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1. SEVENTH ROUND OF U.S. -MICRONESIAN FUTURE POLITICAL STATUS NEGOTIATIONS, WHICH OPENED WITH PLENARY SESSION NOVEMBER 13 (REF TEL) CLOSED WITH ANOTHER PLENARY NOVEMBER 21. IN BETWEEN WERE SEVERAL WORKING SESSIONS OF JOINT DRAFTING COMMITTEES, WHICH FOCUSED PRIMARILY ON QUESTION OF U.S. FINANCIAL ASSISTANCE TO MICRONESIA IN PERIOD OF FREE ASSOCIATION ENVISAGED FOLLOWING END OF PRESENT TRUSTEESHIP. AS WELL BE CLEAR FROM STATEMENTS AT FINAL PLENARY SESSION BY CHAIRMEN OF TWO DELEGATIONS, (SEE TEXTS BELOW), TALKS WERE ADJOURNED BECAUSE OF MICRONESIAN DELEGATION'S INSISTANCE THEY COULD NOT CONTINUE UNTIL THEIR FINANCIAL DEMANDS WERE MET.

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2. THERE FOLLOWS TEXT OF FINAL PLENARY STATEMENT BY SENATOR SALII, CHAIRMAN OF CONGRESS OF MICRONESIA'S JOINT COMMITTEE ON FUTURE STATUS:

A. "AMBASSADOR WILLIAMS, MEMBERS OF THE UNITED STATES DELEGATION:

B. WE HAVE NOW REACHED A POINT AT WHICH, WE BELIEVE, IT IS NECESSARY FOR THE UNITED STATES DELEGATION TO MAKE SOME KEY DECISIONS. WE BELIEVE THAT THE PRESENT ROUND OF TALKS HAS SUCCESSFULLY FOCUSED THE ATTENTION OF BOTH DELEGATIONS ON SOME MAJOR AREAS ON WHICH THE FAILURE OF SUCCESS OF NEGOTIATIONS FOR A COMPACT OF FREE ASSOCIATION WILL BE DETERMINED.

C. WE ARE, AS WE HAVE PREVIOUSLY STATED, VERY PLEASED THAT IT HAS BEEN POSSIBLE FOR THE TWO SIDES TO AGREE ON THE PRINCIPLES FOR THE RETURN OF PUBLIC LAND. THIS HAS PERMITTED US TO GO FORWARD WITH THE DISCUSSIONS OF THE VERY IMPORTANT ISSUE OF THE LEVEL OF FINANCIAL SUPPORT TO BE GRANTED BY THE UNITED STATES TO THE GOVERNMENT OF MICRONESIA IN THE FIRST YEARS FOLLOWING THE TERMINATION OF THE TRUSTEESHIP. IT HAS BEEN AND REMAINS OUR POSITION THAT WE CANNOT USEFULLY DISCUSS THE REMAINING DETAILS OF THE PROPOSED COMPACT OF FREE ASSOCIATION UNTIL IT BECOMES CLEAR THAT THERE IS A SUBSTANTIAL LIKELIHOOD THAT WE CAN REACH AGREEMENT ON THE QUESTION OF FINANCIAL SUPPORT. AT THE PRESENT TIME, OUR POSITIONS ARE VERY WIDE APART. IT HAS BEEN POSSIBLE FOR US TO AGREE TO A LARGE EXTENT ON THE STRUCTURE OF THE SECTION ON FINANCES, ON THE PROCEDURES TO BE FOLLOWED, AND ON ASSOCIATED MATTERS. ON THE MATTER OF THE LEVEL OF FINANCIAL SUPPORT ITSELF, HOWEVER, WE ARE SORRY TO HAVE TO RECOGNIZE THAT NO PROGRESS HAS BEEN MADE. OUR INITIAL PROPOSAL, ADVANCED A YEAR AND A HALF AGO IN KOROR WAS FOR AN OVERALL LEVEL OF \$100 MILLION ANNUALLY FOR THE FIRST TEN YEARS, PLUS THE CONTINUATION OF THE EXISTING U.S. FEDERAL PROGRAMS PROVIDED IN MICRONESIA. YOUR PROPOSAL, ADVANCED THIS WEEK FOR THE FIRST TIME, WOULD INVOLVE A LEVEL OF SUPPORT TOTALLING BETWEEN \$40 AND \$41 MILLION ANNUALLY FOR THE SIX DISTRICTS OF MICRONESIA PLUS THE CONTINUED PROVISION OF THE SERVICES AFFORDED BY THE FEDERAL AVIATION ADMINISTRATION, THE POSTAL SERVICE, AND THE WEATHER SERVICE.

D. SINCE THE RESPECTIVE PROPOSITIONS HAVE BEEN ADVANCED THE UNITED STATES DELEGATION HAS BEEN UNWILLING TO MAKE ANY SIGNIFICANT IMPROVEMENT IN ITS OFFER. WE, ON THE OTHER HAND, HAVE BEEN WILLING TO REDUCE OUR REQUEST BY \$20 MILLION

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ANNUALLY AND TO ACCEPT A SIGNIFICANT DIMINUTION IN THE FEDERAL PROGRAMS TO BE OFFERED WITHOUT COMPENSATION SUBSEQUENT TO TERMINATION OF THE TRUSTEESHIP.

E. BECAUSE OF THIS WIDE GAP AND THE APPARENTLY UNYIELDING STANCE OF YOUR DELEGATION, WE HAVE HAD TO CONCLUDE THAT WE CANNOT USEFULLY PROCEED WITH DISCUSSIONS OF THE REMAINING SECTIONS OF A COMPACT OF FREE ASSOCIATION UNTIL THIS GAP IS SUBSTANTIALLY NARROWED. REGARDLESS OF THE ABILITY OF OUR DELEGATIONS TO ADJUST REMAINING DIFFERENCES, THE COMPACT IS NOT ONE WHICH THE JOINT COMMITTEE WOULD BE WILLING TO RECOMMEND TO THE CONGRESS OF MICRONESIA IF IT CONTAINS FIGURES WHICH APPROXIMATE THOSE IN YOUR CURRENT PROPOSAL.

F. ACCORDINGLY, THE JOINT COMMITTEE DESIRES AT THIS TIME TO PRESENT TO YOU AND THE MEMBERS OF YOUR DELEGATION ALTERNATIVE WAYS BY WHICH IT MAY BE POSSIBLE FOR US TO BREAK THE PRESENT DEADLOCK AND PROCEED TOWARD THE COMPLETION OF A COMPACT OF FREE ASSOCIATION.

G. THE IMMEDIATE PROBLEM, AS WE HAVE SUGGESTED, IS THE VAST DIFFERENCE BETWEEN US ON THE LEVEL OF FINANCING TO BE PROVIDED BY THE UNITED STATES. YOU HAVE SUGGESTED THAT THIS DIFFERENCE REFLECTS A DIFFERENCE IN APPROACH. AS WE UNDERSTAND YOUR POSITION, THE TERMINATION OF THE TRUSTEESHIP SHOULD BRING ABOUT A SIGNIFICANT REDUCTION IN THE AMOUNT OF U.S. MONEY DIRECTED TOWARD MICRONESIA. YOU HAVE SUGGESTED THAT, INSTEAD, WE SHOULD PURSUE OTHER POSSIBLE SOURCES OF FINANCIAL SUPPORT AND INVESTMENT. FOR OUR PART, WE REGARD THE STATUS OF FREE ASSOCIATION, AS PRESENTLY CONTEMPLATED BY BOTH DELEGATIONS, AS ONE WHICH INVOLVES A MOST APPRECIABLE MEASURE OF CONTINUING UNITED STATES INVOLVEMENT IN MICRONESIA. TITLES 11 AND 111 AS NEGOTIATED AS REFERENDUM IN JULY 1972 WOULD COMMIT THE GOVERNMENT OF MICRONESIA TO ALLOW A VIRTUAL U.S. DOMINATION OF MICRONESIAN FOREIGN AFFAIRS AND THE LIBERAL USE OF MICRONESIAN TERRITORY FOR U.S. SECURITY PURPOSES. WE ARE FIRMLY OF THE VIEW THAT THE LEVEL OF U.S. FINANCIAL SUPPORT EMBODIED IN YOUR PRESENT PROPOSAL IS TOTALLY INADEQUATE TO JUSTIFY THIS DEGREE OF CONTINUING ASSOCIATION BETWEEN MICRONESIAN AND THE UNITED STATES.

H. FOR PURPOSES OF PRECEEDING WITH THE NEGOTIATIONS, WE WOULD THEREFOR SUGGEST AS ONE POSSIBLE APPROACH THAT WE ACCEPT THE PROPOSITION THAT THE AMOUNT OF FINANCIAL SUPPORT TO BE PROVIDED BY THE UNITED STATES WILL BE FAR LESS THAN WE HAD

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ANTICIPATED IN REACHING THESE STAGE IN OUR NEGOTIATIONS. WE WOULD HOPE, FROM YOUR COMMENTS, THAT THIS OFFER CAN BE SOMEWHAT IMPORVED. WE WOULD THEREFOR BE PREPARED NOW TO RESUME THE DICUSSION OF THE OTHER SECTIONS OF THE COMPACT. ON THIS BASIS, HOWEVER, IT WOULD BE NECESSARY FOR US TO REEVALUATE THE NATURE OF THE ASSOCIATION AND TO REOPNE FOR SUBSTANTIAL MODIFICATION THE PROVISIONS ON WHICH TENTATIVE AGREEMENT HAS PREVIOUSLY BEEN REACHED. SPECIFICALLY, WE WOULD CONTEMPLATE A SIGNIFICANT CURTAILMENT OF THE DEGREE OF AUTHORITY TO BE DELEGATED TO THE UNITED STATES IN FOREIGN AFFAIRS AND DEFENSE MATTERS UNDER TITLE II AND III.

I. IF YOU DESIRE TO PROCEED ON THIS BASIS, WE ARE READY TO DO SO, IT SHOULD BE NOTED, HOWEVER, THAT THE COMMITTEE COULD NOT UNDERTAKE TO RECOMMEND AFFIRMATIVELY TO THE CONGRESS OF MICRONESIA A COMPACT OF THIS NATURE AND WITH THESE LEVELS OF SUPPORT. WE WOULD, HOWEVER, BE WILLING TO PRESENT SUCH A COMPACT TO THE CONGRESS FOR ITS CONSIDERATION AND ACTION.

J. THE ALTERNATE COURSE IS FOR BOTH SIDES TO CONTINUE TO VIEW THE STATUS OF FREE ASSOCIATION UNDER THE CONCEPTS THAT HAVE PREVIOUSLY GUIDED OUR NEGOTIATIONS. SUCH A STATUS, AS WE HAVE POINTED OUT, WOULD CONTEMPLATE A CONTINUING RELATIONSHIP WHICH IS CLOSE AND LASTING. IT WOULD, BECAUSE OF ITS INTIMACY, SERIOUSLY RESTRICT THE ABILITY OF MICRO- NESIA TO ATTRACT INVESTMENT FROM OTHER COUNTRIES AND THE CREATION OF PROFITABLE TRADE RELATIONSHIPS. WE ARE PREPARED NOW, AS WE HAVE BEEN IN THE PAST, TO GO AHEAD FOR THE RECORD, HOWEVER, WHAT WE HAVE ASSERTED TO YOU IN OUR INFORMAL DISCUSSIONS. WE CANNOT GO AHEAD WITH THE NEGOTIATIONS OF A COMPACT STRUCTURED AROUND THESE CONCEPTS UNLESS THE UNITED STATES DELEGATION IS WILLING AT THIS POINT TO MEET US AT LEAST HALF WAY IN OUR FINANCIAL REQUESTS. IT IS OUR UNDERSTANDING THAT YOU ARE NOT PREPARED AT THIS POINT TO MAKE ANY SUCH FINANCIAL PROPOSALS. UNDER THESE CIRCUMSTANCES, COMPLETION OF NEGOTIATIONS OF A COMPACT DESIGNED TO BRIGHT ABOUT A CONTINUING AND CLOSE ASSOCIATION WOULD BE FRUITLESS.

K. THE JOINT COMMITTEE THUS PROPOSES THAT YOU GIVE CONSIDERATION TO THESE ALTERNATIVE APPROACHES. IF YOU DESIRE NOW TO NEGOTIATE ON THE ASSUMPTION OF A LOWER LEVEL OF FINANCIAL SUPPORT, MORE CONSONANT WITH YOUR PROPOSAL THAN WITH OURS, WE ARE PREPARED TO DO SO IMMEDIATELY BUT

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WOULD ONLY DO SO ON THE MUTUAL RECOGNITION THAT THE STATUS TO BE DEVELOPED WOULD BE ONE OF FAR LOOSER ASSOCIATION THAN THAT WHICH WE HAVE THUS FAR ENVISIONED. IF YOU DO NOT DESIRE TO PROCEED WITH THE NEGOTIATIONS ON THIS BASIS, WE WOULD THEN REQUEST THAT YOU TAKE THE ACTION NECESSARY TO PERMIT THE CONTINUANCE OF OUR NEGOTIATIONS ON THE BASIS OF OUR PREVIOUS ASSUMPTION. IN THE LATTER EVENT, THE COMMITTEE WILL STAND READY TO RESUME THESE NEGOTIATIONS AT SUCH TIME AS YOU CAN PRESENT TO US A PROPOSAL WHICH WOULD BE CONSISTENT WITH THE ADOPTION OF A COMPACT UNDER WHICH THE UNITED STATES AND MICRONESIA WOULD BECOME CLOSELY ASSOCIATED. WE ARE NOT PREPARED TO CONCLUDE A COMPACT UNDER WHICH WE WOULD GRANT RIGHTS OF THE CHARACTER SET FORTH IN THE DRAFTS OF TITLES II AND III IN RETURN FOR A LEVEL OF SUPPORT SUCH AS HAS BEEN PROPOSED. IN OUR VIEW, WE WOULD BE GIVING TOO MUCH FOR TOO LITTLE RETURN.

L. AS YOU KNOW, THE NEXT SESSION OF THE CONGRESS OF MICRONESIA WILL BEGIN THE SECOND MONDAY OF JANUARY OF NEXT YEAR. AT THAT TIME, IT WILL BE THE RESPONSIBILITY OF THE JOINT COMMITTEE TO REPORT TO THE CONGRESS ON THE NEGOTIATING SITUATION AND THE PROSPECTS FOR THEIR SUCCESS. IT IS MY HOPE THAT YOU WILL BE ABLE TO PRESENT A PROPOSAL TO US PRIOR TO THAT TIME WHICH WILL PERMIT THE RESUMPTION AND, HOPEFULLY, THE SUCCESSFUL CONCLUSION OF THESE NEGOTIATIONS. IN THE ABSENCE OF SOME PROPOSAL FROM YOU WHICH AFFORDS SUCH PROMISE IT WILL BE THE RESPONSIBILITY OF THE COMMITTEE TO ADVISE THE CONGRESS THAT THE TALKS ON FREE ASSOCIATION HAVE PROVEN TO BE UNPRODUCTIVE AND THAT SOME OTHER COURSE SHOULD NOT BE CONSIDERED"

3. FOLLOWING IS TEXT OF AMBASSADOR F. HAYDN WILLIAMS' CLOSING STATEMENT FOR U.S. DELEGATION:

A. "AS I LOOK UP AND DOWN YOUR SIDE OF THE TABLE I NOTE THAT MOST OF THE MEMBERS OF THE JOINT COMMITTEE PRESENT HERE THIS AFTERNOON HAVE BEEN DIRECTLY INVOLVED IN THESE NEGOTIATIONS LONGER THAN I, SOME OF YOU CAN TRACE YOUR PARTICIPATION BACK TO THE VERY FIRST DAYS OF THE OLD POLITICAL STATUS COMMISSION. A FEW OF YOU MAY REMEMBER THE WORDS OF ADMONITION CONTAINED IN THE POLITICAL STATUS COMMISSION'S FINAL REPORT TO THE EFFECT THAT THE NEGOTIATIONS AND THE ACTIONS LEADING TO A TERMINATION OF

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THE TRUSTEESHIP AND THE EMERGENCE OF A SELF-GOVERNING MICRONESIA WOULD BE LONG, DIFFICULT AND VERY COMPLEX, AND THAT A GREAT DEAL OF PATIENCE, TRUST AND UNDERSTANDING WOULD BE REQUIRED ON THE PART OF BOTH PARTIES.

B. THIS AFTERNOON WE BRING TO AN EARLY CLOSE THE SEVENTH ROUND. MANY OF YOU I AM SURE SHARE WITH US A SENSE OF DISAPPOINTMENT THAT OUR EXPECTATION HAVE NOT BEEN REALIZED. WE, LIKE YOU HAD HOPED THAT NOVEMBER 1973 MIGHT HAVE SEEN THE COMPLETION OF THE TASK WHICH WE BEGAN IN JULY 1972 - THE JOINT EFFORT TO TRANSLATE INTO COMPACT LANGUAGE THE PRELIMINARY AGREEMENTS REACHED IN PRIOR ROUNDS.

C. I AM CERTAIN THAT THIS FAILURE WAS NOT DUE TO A LACK OF DESIRE OR GOOD WILL ON EITHER SIDE BUT RATHER TO HONEST CONCEPTUAL DIFFERENCES AND, IN TERMS OF EXPECTATIONS, WIDE DIFFERENCES WITH RESPECT TO FUTURE FINANCIAL ARRANGEMENTS. I REGRET THAT THESE DIFFERENCES SEEM TO HAVE BEEN SO GREAT IN YOUR MIND THAT YOU FOUND IT NECESSARY TO PUT OFF COMPLETING THE DRAFT COMPACT UNTIL YOUR FINANCE CONDITIONS WERE MET. THE U.S. DELEGATION HAD HOPED, OF COURSE, THAT WE COULD HAVE REACHED AGREEMENT NOT ONLY ON TITLE IV BUT ALSO ON THE REMAINING TITLES OF THE COMPACT SO THAT THE CONGRESS OF MICRONESIA AND THE PEOPLE OF MICRONESIA WOULD HAVE BEEN ABLE TO SEE A COMPLETE OUTLINE OF THE WHOLE STRUCTURAL FRAMEWORK OF A POTENTIAL FREE ASSOCIATION AGREEMENT.

D. BUT BE THAT AS IT MAY, I STILL BELIEVE THAT THE PAST WEEK HAS SEEN FURTHER ADVANCEMENT DOWN THE LONG ROAD TOWARD MICRONESIAN SELF-GOVERNMENT. IT BEGAN WITH A DISCUSSION OF THE NEW AMERICAN POLICY ON PUBLIC LAND ANNOUNCED ON NOVEMBER 1 SOME TWO WEEKS IN ADVANCE OF THE OPENING OF THESE TALKS. THIS DECISION BY THE U.S. GOVERNMENT HAS BEEN HAILED AS A SIGNIFICANT STEP TOWARD GREATER INTERNAL SELF-GOVERNMENT AND THE FULFILLMENT OF AN AMERICAN PROMISE.

E. WASHINGTON DURING THE PAST WEEK HAS ALSO BEEN THE SCENE OF HEARINGS WHICH COULD LEAD TO THE FUNDING OF A MICRONESIAN CONSTITUTIONAL CONVENTION. AGAIN THIS ACTION INDICATES THE DESIRE ON THE PART OF MY GOVERNMENT TO ENCOURAGE MICRONESIAN SELF-GOVERNMENT. THE NEXT MOVE WILL BE UP TO THE CONGRESS OF MICRONESIA.

F. DURING THE PAST WEEK HERE IN THIS CONFERENCE ROOM,

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MEETINGS OF THE JOINT DRAFTING COMMITTEE, EXCHANGES OF DRAFTS AND INFORMAL DISCUSSIONS HAVE ALSO PRODUCED SOME FURTHER TENTATIVE UNDERSTANDINGS ON THE COMPACT ITSELF LIMITED TO BE SURE, AND ALSO TENTATIVE, BUT PROGRESS NONETHESS.

G. A CLEAR ADVANCE WAS MADE IN ARRIVING AT MUTUALLY ACCEPTABLE LANGUAGE IN THE FINANCIAL PROVISIONS OF THE COMPACT EVEN THOUGH THERE WAS NO AGREEMENT ON THE DOLLAR AMOUNTS TO FILL IN THE BLANKS. HOWEVER, WE ARE NOW CLOSER TOGETHER ON THE ESSENTIAL ELEMENTS AND TERMS OF FUTURE FINANCIAL RELATIONSHIP THAN WE WERE A WEEK AGO.

H. LIKewise, PROGRESS WAS MADE INFORMALLY ON REVISING THE LANGUAGE OF TITLE V ON THE APPLICABILITY OF LAWS, WHICH SEEMED TO MEET YOUR CONCERNS AND RESERVATIONS. SIMILARLY, AN EXCHANGE OF DRAFTS ON A TERMINATION TITLE RESULTED IN OUR ACCEPTANCE OF MUCH OF YOUR LANGUAGE.

I. THESE SIGNS OF A WILLINGNESS ON THE PART OF BOTH PARTIES TO REACH ACCOMODATION GAVE PROMISE THAT FURTHER TENTATIVE UNDERSTANDINGS WOULD BE REACHED IN MANY IF NOT ALL OF THE REMAINING TITLES OF THE COMPACT. IN ORDER TO EXPEDITE THIS EFFORT WE PRESENTED TO YOU OUR DRAFT OF ALL OF THE REMAINING TITLES WHICH I ASK BE MADE A PART OF THE OFFICIAL RECORDS OF THIS ROUND. WE DID SO WITH THE CLEAR UNDERSTANDING THAT FRANK EXCHANGES AND GIVE AND TAKE WOULD UNDOUBTEDLY MODIFY THE LANGUAGE WE WERE PROPOSING. WE WERE PREPARED TO LISTEN TO YOUR VIEWS. WE WERE PREPARED TO NEGOTIATE, WITH THE HOPE THAT UPON COMPLETION OF THE DRAFT COMPACT WE COULD THEN TURN TO THE FINAL ITEM ON THE AGENDA - TRANSITION - THE GRADUAL ASSUMPTION OF GREATER RESPONSIBILITIES FOR SELF-GOVERNMENT AND FINALLY TRANSITION FROM TRUSTEESHIP STATUS TO A NEW STATUS.

J. BUT YESTERDAY IT BECAME CLEAR THAT WE HAD RUN INTO A ROADBLOCK. WE THOUGHT WE WERE STILL IN MIDSTREAM IN OUR EXCHANGE ON FINANCE, THAT THERE WAS STILL ROOM FOR DISCUSSION NOT ONLY ON FINANCE BUT ON OTHER REMAINING SUBSTANTIVE ISSUES. YOUR VIEW WAS A DIFFERENT ONE AND OF COURSE, AS IS YOUR RIGHT, YOU STATED CLEARLY THAT YOU WERE NOT PREPARED TO GO FORWARD WITH THE TALKS ON FINANCE OR ANY OTHER SUBJECT UNTIL YOUR CONDITIONS AND FINANCIAL REQUIREMENTS AS SET FORTH IN YOUR SATURDAY PROPOSAL WERE

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MET BY THE U.S. SIDE.

K. IN YOUR POSITION WHICH YOU HAVE JUST RE-STATED YOU HAVE GIVEN US TWO ALTERNATIVES AS A WAY OF PROCEEDING, ALTERNATIVE PRE-CONDITIONS THAT MUST BE ACCEPTED IF WE ARE TO CONTINUE THE TASK OF COMPLETING A DRAFT COMPACT. WE REGRET THAT WE SIMPLY CANNOT PROCEED ON THE BASIS OF OUR ACCEPTING IN ADVANCE POSITIONS YOU INSIST MUST BE MET AS A PRE-CONDITION FOR CONTINUING THE NEGOTIATIONS. AS YOU SAID THIS AFTERNOON "OUR POSITIONS ARE VERY WIDE APART". THIS DOES NOT SURPRISE US. AT KOROR I SAID "OUR VIEWS ON THE FUTURE LEVEL AND CATEGORIES OF U.S. FINANCIAL SUPPORT ARE FAR APART". THEY STILL ARE.

L. I HOPE THAT IT WILL BE POSSIBLE FOR OUR VIEWS TO COME CLOSER TOGETHER AND AT THE SUGGESTION OF OUR CHAIRMAN AND IN THE INTEREST OF CLEARING UP ANY MISUNDERSTANDING I WOULD LIKELY TO BRIEFLY SUMMARIZE THE U.S. POSITION ON FINANCE.

M. LET ME BEGIN BY SPEAKING OF THE CONCEPTUAL APPROACH WE HAVE FOLLOWED. IN CONSIDERING THE LEVEL OF FUTURE U.S. FINANCIAL SUPPORT FOR MICRONESIA IN THE POST-TRUSTEESHIP PERIOD WE HAVE APPROACHED IT ON "A NEED BASIS". HOW MUCH WOULD THE FUTURE GOVERNMENT OF MICRONESIA AND THE DISTRICT GOVERNMENTS NEED TO FUNCTION EFFECTIVELY AND TO PROVIDE THE PEOPLE OF MICRONESIA WITH ADEQUATE PROGRAMS AND SERVICES. WE ASKED THE JOINT COMMITTEE A LONG SERIES OF SERIOUS QUESTIONS IN THIS REGARD. WE ALSO ASKED ABOUT ANTICIPATED REVENUES AND THE PROSPECTS OF THIRD COUNTRY OR INTERNATIONAL ASSISTANCE AS SUPPLEMENTS TO THE U.S. CONTRIBUTION. WE HAD HOPED FOR A COOPERATIVE APPROACH TO DETERMINING IN GENERAL TERMS AND THE GENERAL LEVELS OF REASONABLE DOLLAR NEEDS OF THE FUTURE GOVERNMENT OF MICRONESIA, WE DID NOT RECEIVE ANY ANSWERS AND IT BECAME CLEAR THAT YOUR CONCEPTUAL APPROACH WAS DIFFERENT FROM OURS.

N. WE THUS PROCEEDED TO MAKE OUR OWN ESTIMATES OF NEEDS BASED ON CURRENT DATA, PROJECTIONS AND UPON THE SENTIMENTS AND STATEMENTS EXPRESSED FROM TIME TO TIME BY MEMBERS OF THIS COMMITTEE AND OTHER MICRONESIAN LEADERS. I ASK THAT A SUMMARY OF THESE ESTIMATES AS PRESENTED TO THE DRAFTING COMMITTEE ALSO BE INSERTED IN THE RECORDS OF THIS ROUND. OUR FIGURES WERE IN PART BASED ON THESE STATEMENTS AND THESE ASSUMPTION:

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1. YOUR STATED GOAL TO WORK TOWARD ECONOMIC SELF-SUFFICIENCY.
2. YOUR STATEMENT THAT ECONOMIC DEVELOPMENT WAS TO BE GRADUAL TAKING INTO ACCOUNT THE NEED TO PRESERVE MICRONESIAN TRADITIONS AND CULTURE.
3. YOUR STATEMENT THAT YOUR FUTURE GOVERNMENT WOULD BE LESSCOSTLY - WOULD BE SIMPLER IN STRUCTURE - AND WOULD BE DECENTRALIZED.
- R. YOUR STATEMENTS THAT YOUR DEPENDENCE ON EXPATRIATES WOULD BE OVER.
5. THE ASSUMPTION THAT YOUR FUTURE GOVERNMENT WOULD EMBRACE FIVE DISTRICTS AND NOT SIX SINCE THE MARIANAS WERE SEEKING (AS YOU ALL KNOW A SEPARATE STATUS.
- O. GIVEN THESE ASSUMPTIONS AND IN PARTICULAR THE STRENGTH OF SENTIMENTS EXPRESSED BY THE LEADERS OF MICRONESIA THAT IN THE FUTURE IT MUST BECOME LESS DEPENDENT ON OUTSIDE ASSISTANCE AND THAT IT SHOULD THINK IN TERMS OF LIVING WITHIN ITS MEANS, THE U.S. INITIALLY THOUGHT THAT THE LEVEL OF CONTINUING U.S. SUPPORT IN THE POST-TRUSTEESHIP YEARS WOULD BE LOWER THAN DURING THE HIGH LEVEL OF THE LAST YEARS OF THE TRUSTEESHIP.
- P. UPON REFLECTION AND RECONSIDERATION THE U.S. PROPOSAL WAS MODIFIED UPWARD. IT WAS DECIDED THAT THE U.S. WOULD UNDERTAKE AN OBLIGATION TO CONTINUE ITS SUPPORT TO MICRONESIA AT SUBSTANTIALLY THE SAME LEVEL AS DURING THE CLOSING YEARS OF THE TRUSTEESHIP. PROMISED BUDGETARY SUPPORT WOULD ENABLE THE CENTRAL AND DISTRICT GOVERNMENTS TO OPERATE AND PROVIDE SERVICES AT THE CURRENT LEVEL. IT WOULD ALSO PROVIDE FOR A CONTINUATION OF CIP EXPENDITURES AT NEAR THE CURRENT LEVELS PLUS LOAN FUNDS FOR DISTRICT ECONOMIC DEVELOPMENT. ADDITIONALLY SOME ESSENTIAL SERVICES WOULD BE PROVIDED WITHOUT COST AND WHATEVER LAND WAS USED BY THE US. FOR MILITARY PURPOSES WOULD BE PAID FOR ON A FAIR MARKET VALUE BASIS. THE PROPOSAL WHICH WE PRESENTED TOALLED \$43 MILLION ANNUALLY FOR THE INITIAL POST-TRUSTEESHIP PERIOD FOR FIVE DISTRICT EXCLUDING PAYMENTS FOR THE USE OF PUBLIC LAND - A FIGURE CONSIDERABLY HIGHER/PROPORTIONATELY THAN THE FIGURE OF \$40-41 MILLION FOR SIX DISTRICT APPEARING IN YOUR STATEMENT TODAY.
- Q. IN PRESENTING OUR PROPOSAL THE U.S. MENTIONED THAT DURING THE TRANSITION PERIOD BEFORE THE END OF THE TRUSTEESHIP THE U.S. WOULD BE CONTINUING TO PROVIDE FUNDS TO COMPLETE MAJOR CIP PROJECTS SO THAT THE NEW GOVERNMENT OF MICRONESIA WILL NOT BE BURDENED WITH THESE EXPENDITURES DURING ITS START-UP

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PERIOD. WE NOTED TOO THAT OUR SUGGESTED LEVEL DID NOT TAKE INTO ACCOUNT OTHER REAL AND POTENTIAL SOURCES OF MICRONESIAN INCOME AND ASSISTANCE.

THEY ARE:

1. INCREASING MICRONESIAN TAX REVENUES AND OTHER INCOME.
2. U.S. ONE TIME GRANTS FOR TRANSITION COSTS INCLUDING RELOCATION EXPENSES.
3. BILATERAL AND MULTILATERAL ECONOMIC AND TECHNICAL ASSISTANCE.
4. PUBLIC AND PRIVATE LOANS INCLUDING FUNDS FROM FOREIGN INVESTMENT IN MICRONESIA.

R. IN SUMMARY WE CONSIDERED OUR PROPOSAL WHEN VIEWED AGAINST THE LEVEL OF CURRENT OPERATIONS, PROJECTED NEED AND POTENTIAL SOURCES OF INCOME, TO BE FAIR AND REASONABLE. OUR GUARANTEE OF CONTINUING BASIC SUPPORT AT APPROXIMATELY THE CURRENT LEVEL OF SUPPORT PLUS THE PROSPECTS OF ADDITIONAL INCOME WOULD HAVE, WE BELIEVE, PROVIDED FOR STEADY FORWARD PROGRESS IN GOVERNMENT SERVICES, AND GRADUAL MOVEMENT TOWARD GREATER ECONOMIC SELF-SUFFICIENCY AND ECONOMIC INDEPENDENCE.

S. CONVERSELY THE LATEST JCFS PROPOSAL STILL TOTALS BY OUR CALCULATIONS IN THE NEIGHBORHOOD OF \$100 MILLION ANNUALLY FOR SIX DISTRICTS INCLUDING FEDERAL SERVICES, PROGRAMS AND LOANS. WE BELIEVE THIS WOULD LEAD MICRONESIA TO GREATER AND GREATER DEPENDENCY AND AWAY FROM IT STATED GOAL OF SELF-SUFFICIENCY. WE FEEL THAT THE FIGURES YOU PRESENTED AND THE JUSTIFICATION ARE UNCONVINCING. YOUR INITIAL PROPOSAL CALLED FOR DOUBLING THE AMOUNT NOW GIVEN TO MICRONESIA AND EVEN YOUR RECENTLY REDUCED FIGURES ARE VASTLY IN EXCESS OF WHAT THE U.S. GOVERNMENT IS NOW PROVIDING THE TTPI. IT SEEMS TO US, ON THE FACE OF IT, UNREALISTIC TO SUPPOSE THAT ONCE A TERRITORY SHEDS ITS TRUSTEE STATUS THAT THE MEASURE OF ASSISTANCE FROM THE FORMER ADMINISTERING AUTHORITY SHOULD BE GREATLY IN EXCESS OF THE ANNUAL LEVEL OF SUPPORT PROVIDED DURING THE PERIOD OF THE TRUSTEESHIP ITSELF.

T. AS WE HAVE SAID MANY TIMES IN THE PAST, THE WILLINGNESS OF THE U.S. TO COMMIT ITSELF TO CONTINUING FINANCIAL SUPPORT TO A FUTURE MICRONESIA WOULD DEPEND ON THE NATURE OF THE RELATIONSHIP. YOU

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YOURSELVES HAVE RECOGNIZED THAT WHAT YOU MIGHT EXPECT UNDER ALTERNATIVE FORMS OF FUTURE ASSOCIATION ARE VERY DIFFERENT THINGS INDEED. AT ONE END OF THE SCALE IS COMMONWEALTH OR MEMBERSHIP IN THE AMERICAN FAMILY WITH ALL ITS OBLIGATIONS AND BENEFITS INCLUDING THE WIDEST RANGE OF FEDERAL PROGRAMS AND SERVICES. AT THE OTHER END IS INDEPENDENCE WITH NO U.S. FINANCIAL OBLIGATIONS. WE KNOW THAT YOU ARE AWARE OF THESE DIFFERENCES AND AS I HAVE SAID IN THE PAST WE RESPECT YOUR RESOLVE THAT YOUR FUTURE STATUS NOT BE DICTATED BY MONEY. WE KNOW THAT YOU STILL CONSIDER, AS THE JOINT COMMITTEE HAS SAID PREVIOUSLY, THAT "THE LEGAL RIGHTS WE CONSIDER ESSENTIAL TO THE EFFECTIVE PROTECTION OF A MICRONESIAN IDENTITY CANNOT BE BARTERED FOR FINANCIAL AND ECONOMIC ADVANTAGES".

U. I CLOSE AS I BEGAN BY ACKNOWLEDGING AGAIN THAT I AM DISAPPOINTED WITH OUR FAILURE TO MAKE GREATER PROGRESS - BUT I DO NOT DESPAIR. PROBLEMS IN THE PAST HAVE BEEN OVERCOME. FOR AWHILE THE QUESTION OF LAND STOOD IN THE WAY OF AGREEMENT. IT WAS RESOLVED. CONTROL OF LAWS AND THE ISSUE OF FEDERAL SUPREMACY AT ONE TIME ALSO IMPEDED PROGRESS. THIS PROBLEM TOO WAS OVERCOME. LIKEWISE FOR AT LEAST THREE ROUNDS OUR RESPECTIVE POSITIONS ON CHANGE OF STATUS SEEMED INSURMOUNTABLE. THIS HURDLE WAS EVENTUALLY CLEARED AND A LITTLE OVER A YEAR AGO THE JCFS SAID THAT "OUR FOUR PRINCIPLES HAVE BEEN MET".

V. AGREEMENT TOO CAN BE REACHED ON FINANCE. IN YOUR OPEING SENTENCE TODAY YOU STATED THAT WE HAVE REACHED A POINT WHERE IT IS NECESSARY FOR THE U.S. TO MAKE SOME KEY DECISIONS. I WOULD ASLO SAY THAT THE TIME IS COMING FOR YOUR TO MAKE SOME KEY DECISIONS AS WELL. I KNOW YOU WILL BE REPORTING TO THE CONGRESS OF MICRONESIA AND IN THE PROCESS YOU WILL BE REEXAMINING THE PROGRESS THAT HAS BEEN MADE AND THE PROSPECTS FOR FINAL AGREEMENT. I TOO WILL BE REVIEWING WHERE WE STAND, THE ISSUES THAT SEPARATE US, AND WHERE WE GO FROM HERE IN MY REPORT TO MY PRINCIPAL.

W. WE THANK YOU FOR YOUR COURTESIES AND FOR YOUR EFFORT TO UNDERSTAND OUR POINT OF VIEW. WE ALSO APPRECIATE THE SINCERITY OF YOUR POSITION AND MOTIVATION THAT GUIDES YOUR WORK. I HOPE THAT WE WILL KEEP IN TOUCH OVER THE NEXT WEEKS. OUR OBJECTIVES AS I HAVE SAID WILL NOT CHANGE. WE WILL CONTINUE TO SEEK A PROPER WAY TO END OUR TRUSTESHIP OVER THE TTPI IN A MANNER CONSISTENT WITH OUR LEGAL OBLIGATIONS AND OUR MORAL COMMITMENT

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TO THE PEOPLE OF MICRONESIA. FINALLY, ALTHOUGH WE TAKE LEAVE WITHOUT ACCOMPLISHING WHAT WE SET OUT TO DO - I CONTINUE TO BE OPTIMISTIC THAT TIME, ADDITIONAL STUDY, A CONTINUING EXCHANGE OF VIEWS WILL IN THE END RESULT IN AN AGREEMENT THAT WE CAN BOTH ACCEPT HEARTILY AND WITH GREAT RELIEF."
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