

U.S. Senate Testimony

12
6,5 1974

Mr. Chairman, I appreciate the opportunity to appear on behalf of the Department of the Interior in strong support of S. 3996 which embodies the administration's request for increased funding authorization for the activities of the civil government of the Trust Territory of the Pacific Islands.

As is known to most of the subcommittee members, the Trust Territory of the Pacific Islands is administered by the United States according to a 1947 Trusteeship Agreement with the United Nations. Since 1969, the United States and Micronesia have been negotiating the future political status of the territory's six districts and termination of the trusteeship.

Public Law 93-111 currently authorizes the appropriation of \$60 million for fiscal year 1975--a level which has been maintained since 1971. The administration's proposal would authorize a total annual appropriation of \$75 million for fiscal year 1975 and the 1975 constant dollar equivalent of \$80 million for 1976. In addition, we are asking for a separate authorization of \$1.5 million for a special program to aid transition of the Mariana Islands District to a new commonwealth status as a territory of the United States. Inflation and an accelerated capital improvements program are the two principal reasons for our request.

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Inflation has certainly taken its toll in Micronesia. Indeed, statistics we received from the Trust Territory last spring, show a 55 percent inflation since 1971. Micronesia has thus suffered the plague of double digit inflation much longer than we in the United States. That 55 percent inflation figure means that six months ago it took \$93 million to buy the same amount of goods and services which \$60 million bought in 1971. The Guam consumer price index indicates that costs are substantially more now.

Despite this exacerbated inflation, the Trust Territory has been holding the line on spending. It is anticipated that spending on government operations will go no higher than the proposed 1975 level of \$55 million and, given 1975 constant dollars, will be reduced beginning in 1977.

The larger part of the proposed authorization would be devoted to constructing such physical infrastructure projects as field trip ships, air fields, power plants, roads and docks. This accelerated capital improvement program announced by Secretary Morton last January has important future political status implications. It is the view of the executive branch that the trusteeship agreement calls on the United States to have a substantial portion of Micronesia's capital plant in place by the end of the trusteeship. To that end, tentative agreement as to levels of accelerated CIP funding was reached in the Carmel talks in March of this year between Ambassador Franklin Haydn Williams, the President's Personal Representative

for Micronesian Status Negotiations and Senator Lazarus Salii, Chairman of the Joint Committee on Future Status of the Congress of Micronesia.

Mr. James Wilson, Deputy U.S. Representative for Micronesian Status Negotiations will address this authorization request in terms of its direct relation to the on-going political status negotiations. We are also pleased to have Trust Territory High Commissioner Edward E. Johnston here, who is prepared to address himself to the details of the capital improvement program and government administration.

We strongly urge the Subcommittee to adopt S. 3996. The proposal is consistent with tentative status agreements and we believe holds the line on spending.