

OUTLINE OF PRESENTATION OF PHASE II FIGURES

Scott
13
4,516

I. Current USG support for the Marianas:

-- It is our estimate that under the TTPI the Marianas is currently receiving annually about \$9.5 million in U. S./support.
financial

-- The \$9.5 million figure can be broken down as follows:

- \$5.0 million for government operations
- \$2.0 million for CIP on the average of the past several years.
- \$2.5 million for federal programs and services--i.e., post office, FAA, etc., averaged over the past several years.

II. The present U. S. proposal for support to the Marianas proceeds from this present base as a starting point and has been developed following the approach outlined to you earlier. It represents a package of assistance, all of whose parts are related to each other. It is provisional in the sense that a material change in one of the component parts will entail reconsideration of the other parts, and none can be regarded as final until all have been agreed.

III. The package consists of two parts. The first part represents those items which will continue indefinitely into the future. These are:

1. A rebate of all Federal income taxes and customs duties derived from the Northern Marianas, and the proceeds of all U.S. taxes on articles produced in the Northern Marianas together with all federal fees collected in the Northern Marianas.

This amount will grow progressively larger as the years go by and your economy develops. So far as rebates of Federal income tax go, we estimate it will build up progressively each year from zero the first year to over \$4 million annually after the fifth year and will level out

... an even higher figure as the U.S. military presence peaks and stabilizes.

2. The new government of the Northern Marianas will receive a constant source of income in the form of returns realized from the use of land by the U. S. military base. We will discuss the amount involved considering fair market values when we go to the subject of land on our agenda.

3. You will be eligible for the full run of federal programs and services provided the other territories of the U. S. We cannot quantify this exactly but estimate it will run well in excess of the present annual average of \$2.5 million.

The second part is special grant assistance to be provided during the period of your economic development and build-up. We have included provisional figures for an initial five-year period with provision for review at the end of that time for some categories to determine how you are progressing in economic terms, the extent to which anticipated major increases in your revenues have been realized in fact, and what further levels of assistance will be needed.

These represent during the 5-year period an increase of \$4.5 million annually or 57% over the present base level of assistance/ They are in three categories:

1. \$7.5 million for government operations.
2. \$3 million for development projects -- i.e., CIP.
3. \$1 million for a development loan fund to be held and controlled by the Government of the Northern Marianas.

A third category of assistance of course if the one-shot amount to be made on signature of the new agreement for Phase I purposes.

IV. Impact of proposed U. S. Assistance

Taken together, these three components of the U. S. assistance package mean a great deal more than the 57% increase noted in the direct grant assistance component. The first component comprising those like tax rebates elements/which will continue into the indefinite future represent a major continuing asset for the new government. They do not include, however, any allowance for further increases in your income which will accrue directly and indirectly from the build-up and continued presence of the U. S. military bases. These were reviewed at length in our last session, but since they are most difficult, if not impossible to quantify they have not been included here. Authorities and economists may differ on the extent of their impact, but it is bound to be considerable over the coming years. It would include in addition to the rebate to the treasury of the Northern Marianas of federal income taxes levied on expatriate U. S. personnel employed on the base:

- Local purchases for construction material and other items needed on the Tinian base.
- Local purchases of goods and services by expatriate U. S. personnel employed at the base -- e.g., food, recreation, etc.
- The salaries of those hired to work on the base.

The value of the range of federal programs and sources to be made available is also difficult to be precise about. Our \$4 million per year is an estimate only but we believe that may be conservative:

- Illustratively, some of the major federal programs and services now received by the Marianas are as follows:

Some of the major new programs and services for which you will become eligible as a commonwealth are:

V. After the first five years:

-- At the end of the first five years there will, of course, be a review of your needs to help determine whether the support figures for the second five year period which we are now proposing for it continue to be relevant to your needs. The new figures we hope can be less as you show your ability to stand better on your own feet, but they could also be more depending on a variety of considerations including price rises, unexpected developments and major changes in underlying assumptions.

-- In comparing our present proposal with the Commission's estimate of needs, we note that as the years pass, there is an increasing gap between them because of the Commission's apparent intention to increase governmental and other expenditures at an accelerating rate.

-- As we have previously noted, we wonder whether this projected increase in expenditures is wise -- whether it would not in fact lead away from self-sufficiency and toward greater and permanent dependence on outside assistance.

-- However, the Marianas' economy will be growing, your revenue base will be increasingly large. The U. S. would not expect to pay for continuing increases in government operating expenditure, if you choose to make them, nor would it have to. It would be your business. But if this cut deeply into amounts you could otherwise make available for economic development

... have to look carefully at our other future assistance,

Our estimate of your actual economic needs, and your capacity to absorb resources productively, and our estimate of the extent of your growing revenue base as the years pass, lead us to believe that this concept of a sliding scale for U. S. support is economically very sound.

13
2,753

Preliminary Comments on MPSC Paper on the Return of Public Lands

I. Introduction

- Grateful for views expressed in MPSC paper which U. S. delegation has found helpful in many respects.
- Need to study paper at greater length, particularly those parts that impinge upon or articulate forthcoming military land discussions on the agenda.
- Meanwhile, however, prepared to make a very few preliminary remarks based on rather hurried look at the paper.

II. Nature of U. S. Land Policy Statement

- Perhaps useful in first instance to say to MPSC what has already been told to representatives of the Congress of Micronesia in discussions last month regarding new U. S. land policy. (Copies of minutes of land discussions will be available in a week or so as soon as printed.)
- Policy is not a position announced by U. S. delegation. Rather it is a formal statement of U. S. Government policy approved by the Secretary of the Interior and promulgated as an official act of the administering authority.
- It is not, in other words, a subject for negotiation, though members of U. S. delegation only too happy to answer questions about its interpretation.
- Implementation of that policy as stated therein is responsibility of Interior and Trust Territory Administration, not U. S. delegation; but we are, of course, willing to be as helpful as possible in getting information for MPSC from implementing authorities. No reason, however, why MPSC can't go directly to those authorities, as we have noted they are already doing.
- Implementation of policy will go forward regardless of course of these negotiations, though we as always happy to hear views of MPSC on the subject.

- Many items remain open or flexible by definition, on the other hand, and where they involve or impinge on subjects covered in these discussions, they will of course be subject for consideration here.

III. Preliminary Comments on Individual Items

A - P. 3 - Reference to military retention land, would prefer to defer entire discussion of military retention land until we get to military land item on agenda.

- Meanwhile should say for record, however, that military retention land is not included in the definition of public land included in the policy statement. Military retention land peculiar to Marianas situation, was under discussion with MPSC last May-June and is still very much an item for further discussion between the two delegations.

B - P. 3 - Return of public land used by TT Administration

- Policy on this is clear and unequivocal.
- Matter is not subject to negotiation.
- Anticipate of course that new government of Marianas will fall heir to property of TT Administration with change in Marianas status, but modalities of this need to be discussed under transition.

C - P. 4 - Approval of future CIP on public land by Marianas people.

- Assume "Marianas people" means MPSC for all practical purposes.
- Policy Statement seems clear on future CIP, however, U. S. delegation members/willing to consider this along with other proposals re use of public land in interim period and will advise after study.
- None meanwhile new statement by HICOM on leases

035824