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September 28, 1973

Robert J. Patrick, Jr., Esq.
International Tax Counsel
Room 4004, Main Treasury
Washington, D. C. 20220

Re: Marianas

Dear Bob:

Jack Lahahan and I very much appreciated the time that you and Tom Bissell spent with us this morning to discuss some of the problems that have arisen under various tax systems that have been adopted with respect to U.S. possessions. As stated at the meeting, we are attempting to formulate recommendations with respect to the type of tax structure that might be developed for the Mariana Islands at such time as they cease to be part of the Trust Territory of the Pacific Islands.

Since 1947 the Mariana Islands have been administered by the United States under U.N. trusteeship as part of the Trust Territory of the Pacific Islands. By Act of May 19, 1972, the District Legislature of the Marianas authorized the creation of the Marianas Political Status Commission ("Commission") to study the achievement of political union between the Marianas and the United States. This firm has been retained to advise the Commission.

Beginning in December of 1972, the Commission has met with the President's personal representative Franklin Haydn Williams and other members of the U.S. Delegation, including representatives of the Office of Micronesian

Status Negotiations. As a result of negotiations occurring from May 15 to June 4, 1973, the Commission and the President's personal representative issued a Joint Communiqué on June 4, 1973 which outlined certain tentative agreements with respect to the future political relationship, United States financial and economic assistance and certain land matters, including United States land requirements. A copy of the Joint Communiqué is attached. Tentative agreement was reached that the future political relationship with the United States will take the form of a commonwealth relationship to be defined by a formal political status agreement. Under this arrangement, the future Marianas' government will exercise a maximum amount of self government consistent with relevant provisions of the United States Constitution and federal law.

If you would like any additional information, we would be happy to provide it. Meanwhile, we look forward to further discussions with Tom Bissell concerning some of the administrative and legal problems that have arisen with respect to Guam and the Virgin Islands under the mirror image tax system.

Again, our thanks for your assistance.

Sincerely,

F. David Lake, Jr.

Attachment
cc: Thomas Bissell, Esq.