

Office of Legislative Reference  
(Mr. Burr)

May 24, 1968

Natural Resources Programs Division  
(Mr. Barrah)

Extending Small Business Administration to the Trust Territory --  
S. 3070 (Burdick)

The basic act providing for the civil government of the Trust Territory of the Pacific Islands (P.L. 90-16) provides "That except for funds appropriated for the activities of the Peace Corps no funds appropriated by any Act shall be used for administration of the Trust Territory of the Pacific Islands except as may be specifically authorized by law."

Senator Burdick's bill (S. 3070) would authorize the Small Business Administration to operate in the Trust Territory.

The proposed Small Business Administration report defers to Interior.

The Interior report strongly recommends enactment. Interior believes that extension of the Small Business Administration Act to the Trust Territory would be a major contribution to the economic development of the area. Specifically, Interior notes the need for the post-disaster assistance that is authorized by the SBA Act. The Trust Territory now receives disaster assistance through OEP, but no post-disaster assistance is available, except that provided by Interior.

There are a few other Federal programs outside Interior that are applicable to the Trust Territory by virtue of specific authorization which meets the test of the restrictive proviso in P.L. 90-16. These include grants through the Elementary and Secondary Education Act, surplus foods from Agriculture, OEP disaster assistance, a grant under the Library Services Act, OEO CAP grants, Labor NYC, and PHE aid to handicapped children.

The Department has not made any careful analysis of what could be expected from moving SBA into the Trust Territory nor has there been a review of what other Federal programs might be needed or desirable. Some thought has been given to the seeking of authority for FHA housing assistance.

Recently, Interior has also supported a bill (S. 3073) which would establish an economic development fund for the Territory to be operated by Interior. We are not clear how this economic development fund in Interior is supposed to relate to any programs carried out by SBA. We understand, though, that the Senate Committee reported out legislation for an economic development fund today.

There are two political considerations.

- (1) The High Commissioner of the Trust Territory, Bill Norwood, told me today that any move to increase the participation by other Fv

agencies in the Trust Territory would be regarded by the Congress of Micronesia as a sign that the U.S. really does have their best interest at heart and is interested in taking steps which would draw the Micronesians closer to the United States, and that the Congress of Micronesia would regard enactment of this bill favorably.

(2) On the other hand, the UN Trusteeship Council can be expected to give this kind of proposition a mixed reception. The usual opponents of the U.S. will argue that a move of this kind really means that we are trying to draw the Micronesians into some sort of permanent U.S. association and thereby prejudice a later plebiscite. The U.S. allies could be expected to support such a measure as indicative that the U.S. is becoming more willing to lend a helping hand to the Micronesians.

We believe that this bill should not be considered without reference to the general need for and desirability of extending other Federal programs to the Trust Territory. We also believe that the relationship of this proposition and the proposed economic development fund for the territory now being considered by Congress should be considered. Therefore, we suggest clearance of the Interior report with an advice paragraph as follows:

You are advised that while there is no objection to the presentation of your report from the standpoint of the Administration's program, the Bureau of the Budget believes that the question of extending the Small Business Act to the Trust Territory should be related to the need for this and other Federal programs now restricted by Public Law 90-16 and to the development fund that would be authorized by S. 3073.

We recommend no objection clearance of the SBA report.