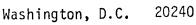
OFFICE OF MICRONESIAN STATUS NEGOTIATIONS

Capt. Scall



January 14, 1974

To:

Mr. J.M. Wilson, Jr., U.S. Deputy Representative for Micronesian

Status Negotiations

Adrian de Graffenried, Legal Advisor

Subj: Outstanding Legal Issues for MSC/JCFS Talks

At the close of the third round of talks with the MSC, the following legal issues were referred to the joint working group of lawyers for further discussions:

- 1. A review of the U.S. draft covenant provisions
  - drafting provisions of the "Covenant"
  - b. identifying those provisions which would be subject only to mutual consent
- Identifying the rights of nationals and aliens in the Marianas and a review of subsection (d) of the Marianas citizenship proposal relating to providing a citizenship option to close "relatives" of those people holding the right to become U.S. citizens under the Covenant.
- Closer review of the general formula for interim applicability of existing federal laws.
- Whether the Commonwealth would be treated as a U.S. "possession" for purposes of existing federal internal revenue laws.
- An examination of alternative internal tax laws, including progressive income taxes, to be adopted by the Commonwealth.
- An examination of U.S. import duties on goods from the Marianas especially as relates to the 50% value requirement under existing federal law and to determine whether a higher value exclusion for the Marianas would be warranted.
- Eminent Domain powers of the U.S. in the Mariana Islands.

At the close of the seventh round of talks with the JCFS, the following legal issues were outstanding:

- 1. Survivability of U.S. rights in Micronesia
- 2. The remaining Titles of the Compact of Free Association
  - a. Trade and Commerce
  - b. Citizenship and Nationality
  - c. Immigration
  - d. Representation
  - e. Disputes Settlement:
  - f. Effective Date and Ratification Procedures