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POSITION PAPER
JCFS COMPACT - TITLE VI - SECTION 604

1. Summary

The JCFS language change appears to reflect a desire to incorporate a more positive U.S. commitment to permit the use of U.S. currency as legal tender for Micronesia.

2. Issues

a. Is the JCFS language substantive in nature?

b. Does the JCFS language change exceed U.S. negotiating instructions?

3. Background. The Micronesians proposed as early as 1970 that the GOM be permitted to use U.S. currency. This position was a part of the JCFS proposal that the GOM have access to U.S. banking facilities which itself was keyed to JCFS desire that GOM trade and commerce receive preferred U.S. treatment. In 1971, the JCFS first noted that the GOM intended to institute a local currency after an interim period. The U.S. had been receptive to the JCFS currency position, but the U.S. language was originally drafted to reflect general U.S. concerns about lack of controls over how U.S. currency would be used in Micronesia if no adequate U.S. currency laws were extended (e.g., counterfeiting, mutilation, etc.)

4. Options

a. Reject

PRO

(1) Continue to reflect U.S. concerns about potential GOM abuse of U.S. currency without adequate U.S. legal safeguards

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(2) Could influence GOM to adopt more rigorously, enforceable statutes.

CON

(1) Would reflect paternalistic approach and attitudes.

(2) Would encite anti-U.S. groups.

b. Accept

PRO

(1) There is no substantive issue involved.

(2) Would remove "paternalistic" overtones.

(3) Would be a gesture of concession to JCFS.

CON

(1) - - - -

5. Recommendation

a. Accept JCFS proposal

b. Rationale.

(1) No substantive issue involved.

(2) Eliminates potential issue for anti-U.S. elements.

(3) Gives JCFS a "concession."