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JOINT COMMUNIQUE

From December 6 to December \_\_\_\_, 1973, the Marianas Political Status Commission and the President's Personal Representative met in Saipan for the third session of negotiations aimed at achieving political union between the Northern Mariana Islands and the United States of America.

The session consisted of public plenary opening and closing meetings, many working meetings of the full delegations and discussions between sub-panels of advisers on technical matters. The discussions dealt with constitutional, legal and fiscal aspects of the future political relationship, United States economic and financial assistance, land matters including United States land requirements, and methods of assuring an orderly transition to the new political status, including U.S. assistance for the planning and implementation of necessary transition measures.

During this session of the negotiations, the parties arrived at several specific agreements within the broad areas of understanding reached last May and June. There was no attempt to agree on precise language, for a final agreement except on the question of U.S. citizenship and nationality.

Both delegations agree that this session has resulted in substantial progress toward the mutual goal of a secure and enduring place in the American political family for the people of the Northern Mariana Islands. However, they recognize that much work remains to be done on a range of complex issues before a final agreement can be signed. To this end, a number of technical questions have been referred to panels of experts for further study between negotiating sessions.

The tentative agreements are set forth below:

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I. The Nature of the Political Relationship:

A. Local Self-Government

1. It was agreed that specified fundamental provisions of the Status Agreement, including certain provisions designed to assure self-government to the future Commonwealth of the Northern Mariana Islands, may not be amended or repeated except by mutual consent of the parties. The Status Agreement will be drafted so as to reflect clearly the intention of the United States and the Marianas Political Status Commission that this undertaking be enforceable in the federal courts.

2. Following this session of the negotiations, the joint legal working group will begin to draft those provisions of the status agreement most directly relating to local self-government and those to which the mutual consent provision will apply. The result of these efforts will be referred to the Marianas Political Status Commission and the President's Personal Representative to determine whether the respective interests of the parties would be adequately protected.

B. Citizenship and Nationality

1. With certain exceptions, persons born in the Northern Mariana Islands prior to the establishment of the Commonwealth, and certain classes of persons residing but not born in the Northern Mariana Islands would become United States citizens.

2. Any such person not wishing to be a United States citizen would have the right to become a "national but not a citizen" of the United States by making a declaration to that effect in court.

3. Persons born in the Northern Mariana Islands after the establishment of the Commonwealth would become citizens of the United States at birth. With very limited exceptions persons born overseas of parents who became United States citizens as a result of these provisions would also become citizens at birth.

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4. The parties will explore further, through the joint legal working group, questions relating to the right of nationals and aliens residing in the Northern Mariana Islands to become naturalized citizens of the United States.

C. Applicability of Federal Laws

1. The parties will explore, through the joint legal working group, a general interim formula to govern the applicability of existing federal laws in the future Commonwealth of the Northern Mariana Islands.

2. Such a formula should be consistent with other provisions of the Status Agreement now being negotiated and should take into account the body of federal legislation presently applicable to the Trust Territory. Each side will be free to propose any specific exceptions which appear necessary.

3. After the status agreement is approved, a Joint Commission on federal laws will undertake a detailed study of relevant federal legislation and will make appropriate specific recommendations to the United States Congress regarding the future applicability of such legislation in the Northern Mariana Islands.

D. United States Federal Income, Estate and Gift Taxation

1. Those persons who reside in the Northern Mariana Islands and not in any other part of the United States, and who become United States citizens or nationals pursuant to the status agreement would be subject to federal income tax only on United States source income, not on income earned in the Northern Mariana Islands. Such persons would also be exempt from United States gift and estate taxation except with respect to property situated or deemed to be situated in the United States outside the Northern Mariana Islands.

2. Other United States citizens and United States corporations not residing in the Northern Marianas Islands would be exempt from United States federal income tax on any foreign source income

(including income earned in the Northern Mariana Islands) if such citizen or corporation derives 80 percent of his or its gross income from sources within the Northern Mariana Islands and other United States possessions and derives fifty percent of such income from the active conduct of a trade or business in the Northern Mariana Islands and other United States possessions.

3. For all other purposes of the United States internal revenue laws, the Northern Mariana Islands would be treated as a "possession" of the United States. Section 872(b)(4) of the Internal Revenue Code, which provides that income derived from a series E or H United States saving bond is exempt from tax if an individual acquired the bond while a resident of the Trust Territory, would be amended to continue its application in the Northern Mariana Islands under the new political status with respect to bonds acquired prior to the establishment of the Commonwealth.

4. All customs duties, excise taxes and federal income taxes collected by the United States and derived from the Northern Mariana Islands would be paid over to the Commonwealth of the Northern Mariana Islands for expenditure as the Northern Mariana Islands Legislature shall provide. The amounts paid over to the Northern Marianas would include the federal income tax paid by civilian and military employees of the United States.

5. The future Northern Marianas Government of the Northern Marianas would have exclusive power to enact, amend or repeal its internal revenue laws. The people of the Northern Mariana Islands are committed to shouldering an increasing local tax burden, consistent with their stage of economic development, as part of their effort to achieve economic self-sufficiency; this would include the imposition of progressive income, estate and gift taxes. The provisions of the status agreement regarding United States financial assistance to the Northern Marianas will reflect this commitment.

6. Alternative local tax laws will be intensively studied during the transitional planning period. Both parties recognize that a local income tax law based on the Federal Internal Revenue Code, such as that currently enforced on Guam, may not be appropriate at the present stage of economic development in the Northern Mariana Islands.

E. Customs Duties and Excise Taxes

1. The Northern Mariana Islands would not be included in the customs territory of the United States.

2. The Government of the Northern Mariana Islands would have the authority to establish a "duty-free port" and to enact local customs laws relating to imports from foreign countries, provided that this authority would be exercised in a manner consistent with the international obligations of the United States -- including the General Agreement on Tariffs and Trade ("GATT").

3. Exports from the Northern Mariana Islands entering the customs territory of the United States would be subject to the same treatment as those from the territory of Guam. Accordingly, exports from the Northern Mariana Islands would not be entitled to enter the United States free of import duty if more than 50% of the value of the product derived from foreign materials. The parties will explore further whether the economic circumstances of the Northern Mariana Islands would warrant a higher percentage limitation on foreign material with regard to certain products. The agreement of the United States to allow duty free entry of exports from the Northern Mariana Islands is subject to the condition that such treatment not be inconsistent with United States international obligations. The United States will, in order to carry out this agreement, endeavor to obtain a special exemption to the GATT.