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November 12, 1973

MEMORANDUM FOR MESSRS. LAPIN AND HELFER

Subject: Conversation with Mr. Chapman - November 9, 1973

Our increasingly close friend, Mr. C. Brewster Chapman, called last Friday enthusiastically to review with me the current status of matters within the jurisdiction of the Joint Working Group on Political/Legal Issues. He reported as follows:

1. He and Herman Marcuse were so intrigued by Mr. Lapin's suggested solution to the applicability problem that they went immediately to the drafting boards. The result of their efforts and the accompanying cover letter is attached to this memorandum. Mr. Chapman was desirous of meeting with us on Monday to discuss this, but suggested that Thursday might be an alternative date. I do not know whether I want to meet with Messrs. Chapman and Marcuse on this subject at all before the next session, but I would like the two of you to review this proposal closely and discuss it with me as soon as possible. Even if we elect not to meet officially on this subject, I would like to write a friendly letter back to Mr. Chapman, complimenting him on his craftsmanship and encouraging him to believe that we will be willing to discuss this matter in more detail after the next session of negotiations.

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2. Mr. Chapman reported that his review within the Executive Branch of our proposals regarding the income tax has raised no major problems. Some officials have raised the question of making clear that the Marianas cannot tax the instrumentalities of the United States Government; others have emphasized the need for appropriate amendment to the Soldiers, Sailors, Civil Relief Act; and others have emphasized certain local benefits to military personnel which, presumably, they want to preserve unencumbered in the Marianas. I expect that we will hear some of these points raised as issues during the negotiations in Saipan.
3. Mr. Chapman also reported that no real problems have developed in the course of reviewing our recommendations on customs and excise taxes. He reports that the Department of State is looking at the GATT exemption, but sees no real problem. He believes that these recommendations are ripe for discussion at the next round. He indicated that we can expect to hear further about possible problems arising from our recommendations with respect to trade between the Marianas and the United States. In other words, we can probably expect to have the U.S. Delegation state that they want guarantees that U.S. goods will not be subject to any tax, non-

discriminatory or otherwise, by the Marianas.

We may also hear the view expressed that our desire to levy export taxes on goods flowing out of the Marianas to the United States and other possessions is incompatible with headnote 3A treatment.

4. Mr. Chapman reported that he had recently reviewed the work of the joint working group with Ambassador Williams and that the Ambassador is pleased with the progress made. Congratulations! The Ambassador is having position papers prepared for him on all the subjects which the working group believes are ready for discussion at the next session; this certainly would include the citizenship question and the two sets of tax recommendations which we have reviewed with the working group. I expect that Mr. Chapman will also give the Ambassador a paper regarding the applicability issue generally and probably hold out the hope that a shortcut can be found in this area along the lines suggested by Mr. Lapin. Apparently the Ambassador is informed that we intend to present a position paper on IV(3)(2) and asked Mr. Chapman why we could not reveal it to the U.S. in advance of the next round. According to Mr. Chapman, he explained why we could not do this to the Ambassador and generally reassured him on this score.

5. When I raised with Mr. Chapman whether he was coming to Saipan, he expressed great surprise and said that no one had either told or invited him to Saipan. He stated vigorously that he did not want to go to Saipan since he had better things to do than listen to the boring meanderings of Ambassador Williams. I expressed my sympathetic understanding and regret, indicating that we had been looking forward to his joining us as a fit drinking companion. This still may develop, of course, but at the moment it looks as though Mr. Chapman is not coming.

HPW

cc: Messrs. Lake  
Hanes

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