented at Koror, for \$100 million annually, it is my judgment that any offer under \$25 million would so shock Micronesian expectations that it would be counterproductive.

4. An offer at the lower end of the range I have proposed will involve considerable reduction in the present level of support. Nevertheless, a low figure may well be used to advantage. The Micronesians have yet to face up to the possibility that a loose or tenuous relationship with the United States could mean a lower standard of living for them than they have been accustomed to over the past few years. In order to strengthen the U.S. bargaining position, it may be advisable to make that point, which can best be done by citing an illustrative figure. Such a figure can be rationalized by drawing on past Micronesian statements criticizing the U.S. for creating an artificial economy by subsidizing every facet of Micronesian life.

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5. Our basic offer can be raised in return for agreement in areas of vital importance to the U.S., as suggested by the U.S. position that the nature and closeness of the future association will determine in large measure the level and continuity of U.S. financial assistance. The upper end of the proposed range approaches the present level of support when the funds for the Marianas and salaries of expensive expatriate employees are subtracted.

6. In essence, the \$25 to \$50 million range gives the leeway required to open the financial negotiations if it becomes necessary to speak illustratively to overall levels in July.

D. Proposed Tactics for July Meeting

1. The U.S. will comment further on the Micronesian proposal put forward in April calling for an annual sum of \$100 million for economic assistance, denial payments, defense access, and land rental. We have already stated that we are far apart as to the categories and the amount requested and intend in July to reject the suggestion that the U.S. pay separate and distinct sums for denial and access.

2. The U.S. will again press for information from Micronesians about their future needs and revenues, the kinds of U.S. services and programs they would like to see continued, the kinds of fiscal and budgetary institutions they envisage, the distribution of external income between the various levels of internal government, and the procedures they will adopt to ensure accountability for future funds provided by the U.S. We will underline the fact that further discussion of this subject requires a detailed contribution from the Micronesians.

3. If it is considered necessary and appropriate, the U.S. would use the proposed range of support (\$25 - \$50 million) for illustrative purposes only.

4. Finally, the U.S. will again propose a joint Micronesian-American study of the economic and financial implications of a change in status and that the final provisions of the Compact including amounts will have to await the outcome of such a study.

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