

PRESENTATION BY MR. JAMES M. WILSON, JR.  
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POLITICAL STATUS

With respect to the question of political status, as we indicated in Washington, from our point of view labels are not important. The significant thing, which we all have to look at, is the components which go to make up any type of future political status; that is to say the degree of self government which will be accorded you under our future association, the question of the applicability of the U.S. Constitution and federal laws and regulations, and (something which I am sure you meant to touch on and will touch on in your financial and economic discussion) the applicability of federal programs and services under particular types of status.

In formulating our position we have proceeded on a series of assumptions. The first of these is that the Marianas, as you have indicated, does continue to want close association with the United States.

We also have assumed that from your point of view you want a relationship which will provide a maximum of benefits with a minimum of fuss. In other words, if it can be done easily and smoothly it is preferable to something which is long drawn out and complicated. Also we have assumed that you want the relationship to be as simple and as straightforward as possible, all other things being equal. We have had a tendency as you probably know in the history of making arrangements for association of other parts of the American family to become overly complicated or vague. This has given rise to misunderstandings and to friction, both in the political and legal sense. This we would like to avoid.

From our point of view we have also assumed that you would want a future relationship that would be one which the United States Congress, with its important role in this whole process, would be able to approve without too much difficulty. That is to say, it should be a relationship that would follow a pattern with which the U.S. Congress is reasonably familiar. I might say in this connection that Haydn Williams and I spent a great deal of time before leaving Washington going around to the responsible members of the Congress and discussing with them very frankly what it was that we were going to propose to you and trying to get their views. I think that I can tell you in all frankness that we found a very receptive group of congressmen, a group that within broad limits indicated a high degree of receptivity to the idea of adopting a flexible approach. By the same token I am sure that you in your dealings with the individual members of Congress recognize that they do have certain hangups because of the past history of our association with other parts of the American family. We will touch on these at increasing length as we go through the discussions. I emphasize this because in formulating our position, as you have in yours, we have recognized that we are going to have to put together an arrangement which the American Congress will approve.

And finally I would like to say from our point of view we want a relationship which will be most susceptible to approval by the United Nations as part of the process of terminating the trusteeship for Micronesia as a whole, which is of course a necessary condition precedent to the final implementation of a permanent arrangement with you for separate status.

I don't think I need to review with you - you have done this for yourself - the names which are available to describe our future relationship. You have talked in your presentation of course of "commonwealth." Perhaps it would be useful to underline one point, and that is the relation between the status selected and the nature of the legal instrument chosen to effect it. In the case of a commonwealth, for example, you have spoken of a "compact." I would like to come back to this later because I think this has a significance in terms of the relationship itself.

For our part we visualize in the case of a commonwealth arrangement some form of simple agreement on principles, probably accompanied by a series of more detailed annexes or a series of sub-agreements. We would agree with you that there would have to be implementing legislation. We would agree with you that this must be put to the U.S. Congress and that it must be put to the people of Micronesia for their approval before it could become effective. If, on the other hand, some form of unincorporated territorial arrangement were to come out of this (I realize this is not what you have selected) it would be accomplished through something of the nature of an organic act coming out of the United States Congress. In other words the arrangements for putting the new status into effect would not carry with them the same degree of autonomy in the case of an unincorporated territory as in the case of a commonwealth.

We have also considered as part of our study of this problem the question of what the future relationship if any should be with Guam. We have considered this from two points of view: a close relationship with Guam, beginning immediately and a close relationship with Guam beginning sometime in the future. We should look at this further before we go to much further down the line in our discussion of political status.

Without more ado let me go into what I consider to be the major elements of the United States position with respect to political status. As I said earlier we are amenable to almost any type of label which you want to attach to this, subject to what might on reflection seem best for securing the approval of the United States Congress and that of the United Nations.

In our view the relationship should fall within the broad legal framework of what we call a territorial relationship. I mean this in a legal sense, because the term here makes a great difference insofar as the applicability or non-applicability of United States laws is concerned. As you are undoubtedly aware there is a long and involved history of litigations of one sort or another on the question of whether individual members of the United States political family have enjoyed a form of territorial status sufficient to make various laws of the United States applicable to them. So case histories are important from this point of view.

They are important also in the question of the application of the benefits of various federal programs. It is also terribly important with respect to other types of political benefits as well such as citizenship and all of that sort of thing. We are going to have to come back and discuss this at some length.

I should say this as well, that from our point of view we think it is essential that the relationship be one clearly understood to fall within Article 4, Section 3, Clause 2 of the United States Constitution, since this is the section of the Constitution which sets out the basic responsibilities of the United States Congress. We will wish to examine this with you at greater length.

It also goes without saying that from a legal point of view we believe our future relationship should provide for the application of U.S. sovereignty at the end of the trusteeship period.

Now from the standpoint of consultations which we have had with the United States Congress, it is plain that the individual members feel that the easiest and quickest way of effecting a close relationship would be immediate unification with Guam. However, we recognize the major difficulties which this would create both for you and for the Guamanians, in view of the history of your treatment of this subject. We did think about the possibility of a phased unification over a period of years; that is to say, the idea of a loose relationship with Guam now in which there would be a series of safeguards provided for the Marianas over a period of lets say, ten or fifteen or twenty-five years. At the end of that time those safeguards would have been progressively reduced so that it would then be possible for the two areas to come together. As a matter of administrative convenience this might be a much easier thing to put through the United States Congress, because it is something they would understand without too much difficulty.

On the other hand we also felt that from our standpoint the greatest degree of internal self government possible was desirable for you in our future relationship. From the presentation which you just made, Eddy, it is also clear that this is what you have in mind too. We have an additional consideration which is that the United Nations would also be interested in a large degree of self government for the people of the Marianas.

Given the balance of all of these factors, the United States position, while remaining flexible, favors some form of commonwealth arrangement. We feel that the essential elements of this from our standpoint would be a local constitution put together by the people of the Marianas and approved by them, one which would provide a high degree of self government. This would mean maximum control over internal affairs of the Marianas consistent with the over-all powers of the federal Congress under Article 4, Section 3, Clause 2 of the Constitution.

We believe too that there must be federal responsibility for defense and external affairs as in the case of the states of the union.

It is our feeling that even if we go into some form of commonwealth arrangement now the people of the Marianas and the people of Guam sometime in the future might want to get together. It might be possible under this arrangement if the people so desire to anticipate an even closer association between these two areas.

In terms of the specifics of the proposed constitution for the Marianas, it is our position that it should not be in conflict with the U.S. Constitution or with the agreement setting up the commonwealth. But it does not have to be fully consistent with the United States Constitution. We feel, of course, that it must provide for a Bill of Rights, the fundamental rights of man. I don't think there is any dispute on this point. We feel too it should provide for a republican form of government and the separation of powers just as you proposed. From our point of view the constitution should be one that can be amended by the people of the Marianas in ways consistent with the terms under which it was originally put together. That is to say, amendments would be subject to a finding by the President of the United States that there was this element of consistency in them.

So far as citizenship is concerned, we believe on reflection that it would be advantageous from all points of view to have Marianas citizens American citizens as well. We will be prepared to discuss this with you at considerable length as we get into the main discussions and to answer questions on it now to the extent that we can. We do feel that the possible disadvantages of American citizenship would be minimal. We will go into this on more detail when we get to the specific question of land holdings and the alienation of land. But we feel that the benefits of American citizenship on balance would far outweigh the disadvantages.

On the subject of federal legislation and its application, we agree with you that this is going to require study. We too have looked at the experience of the Guam Commission in the early 1950's, and I am sure that in your study you have noted as well the great amount of work which went into the Alaska and Hawaii omnibus bills when those two areas became states of the union. It's this sort of thing which we will have to do together, and we have more or less reached the conclusion that a joint commission of some sort will be necessary to study this very complicated question at length. When the full U.S. delegation arrives we will be prepared to sit down with you and explore the legislation which could be made applicable to the Marianas with the acquisition of commonwealth status and citizenship. We have with us here - and I expect your counsel has the same thing as well - a very preliminary list of subjects which are covered in the United States Code. This is just a start, we all recognize.

So far as specific legislation is concerned, I think we may have a difference here in that we had anticipated getting from you a list of the individual laws which you would like to see applied and those which you would not like to see applied. I think what this means is that we will have to sit down and discuss between the two delegations what your desires are and what limitations might be attached to this process.

This, of course, may be academic, but I do note that the lists may vary to a certain extent depending on the form of political status selected. This is also true if there is a significant deviation from the standard ideas of commonwealth. This is again something for our experts to discuss in depth because it involves a series of very technical questions. The same thing is true of course about federal regulations and administrative rulings. These will have to be studied. We also have the question of the carry over of local legislation and local administrative rulings under a new status. On our part we believe that continuity in administration is most essential during this transitional process.

So far as the application of the judicial system is concerned, it is our idea that the United States Federal Court system would apply. The thought of our experts on this is that the Marianas would be joined with Guam for administrative purposes in something retitled, let's say, the Western Pacific Judicial District. This would mean that the route of appeal would be through the 9th Circuit Court all the way up to the United States Supreme Court. We would expect that the other attributes of the Federal Judicial System would apply as well, although we can go into the specific aspects of that when the experts arrive.

Finally, with respect to the question of federal representation, this is a matter which is peculiarly within the prerogative of the United States Congress. As you are well aware there are no voting representatives outside of the fifty states. The desire that you have expressed in your presentation is something that we will have to discuss with the United States Congress. I will be very frank with you in saying at this time I am not optimistic that they would be able to come up with full satisfaction in your desires in this matter given the nature of the consultations that we have held thus far with them.

On the whole, however, I think there are grounds for encouragement in your preliminary presentation of the position of your delegation. I emphasize that on this entire question of political status Ambassador Williams will be prepared to be flexible in an effort to accommodate your interests. This question has to be explored in depth between the two delegations because of the possible nuances contained in the various combinations.

Unless the members of this delegation have any suggestions to make in way of additions, this concludes my presentation.

LAND ISSUES

I would like to turn now to land issues in general. My presentation is divided into three parts: the question of public lands, the question of alienation, and the question of military requirements, with a few other points added as you will see as we go along.

The first question I would like to address is a matter which was raised initially by your delegation last December and one that we understand you place a great deal of importance on. It is an issue which as you know has also been raised elsewhere in Micronesia. That is the question of the return of public lands.

I can start out by saying categorically that in principle the U.S. agrees that public lands, including military retention lands, must be returned to the people of the Marianas. The question to be discussed is not that but to whom the public lands are to be returned and when.

As you are aware from the statements which have come out of the meetings between Ambassador Williams and Senator Sali in Honolulu and in Majuro, the subject was discussed between the two of them. The position taken with respect to Micronesia as a whole by Ambassador Williams was that we were certainly prepared in principle to discuss and to study the whole question of the early return of public lands to the people in the districts of Micronesia. Of course, this goes particularly for the Marianas.

On the question of to whom the public lands should be returned, the U.S. position again is a flexible one. But we feel very strongly that there must be some sort of legal entity here in the Marianas in whom the title to public lands can be vested. That legal entity would serve as a trustee for the people by holding on to the public lands. This could be, for example, a public corporation established by the district legislature. There are a great variety of other possibilities within this general categorization.

We also feel that there must be established a system for the settlement of any outstanding claims. What we would like to do during the forthcoming discussions is to go over with you possible ways and means of making an equitable distribution of public lands for homesteading, and for public use which will adequately protect the interests of the people - something in which you are vitally interested.

On the question of "when," the U. S. is prepared in principle to make the turnover as soon as possible after firm arrangements are worked out which will assure the U.S. military requirements and provide the safeguards which we have talked to you about. This will take time to study through and to work out, but in principle we have no difficulty with the thought that this might be accomplished before final arrangements are made on separation and certainly before the end of the trusteeship.

We feel also that means must be found to satisfy the responsibilities of the TTPI administration and interests of the Congress of Micronesia in Mariana public lands during the remaining period of the trusteeship. Perhaps this could be accomplished as part of the effort which has just been initiated

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with the Joint Committee on Future Status. Perhaps this is something which we should consider doing through amendment of the secretarial order establishing the current responsibilities of the TT administration and the Congress of Micronesia. Perhaps this should be done by a combination of these and other methods. But in any event we are ready to sit down and discuss it with you immediately.

So far as submerged lands are concerned, we feel that these should vest in the future Marianas government under the new agreement, as in the case of the states of the United States and other territories. With respect to the letter, Eddy, which you gave to Haydn in Washington on the subject of homesteading here in the Marianas, we have no difficulty whatsoever in principle with the idea expressed therein. The question which we will have to explore with you, however, is where the money is going to come from. We are prepared to begin that exploration.

Let me now turn to the question of eminent domain. This we recognize is an issue of considerable importance, as reflected in earlier discussions on this subject. However, from our point of view we feel that the federal government should be able to exercise the same power of eminent domain in the Marianas after termination of the trusteeship as it does in the fifty states and the other territories. This is to say there would be an exercise of eminent domain subject to the full range of safeguards which apply in those instances. Prior to the termination of the trusteeship, arrangements should be made to have the eminent domain power or its equivalent vested in some central authority here like the High Commissioner or in whatever other authority is worked out to handle matters during the transitional period.

My second topic, Eddy, is protection against land alienation. We are most sympathetic, as Ambassador Williams has indicated on a number of occasions, to your concern on the subject of land alienation. Let me say once again that we are willing to assist you in this to the greatest possible extent. After studying the matter since last December, however, it is our feeling that the easiest and most effective solution to this really rests within the powers of the Marianas itself. This is something we will explore with you.

As a first step we suggest legislation by the Marianas which would preclude or limit holdings or interests in land by persons who are not of Marianas ancestry. Secondly this would limit the future acquisition of interest in real estate to persons and their heirs who are local residents at the change in status and will become U.S. citizens at the time. As you know from the opinion which we have provided your counsel, the Department of Justice believes that such legislation is permissible under the United States Constitution and this would be so also if Marianas citizens became American citizens. There are legal precedents which indicate that this would be held constitutional if tested in the courts. We also have the history of Indian legislation, the Hawaiian statehood act and derivative legislation - all of which tend to confirm this judgment.

As we see it, the legislation could take many forms, title to public lands could be conveyed only to persons decendent from eligible persons, but land could be leased to others. This is a fairly standard arrangement for the protection of interest in land.

I might say when we reviewed this with Congressman Saylor in Washington before coming out here, he was very much taken with the idea. Indeed, he recalled a story which amused him considerably about the Seneca Indians in the state of New York, who apparently benefitted in ways in which they had not anticipated. They had originally been protected by legislation such as this, but had not been given permission to lease. The New York Central Railroad came along near what is now Salamanca and asked for right of way through the Indian territory. They were told they couldn't do anything about it, so Congress passed legislation which would permit them to lease this land. They proceeded to do so back in 1870 something to the maximum extent permitted, which was a 99-year lease. The New York Central prospered since then, as you know. The town of Salamanca grew up on some of the land that was originally leased. Now they are coming up on the 1970's and the end of the 99 years, and it turns out the Seneca Indians are going to own most of the New York Central and most of the town of Salamanca, New York. This turns out to be extremely profitable from the standpoint of the Seneca Indians. Congressman Saylor thought that this sort of thing in the last analysis is an effective protection of land owners interests - something which has been tested in the courts and something which should more than adequately protect the interest of the people involved.

In these arrangements, deeds could be drawn up which would contain covenants to prevent evasion of restrictions against the holding of interest in land by other than eligible persons. It could also follow the pattern of the Hawaiian legislation and provide that all or part of the public lands could be leased only to eligible persons and could limit the acreage that any individual might hold. Or alternatively the public land could be controlled by some sort of legal entity acting as trustee for the benefit of such persons alone, and private land could be handled as I outlined a moment ago.

Most importantly, the basic provisions of this sort of legislation could also be included in the new constitution of the Marianas and also in the instrument of agreement itself. There is precedent for this in the Hawaii statehood act and in the Constitution of the State of Hawaii. All of this, of course, when submitted to the U.S. Congress and the people of the Marianas for approval would give it an official imprimatur. We believe in short, Eddy, that we can work out with you jointly an arrangement which will protect in all respects your own interest in land in the Marianas.

I'd like to turn now to the question of U.S. military requirements. As we have previously indicated our land requirements - which we would like to go over with you at length in the forthcoming formal discussions - are limited to three islands.



The first is - however you pronounce it - Farallon de Medinilla. The second is Saipan, and the third, of course, is Tinian. On Farallon our requirement if we can see it met is for the entire island. It is, as we understand it, an uninhabited island, almost inaccessible and all public land. There are no outstanding claims. We continue to need it for a fleet target area and a bombing range. We will be prepared to sit down and work out with you safety precautions to be enforced. These should be, we hope, sufficient to protect against any incidents. We will be prepared to provide a briefing on this later on in the talks as they come up.

On Saipan the requirement is for a navy logistics facility and air field use rights and air logistics facilities to be utilized in the event of future contingencies. This is not an immediate requirement. In other words it is a contingency requirement.

These are much less than the current holdings in military retention lands. The requirements are twofold. One is on Isley Field where we have need of a joint use agreement to permit U.S. military landing rights and access to the air facilities on the civil airfield. What we would like to propose to you now is to return 700 acres out of the total of 1,190 which are currently held in the Isley retention area. We would propose to retain on a contingency basis 500 acres to accommodate ancillary activities and support relocation of industrial, training and supply facilities currently located in other areas of the Pacific.

The second requirement is in Tanapag Harbor and is put forward as part of the contingency requirement for Isley Field. What we propose here is the return of some 320 acres out of the total of 640 acres which are currently in military retention lands. We propose to retain the use of 320 acres to support the future development of the Isley Field complex and the relocation of industrial and supply facilities currently located elsewhere in the Pacific. You will note from the patched area shown on the map the area which we propose to retain the use of. The exact area south of Pier C is definitely negotiable to permit civilian development of Micro Point.

Let me emphasize that in the case of Saipan both of these requirements represent contingency needs at the moment and are to some extent dependent upon the degree to which military requirements in Tinian can be met. These, of course, will be subject to detailed discussions during our talks beginning next week regarding other possible accommodations to local development and civilian needs in the area.

With respect to Tinian the requirement is based, of course, on U.S. security obligations and interests in the Pacific. We will be prepared to elaborate these in future talks. Our plans call for an integrated, homogeneous basing area consolidating most U.S. defense activities on Tinian Island. These would encompass a joint service basing facility - that is to say all three services - which would include an air field, a port facility, logistics complex and a joint service maneuvering and training area. Again we will be prepared to go into these in much greater detail in the formal discussions next week. But we visualize a situation in which the facilities would be developed over a phased plan in seven stages, ending with

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a complement of some 2600 military and civilian personnel (not counting their dependents) with additional direct hires of at least 300 local employees and indirect hires somewhat in excess of that figure. The development planned quite naturally would extend over several years.

These activities unfortunately require a good deal of real estate, both for the activities themselves and for something of great importance - the safety margins required by the activities. What we would like on this is to have as much of Tinian as possible under military control. Indeed, if it can be done, we would like to see the entire island under military control.

However, this does not mean that we would have to have exclusive use of the whole island. Let me emphasize this. We do need exclusive use of a large part - some 18,500 acres, including the port area. But the remaining 7,700 acres in the southeastern section would be available for leasing on a long-term basis to the present inhabitants under controlled conditions and subject to incorporation in the main area in the event of an emergency.

Furthermore, we are prepared to provide generously for the present inhabitants of Tinian and will discuss this in detail next week. In general, however, let me say that those who would have to be moved out of the exclusive use area would be given the option of a generous cash payment for the present holdings, resettlement in the southeastern section of the island, with replacement housing and land provided at U.S. expense, or resettlement on military retention lands in Saipan in the Isley Field area under the same conditions.

Secondly, with respect to San Jose Village and the Marpo Valley sections, these could be reconstructed at U.S. expense to HUD approved standards at an agreed location in the southeast section. This would include roads, sewers, certain utilities and various other benefits, with land prepared for agricultural purposes to substitute for the land included within the boundaries of the exclusive use areas. You will note on the chart that the major part of the farms in the Marpo Valley would remain as they are now.

Thirdly, we would propose that no additional permanent residents on Tinian be permitted without the expressed concurrence of the military authorities. The reason for this is to avoid the sort of situation which has occurred in various places around the world with an excessive build-up of undesirable elements next door to military facilities. I might point out that the corollary to this, of course, is an additional benefit of no mean proportion for the people who are now located on Tinian.

Fourth, if the people of Tinian so desired they would be given first priority consideration for hiring on the base commensurate with their work skills, and we would propose to offer special training programs to them.

Fifth, the inhabitants would also benefit directly from the military facilities constructed primarily for the military such as roads, power, water, etc.

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Sixth, the entire project would be undertaken with complete regard for ecological considerations and safeguards.

And finally, we would propose to establish a reliable ferry service which would provide ready access between Tinian and Saipan over the short stretch of four miles between the two islands. This could perhaps be arranged under contract with a local firm, with opportunities provided to use the facilities for tourism, etc., when equipment was not required for ferrying purposes.

So far as the question of land acquisition is concerned, we anticipate a major problem which we would like to explore with you at considerable length. In the first place we have two periods of time with which to concern ourselves. The first, is the period before the trusteeship is terminated and the second the long period afterwards. For the first time period, that is to say before the trusteeship is terminated, we would like to discuss with you ways and means whereby either the TT Government or the Marianas Government could acquire the privately owned land included within the base areas. Actually, this is very small and limited entirely to Tinian. We would propose to lease either from the TT Government or from the Marianas Government for the duration of the Trusteeship all the public trust lands plus the former privately owned lands. We are flexible as to how it should be done. We understand there are enormous legal complications. We are open to suggestions from you as to how it might be accomplished and certainly recognize the problems which are involved.

With respect to the period after the termination of the trusteeship, we feel it will be simpler all the way round if we were able to purchase the land for a lump sum. It could then be set up as a trust fund for the benefit of the Marianas. Perhaps the best means of handling all of this would be to enter into the original arrangement with something like a long-term lease with an option to purchase after the trusteeship is ended. This is something that we will want to discuss with you at greater length. As to the amounts that will be involved, we will clearly want to discuss this with you as part of the transaction itself.

On future requirements, in the period before the termination of the trusteeship we propose to handle any additional requirements in agreement with the district government. The provisions of the trusteeship agreement of course would also apply in the case of any emergency actions. In the post-trusteeship period we would propose that land requirements be handled in the same manner as they are in the other states and territories of the United States.

With respect to federal civilian requirements, we visualize very limited requirements. There would be a continuation probably of the present needs; that is to say, post office, Coast Guard, weather stations, OEO, etc. These would be continued so long as they were needed to carry out the agreed programs and services. Over and beyond this any new needs would be based on our agreement with respect to new programs and services which would apply in the Marianas. We would expect that federal needs would be met as at present by lease during the trusteeship period. It may be that it would be simpler in the post-trusteeship period to lease with option to purchase,

simply to round out the entire transaction.

I think you are aware that the Coast Guard requirement will continue as long as the Loran A system continues to be operational in this area. I hesitate to give you any prediction on this at the present time. As far as future needs for civilian requirements are concerned, these would be met in the same way we have discussed earlier for military needs.

You have asked specifically about the question of escheat. I have essentially nothing more to add to what we have said earlier on it. That is to say, we agree with you in principle that escheat would apply. The application, however, is complex and we would have to sit down with the experts and work out exactly how this would be done. We will be prepared to discuss this with you in depth during the formal meetings.

That, Eddy, concludes my presentation on land requirements and other related elements. I might say in passing on this whole subject that these discussions between the two delegations are confidential. There is always a high degree of sensitivity which attaches to any exposition of land requirements. It would be most appreciated, therefore, if we would keep this to ourselves to avoid any speculation, which might redound to the benefit of the wrong people.

ECONOMIC

With respect to questions involving financial arrangements and economic development problems, we have approached this really in four-phases. The first is to consider how we might best examine your needs in programatic fashion. That is to say, what federal programs could be applied in the case of the Marianas which would be of particular benefit to you and be most responsive to your needs? We have also looked at this from the standpoint of any additional benefits which might be involved over and above the strict application of federal programs. In the third place, we have considered the special problems which would arise during the transitional phases, particularly those which would be involved in the separation of the Marianas from the TTPI. And finally we have looked at the question of what might be done over the long run in terms of identification of the long-term needs of the Marianas for economic development and economic planning.

So far as federal programs and services are concerned, we have taken as a starting point those programs that presently apply to the Marianas. We have with us here - and I think your delegation probably also has available - a list of the programs which we consider to be applicable now. Recognizing that these have to be separated out from the total applied to the TTPI as a whole, we figure that for the current fiscal year, that is to say for FY 73, these programs in the Marianas would be valued at roughly two and a half million dollars. What we will want to do as a first step is to discuss with you the level that might apply in the continuation of these programs.

I am sure you recognize that the application of these programs and the amount which is put into them is in the last analysis subject to what the Congress of the United States does. I don't have to tell you, however, that the Congress as it is presently put together - as was certainly confirmed in our consultations with the members of Congress - is not inclined to be niggardly in the application of these programs to the Trust Territory and would not be in the case of the Marianas.

In addition, we have, of course, the question which we will want to discuss with you at length about any additional programs over and above those that now apply. We recognize that you do have specific desires in this regard, and we will want to sit down with you and go over specifically what those programs are, how we may arrive at some estimate of their value and what we need to do to put these to the Congress as part of the entire package.

Over and above these programs we feel that there will be some additional benefits involved in this future relationship of rather significant proportions. First of all there are the benefits to be derived from U.S. military expenditures. We can divide these, I think, into two categories: direct benefits and indirect benefits.

Under the heading of direct benefits, we have first of all the military leases of property during the trusteeship period. We are going to have to sit down and discuss these with you in conjunction with the requirements

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themselves. We anticipate that these will be quite large sums. If we decide to go the purchase route in the post-trusteeship period, there would be large sums involved in the acquisition of property which are susceptible to capitalization, forming a possible major source of income for the Marianas.

Quite aside from this there are the salaries of people who would be hired by the military authorities. First of all there is the construction phase. We have studied this matter to the best of our ability, but it will be clear to you that the best we can expect is a series of estimates at this point. There are major caveats attached. With the warning, however, that we are not necessarily going to reach these figures, let me give you the following for illustrative purposes only based on our present planning.

We figure that there will be as many as 810 people hired locally during the construction phase. Again there would be training programs to enable people to acquire skills if they so desired. We figure that the wages for these locally hired people could come to over 3 million dollars in the peak year of construction. Over the 7-year construction period our estimate is that there would be almost 14 million dollars in local salaries for construction alone.

During the operational stages, that is to say when the base facilities became operational, we visualize as I indicated earlier about 300 local direct hires and over 300 indirect hires in such things as the exchanges, special services, etc. This does not include any which might be involved with the dependents.

On the expenses of construction other than salaries, our estimate, again for illustrative purposes, is the construction materials purchased locally could amount to up to 21 million dollars over a 7-year construction period. There would be in the maximum single year possibly as much as 8½ million dollars. This depends, of course, to some extent on what materials are available locally. Our estimate on the impact of the total construction effort, including salaries and locally purchased material, is that it could come up to as much as 40 million dollars over the 7-year construction period.

In addition to the foregoing, there would be a not inconsiderable amount involved in the relocation of people, particularly on the Island of Tinian, which would impact on the local economy. We have no precise estimate as yet of what this would be, but it will be considerable - that is to say up in the millions of dollars. In addition we will have the local purchases of the people involved in the relocation effort, local salaries of workers, etc.

Now on the side of indirect benefits, we estimate that the continuing impact after the construction phase is completed is going to be large. In full operation we assume that the economic impact would be over 15 million dollars annually.

I don't know the extent to which the delegation here is familiar with the methodology which we use in estimating economic impact of military expenditures. The economists figure that the dollars that come in do not spend just once, but are spent several times over and again as they change hands. This is what we refer to as the "multiplier" factor. It varies according to location, according to the state of local economies. In the particular case of the Marianas we estimate that the "multiplier" factor may be two and a half to three. That is to say, the total effect on an annual basis for U.S. operations alone could run up to 45 million dollars. We base this on experience factors elsewhere, particularly in places like the Philippines, Korea and Okinawa, where a multiplier factor in the neighborhood of 3 is used in agreement with the local economic authorities to figure what the impact is. I might say of course that this multiplier factor would apply also to expenditures during the construction phase.

I do not need to point out that there would be other types of economic fallout from our military presence. It is impossible to come up with anything that looks like a decent estimate on these, but again they would be considerable. There would be the opportunities for new businesses, new services, tourism, the handling of visitors, etc.

Then on the civilian side there are additional benefits. We have first of all the question of possible grants in aid over and above the programs I discussed earlier. This is obviously a matter we will want to talk over with you in great depth during the course of the forthcoming discussions. We take as a starting point, however, our current estimate of the present level of such grants in aid. We come out taking the Marianas share of the annual amount going to the TTPI as a matter of book-keeping, and reach the figure for FY 73 of 7.1 million dollars. How this is going to be handled in the future we will want to discuss with you during the formal discussions. But as Ambassador Williams has indicated in the past, we do not expect the Marianas to be worse off than they have been before.

Additionally, there are other economic benefits which are not susceptible to estimates at this point on business expenditures of one sort or another, on foreign trade investment over the long period, on what might be expected from tourism, etc. All of these should be added up in considering what is to be done in meeting the future economic needs of the Marianas. We have also looked at this from the standpoint of problems which will be raised in conjunction with the transitional aspects of the relationship, that is to say, during the period when the Marianas is being separated from the rest of the TTPI and before the trusteeship is ended. We recognize that at the present time there are fairly substantial sums which do come to the Marianas as their share of the expenditures of the TT Headquarters. Our estimate of this figure in the current fiscal year is 2.2 million dollars. Obviously if the headquarters is moved this is going to create a problem of no mean dimensions, and we will be prepared to discuss this with you.

We also recognize that there will be costs incidental to the physical movement of the capital - the buildings, the equipment plant, etc. This is primarily a problem for discussion with the TT Administration, the Congress of Micronesia and the other districts of Micronesia. For your information, we estimate this as roughly something in the neighborhood of 30 to 40 million dollars.

We also recognize that there is going to be a socio-economic impact stemming from the movement of the capital, and we would like to work with you in trying to find means of minimizing this impact over the years. I should point out of course that we would expect in this process to take fully into account the offsetting compensation due to the U.S. military presence anticipated in my earlier remarks.

With respect to the identification of your longer term development needs, this is something that we would like to discuss with you in the formal negotiations. This would include your economic development goals, your planning criteria, etc. We recognize that there is not at the present time any economic planning model. Certainly we would not be so presumptuous as to try to put one together for you. However, we do think it might be advantageous to discuss, at least in general outline, how such an economic model might be constructed, and we would be prepared to do this with you jointly.

In all of this we are going to need the very best thinking of your delegation on how to proceed and what your needs are. I need hardly repeat the fact that in the new relationship the position of the United States Congress is critical. We must always recognize that they are the final arbiter in terms of the amounts of money to be put into any of these things.



TRANSITIONAL MATTERS

I'd like to take just a couple minutes if I may on transitional arrangements. I don't want to get into them too much at this time because much of what we can expect in terms of transitional arrangements is going to be dependent on what we decide substantively within major areas of agreement on status.

What we will expect to discuss with you during the forthcoming formal talks is pretty well set out at least in outline form in the talking points paper which we gave you in Washington in April. However, there are certain basic principles which we have attempted to formulate and would expect to keep in mind during these discussions. I might review them with you briefly.

First of all, we proceed on the assumption that there is general agreement that the trusteeship must be ended simultaneously for all of the districts of the TTPI at once. In other words we cannot end the trusteeship agreement for the Marianas in advance of the termination of the trusteeship for the other districts of Micronesia. However, we do recognize that there can be a separate administration for the Marianas established well before termination of the trusteeship. On this basis we are prepared to put into effect just as much of our agreement on a new separate status as is humanly possible. This would be done just as soon as the agreement has been approved by the people of the Marianas in a plebescite and just as soon as the Marianas has approved its new constitution and is ready to put into effect its own new administration. This we can do with your concurrence well in advance of the end of the trusteeship.

Congress, of course, will have its own views as to how this is to be done. But on the basis of the consultations we have had with them in the last couple of weeks, I can say that the reception which we received to this idea is extremely favorable. They have indicated - at least the leadership has - that they are prepared once an agreement is reached to proceed with all speed on enabling legislation. Hopefully we can put into effect some system whereby Congress will do what has to be done in the way of enabling legislation immediately after we have reached agreement. During the interim period between reaching agreement and the ending of the trusteeship any necessary action over and above the laws which Congress will have passed can be handled by executive order. We think we can then bring into effect the full scale of the new status for the Marianas by simple Presidential proclamation without further action by the United States Congress.

We will be very much interested, Eddy, in hearing your views on how you visualize a separate administration and would like to hear further from you at the earliest opportunity.