

FIRST WORKING SESSION

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We will be discussing this with our financial proposals and the U.S. conceptual approach.

We are prepared to adopt rebate of Federal Income Tax on non-residents of Marianas as part of U.S. federal assistance to Marianas under new arrangement which in military aspect is some \$4 million alone.

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As to customs excise taxes, we have responded point by point, but we also should consider further.

Citizenship has been discussed at lawyers' working level and have tentatively reached agreement with exception of a lead-in clause to 105 (a) and provisions of section (d).

H. Marcuse: I would like to give a brief review. Section 105 (a) and its lead-in clause is designed to take care of those not wishing to automatically become U.S. citizens but wish rather U.S. nationals. As revised, there is no particular problem, but we desire further review.!

Section 105 (d) is recognized as a new problem that cannot be settled here. Some provisions have a chilling effect on movement. That has constitutional significance. We must review this section in light of recent Supreme Court decisions.

E. Pangelinan: Commission would like to review proposed technical changes prior to making response.

H. Willens: Can we incorporate the new agreements in the income tax area, and do we expect to return to customs and excise tax areas during this session?

As for Section 105 (d), can there be a continuing dialogue during this session, and can we have benefit of legal research before end of session?

H. Williams: Yes, this is our intent.

We do have some general remarks on your proposal on the limitation of federal authority in the Marianas and the applicability of laws to the Marianas. I would like to have Mr. Wilson make this presentation.

J. Wilson: (Presentation)

H. Willens: I would like to note we have not suggested all federal laws be studied as you interpret Paragraph 3. But, we do want to study the effect of general formula approach, i.e., laws now applied to Guam.

J. Wilson: Still some problem with studying all the federal laws now applicable in Guam. This is a very time consuming proposal if you want to study them before they are applied here.

H. Williams: There is also a problem with your suggestion on p.2, that the problem of application of laws be resolved before status agreement signed.

H. Willens: Our change in view is to make sure there is no vacuum in federal laws on changes of status; this would also be in the interests of USG.

This is not like Guam/Puerto Rico where U.S. laws were already applied so we must deal with this issue and is why we must deal with a general formula approach as we propose.

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Keep in mind:

- Views of Congress
- Federal relations with other territories

Can provide political and legal assurances.

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Blanket limitation could raise questions of "residual sovereignty." We want complete authority with exceptions.

Status

--MPSC Draft Communique - Language will be submitted by consultants to U.S. designee

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Working group will work on formula

4-3-2 Willing to accept U.S. position that:

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- (2) Status parts of compact subject to requirement
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12/12 P.M.

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What rate of growth do you want?

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--We need to begin planning on day one - at least begin review of what's been done

August 29 paper sets forth schedule of work. We want detailed physical planning at appropriate place in Phase I.

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\$100,000 for physical planning. How did you get this number?

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029467

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3 major issues:

- (1) Applicability of Federal laws. When is research appropriate on this? Not talking about complete survey.
- (2) Difference in costs assigned for government organization and legislative program \$50,000 v. \$200,000  
  
\$50,000 will buy a senior lawyer and 6 consultants for a few weeks  
  
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029488

Return of Public Lands

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Private Land Survey

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--See Sec. 402 of covenant

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Land

Faralon - We want to lease with option to buy at Termination of Trusteeship

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