

DELIVERED BY AMBASSADOR WILLIAMS 12-16-74

MARIANAS V--ELEVENTH WORKING SESSION-- 12-16-74

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I. STATUS OF OUR UNDERSTANDINGS REGARDING THE DRAFT COVENANT

- As we understand the situation following the latest meeting of the drafting committee, provisional agreement has been reached on most of the draft Covenant.
- A newly typed version is now coming off the typewriter and should be ready for distribution tomorrow
- We have reached agreement subject only to minor drafting adjustments on the first five articles of the Covenant.
- A minor adjustment in wording is still necessary in Section 105.
- The question of whether or not Section 806 on eminent domain is to be made subject to the mutual consent provision of Section 105 is still outstanding.
- The U.S., as I have indicated earlier, can accept only on a tentative basis still the idea in Section 105 of specifically naming the Marianas in legislation not generally applicable to the states and the provision for Presidential approval of the new Marianas Constitution in Section 202, since these sections are subject to further consultation with the U.S. Congress. They all will have to be shown as being subject to U.S. reservation in the draft Covenant resulting from Marianas V.
- We have still an outstanding technical problem on Section 501 resulting from your side's insistence on double assurance regarding the remote possibility that court action might overthrow the provisions on disproportionate representation and restraints on land alienation.
- We still have technical problems with Section 506 and a substantive problem resulting from your insistence that the U.S. Congress not modify its treatment of persons other than immediate relatives under the Immigration and

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- Nationality Act without your consent or your being consulted.
- Article VI on taxes still remains subject principally to your counsel's "reservations" on your behalf.
 - Sections 601 and 602 may be subject to minor if the Commission accepts the basic idea of adopting the Guam system regarding the federal income tax.
 - We also have some difference still on whether the Northern Mariana Islands should start out -with the same federal excise taxes as Guam.
 - Article VII is agreed, but we must still reserve on Section 703(a) regarding the legality of using grant funds for your part of revenue sharing.
 - Article VIII on land still presents problems.
 - Section 801 is agreed.
 - Sections 802 and 803 await settlement of the military land issues.
 - We have adjustments still to make in Section 804 regarding civilian land requirements.
 - We have minor adjustments to consider in Sections 806(a) and (b) and the split remains on 806(c) regarding eminent domain.
 - Finally, in Article IX we remain split on Section 901(a) regarding a non-voting delegate in the U.S. Congress.
 - In addition, we must still complete our work on the negotiating history or explanatory notes.
 - Then we must, of course, complete the separate technical agreement on land. A new draft will be ready for distribution tomorrow which incorporates most of the MPSC counsel's suggestions. I trust that we can reach tentative agreement on this during this round of talks.

II. Compensatory Economic Support

- have given careful consideration to Commission's request
- acknowledge that change in DOD plans will result in near term in loss of revenues and opportunities
- am prepared to recommend to my principal increase in total level of U. S. assistance during Phase II in view of the changed circumstances
- will recommend:
 - \$250,000 per year for seven years for the Marianas Housing Authority for a special separate program for families with low incomes - for subsidized low interest loans for new homes or home improvements
 - \$250,000 per year for seven years for a special educational and training fund to be used to cover these extraordinary needs and costs relative to the change in status, transition, and the start-up of a new government
 - these funds would be used for retraining due to dislocation; reorientation of the curriculum as may be required with emphasis on technical and vocational educational initiatives and innovations; in-service training courses for civil service personnel and special public administration fellowships and internships
- I say I am willing to recommend this amount, and I am prepared to recommend these two special funds but I will need greater justification for both - in terms of the detail needed, etc.
 - At same time do not close the door to other possible uses for these special funds
 - we should discuss this further before the end of Marianas V.

III. Land

A. Extent: We are in agreement, I presume, on the acreage required:

1. Tinian 17,799
2. Isely 485
3. Tanapag 177
4. Farallon 206

B. Method of Acquisition and Eminent Domain

1. You understand our position; we understand yours. No agreement: vice - versa
2. If U. S. position with respect to eminent domain, and one lump sum payment is acceptable, U. S. willing to enter into lease arrangement for 50 years with automatic renewal option and no renegotiation for a second 50 years.

C. Price

1. Farallon de Medinilla - 206 acres - 50/50 yr lease;
one lump sum payment \$20,600.
2. Isely - 485 acres - 50/50 yr lease

We have a great difficulty in compromise for the necessary rights at Isely Field. Our offer was the maximum compromise. As Mr. Wilson stated to you the price for the Saipan land may be just too much to pay for our requirements. You will recall that there was no promise to build anything on this land. Our requirements were indefinite as to time and extent of use. Under the FAA airfield operational requirements we are certain that approximately one half of the land will be kept clear and will not be available for our use.

We have made an offer of \$482,000 for this area. The offer stands. If this is not acceptable, we will rescind the proposal and return all of the retention land to you as a part of Isely Field.

3. Tanapag Harbor

- Both sides recognize desirability of development of this area for a park and a living memorial
 - various possible features of the park have been suggested by Marianas group and by U. S. officials
- 133 acres to be dedicated for park and memorial purposes
- 44 acres to be leased back to Government of the Northern Marianas at nominal fee for harbor related activities which should produce substantial income if projections are realized
- Three important purposes thereby served:
 - (1) Public park, memorial and recreational site for people of Saipan
 - (2) Use of 44 prime acres for harbor related activities
 - (3) Avoids further controversy over preservation of beach areas like in Continental Hotel case.
- To achieve mutual objectives U. S. proposes to pay \$2 million for acquisition of entire 177 acres. This will probably require special funding yet to be determined.
- \$2 million to be placed in trust fund by the Government of the Northern Mariana Islands.
 - Income from trust fund to be used by future Government of the Northern Mariana Islands for development and maintenance of park as income accrues. Corpus to be preserved as perpetual trust to produce continuing development and maintenance funds for the for the Park to benefit people of Marianas.
- U. S. to furnish American Memorial Monument.
- U. S. to assist in planning and engineering.
- Basic development and planning is responsibility of the Northern Mariana Islands.

- Bureau of Outdoor Recreation has already developed tentative plan available to Government of the Northern Mariana Islands. BOR will assist in modification of plan as desired by the Government of the Northern Mariana Islands.
- To acquire these funds the Government of the Northern Mariana Islands must properly designate and register this area as an historic site, park, or antiquity.
- Marianas may also construct memorial to honor Marianas War dead.
- Concessions, facilities, marina, etc., can be good source of additional income for the Government of the Northern Mariana Islands, to accelerate development of the park or for related purposes.
- The Government of the Northern Mariana Islands might wish to donate Managaha in order to preserve entire area for beneficial public use and protect its traditional meaning.
- In summary, U. S. in view of its earlier statements willing to lease on 50/50 year basis 177 acres at \$2 million on condition funds be used as set forth above. U. S. will not pay more and alternative is the same as for Isely.

4. Tinian

- 17,799 acres approximately
- Current offers:
 - U. S. - \$10,800,000
 - MPSC - \$25,165,000

- with return of 9 acres in San Jose Harbor valued at \$100,000 per acre by MFSC this should drop the MFSC offer to \$24,265,000.
- We mutually recognize or agree that it is to our best interests to reach an agreement on price and that we cannot, in the short time available, persuade each other to recede from what we each, respectively, believe to be reasonable and supportable positions.
- In situations such as these some form of compromise may be the only solution - based on factors other than, on the one hand theoretical analysis and projects and hard current data and appraisals of current land values, on the other--and I wish to assure you that I have the utmost confidence in the later positions as set forth over the past six months by our experts.
- Be this as it may we should attempt to compromise, not our experts, their opinions or credentials, but the practical differences that face us in terms of dollars
- With this in mind I have asked my advisers to provide me with some figures as a basis for settlement
- With the adjustment for the 9 acre return in SanJose Harbor -
 - the total acreage again is 17,799
 - your adjusted offer would be \$24,265,000
 - our adjusted offer would be \$10,800,000
 - the difference is 13.4 million
 - one half of this difference is \$6.7 million
 - this added to the U.S. original offer of \$10,800,000 = \$17,500,000.
 - this represents a 50-50 compromise.

- This offer is with the understanding that if we must for some reason terminate the MDC lease we will have the responsibility for paying any damages according to the lease. If the future Government of the Northern Marianas desires to terminate the MDC for reasons of its own it should bear the financial responsibilities for any resulting damages.

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- Let me conclude my statements on price with these words
 - they are not bargaining prices
 - they have been considered carefully
 - they are not based on just the appraisal value
 - they represent compromise
 - and finally they are subject to the approval of the Congress of the United States.