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ORAL STATEMENT OF JAMES M. WILSON, JR.
U.S. DEPUTY REPRESENTATIVE FOR MICRONESIAN STATUS
NEGOTIATIONS, BEFORE THE TERRITORIAL AND INSULAR AFFAIRS
SUBCOMMITTEE OF THE HOUSE COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS
OF THE UNITED STATES CONGRESS

September 26 1974

Mr. Chairman, Members of the Subcommittee:

It is a privilege to appear before the members of this subcommittee to discuss the progress made in the negotiations with the Marianas Political Status Commission and the Joint Committee on Future Status. I appear on behalf of Ambassador Haydn Williams, the President's Personal Representative for Micronesian Status Negotiations, who is unfortunately unable to be in Washington at this time.

Today I would like to address myself to two things. The first is the need for \$1.5 million to finance a series of transitional activities which will be necessary when our current negotiations with the Marianas Political Status Commission have been completed, a need to raise the appropriation ceiling for FY 1975 and 1976 for the TTPI.

Marianas Negotiations

As members of this Committee know the United States since December 1972 has been engaged in a series of negotiations with representatives of the Mariana Islands District of the Trust Territory aimed, at their request at bringing the Marianas District into a close and permanent relationship with the United States. When the Congress of Micronesia rejected in 1971 a United States offer of Commonwealth status for all the Trust

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Territory, the Marianas District formally asked for separate negotiations along the lines of the rejected commonwealth agreement.

In May 1974, agreement on all substantive issues was reached with the Marianas Political Status Commission which would protect essential U.S. political and military interests in this area and would meet fully the aspirations of the people of the Marianas for a close and permanent association with the United States and for a higher standard of living. With the approval of the people of the Northern Marianas District and the U.S. Congress, the Mariana Islands District will become full self-governing in its internal affairs with its own constitution, its own freely elected executive and legislature and its own courts in addition to a federal court. When the Trusteeship ends, and this must be done simultaneously for all the districts of the Trust Territory, the Northern Marianas will come under full U.S. sovereignty and its people will become American citizens, except for those individuals who may choose the status of American national.

As part of the agreement the Northern Marianas has agreed to make available some 17,475 acres of land on Tinian for the development of a joint service military base, and the continued use of the small uninhabited island of Farallon de Medinilla to be used as a live ammunition target area, and 197 acres on Saipan in Tanapag Harbor for future development as a living memorial park for the American dead of WW II. For possible contingency

use, 482 acres bordering Saipan's Isely Field will also be made available.

Tentative agreement was also reached on an initial 7-year program of U.S. financial assistance to begin following the installation of a new Government of the Northern Marianas in accordance with a popularly approved constitution. This could be as early as July 1976. Under this tentative agreement the U.S. will provide \$13.5 million for each of these years in direct financial grants as follows: a grant of \$8 million a year to help meet the cost of government operations; a grant of \$1.5 million a year to the future Government of the Northern Marianas to be used for economic development loans, with \$500 thousand a year of this amount to be reserved for small loans to farmers and fishermen and to agricultural and marine cooperatives; and a grant of \$4 million a year for Capital Improvement Projects of which at the Marianas Political Status Commission request \$500 thousand a year will be reserved for Rota and \$500 thousand a year for Tinian because of the urgent development needs on those islands. U.S. assistance will be provided in constant 1975 dollars. *I would request that #8 be changed to read 1975 dollars to be constant.*

In addition, a wide range of services and assistance under regular U.S. federal programs will be available. The United States estimates the value of federal services and assistance at \$3 million a year. The total direct annual assistance is thus estimated at \$16.5 million. This does not include potential additional income from military constructions and a growing military presence and spending.

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During the discussion of transition at the December 1973 and May 1974 meetings with the Marianas Political Status Commission, it was agreed that every effort should be made to plan the uses for these funds as carefully as possible and to make the transition to the new status as smoothly as possible. It was estimated that monies would be needed to start this process immediately after the signing of a new status agreement. For this we agreed to establish a joint U.S.-Marianas Secretariat on transition. The joint secretariat would consist of six highly qualified professionals who will be tasked to develop transition plans and schedules, conduct basic economic studies, arrange for the employment of experts and administer funds made available for these activities. These monies are urgently needed to develop plans for planning and conducting a constitutional convention, developing priorities for an initial legislative program, studying the impact to the Marianas of relocating the Capital of Micronesia outside of Saipan, conducting political status education programs, a plebiscite a constitutional referendum and the election of a new Government.

On the basis of our discussions with the Marianas Political Status Commission we prepared an estimated budget for transition planning which would be administered by the joint secretariat.

This is as follows:

Administration*

Joint Commission	\$ 40,000
Secretariat	\$ 460,000
Contingencies	\$ 50,000
Sub-total	\$ 550,000

*2 year costs

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Research and Planning**

Government Organization

Studies and Planning Constitutional Convention	\$ 50,000
Research and Planning Government Reorganization	\$ 50,000
Initial Legislative Program	\$ 50,000
Research U.S. Federal Programs and Services	\$ 50,000
Sub-total	\$ 200,000

Economic and Social Planning

Economic and Social Development Planning	\$ 225 000
Fiscal and Revenue Planning	\$ 50,000
Physical Planning	\$ 225,000
Impact of Relocation of Capital	\$ 50,000
Sub-total	\$ 550,000

Schedule Transition Steps**

Political Status Education Program and Status Plebiscite	\$ 50,000
Constitutional Convention	\$ 75,000
Constitutional education program and constitutional referendum	\$ 50,000
Election new Government	\$ 25,000
Sub-total	\$ 200,000
GRAND TOTAL	\$1,500,000

* *One-time costs

The Micronesian Negotiations

I would like now to turn to the request to raise the appropriation ceiling for the Trust Territory from the present \$60

million to \$75 million for FY 76 and \$80 million for FY77. Negotiations to determine the future political status of the other five districts of the Trust Territory comprising the Marshalls and Caroline Islands have been going on since 1969. Following rejection by the Congress of Micronesia of the United States' offers of territorial or commonwealth status, these negotiations have been aimed at establishing a so-called "free association" between the future state of Micronesia and the United States, the goal now declared by the Congress of Micronesia to be its preferred objective. In July of this year an ad referendum agreement was reached with the Co-Chairmen of the Micronesian delegation, which is the Congress of Micronesia's Joint Committee on Future Status, on a complete draft Compact of Free Association. Subsequently the full Micronesian delegation met and proposed certain additional changes, which the United States has not agreed to but will discuss shortly with the Co-Chairmen of the Joint Committee.

The principal features of the draft Compact are as follows:

1. The people of Micronesia will be self-governing and responsible for their own internal affairs, with their own constitution, laws and system of justice. Their constitution must guarantee fundamental human rights and must be consistent with the Compact.
2. The United States will have full responsibility for and authority over both foreign and defense affairs. The Compact provides that the United States will consult with the new Government of Micronesia on matters of mutual concern relating to foreign affairs and will not enter into agreements that pertain exclusively

or predominantly to Micronesia without its consent.

3. The United States will have the right of access to Micronesian land for military bases and the right to deny Micronesian territory to third parties for military purposes. The present Pacific Missile Test Range at Kwajalein in the Marshalls will be maintained. The Compact also provides for certain facilities in Palau for which we are seeking at the present time option only. These include the right to develop port facilities in Koror, a 2,000 acre supply base and a 30,000 acre maneuver area in Babelthuap and the right to future joint use of the civilian airfield. All Palauan requirements are for contingent use only.

4. The United States will be committed to substantial financial and economic assistance over the first fifteen years of the life of the Compact.

5. The Compact can be terminated only by mutual consent during the first fifteen years. Thereafter it would be terminable by unilateral action on two years notice but only after a satisfactory security agreement has been concluded embodying the United States base rights and denial of the area to third parties.

The Micronesians have asked for a long transition period during which time a major effort would be made towards completing a basic infrastructure and establishing a new government under a new constitution. We have suggested this period not be as prolonged as the Joint Committee originally suggested and that it be divided into two stages, the first extending from the present

time until the Compact and the new constitution are approved by the people of Micronesia in a plebiscite, the second extended from that time to the end of the Trusteeship when the Compact becomes effective. It would still last nevertheless under the current understanding until mid-1980.

If the Compact of Free Association is approved by Congress the United States would be committed to provide on a grant basis beginning in 1980 \$35 million annually in support of the operations of the new Government of Micronesia during the first five years of the compact. This amount would drop to \$30 million annually during the next five years and \$25 million during the remaining five years of the fifteen year period; for capital improvements the United States would be committed to \$12.5 million annually for the first five years of the Compact, \$11 million annually over the next five years, and \$9.5 million during the last five years. In addition we would provide up to \$5 million annually in loans for specified economic development projects; half of this amount would be reserved for small business loans at the district level to be administered by the District Governments. The United States is also prepared to continue three federal programs without compensation: the postal, weather and FAA services. The costs of any other agreed United States services would be charged against the grants mentioned above or could be paid for by Micronesia from its own resources. All the above amounts would be adjusted annually to reflect any changes in the purchasing power of the dollar as reflected by changes in the Guam Consumer Price Index using the value of the dollar in the present fiscal

year as a basing point.

During the critical period between now and the end of the Trusteeship in mid-1980 we have discussed with the Micronesian leadership a program of transitional financing. Under this the United States would provide with Congress' approval operational grants beginning at a level of \$55 million in constant dollars in the current fiscal year, continue at \$55 million in fiscal year 1976 and then begin a descent from \$54 million in fiscal year 1977 to \$52 million in fiscal year 1978, \$50 million in fiscal year 1979; and \$45 million in fiscal year 1980. However, under this same plan the United States would provide increased amounts for the Capital Improvements Program through fiscal year 1978 and then taper off: \$20 million in this fiscal year; \$25 million in fiscal year 1976; \$30 million in fiscal year 1977; \$35 million in fiscal year 1978; \$20 million in fiscal year 1979 and \$15 million in fiscal year 1980. At the present time we are seeking your approval of the first two years of this schedule. We intend to seek the remainder after the Compact itself is approved by the people of Micronesia.

Essentially, each district center should be provided with utilities, an airport, adequate roads and docks, a hospital, a courtroom, administrative, public safety and public works buildings, and sufficient standard classroom space and science equipment. In addition, the more populous outer islands should receive utilities especially electricity for schools, a small hospital, a dock, an airport and in some cases roads. Smaller outer islands should receive a dispensary, a school house and some communal facilities.

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SPACE

In Secretary of the Interior Rogers Morton's speech of January 23, 1974, the High Commissioner was requested to prepared a new five-year budget program which would accelerate the pace of infrastructure development as Micronesia moves towards a new political status, with particular emphasis on the first three years of the plan. After consultation with the Congress of Micronesia's Joint Committee on Program and Budget Planning we have submitted our five-year proposal which, if adopted, would put in place or fund the following projects by 1980 when State II will end and the Trusteeship is terminated:

- a paved airport of sufficient length for safe jet operation in all districts, including the sub-district of Kusaie;
- the start of all-weather road systems in all districts with paved roads in all district centers;
- a new dock and harbor complex in all districts;
- a new or renovated district hospital in every district;
- a new dispensary in every major population center outside the district centers;
- seven new inter-island "field trip" ships;
- a greatly upgraded primary communications network;
- a primary school upgrading program which will provide classrooms of increasing sophistication for all primary school children;
- a secondary school system which should allow a place in high school for all eighth grade graduates who wish to continue their educations;
- a major improvement in elementary education facilities in all districts;

-- power generation and distribution systems which can adequately handle both government and private demand for electricity.

-- water systems which will reach virtually all residents of the district centers, in addition to improved catchment and storage systems for many outer island communities;

-- wastewater treatment systems in all district centers;

-- storage, maintenance, and processing facilities for the commercial exploitation of fisheries and agricultural resources.

Most of these projects can probably be completed within the requested ^{increased appropriations} \$40 million between now and fiscal year 1980.

In conclusion, the appropriation of \$1.5 million will permit the U.S. to meet its commitment to the Marianas District to assist it in establishing a future commonwealth relationship with the United States. We consider funding of this program extremely important in our relationship with the Marianas District and vital to the rapid conclusion of a commonwealth agreement.

The raising of the appropriation ceiling for the Trust Territory from \$60 million to \$75 million will permit the ^{Re-authorized} naturalization of the Micronesian economy by building needed infrastructure.

Thank you.

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