

SITES IF REQUIRED. ALSO, CHECK IS BEING MADE TO DETERMINE WHAT INFORMATION OF THIS TYPE IS PRESENTLY AVAILABLE. FINAL DECISION AS TO PROCEEDING WITH THE PALAU SURVEY AT THIS TIME HAS NOT BEEN-MADE.

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B. FINANCE - FORTY MINUTE MEETING OF THIS SUB-COMMITTEE WAS TOTALLY UNPRODUCTIVE. ONCE IT WAS MADE CLEAR BY THE US CHAIRMAN THAT THE GROUND RULES AS AGREED TO BETWEEN SENATOR SALII AND AMBASSADOR WILLIAMS EXCLUDED DISCUSSION OF LEVELS OF ASSISTANCE AND COMPACT LANGUAGE, MR. WARNKE ASKED: "WHAT IS THERE TO TALK ABOUT?"

(1) THE VERY LIMITED EXCHANGE THEN PROCEEDED ALONG THE FOLLOWING LINES: THE US SIDE OPENED BY SAYING THAT IT WAS INTERESTED IN MICRONESIAN IDEAS AS TO THE MIX OF ANY US ASSISTANCE AND THAT THEY HAD BEEN IN THE DARK AS TO HOW THE MICRONESIANS SAW THEIR RELATIVE PRIORITIES. THEIR REACTIONS TO THSE POINTS COULD BE USEFUL IN PREPARING EXECUTIVE BRANCH AND CONGRESSIONAL PRESENTATIONS.

(2) MICRONESIANS RESPONED THAT IT WAS THE POSITION OF THEIR CONGRESS THAT ALL FUNDS AVAILABLE TO MICRONESIA. WOULD BE CHANNELED THROUGH THE CENTRAL GOVERNMENT WHICH HOULD DECIDE ON HOW THEY HOULD DE ALLOCATED. THEI ENVIOION PAYMENT OF A LUMP SUM WITH ONLY MINIMAL US INVOLVEMENT. THE MICRONESIAN PROPOSAL FOR \$100 MILLION IN PAYMENT FOR US DEFENSE RIGHTS AND ECONOMIC ASSISTANCE HAD ALREADY BEEN MADE AS A QUID PRO QUO FOR THE AGREEMENTS THE MICRONESIANS MIGHT MAKE. WE STATED THAT WE HAD ALREADY SAID WE WERE FAR APART ON THE AMOUNT AND NATURE OF THAT PROPOSAL.

(3) MICRONESIANS STATED THAT IT WAS A PRACTICAL IMPOSSIBILITY TO TALK ABOUT MIXES AND VARIOUS PROGRAMS WITHOUT A CONCRETE US OFFER. SINCE THE US WAS UNWILLING TO MAKE AN OFFER, THE MEETING WAS' ADJOURNED, WITH THE MICRONESIANS UNDERTAKING TO THINK ABOUT POSSIBLE AREAS OF EXCHANGE BUT WITHOUT ANY REAL HOPE THEY WOULD COME UP WITH ANYTHING CONCRETE.

(4) IT IS FELT THAT SOONER OR LATER A DOLLAR FIGURE WILL HAVE TO BE GIVEN BY THE US. HOWEVER, PRESENTLY THE TIMING WOULD BE WRONG TO DO SO AND COULD WORK AGAINST US DUE TO THE MICRONFSIAN INDEPENDENCE MOVEMENT. TOO LOW A FIGURE COULD AID THE INDEPENDENCE MOVEMENT. WHAT IS NEEDED IS DOLLAR FIGURES TO BE PRESENTED WITH VARIOUS OPTIONS SUCH AS STATUS DUD, FREE ASSOCIATION, COMMONNEALTH, AND INDEPENDENCE.

PAGE 2

