

Office of Legislative Reference
Mr. Andrews

October 4, 1962

Resources and Civil Works Division (D. C. Lindholm)

An Interior draft bill relating to the Trust Territory of the Pacific Islands.

The proposed bill was drafted by a task force on the Trust Territory which was appointed earlier this year by the President. Interior has chaired the task force. An analysis of the bill follows:

Section 1

Provides for technical, scientific, and other assistance to the Government of the Trust Territory--reimbursable assistance is limited to \$150,000. This section is similar to a bill passed earlier this year for American Samoa.

Section 2

Would permit duty free entry of Trust Territory products into the United States on the same basis as for Insular possessions (Virgin Islands, Guam, etc.) of the United States.

Section 3

Would give the natives of the Trust Territory all the rights and privileges of nationals for the purposes of the Immigration and Nationality Act, but would not make them nationals of the United States. It also would permit the Federal Communications Commission to issue radio operator licenses to people of the Trust Territory.

Section 4

Abolishes the revolving fund established in 1956, which has been continued by subsequent annual appropriations acts, for the purpose of making loans to trading companies in the Trust Territory. The assets of the fund would be contributed as a grant to the Trust Territory for the purpose of establishing an economic development fund.

The following comments have been received from those agencies requested for views:

- Federal Communications Commission No objection
- Department of Defense Concurrence with Interior draft
- Department of State Concurrence with Interior draft
- Department of the Treasury No objection
- Department of Commerce No objection
- Department of Health, Education, and Welfare No objection

HEW comments that the \$150,000 nonreimbursable limitation in Section 1 is inadequate. We do not believe it is unreasonable since the bill authorizes the technical, scientific, and other assistance to be performed by other Federal agencies on a reimbursable basis.

Department of Justice Recommends amendments

The Justice report pointed out the rights and privileges that would be given to the natives of the Trust Territory by Section 3 of the Interior draft bill. It was not Interior's intention to give the natives the four rights and privileges listed on page 2 of the Justice report. These rights and privileges would have inadvertently been granted to the natives by Interior's bill because it conferred rights and privileges on the natives by reference to nationals. Justice suggested that to avoid this problem the section be redrafted to create a special category of aliens entitled to precisely defined rights and privileges. It was also suggested that for administrative convenience the section be made an amendment to the Immigration and Nationality Act in order that the act could continue to serve as a complete codification of the statutory law applicable to immigration and nationality. We have now gotten Interior and Justice to agree to a redrafted section along the above lines. However, there still remains one issue on which Justice and Interior disagree, that is, whether the natives of the Trust Territory should be free from the restrictions that limit access of other aliens. Specifically at issue is whether restrictions should be placed on the entry of subversives, communists, and persons suspected of involvement in narcotics traffic. Interior states that there are no natives in this category in the Trust Territory and therefore this would not be a practical problem. Furthermore, Interior feels there is a psychological advantage to be gained from allowing the natives unlimited access to this country. An informal check with the State Department indicates that they support the Interior position. It appears that the Justice's desire to include a provision in the bill which would exclude subversives, etc. from entry stems from their fear of possible Congressional criticism for being lax in protecting the United States from these types of persons. We would agree with Interior that the bill should not include any restrictions on entry. Testimony before the Congress could indicate that no practical problem is involved in allowing unlimited entry while there is a psychological advantage in permitting this. However, if the Congress felt there was a need for certain restrictions, we believe the administration should not object to including them in the bill.

Office of Budget Review has raised several questions with regard to Section 4 which provides for abolishing the present Trust Territory revolving fund by contributing the assets and obligations of the fund as a grant to the Trust Territory for use as a development fund. These questions are discussed below:

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- (a) Why should the revolving fund operate as a territorial fund instead of a Federal fund?

The establishment of a territorial fund will allow native institutions to participate in the operations of the fund. This will not only serve as an educational opportunity but also provide some expertise for evaluating loan applications. It is intended that the Trust Territory Government would retain control of the fund. The general government functions of the Territory are not financed on a grant basis.

- (b) Why should the resources of the Federal Government be used to capitalize the fund?

The Trust Territory does not have the resources to finance the fund. However, the development purposes served by the fund are clearly part of the administration's program for the Territory.

- (c) As a technical matter, a question is raised with contributing obligations to the territorial government.

The word "obligations" had been dropped from Section 4 since the fund has no obligations.

After considering these questions we recommend that Section 4 be retained as proposed by Interior except for the minor modification in language noted above.

We recommend no objection clearance if the bill is modified as stated in the attached letter to Interior.

Attachment

Adendum:

Subsequent to writing this memo, we have received a letter from Justice indicating that they would have no objection to the redrafted Interior bill subject to the resolution of security considerations involved. The security considerations referred to relate to whether the bill should specifically provide for denying access to subversives, etc.

The letter also points out that the Trust Territory is a Navy security area and concerns matters about which Justice does not have sufficient information as a basis for evaluating the practical importance of any of the security problems involved. We take this Justice statement as a reminder of the far record of the Defense interest in this area and the noninvolvement of the FN. Inasmuch as the Defense Department has been in on the drafting of this legislation and has concurred with the Interior draft bill, we would continue to recommend a no objection clearance.