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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

In our discussions to date with the Co-chairmen of the Micronesian Joint Committee they have taken the position that the new arrangement should not be put into effect abruptly but rather should be phased in over an extended period of time. This would permit two things of great importance to them:

1. It would permit a gradual change over in the administration from the present system to the new one which will function after the end of the trusteeship. They would like to see this done over an extended period following the approval of their new constitution.

2. They would also like to see as much basic infrastructure in place as is possible before the end of the trusteeship. A long period of transition in their view would make this feasible.

For our part we have suggested that the transition period not extend as far as the Micronesians originally requested and that we talk about it in two stages. The first stage would extend from now until the new compact is approved by the people and their constitution is drawn up and approved by the people--a period currently estimated at two years. This could, however, last as long as three years if hitches were to develop. Stage Two would begin thereafter and extend for three or four years depending on the length of Stage One. During this time necessary steps would be taken with the United Nations to schedule the end of the trusteeship. On this basis we would expect that Stage Two would

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end and the trusteeship be terminated by mid-1980 or the start of fiscal year 1981.

So far as transition financing is concerned we have tentatively agreed on a program whereby the level of operational costs if Congress approves, would be increased for the first year of Stage One and remain at that level in constant FY 1975 dollars through the second year--FY 1976. The reason for this increase is found almost entirely in the increased costs of government brought about by inflationary considerations. Our figures here were derived from those developed by Interior and the Trust Territory Administration. Thereafter in Stage II, again if Congress approves, the level in constant dollars would begin to descend as the new government began to phase in and the level of Micronesian internal revenues continued to increase. The figures for operational support are as follows:

FY 1977 - \$54 million

FY 1978 - \$52 million

FY 1979 - \$50 million

FY 1980 - \$45 million

If the Marianas District during this period approves a separate commonwealth arrangement with the U.S. and we then accede to its request for separate administration there would be a proportionate reduction in these figures.

With regard to the Capital Improvements Program our discussions were aimed at reaching realistic estimates of what would be required to put in place the basic infrastructure elements identified by the Joint Committee and the TT Administration pursuant

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to Secretary Morton's invitation of last January that a five year program be developed to attain this jointly shared goal.

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

More specifically the program is designed to put in place or fund the following projects by mid-1980:

- a paved airport of sufficient length for safe jet operation in all districts, including the new 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 districts;
- 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 graduate who wish to continue

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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 \$40 million between now and fiscal year 1980.

It is our considered view that we should fund this program on an initial accelerated basis wherein new funds allocated to CIP would increase sharply through FY 1978 and then taper off during the end of Stage Two to a sustaining level in keeping with the long range post trusteeship Micronesian programs to be funded in the finances sections of the new free association compact. This would provide a "front end loaded program" designed to have most basic infrastructure in place by the end of the trusteeship. The proposed schedule is as follows:

FY 1975 - \$20 million

FY 1976 - \$25 million

FY 1977 - \$30 million

FY 1978 - \$35 million

FY 1979 - \$20 million

FY 1980 - \$15 million

As in the case of operational support there would be a proportionate reduction in these figures if the Marianas are to be separately administered from the other districts of the Trust Territory of the Pacific Islands.

We propose Mr. Chairman to embody all of the foregoing in a memorandum of understanding--specifically made subject to the approval of the U.S. Congress--to be delivered to the Micronesians at the same time that the new compact is signed. A copy of the draft of such a memorandum has been made available to the committee staff.

In conclusion, the appropriation of \$1.5 million will permit the U.S. to assist the Marianas District in planning a sound economic and political basis for its 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 in FY 1975 and \$80 million in 1976 will permit a well ordered, rational transition program.