

THE WHITE HOUSE
WASHINGTON

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March 29, 1974

MEMORANDUM FOR

Ambassador F. Haydn Williams
The President's Representative for
Micronesian Status Negotiations
Department of Interior

SUBJECT:

Supplementary Instructions Concerning
Financial Arrangements with the Five
Districts of Micronesia

After reviewing the recommendations contained in your letter of January 25, 1974 and the Under Secretaries Committee memorandum of February 23, 1974, the President has decided on the following:

- That the ceiling of \$50 million in annual financial assistance for the five districts of Micronesia authorized by the President's instructions of November 14, 1973 should be raised to \$60 million. This ceiling will include grants, loans, federal programs and services, and payments for military land, and will extend for up to 15 years. This financial assistance will be contingent upon continued Micronesian agreement to U. S. rights in foreign affairs and defense as presently specified in the Compact.
- This financial assistance will be subject to reviews periodically and at the end of the 15 year period, with the objective of negotiating such adjustments as may be supportive of a continuing Free Association relationship. A second major objective of these reviews should be to make a gradual reduction in U. S. financial assistance to Micronesia, in order to help Micronesia reduce its financial dependence on the United States. The reviews should also consider such adjustments as may be required by changes in the value of the U. S. dollar.

- You may commit the U. S. Government to provide up to \$25 million for one-time costs of moving the capital of Micronesia from

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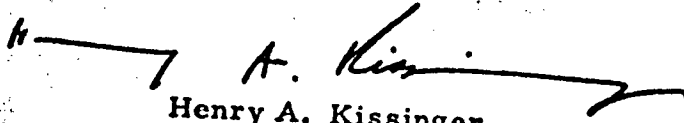


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Salpan to another district, subject to the approval of the U. S. Congress, with anything above that figure being provided on a matching basis of two U. S. dollars for every dollar provided by Micronesia and with an absolute U. S. ceiling of \$35 million.

-- You may commit the U. S. Government to provide a terminal five-year Capital Improvements Program of no less than \$15 million per annum for the five districts of Micronesia, the program to be developed by the Department of Interior, to begin in FY '75, and to be subject to the approval of the U. S. Congress.


Henry A. Kissinger

cc: The Secretary of the Treasury
The Secretary of Defense
The Secretary of the Interior
The Deputy Secretary of State
The Director, Office of Management
and Budget

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