

DRAFT

JCFS FINANCIAL DISCUSSIONS

2/14/74

Preliminary Remarks

- Present meetings result of conferences between Salii and Williams in December and January aimed at providing forum for exchange of views on economic and financial status of Micronesia in effort to find new common ground for continuation of political status discussions.

- Present talks are not aimed at achieving agreement on new programs or levels of assistance - that comes later between principals and two delegations.

- Interested instead in exploring each others views on the economic future, gaining a much better understanding of Micronesian problems, goals and desires and developing a common basis of understanding on which later decisions can be made.

- November discussions in Washington - unfortunately in retrospect - began with no such common basis of understanding.

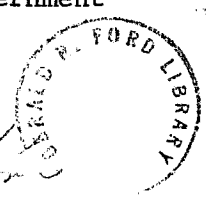
- U. S. for its part, not having explored with JCFS in any depth Micronesian goals and objectives, had to make a series of assumptions in this regard and on what members of COM had said publicly in the past. Accordingly, position was developed, of necessity, from starting point of present level of financial assistance and present TTPI budget, modified by those assumptions.

- JCFS on other hand appeared to have ^{an} ~~its~~ undifferentiated list of desirable projects to be realized within a short period of time, and a number of previously undiscussed assumptions regarding the level of future government operations.

- Current exercise should have virtue of providing basis for head start *on need mutual deliberations within both delegations*

- On U. S. side team is here to learn just as much as possible about JCFS thinking on where members think Micronesia can and should be economically

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5, 7, 17 or 20 years from now. We really want to know what is on your minds.

- Apologies for not having Silver along.

- Experts Miller and Berg from DOTA.

- Also MVT.

- Look forward to free and frank exchange.

- Delighted TT experts are present and look on them as resource people for everyone, sitting neither on one side of table or another. We all need the expert information they can provide.

- Also welcome participation by any others JCFS may have in mind, including district level.

- Exchange is one in our view in which we are all trying to learn as much as possible. We are not now dealing in "sides" or "positions" but rather seeking a common goal of understanding in which there are and should be no holding back and no secrets.

- Proposed agenda put together with this in mind. Designed to elicit as much useful information as possible.

- We have no special brief for any particular order of approach or specific discussions under specific headings.

- Prepared to accommodate JCFS views to the utmost.

- But believe something like this should serve to put on the table the essentials of what we need to look at together.

- Seven general headings:

- 1 - Examination of Micronesian economic goals and objectives.

- 2 - Development of Common Statistical Base

- 3 - Discussion of Future Costs of Government Operations

- 4 - Discussion of Future CIP

- 5 - Discussion of Loan Policies

- 6 - Discussion of Future Income and Revenues

- 7 - Discussion of Special Transitional Costs



- Welcome JCFS views

AGENDA ITEM I - GOALS AND OBJECTIVES

- May appear in some ways too general and too theoretical, but believe it essential for us to know what economic goals you have for yourselves in terms of the future and to explore with you in preliminary general fashion. how you hope to achieve them.

- Hope that such perhaps divergent topics as economic growth targets, the role of the future government of Micronesia in economic affairs and societal sector development can come together under this agenda item.

- Will be coming back to much of this in more explicit terms when we get farther into agenda - for now interested in basic outline of COM thinking.

- Recognize there may well be divergencies in views within Micronesia, but concerned with leadership thinking primarily.

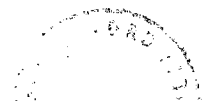
- Would like to get views of all involved in this meeting as basis for more specific later discussion of programs and costs. Otherwise we won't know what basic assumptions to make regarding the "why's and wherefores" of individual items.

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- A. 1. With your permission - would like to turn discussion to our question of self-sufficiency as a goal. JCFS has spoken of importance of Micronesian self-sufficiency in past negotiations - would like to explore with you now your general views on this subject.
- a. (1) - What for example is the degree of self-sufficiency that Micronesia can and should attain by 1978 - or 1980 - or ten years after the Trusteeship is terminated?
- What are current Congress of Micronesia objectives relating to Micronesian economic self-sufficiency?
- (2) - What measurements or indicators do you use to define the degree of self-sufficiency in Micronesia?
- What degree of self-sufficiency can we realistically aim for in the near-term? by 1980?
- (3) - How do Micronesia's relations with other nations - and specifically Pacific community nations - fit into your schema for economic self-sufficiency?
- (4) - What about development of exports? - broad question but would like to know your feeling regarding methods through which export-import ratio can be important?
- How independent an economy do you envision in terms of balance of payments?



- Would like to know - on a general level - how your goals on self-sufficiency relate to Micronesian dependence on trading practices and priorities with other nations?

- b. Along the lines of goals and targets for economic growth in Micronesia - would like to turn to sectoral priorities - those areas of the economy in which you envision the most intense effort in the near and mid-term. Would also like to relate your sectoral priorities to your objectives regarding self-sufficiency.
 - What sectors of the economy do you think has the greatest possibility to the greatest growth in the next several years?

 - Apart from what you think might happen in sectoral growth - is this what you want to happen?

 - What are growth targets in each major sector.

 - How do your goals relate to realities of
 - tourism influx?
 - lack of desire among people to farm? or fish?
 - a more highly educated younger generation?
 - present small amount of Micronesian-controlled commercial fishing?
 - challenging geographical problems in transportation and communications?

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- rising expectations of population for personal articles and services?
 - How do your goals on sectoral development and growth relate to eventual Micronesian self-sufficiency?
2. a. - A bit more specifically - curious to know your views or projected interplay of your future government with private enterprise and commercial ventures in controlling various sectors of the economy?
- What are your views on the extent to which private or public sector will carry the load for necessary demand services?
 - transportation?
 - communication?
 - tourism development?
 - What about means of production?
- b. - How deeply do you see the present and future governments economy involved in planning the "macro-economic" picture for Micronesia?
- What are your views regarding the ability of free enterprise to control the economic-growth pattern of Micronesia.
 - What relative roles should central and local governments play.

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3. We have talked now about your economic growth priorities and how they relate to your concepts of self-sufficiency and private and public involvement in the economy. Would like to know your feeling concerning the rate that the type of economic growth we have been talking about will take place. Some points are these:

- a. - How fast do you see per capita gap expanding (income)?
 - What are present constraints and detriments to economic growth?
 - What is the longevity of these detriments?
 - What future obstacles to economic growth do you see on the horizon?
- b. - How do you envision population growth? In advance of the 1973 census figures, have you defined an optimum population increase rate? How about aliens?
 - How do you think population (and demand) will grow in relation to economic growth? In other words, will economic growth and the ability of government and private to fill demands ever outstrip population and demand growth?
- c. - What kind of investment policies do you envision?
 - What is likely to be future government investment policy in public sector. (How, if at all, should the public sector invest? In private sector ventures? In loans?)

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- What about private and foreign investment? What will be the controls exercised by government? - central government or district government?
- Is it your goal to encourage foreign investment? How do you think it will effect the rate of economic growth and your priorities? How do you propose to keep it from taking over

B. Very much in line with our discussion of possible rates of economic growth and related priorities are three signal events - would like to know how you think they relate to your concepts and objectives on development and economic growth.

1. - First is constitutional convention and constitution. Present legislation in Congress of Micronesia call convention in April of 1975.
 - How do you see the structure of government which may emerge from this convention as influenced by your goals on economics?
 - Do you think your goals and concepts on such areas as self-sufficiency will change as a result of the new constitution?
2. - Second major item is the transition period to the establishment of new government under the constitution? How long a time do envision this to be? Do you feel that there are specific economic development priorities for this period? How do they



relate to your general goals?

3. - Third major item is of course end of trusteeship.

- What should be degree of self-sufficiency at this time? Measured in terms of post-trusteeship Micronesian need of outside grant or loan assistance?

- What kind of timetable, if any, can we set for economic growth?

C. Need to know what is available in written form on these questions of economics in Micronesia?

- possible to establish an inventory?

- what about qualitative assessment?

- are existing reports reflective of concepts, goals and priorities as you have just expressed?

- which of these are considered to be representative of current Congress of Micronesia thinking on these matters?

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