

JMWilson;4-2-74:kkc

OUTLINE PRESENTATION FOR INITIAL APRIL 3 MEETING

w/JCFS

I - Ice Breakers

- Welcome to Warnke (and Oltter?)
- Recall opening meeting with Salii and Silk
  - Agreement that all want to move ahead as rapidly as possible to wrap up Compact and have it ready for COM and constitutional convention.
  - Agreement that earlier meetings had resulted in establishing basic principles of free association and that present business is to address practical problems involved in how to carry out those principles.
  - Agreement that most immediate issue is fianance - with which we link termination and survival of security arrangements - and how we can reach agreement on levels of future U.S. financial assistance.
- We want to move directly into this now in an effort to resolve last November's impasse and reach agreement which can be put to full JCFS and form basis for subsequent formal action in Round 8.

II.- Background

- Since meeting with Salii last December in Saipan have been engaged in mutual effort to reassess Micronesian needs over next several years as trusteeship ends and Micronesians takeover progressively greater responsibilities for self-government.
  - Joint review and exchange of views in February in Saipan - most useful from U.S. standpoint in clarifying some problems and suggested solutions.
  - Subsequent U.S. review and intensive study.
  - Know JCFS has been doing same.

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- U.S. now prepared to modify earlier approach and ready to put forward several new ideas and proposals.
- First step in fact already taken when Morton proposed towards end of January significantly increased CIP for TTPI.

### III - Discussion of Transition Timetable

- Consideration of needs in post-trusteeship period dependent to large extent on what has been accomplished before trusteeeship ends in the way of
  - (1) Development of adequate infrastructure tax
  - (2) Patterns of government operations.
  - (3) Assessment of residual and continuing needs.
- Extent of unmet needs clearly dependent on:
  - (1) Amount of time available to fill them.
  - (2) Amount of resources made available from year to year.
- Important thus to know in first instance what time frame we are talking about.
- TT Government concurrently going ahead planning five year CIP based on unspecified guidelines and based on assumption that political status quo to continue indefinitely - which of course is unrealistic.
- Concern expressed in many quarters that U.S. would cut Micronesia loose with large number of unmet basic infrastructure needs and inadequate means of meeting them; assumption here that end of trusteeeship would occur within a year or two after compact signed, i.e., a very short transition period.
- U.S. has never felt it would be possible to accomplish all the necessary things in orderly fashion within such a relatively short period, and that it would be desirable as well from Micronesian point of view to phase gradually into new form of government resulting from adoption of new constitution.



- Salii performed extremely useful service in January speech setting out more specific views along this line.
- Timetable encompassing seven years.
- Phased turnover to new government.
- Salii's linkage in yesterday's meeting with Compact timetable most helpful as well and corresponds very closely to U.S. thinking.
- Completion of Compact and COM approval before convention.
- Target dates of next April for convention and a year later for concurrent status plebiscite and constitutional referendum.

#### IV. U.S. Proposal for Transition

- Agree in general with basic concepts underlying Salii proposal, though may differ slightly on details and exact numbers of years.
- Suggest following for consideration
  - (1) Two stage transition period
    - (a) Stage I from present to approval of constitution and compact by Micronesian people.
    - (b) Stage II from then to end of trusteeship and full implementation of new constitution.
  - (2) Stage I would be initial transition phase and according to Salii timetable would last two years, or until July 1, 1976; but could be extended as necessary for several months if all is going well, or shortened to 18 months if this is what people wanted. It would include:
    - (a) Constitutional convention and referendum.
    - (b) Signature of Compact, presentation to COM and plebiscite.
    - (c) Increased CIP per Morton proposal (now coming up for discussion with OMB).

(3) Stage II would mark final transition to self-government and ending of trusteeship and would extend for four years (or following Stage I timetable until July 1, 1980) during which following would take place

(a) Gradual phase in of new government taking over from old.

(b) Final approval of compact by U.S. Congress, presentation of proposal ending trusteeship to U.N. Trusteeship Council and Security Council.

(c) Stepped up CIP completing deliberate "front end loading" during initial two years and tapering off to lesser level at end of period, with operational support descending in constant dollars as new government phased in.

#### IV. Post-trusteeship period to begin July 1, 1980

- This would mean:

(1) Fully implemented constitution.

(2) Fully implemented compact including post trusteeship financial aid program proceeding from 1980 levels on descending scale for next fifteen years to include:

(a) Government operations support decreasing gradually as GOM revenues increased

(b) CIP continuing but at reduced levels.

(c) Federal programs and services as discussed previously.

(d) Stepped up development loan program.

(3) Periodic reviews in light of changed conditions and guaranteed levels in constant dollars adjusted as necessary to offset changes in purchasing power of U.S. dollars.

(4) Review at end of fifteen years to determine continuing needs.

- Also U.S. has reexamined levels and ready with new offer.

V - Examination of Micronesian needs

- Before getting into any specific levels of U.S. assistance during transition stages and post-trusteeship period, however, need to have some basic understanding on underlying economic facts of life.

*[Continue with Wilson paper on basic economic principles)*

VI - Proposed levels of U.S. financial support  
*(to be discussed next session)*

