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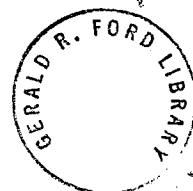
Mr. Andon Amaraich
Chairman, Committee on Future Status and Transition
Congress of Micronesia

Dear Chairman Amaraich:

I appreciated the opportunity to meet with you in Honolulu on September 24. and to discuss how we might make progress on the two remaining incomplete sections of the initialled Compact of Free Association. In response to your request that we make some suggestion regarding the marine resources question in Section 605 for consideration by your Commission at its scheduled meeting in Saipan on October 12, I would suggest that your Commission consider, as a preliminary step, which could lead later to a full resolution of this question, the following possible language for Section 605:

"Sharing the desire of the people of Micronesia that Micronesia progress toward economic self-reliance, the United States agrees that the benefits derived from the living and non-living marine, seabed and subsoil resources off the coasts of Micronesia shall accrue to the people of Micronesia to the full extent that such benefits are or may be recognized by applicable international agreements and international law and to the full extent compatible with the provisions of Titles II and III of this Compact. The rights to such resources to be exercised by Micronesia and

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the authorities over such resources to be exercised respectively by Micronesia and the United States shall be delineated ~~in a separate~~ ^{away from this} agreement. This Compact shall not come into effect until such agreement is reached and that agreement shall come into force simultaneously with the ^{is} Compact."

*Separate negotiations
the results
of which
will be
incorporated
in an annex
to this*

In addition to the marine resources issue, the formula for the sharing of U.S. financial assistance among the States called for in Section 401(c) still remains to be decided. While this is not a matter at issue between the United States and Micronesia, we nevertheless believe that it would be in our mutual interest to resolve this matter expeditiously. Therefore I feel it might be helpful to suggest the following formula as one possible solution:

"(c) The remainder of the funds provided under Section 401(a) will be allocated annually to the States of Micronesia in accordance with the following formula: One-third to each State on an equal basis and two-thirds to each State on a proportional population basis. These funds will be for the use of the respective State governments in support of government operations, capital improvements, and other programs within each State."

The above suggestions are made in an attempt to move forward toward mutually acceptable solutions as rapidly as possible. I would appreciate hearing the views of your Commission regarding



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these suggestions and any other views you may wish to present as a result of your Commission's meeting next week.

Sincerely yours,

Philip W. Manhard
Acting Representative for
Micronesian Status Negotiations

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