



OFFICE OF MICRONESIAN STATUS NEGOTIATIONS

Washington, D.C. 20240

UNCLASSIFIED

October 26, 1973

E
(b) (5) 03
8



To: Members of the Interagency Working Group

- Captain E.C. Whelan, OSD/ISA
- Colonel W.R. Kenty, JCS
- Mr. James Berg, Territories
- Mr. Charles Sylvester, IO/UNP
- Mr. Herman Marcuse, Justice
- Mr. John Dorrance, EA/ANP
- Mr. O. Thomas Johnson, L/EA

[Handwritten signatures and initials]

From: Captain Richard Y. Scott, Director, Office for Micronesian Status Negotiations

Subj: Revision of the Draft Compact

Suggested proposals for revision of the draft compact from each of the Interagency Group members is attached for your attention. These proposals have been incorporated directly into individual sections of the draft compact and are color coded for your convenience. It should be noted that these incorporations do not take into consideration other proposals from the Interagency Group and may consequently conflict with one another in some instances. Reference on a specific proposal should be made to the departmental memorandum suggesting the change.

Department of Justice comments submitted informally, have been incorporated in the attached draft. Mr. Silver, OMSN has also suggested alternative approaches to Title IV; although these recommendations have not been incorporated into the draft compact, it is requested that they be reviewed for comment.

After you have had opportunity to review and analyze the various interagency proposals for revision, attention should be directed to the proposed SOFA. The Micronesians may request that this be addressed during our November session as it will be an integral part of the Compact of Free Association.

A meeting is scheduled for 0930, 31 October for the purpose of finalizing the draft compact provisions, with fallback positions as appropriate.

DECLASSIFIED/RELEASED ON
6/29/88 UNDER PRO-
VISIONS OF E.O. 12356 BY
HARRY DELASHMUTT, CHIEF
BRANCH OF SECURITY, DOI
SIGNED:

[Signature of Harry Delashmutt]

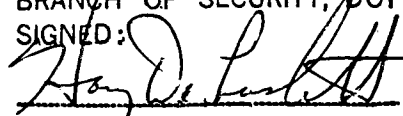
[Signature of R. Y. Scott]
R. Y. Scott

UNCLASSIFIED

04-427468

GEN-131

UNCLASSIFIED

07
6
DECLASSIFIED/RELEASED ON
6/29/89 UNDER PRO-
VISIONS OF E.O. 12356 BY
HARRY DELASHMUTT, CHIEF
BRANCH OF SECURITY, DOI
SIGNED: 

To: R.Y. Scott - Director, OMSN
From: Solomon Silver - Economic Consultant
Subject: JCFS Compact - Title IV

There are attached four alternative models for a Title IV, "Financial Provisions" portion of a Compact with the Joint Committee. The significant differences as between the models are the provisions for review/phase-out of financial assistance and the degree of parallelism with proposals now contemplated for Article IV of the Agreement with the MPSC.

1. Model I is most nearly identical with the previously drafted Title IV which had been shown to the Joint Committee. It provides for a fixed annual amount of assistance with a review of the continued need for assistance after fifteen years.

Some minor changes from the original draft have been introduced in Section 401(c) and Section 402. The latter makes provision for economic development assistance on a "loan" basis rather than on a "matching" basis. Given the implicit recognition that Micronesia will not be able to meet its budget expenditure requirements for some fifteen years without sizeable external assistance it does not appear plausible to require a matching contribution for development assistance within this time frame. Repayment of this assistance over an extended period of time on liberal repayment terms would appear more suitable in these circumstances.

Section 404 gives recognition to a continued requirement for U.S. financial payments related to our base requirements without identifying the payments as being for such purposes.

UNCLASSIFIED

04-427469

2. Model II is virtually the same as Model I except that a review of the levels of assistance is called for every five years rather than waiting for the expiration of a fifteen year period. This Model might be more appealing than Model I to Congressional Committees because of the more frequent review provisions; but it has the serious disadvantage of opening up the whole Compact to renegotiation every five years.

3. Model III introduces the notion of the "crawling peg". Each five years the level of budget support drops by some discrete amount until at the end of fifteen years the whole situation is reviewed. (There remains the provision for continued minimum "sustaining level" payments by the U.S. beyond the fifteen year period. This latter provision appears in all the Models).

With respect to Development assistance, the "peg" doesn't crawl until the end of ten years - because the amount per district is going to be small even at the start.

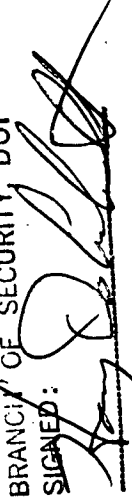
This Model attempts to incorporate the advantages of Model II, i.e., greater acceptability to Congressional Committees while at the same time, neutralizing the undesirable renegotiation aspects inherent in Model II.

4. Finally Model IV moves furthest away from the original draft and closest to the now contemplated Marianas formulation. It calls for an orderly downward progression in budget support to some continuing floor identified in Section 405 as a "sustaining level" - a euphemism for payments for base leases.


With respect to Development Assistance, this Model contemplates phase out after ten years on the assumption, as in the case of the draft for the Marianas, that the development that occurs in that ten year period

DECLASSIFIED/RELEASED ON

28 FEBRUARY 1990

VISIONS OF E.O. 12356 BY
HARRY DELASHMUTT, CHIEF
BRANCH OF SECURITY DOI
SIGNED: 

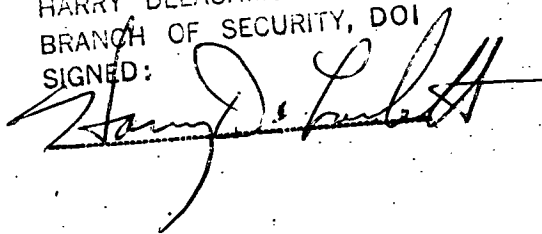
UNCLASSIFIED


generates its own momentum for continued growth without U.S. Government assistance.

This last Model has the advantage of consistency with our position vis-a-vis the Marianas although the latter could have an edge in (a) per capita amount of aid; (b) the split between loans and grants; and (c) the repayment terms.

The disadvantages of this Model are the sharp departure from the previous draft and the degree of sophistication underlying the concept. If it were decided to go with Model IV, it would require careful preparatory work with the Joint Committee.

DECLASSIFIED/RELEASED ON
6/29/88 UNDER PRO-
VISIONS OF E.O. 12356 BY
HARRY DELASHMUTT, CHIEF
BRANCH OF SECURITY, DOI
SIGNED:



04-427471

UNCLASSIFIED

10/26/73

MODEL I

UNCLASSIFIED 01/6

DECLASSIFIED/RELEASED ON
6/29/88 UNDER PRO-
VISIONS OF E.O. 12356 BY
HARRY DELASHMUTT, CHIEF
BRANCH OF SECURITY, DOI
SIGNED: *Harry Delashmutt*

TITLE IV

Financial Provisions

Section 401

The Government of the United States, in order to assist the people of Micronesia, agrees to provide on a grant basis to the Government of Micronesia a sum not to exceed \$ _____ annually. This total will comprise the following categories of payment:

(a) Funds for unrestricted use by the Government of Micronesia toward the costs of the Central and District Governments and for Micronesian governmental programs and services and capital improvement projects for the welfare of the people of Micronesia;

(b) Funds to cover the cost of U.S. Federal programs, beyond the level provided for in Section 403(a), which may be requested by the Government of Micronesia and extended to Micronesia with the approval of the Government of the United States.

(c) It will be the responsibility of the Government of Micronesia to transfer any portion of the funds provided under this section, as required, to subordinate government entities, (District or Municipal governments), and to individuals (land owners and traditional local chiefs), to cover the cost of lands made available to the United States Government for both civil and military purposes.

UNCLASSIFIED

04-427472

UNCLASSIFIED

DECLASSIFIED/RELEASED ON
6/29/88 UNDER PRO-
VISIONS OF E.O. 12356 BY
HARRY DELASHMUTT, CHIEF
BRANCH OF SECURITY, DO

Section 402

The Government of the United States will contribute to a District Economic Development Fund on a long term repayable basis with an annual maximum payment by the United States of \$ _____.

SIGNED
Harry Delashmutt

Section 403

(a) The Government of the United States agrees for the duration of this agreement to provide the Government of Micronesia services of the U.S. Postal Service, U.S. Weather Service, and U.S. Federal Aviation Administration. The level of such services shall be that as extended to the Trust Territory of the Pacific Islands on the effective date of this Compact and shall not be charged against the assistance figure in Section 401.

(b) By mutual agreement with the Government of Micronesia the United States may provide additional services by the U.S. Postal Service, U.S. Weather Service, and U.S. Federal Aviation Administration or other entities of the United States Government. The cost of such services will be charged against the overall assistance figures in Section 401 (or Section 402).

Section 404

The Government of the United States and Micronesia will review the need for further assistance beyond a sustaining level of \$ _____ million annually and the services provided for in Section 403(a) 15 years after this agreement comes into effect.

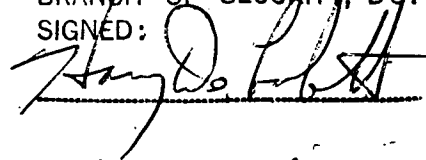
UNCLASSIFIED

04-427473

UNCLASSIFIED

MODEL II

DECLASSIFIED/RELEASED ON
6/29/88 UNDER PRO-
VISIONS OF E.O. 12356 BY
HARRY DELASHMUTT, CHIEF
BRANCH OF SECURITY, DOI
SIGNED:



TITLE IV

Financial Provisions

Section 401

The Government of the United States, in order to assist the people of Micronesia, agrees to provide on a grant basis to the Government of Micronesia a sum not to exceed \$ _____ annually. This total will comprise the following categories of payment:

(a) Funds for unrestricted use by the Government of Micronesia toward the cost of the Central and District Governments and for Micronesian governmental programs and services and capital improvement projects for the welfare of the people of Micronesia;

(b) Funds to cover the cost of U.S. Federal programs, beyond the level provided for in Section 404(a), which may be requested by the Government of Micronesia and extended to Micronesia with the approval of the Government of the United States.

(c) It will be the responsibility of the Government of Micronesia to transfer any portion of the funds provided under this section, as required, to subordinate government entities, (District or Municipal governments), and to individuals (land owners and traditional local chiefs), to cover the cost of lands made available to the United States Government for both civil and military purposes.

UNCLASSIFIED

04-427474

UNCLASSIFIED

Section 402

The maximum level of grant assistance provided for in Section 401 shall be reviewed every five years in light of progress made by the Government of Micronesia in achieving economic self-sufficiency. The amount of such grant funds will not in any event fall below \$ _____ million annually so long as this agreement remains in effect.

Section 403

The Government of the United States will contribute to a District Economic Development Fund on a long term repayable loan basis with an annual maximum payment by the United States of \$ _____. The level of assistance under this section shall be reviewed every five years so long as this agreement remains in effect.

Section 404

(a) The Government of the United States agrees for the duration of this agreement to provide the Government of Micronesia services of the U.S. Postal Service, U.S. Weather Service, and U.S. Federal Aviation Administration. The level of such services shall be that as extended to the Trust Territory of the Pacific Islands on the effective date of this Compact and shall not be charged against the assistance figure in Section 401.

DECLASSIFIED/RELEASED ON
6/29/88
UNDER PRO-
OF E.O. 13526 BY
[Signature], CHIEF
DIVISION OF SECURITY, DOI

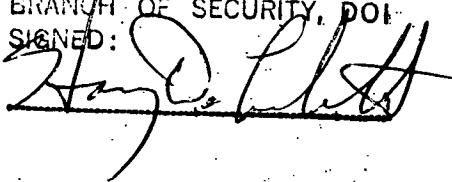
[Signature]
04 427475

UNCLASSIFIED

UNCLASSIFIED

(b) By mutual agreement with the Government of Micronesia the United States may provide additional services by the U.S. Postal Service, U.S. Weather Service, and U.S. Federal Aviation Administration or other entities of the United States Government. The cost of such services will be charged against the overall assistance figures in Section 401 (or Section 403).

DECLASSIFIED/RELEASED ON
6/29/88 UNDER PRO-
VISIONS OF E.O. 12356 BY
HARRY DELASHMUTT, CHIEF
BRANCH OF SECURITY, DOI
SIGNED:



UNCLASSIFIED

04-427476

UNCLASSIFIED

MODEL III

TITLE IV

Financial Provisions

DECLASSIFIED/RELEASED ON
6/21/88 UNDER PRO-
VISIONS OF E.O. 12356 BY
HARRY DELASHMUTT, CHIEF
BRANCH OF SECURITY, DOI
SIGNED:

Harry Delashmutt

Section 401

The Government of the United States in order to assist the people of Micronesia, agrees to provide on a grant basis to the Government of Micronesia a sum not to exceed \$ _____ annually for the first five years after this agreement comes into effect. For the next five years the sum shall not exceed \$ _____ annually and for the ensuing five years shall not exceed \$ _____ annually. These grant funds will comprise the following categories of payment:

(a) Funds for unrestricted use by the Government of Micronesia toward the costs of the Central and District Governments and for Micronesian governmental programs and services and capital improvement projects for the welfare of the people of Micronesia;

(b) Funds to cover the cost of U.S. Federal programs, beyond the level provided for in Section 403(a), which may be requested by the Government of Micronesia and extended to Micronesia with the approval of the Government of the United States.

(c) It will be the responsibility of the Government of Micronesia to transfer any portion of the funds provided under this section, as required, to subordinate government entities, (District or Municipal governments), and to individuals (land owners and traditional local chiefs), to cover the cost of lands made available to the United States Government for both civil and military purposes.

Section 402

The Government of the United States will contribute to a District Economic Development Fund on a long term repayable loan basis with an

UNCLASSIFIED

04-427477

annual maximum payment by the United States of \$ _____ for each of the first ten years after the agreement comes into effect and an annual maximum payment by the United States of \$ _____ for each of the next five years.

Section 403

UNCLASSIFIED

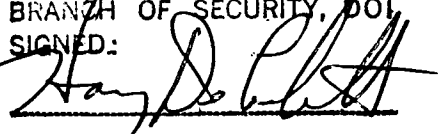
(a) The Government of the United States agrees for the duration of this agreement to provide the Government of Micronesia services of the U.S. Postal Service, U.S. Weather Service, and U.S. Federal Aviation Administration. The level of such services shall be that as extended to the Trust Territory of the Pacific Islands on the effective date of this Compact and shall not be charged against the assistance figure in Section 401.

(b) By mutual agreement with the Government of Micronesia the United States may provide additional services by the U.S. Postal Service, U.S. Weather Service, and U.S. Federal Aviation Administration or other entities of the United States Government. The cost of such services will be charged against the overall assistance figure in Section 401 (or Section 402).

Section 404

As the end of a fifteen year period following the effective date of this agreement the Governments of Micronesia and the United States will review the levels of assistance provided in Sections 401 and 402 to determine whether and to what extent there remains a requirement for financial assistance beyond a sustaining level of \$ _____ annually and the services provided for in Section 403(a).

DECLASSIFIED/RELEASED ON
6/29/88 UNDER PRO-
VISIONS OF E.O. 12356 BY
HARRY DELASHMUTT, CHIEF
BRANCH OF SECURITY, DOI
SIGNED:



UNCLASSIFIED

04-427478

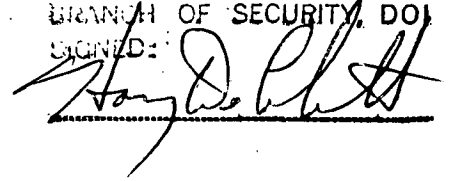
UNCLASSIFIED

MODEL IV

TITLE IV

Financial Provisions

DECLASSIFIED/RELEASED ON
6/29/88 UNDER PRO-
VISIONS OF E.O. 12356 BY
HARRY DELASHMUTT, CHIEF
BRANCH OF SECURITY, DOI
SIGNED:



Section 401

In order to assist the Government of Micronesia in its transition to an economically self-sufficient status at acceptable standards of living for the people of Micronesia; the Government of the United States agrees to provide, on a descending scale, grant budgetary support. The decline in assistance is predicated on the expectation that economic growth and the increase in personal income will progressively reduce the need for external financial support. The United States Government agrees to a grant of \$ _____ million a year for each of the first-five years after this agreement comes into effect. Between the sixth to the fifteenth year the \$ _____ million grant will be reduced in equal amounts each year so that for the last year of that period grant budget support will not exceed \$ _____ million. These funds will be used for the following categories of payments:

(a) Funds for unrestricted use by the Government of Micronesia toward the cost of the Central and District Governments and for Micronesian governmental programs and services and capital improvement projects for the welfare of the people of Micronesia;

(b) Funds to cover the cost of U.S. Federal programs, beyond the level provided for in Section 403(a), which may be requested by the Government of Micronesia and extended to Micronesia with the approval of the Government of the United States.

(c) It will be the responsibility of the Government of Micronesia to transfer any portion of the funds provided under this section,

UNCLASSIFIED

04-427479

as required, to subordinate government entities, (District or Municipal Government), and to individuals (land owners and traditional local chiefs), to cover the cost of lands made available to the United States Government for both civil and military purposes.

UNCLASSIFIED

Section 402

To help promote the economic development of Micronesia, the United States Government agrees to provide \$ _____ million each year for the first ten years after this agreement comes into effect. These funds will be provided as long term repayable loans and will be available for expenditure on capital improvement and economic development projects. These funds may also be used to capitalize development lending institutions such as Development Banks and Building and Loan Associations.

Section 403

(a) The Government of the United States agrees for the duration of this agreement to provide the Government of Micronesia services of the U.S. Postal Service, U.S. Weather Service, and U.S. Federal Aviation Administration. The level of such services shall be that as extended to the Trust Territory of the Pacific Islands on the effective date of this Compact and shall not be charged against the assistance figure in Section 401.

(b) By mutual agreement with the Government of Micronesia the United States may provide additional services by the U.S. Postal Service, U.S. Weather Service, and U.S. Federal Aviation Administration or other entities of the United States Government. The cost of such services will be charged against the overall assistance figures in Section 401 (or Section 402).

2

DECLASSIFIED/RELEASED ON
6/29/88 UNDER PRO-
VISIONS OF E.O. 12356 BY
HARRY BELASHMUTT, CHIEF
BRANCH OF SECURITY DO1
SIGNED:

[Signature]
04-427480

UNCLASSIFIED

Section 404

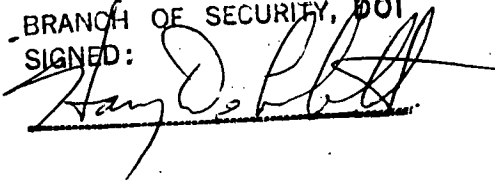
It is anticipated that the prudent investment of funds provided under Section 402, combined with private domestic and foreign investment, will result in an overall growth in the economy so that the domestic savings level in Micronesia will obviate the need for United States development assistance after ten years and the need for budget support after fifteen years.

UNCLASSIFIED

Section 405

The actual need for additional financial and economic development assistance, beyond a sustaining level of \$ _____ annually and the services provided for in Section 403(a), will be reviewed fifteen years after the effective date of this agreement.

DECLASSIFIED/RELEASED ON
6/29/88 UNDER PRO-
VISIONS OF E.O. 12356 BY
HARRY DELASHMUTT, CHIEF
BRANCH OF SECURITY, DOI
SIGNED:



UNCLASSIFIED