

# New Policy A Test For TT?

By Diane Maddex  
Daily News Staff Writer

SAIPAN—How well the Congress and people of Micronesia face up to the new foreign investment policy revealed for the Trust Territory last week "may well influence the future course of events connected with our goals for political status," said Martianus Sdh. Edward DLG Pangelinan yesterday.

In remarks on the floor of the Micronesian Senate, Pangelinan characterized the new "open-door" investment policy as a challenge and a test of Micronesian readiness for self-government.

"If we handle this challenge well and in a salutary fashion, I believe we will have demonstrated our responsibility and maturity and similar decisions will follow (from the United States)."

"If we do not act wisely—here taken to mean in the best interests of all our people—then we may find the road to termination of the Trusteeship Agreement longer than we thought," said Pangelinan.

Interior Secretary Rogers C. B. Morton last week announced that as of April 1 foreign investments in Micronesia no longer will be limited to U.S. citizens or companies.

Pangelinan, who remarked after Morton's announcement that the new policy "opened a Pandora's Box," yesterday offered several ways of "keeping the lid on" the new policy. These include reviewing the following:

—The 1970 Foreign Investors Business Permit Act and the district economic development boards that review applications, subject to approval by the high commissioner.

"We must consider if it is necessary to broaden the membership of the boards and increase their funding and technical assistance," said Pangelinan. "Also to be considered are the lines of authority and communication among the boards and the high commissioner and the Congress."

As part of the examination of the boards' goals and objectives "in the light of a broader and different spectrum of investors," the senator also pointed to a need to consider "if and how we are going to differentiate between development and commercial enterprises."

—Land policies. This would include a review of land use and the possibility of creating a Micronesian authority to act as a broker or mortgage holder for investment interests.

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## Investment Plan

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—Immigration and labor laws. "An anticipated increase in investment will more than likely require a larger skilled work force than is at present available in Micronesia," Pangelinan noted. "Are quotas desirable and will we need statutory stipulations that foreign corporations doing business in Micronesia train Micronesians to replace their counterparts?"

—Tax laws. Among the considerations here, said Pangelinan, are questions whether to provide tax incentives and to require foreign nationals working in Micronesia to pay Micronesian income tax.

—Corporation laws. Pangelinan urged a reevaluation of TT corporate laws "with an eye to the possibility of international and multilateral corporate investment."

—Creating a commerce or foreign affairs department to interest and screen potential foreign investors.

As a starting point, Pangelinan proposed that house and senate committees meet to draw up a list of questions and suggested actions so the new investment policy can be reviewed from legal, economic and social aspects.

He added that he wished the Congress had been at least informally told of the policy change two or three months ago to avoid last-minute pressure of drawing up needed legislation.

Sen. John Mangefel of Yap has introduced a resolution calling on the high commissioner and the district economic boards "to exercise the utmost circumspection in granting foreign investment business permits" under the relaxed policy.

The chairman of the Congress' Joint Committee on Future Status, Sen. Lazarus Sali of Palau, is sponsoring a measure directing his committee to investigate avenues of economic and developmental assistance for Micronesia within the Pacific region.

Sali says he would like a trade mission of this nature to get under way sometime after the Congress' session ends March 4.

Direct foreign investment in the Trust Territory until now has been limited to U.S. businesses under the United States' interpretation of the "most favored nation" clause of the Trusteeship Agreement.

In the past two years this policy was modified to allow unsecured loans to Micronesians by non-U.S. citizens or firms from member countries of the United Nations. These loans may not be secured by real property (U.S. citizens also are barred from owning interests in Micronesian lands) or by any collateral over which the firm might exercise any control.

At the end of 1973, TT Economic Development Division records showed 102 active non-Micronesian businesses. About half are in the Marianas. The largest areas of investment are transportation and tourism-related businesses.

The bulk of private investment in Micronesia comes from U.S. businesses.

Of the \$49 million total, 72 per cent or some \$35.5 million has been made by one company, Continental Airlines, the division indicated.