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MEMORANDUM FOR HOWARD WILLENS, JAY LAPIN, DAVID HANES

SUBJECT: Some Ideas for the Meeting with Jim Leonard

Some of the legal issues (and alternative solutions) we are considering have substantial ties to Jim Leonard's work. I have quickly jotted down some of the common concerns. Howard might discuss them at his Thursday meeting with Leonard. See Tab A.

Barry Carter *BC*

Attachment

cc: Grant Morris
Nancy Schuh

01-03797

TAB A

QUESTIONS FOR LEONARD

[NOTE: First read Leonard's letter to Pangelinan, 3/19/73.]

For the following items:

1. Specify the assumption he uses in his calculations and its significance to those calculations.
2. Explain the general significance of alternative assumptions.

Items

1. Immigration
 - a. What assumptions did he make about the number, source, and kind of immigrants? (E.g., skilled workers.)
 - b. What ceilings do his plans for capital improvements, etc. put on immigration?
 - c. How many, from where, and what kind of immigration is required for alternative rates and types of economic growth?
2. Taxes
 - a. What assumptions did he make about the income tax structure?
 - b. What advantages/disadvantages would there be to income tax structures other than those based on the federal income tax?
 - c. What assumptions did he make about property taxes and other taxes?
3. Customs
 - a. What assumption did he make about the customs system?

b. What would be the advantages/disadvantages (quantified as much as possible) of the following alternatives:

(1) Imports

(a) Free port.

(b) No tariffs on U.S. goods, some tariff on non-U.S. goods.

(c) Tariffs on all imports (with possibly some exceptions).

(d) Other.

(2) Exports

(a) re: U.S.

(i) Free entry

(ii) 50% rule (à la Guam)

(iii) Most-favored nation status

(iv) Something else

(b) re: Other countries

(i) Some preferential treatment as a less-developed state

(ii) Same as U.S. goods

4. Capital for Marianas Government and Quasi-Public Agencies (e.g., power authorities).

a. -What legal and other sources does he have for his basic proposition that the U.S. is committed to providing the Marianas with at least the minimum U.S. standard of living (public services)? Are there alternative propositions which have been expressed in any serious way? If so, what and where?

b. For a range of alternative levels of outside support to the Marianas, what would be the implications on the Marianas' capital improvements and general economic development?

c. U.S. programs and grants-in-aid

- (1) What is the present level of funding the Marianas receives from federal programs and grants-in-aid? (FY '73 and proposed for FY '74)
- (2) Does he have a list of the major programs?

d. Loans from U.S. government

- (1) Does he plan on loans from U.S. government?
- (2) What U.S. programs are possible loan sources?

e. Private capital from U.S.

- (1) Does he plan on this? If so, how much?
- (2) How sensitive are his calculations or any alternative plans to the bonds being tax-exempt?
- (3) How much would this private capital be discouraged by strict controls on land alienation so that only Marianas citizens can own land? By the requirement for at least partial control by a Marianas citizen? by no controls?

f. Foreign capital

- (1) How much does he assume from international institutions? Which institutions?
- (2) Regardless of his plans, what and how much assistance might international institutions provide?
- (3) How much does he assume from private foreign capital?
- (4) See questions on land restrictions at 4e(3) above

6. Private Investment in the Private Sector

a. From U.S.

(1) How much does he plan on this? From where?

(2) What key factors would increase or decrease this -- e.g., customs, land alienation (see 4e(3)) tax law? By how much?

b. From foreign sources

(1) See the questions above at 5a.

6. Military Plans

a. Land requirements

(1) What land requirements does he assume for the U.S. military?

(2) How wide is his range of uncertainty about the military's requirements?

(3) How sensitive are his calculations and Marianas' economic development generally to alternative assumptions about military land requirements? (E.g., 25% more land.)

b. General presence

(1) What military presence does he assume -- e.g. construction programs, consumption?

(2) How wide is his range of uncertainty about the military's plans?

(3) How sensitive are his calculations and the Marianas' economic development generally to alternative assumptions?