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PRESENTED BY AMBASSADOR WILLIAMS 12-13-74

MARIANAS V - SEVENTH WORKING SESSION - 12-13-74

I. General Introductory Comments

- We thank you for the careful consideration you have given to our recent statements on:
  - Work of the Joint Land Committee.
  - Our proposed separate technical agreement on land
  - Our response to the MPSC's counter-offer on price
  - The change in the U.S. plans for Tinian.
- You have asked for our prompt response and have suggested that we be prepared to work over the weekend in view of the few days remaining before the adjournment of Marianas V.
- We are prepared for and in fact will propose in our response this afternoon, meetings on a number of subjects for tomorrow and the next day.

II. Response to Commission's procedural proposals

- You have asked "is the United States interested in ending these negotiations?"
  - The answer is yes and in a manner that will do honor to both the MPSC and the U.S.
  - We know of no traditions or precedents to follow in these unique negotiations so far as U.S. experience goes. We have not approached these talks as adversarial proceedings---but rather with the spirit and the desire to find appropriate political means whereby your

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request for association with the U.S. can be met expeditiously and justly.

- In this regard I have explicit instructions from the President of the United States and you have your charge from your legislature and your constituents.

-- I believe by working together, at times in rather unorthodox fashion, that we have made a great deal of progress toward our common objective which will satisfy my instructions and your mandate.

-- I believe that we have made substantive progress over the past ten days in narrowing our differences in the language of the Covenant.

-- I believe that in our presentations we have proposed areas where constructive progress can be made by further formal and informal exchanges.

-- I believe that we have by no means exhausted the possibility of reaching further understandings and compromises in the remaining areas of differences.

-- I believe that we should therefore proceed to address ourselves to these questions before acknowledging in any way that we are incapable of reaching reasonable agreement.

- To this end the U.S. is prepared to

-- Discuss further with the full commission or the MPSC land committee the question of price, land use and the determination of fair market value for the lands needed by the U.S. for defense purposes.

--- We proposed such a meeting yesterday in order to give the Commission a chance to explain more fully to us its rationale for its

counter-offer. [To date we have not been given any details on which your price calculations are based.]

--- We are prepared to proceed along these lines at your convenience.

-- Discuss the extent of the U.S. land requirements in light of the changes in the DOD timetable for the development of a fully operational base on Tinian.

--- This would include the questions you have raised with respect to lease-backs.

--- Again we are willing to discuss these questions with the full MPSC or the land committee.

-- Discuss the financial provisions of the Covenant and the adequacy of the levels in view of the Marianas justifiable economic needs-- taking into consideration what has previously been said and the impact of the change in the DOD plans for Tinian.

--- This can be done in full working session; preliminarily with your advisers, or with whatever group you might wish to name.

-- Discuss further the remaining language differences and issues in the Covenant first by the members of the drafting committee and finally in a full working session.

- In brief we are not ready to accept that an impasse has been reached even with respect to price and would suggest that we get on with our job.

III. Some general and preliminary comments on the three parts of your paper of this morning.

1.- The U.S. proposed separate technical agreement on land.

-- We are pleased that the Commission is able to accept our general recommendations on how this important matter should be handled.

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-- We concur in all particulars with the Commission's interpretations and qualifications with the single caveat that we would want the items mentioned for inclusion in the Covenant on this subject to be confined to the broadest principles, leaving any details to the separate technical agreement, and would hope that this could be accomplished with very few words.

2. - Revised U.S. Plans for Tinian

- Acknowledge and regret the difficulties caused by the change in the Defense plans and timetable for Tinian.
- Appreciate the disappointments that some feel given their expectations based on the previous information given to the Commission and to the people of the Marianas and particularly the people of Tinian.
- Admire the reserved and reasonable response of the MPSC to this late development and appreciate the understanding shown as to why the change in plans was necessary.
- The extent of U.S. land needs. The factors which led to the initial plan and the various missions or components of the base necessary to maximize its full potential usefulness have not changed because of the need to defer the full implementation of these plans under the seven year scheme mentioned in past rounds.
- The feasibility of putting into execution the full plan at the pace (over seven years) previously indicated is what has changed. This is due to
  - World-wide developments.
  - Inflationary pressures on the DOD budget.
- These conditions could change and given the inter-connection between

the missions and the infrastructure of supporting harbor and airport facilities the U.S. continues to need to acquire 3,785 hectares in addition to the present military retention lands on Tinian. It needs this land to begin to develop the basic infrastructure for a rapid build up if needed and to support the important training mission that is to be undertaken without waiting for the full base construction. It needs to acquire the entire 17,800 acres in order to justify to Congress the appropriation of funds to pay for an integrated land area suitable for further base development, and for the near term rehabilitation of San Jose Harbor and West Field.

-- Maximum utilization of the land to be acquired for non-military purposes

--- have said repeatedly that the U.S. proposes that all lands not being used for military purposes be available for other purposes so long as those purposes are not inconsistent with the military mission.

--- This continues to be the position of the U.S. and the U.S. is prepared to discuss this question with you as part of the terms of the technical agreement, or as a separate matter either with the joint land committee or with the full MPSC.

--- We have not and will not take an inflexible position in this matter, nor will we wantonly disregard U.S. law and practice with respect to out-leases.

--- I believe in short, as I always have, that there is ample room in this area for accommodation. We should proceed to discuss the matter with the view of satisfying the interests of both parties.

-- Compensatory Economic Support

- Have already stated our regrets with respect to effect of change of plans for near term on expected income from the planned U.S. military presence.
- No need rehearse who said what in the past on this issue or to argue the extent of MPSC reliance on U.S. statements regarding then current military plans.
- In good faith we did anticipate that large sums would be spent here and that additional sources of income would be realized from both the construction and operation of a major base on Tinian.
- At the same time we took you literally when you said your needs were not expressed in terms of reliance on this as a dependable and stable source of income.
- U.S. offer of financial assistance was not tempered by this sort of consideration, and we believe it was and remains an exceedingly generous offer by any objective standard.
- Problem, as we discussed before at length, is to provide you with enough to strengthen your own economic base--to let you stand strongly on your own feet.
- Not to provide you with an economic crutch which would make you increasingly dependent on direct U.S. assistance.
- Most importantly, we have grave difficulty agreeing that in times of inflation which have forced postponement of military construction plans we should be asked to up the stipend agreed

to in the draft Covenant.

--- We will have trouble enough in these times justifying to our Congress the sums already proposed.

--- Nevertheless we are willing to discuss this matter further and to listen to your detailed justifications.

### 3. Method of Acquisition and Price

- As I said at the beginning of my remarks we are by no means prepared to accept the idea that we have reached an impasse on this issue--even though we seem to be miles apart in our offer and your counter-offer on price.

- We feel it would be useful to sit down and discuss with you seriously what we consider to be some major defects in the logic and economics of your proposal.

- These were not explained by Mr. Seldin in September, but perhaps there is more in the way of justification contained in the final report on which your counter-offer was presumably based.

-- How does he justify for example classifying more acreage on Saipan and Tinian for industrial development than there is devoted to industry today in Guam?

-- What kind of industry is he talking about, and what plans or developments is this judgment based on?

-- What areas outside those to be used for military purposes are to be used for industrial, commercial or residential purposes and how does your estimate of the civilian requirements for these purposes relate to your estimates of what is needed for these purposes within the areas selected for military use?

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- What criteria did Mr. Seldin use with respect to setting public purposes, for parks, for docks, for roads, for marinas, for agriculture, for housing, etc. What did he base this on?
- It seems to us we should be able to get together much more closely on matters such as these before we need to argue about price per acre for any given categories of land.
  - As we said yesterday most of these arguments involve a very small part of the total acreage involved, and there seems to be considerable room for further discussion and understanding.
  - We therefore propose that the land committee (or the full commission if you prefer) sit down and go over these things openly and whatever detail you desire.
  - If the possibility for agreement fails to appear we can then consider other courses of action.
  - The one you have suggested--binding arbitration--seems very premature and pessimistic. It would also be costly in time and money. It presents us with difficulties, not the least of which is that special legislation by our Congress would probably be required even if the executive branch were willing to go this route--which it is not.
  - As we stated as early as last July there is an established procedure for what is tantamount to binding action in the form of mandatory appraisal by three or more professional appraisers agreed to in advance by both sides. We are prepared if necessary to go this route.
  - Congress of course would still have to approve the result by voting the funds, but if it did not we would have to start again on the entire Commonwealth package.
  - We would prefer not to go that route unless absolutely necessary, however, simply because it ties the hands of both parties in practical terms.



- So we ask again to sit down with you to see if it is not possible to reach much closer understanding on the basic economic considerations underlying your earlier proposal on land.
- There will be time enough to talk about the other related matters when we have tried harder to get together on these fundamentals.

#### SUMMARY

1. We would propose that a meeting be held tomorrow morning at 9:00 with the MPSC members of the Joint Land Committee and as many members of the MPSC as may wish to attend to discuss the Seldin report and the questions of land use and other issues related to price and the method for determining fair market value.
2. We would propose that a similar meeting be held tomorrow afternoon at 2:30 to discuss the question of lease-back arrangements with again the MPSC members of the Joint Land Committee and some or all of the members of the Commission.
3. We would propose to meet on Sunday with the full MPSC to discuss the economic question raised by your statement of this morning regarding the adequacy of the proposed levels of financial assistance to be provided in light of the changed plans for Tinian.
4. We would propose that the Joint Drafting Committee continue its efforts with respect to the Covenant and that it be given the additional responsibilities for preparing an agreed draft of a separate technical agreement on land to be submitted to the principals by Monday morning, December 16th.

We have tried to meet your request for a quick response. We hope that it will permit us now to go forward beginning tomorrow morning.