

9/22/72 13/74

SCENARIO FOR FINANCIAL NEGOTIATIONS

1. Make initial presentation citing \$27.5 million basic offer and follow up with detailed discussion of Title IV.

2. If Micronesians protest bitterly that this is not enough for them to live and develop on, as they probably will, follow this line:

a) Review rationale provided with Title IV.

b) Say we have confessedly been operating somewhat in the dark and have had to engage in some speculative thinking.

c) We have several times asked the Micronesians for their detailed thinking about future financial needs as a guide to our own planning but have so far elicited no response.

d) Consequently, we have assumed 1) the absence of the marianas; 2) the CIP, which has accounted for a significant share of the TTPI budget in recent years (\$25 million for FY 71; \$20 million in FY 72; \$16 million in FY 73), would be reduced as many projects are completed during the final years of the Trusteeship.

e) We have taken at face value the oft-repeated and thus far uncontradicted statements of many Micronesians that there is a real desire, not to say a need, for a simplified governmental structure consistent with the social and cultural traditions of Micronesia and for a rational economic structure which relates directly to Micronesia's productive capacity and its ability to absorb new enterprise. The alternative, it seems to us, could be a continuing and unhealthy reliance on an artificial, import-based economy.

f) We recognize at the outset that the figure we have proposed may strike the Micronesians as an arbitrary one. It may be that there are important factors or needs which have not been given sufficient weight. In that case, we would, once again, welcome ideas, with supporting justification, so that in developing our recommendations within the Executive Branch and to the U.S. Congress we would have the benefit of the fullest possible argumentation.

3. At that point, if the Micronesians make any reasonable efforts to meet our requirements on this score and if the independence issue has not destroyed their commitment to the portions of the Compact already agreed to, we consider whether to up the ante, and by how much.

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SEA - AIR RESCUE SERVICE

As it now exists, the sea-air rescue service now provided by the U.S. military to the inhabitants of the TTPI is a gratuitous service made possible by the presence of the U.S. military facilities in the area.

Assuming that there would be a continuing U.S. military presence in Micronesia after the emergence of a new status, sea-air rescue could be continued on the same informal and voluntary basis. DOD would object to an agreement which obligated the United States to provide such services since this could mean that we might be obliged to maintain forces in the area only for the purpose of meeting our commitment to the Micronesians with no primary mission to serve as an umbrella. The cost of providing such services unrelated to a U.S. military presence in Micronesia would be prohibitive.

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CIVIC ACTION TEAMS

Although there is considerable disillusion in Defense with the payoff derived from the Civic Action Teams now operating in Micronesia, Defense would probably be willing to continue them if their continuance would have a beneficial effect on the current negotiation of a Compact.

024107

DIPLOMATIC AND CONSULAR SERVICES

The cost of diplomatic and consular services to the Micronesians, which are likely to be minimal, would be covered by the State Department budget which is first broken down according to function on a world-wide basis and then divided on a geographical basis.

To set up an example, the Embassy in Tokyo would have officers in economic-commercial section, the consular section, and the political section charged with responsibility for Micronesian affairs. Assuming that the combined efforts of all of them would amount to one-tenth of one man-year, the cost at his particular post would be well under \$10,000 per year.

While we might find it useful to remind the Micronesians that we are willing to provide this service, we should be chary of any argument that this represents any great thing. For one thing, the amount of money involved is quite small. For another, there is no possibility that the Micronesians could duplicate such facilities, even if they were inclined to do so, and certainly not for the marginal cost it represents to us as simply another added operation. Consequently, cost comparisons about how much money we are saving them by providing such services tend to be fallacious.

024108

TRAINING IN INTERNATIONAL AFFAIRS

The Congress of Micronesia introduced a resolution at its special session in Ponape calling in the Department of State to provide special training to Micronesians in "international and foreign affairs". No action was taken before the end of the session.

We have had informal conversations with individuals in various agencies that might help in such a program. We would want to solicit Micronesian views as to the kind of training that they have in mind, but it appears a safe assumption that their primary concerns would be international commercial activity and developmental economics.

Keeping these factors in mind, we can discuss a program along the following lines:

Upon nomination by the Congress of Micronesia or other designated body, the United States could set up individually tailored training programs for Micronesians in the field of international and foreign affairs, with particular reference to international trade and commercial relations. Such programs could include

- a. Short training course in which Micronesians would be enrolled for specified periods. Examples are East Asia Area Training Courses at FSI and the International Trade Seminar at Commerce.
- b. The Bowie Seminar in International Affairs at Harvard.
- c. Study tours tailored to individual needs. These could include periods of observation in U.S. Government Departments and in U.S. Missions or Trade Centers in East Asia.

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d. Study at private universities or institutes to be arranged through AID or other agencies, public or private.

There are several ways that the costs of these programs could be met. Study tours to include short courses might be included as part of a State Department leader grant program or worked out through the appropriate department of the TTPI.

024110

FINANCIAL COMMITMENT TO MICRONESIA

We cannot on behalf of the Executive Branch make an unqualified, absolute commitment of financial assistance to Micronesia because financial provisions are subject to Congressional appropriations.

The conventional wisdom of the Departments involved, particularly State, and confirmed by our contacts in OMB, is that any financial offer to the Micronesians should be qualified by the statement, "subject to Congressional approval" or its equivalent. It is the courteous thing to do to be as precise as possible about our limitations and also precludes the possibility of feigned misunderstanding later on.

The Compact, which would include the financial assurances, will of course be approved by the Congress eventually, and it is at least conceivable, but not very likely, that they would wish to use some other formulation.

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