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# United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

FEB 26 1975

Dear Mr. Speaker:

Enclosed is a proposed bill "To amend section 2 of the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands."

Late in the 93rd Congress legislation was introduced and hearings were held on the Administration's proposal to authorize appropriations for the continuance of the civil government of the Trust Territory for fiscal year 1975 and 1976. The reason for the two year proposal was that it would coincide with Stage I of the transition of Micronesia to a new political status. Since that legislation was introduced, negotiations with the Congress of Micronesia's Joint Committee on Future Status have experienced some delay. It now appears that Stage I of the transition will also include fiscal year 1977. The attached Departmental proposal has been amended to reflect that change in schedule by including fiscal year 1977. In addition, authorizations have been included for the transition quarter between fiscal year 1976 and fiscal year 1977. This transition quarter will cover July 1, 1976 through September 30, 1976. We recommend new consideration of the proposed bill and strongly urge that it be enacted.

Public Law 93-111 currently authorizes the appropriation of \$60 million for fiscal year 1975. Our proposed bill would authorize a total annual appropriation of \$75 million for fiscal year 1975, and the 1975 constant dollar equivalent of \$80 million for 1976, \$15.1 million for the transition quarter and \$79 million for 1977. Section 2 of our proposed bill would authorize \$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.

The Trust Territory of the Pacific Islands is administered by the United States pursuant to a strategic trusteeship agreement concluded in 1947 with the Security Council of the United Nations. Governmental responsibilities are carried out through a territorial government which has executive and judicial branches, and a bicameral legislative body composed entirely of Micronesians.

13708



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Under the trusteeship agreement, the United States is charged with the promotion of political social, educational and economic development. Beginning in 1964, with the establishment of the Congress of Micronesia, political development in the Trust Territory has been rapid and, by most accounts, effective. Indeed, the United States has been engaged since 1969 in continuing negotiations with the Micronesians to determine new political relationships for the area. One major topic of the negotiations is the future financial assistance by the United States to Micronesia.

The bulk of the increased annual authorization would be devoted to the Department's accelerated capital improvement program which the Secretary of the Interior announced in a January 1974 speech to the people of Micronesia. The accelerated capital improvements program has been agreed to because, despite a great expansion of Micronesia's capital plant over the past six years, much remains to be done. The accelerated program is designed for construction of such rudimentary physical infrastructure as will be necessary for a sound and self-sufficient economy. To the extent possible, we would like to have this physical infrastructure in place within the next few years before the trusteeship gives way to a new political status for Micronesia in order to make economic self-sufficiency a more feasible goal when the trusteeship ends.

This policy dovetails with concern over the economy expressed by members of the Congress of Micronesia who cite roads, airports, and shipping facilities as high priority items. Construction or improvement of these and other facilities is vital to education, health, commerce, and even the most simple operations of government and private enterprise in the Trust Territory. Their importance is underlined by the fact that Micronesia's 115,000 population is scattered across 3,000,000 square miles of ocean. The proposed program will reflect a policy of holding down the cost of governmental operations in order that maximum funding may be devoted to important capital improvement projects. The on-going Trust Territory Government program of replacing U.S. personnel with qualified Micronesians will remain an integral part of policy in Micronesia. Future requests for appropriations will also seek to continue the fledgling program for education in self-government and on-going programs the fields of health and education. In addition, we look for improvement in communications and transportation among the 2100 islands of Micronesia.

The bill provides an authorization of \$80,000,000 for 1976, \$15,100,000 for the transition quarter and \$79,000,000 for 1977 plus or minus such amounts as will offset changes in the purchasing power of the U.S. dollar measured by the Gross National Product

13709

Implicit Price Deflator. This last provision is necessary for implementing an agreement reached in the negotiations. The selection of the GNP Implicit Price Deflator as the appropriate index is based on the need to have as broad and objective an indicator as possible of the changes in the purchasing power of the U.S. dollar.

Our proposal for an expended authorization would make unnecessary the existing authorization of \$10,000,000 for terminated categorical grant programs past its present expiration date at the end of fiscal year 1975. We note that in fiscal year 1975 only \$700,000 were appropriated to cover such terminated grants.

Section 2 of the proposed legislation relates to the negotiations between the United States and the Marianas Political Status Commission which will lead to a new Commonwealth status as a territory of the United States for the Marianas Islands District. The U.S. Congress has final approval authority over these negotiations. Section 2 would authorize the appropriation of \$1,500,000 for a special program of transition in the Marianas which will include, among other things, a constitutional convention and referendum, a political status plebiscite, political education programs and economic, fiscal and physical planning studies. The need for these funds is quite urgent since the agreement was signed on February 15, 1975. The transition period is scheduled to begin as soon as the political status agreement is approved by the people of the Northern Marianas in a plebiscite tentatively scheduled for June, 1975.

The proposed increases in authorization are endorsed by Ambassador Franklin Haydn Williams, the President's Personal Representative for Micronesian Status Negotiations. The proposal in section 1 is deemed vital to our negotiating efforts since it reflects the tentative agreements reached with the Congress of Micronesia's Joint Committee on Future Status at Carmel, California, in March 1974. Section 2 supports the agreement on a Marianas transition program reached in Saipan in May 1974 during the Fourth round of Marianas political status negotiations.

The Office of Management and Budget has advised that the presentation of this proposed legislation is in accord with the program of the President.

Sincerely yours,

*Rayston C. Hughes*

Assistant Secretary of the Interior

Honorable Carl B. Albert  
Speaker of the House  
of Representatives  
Washington, D. C. 20515

Enclosure

A B I L L

To amend section 2 of the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Act of June 30, 1954 (68 Stat. 330), as amended, is amended by deleting "and for each of the fiscal years 1974 and 1975, \$60,000,000" and inserting in lieu thereof the following: "for fiscal year 1975, \$75,000,000; and for fiscal year 1976, \$80,000,000; for the period beginning July 1, 1976 and ending September 30, 1976, \$15,100,000; and for fiscal year 1977, \$79,000,000 which amounts for each fiscal year or other period shall be adjusted upward or downward, in the budget transmitted to the Congress for the next succeeding fiscal year, to offset changes in the purchasing power of the United States dollar by multiplying such amounts by the Gross National Product Implicit Price Deflator for the third quarter of the calendar year preceding the fiscal year or other period for which the appropriations are made and dividing the resulting product by the Gross National Product Implicit Price Deflator for the third quarter of the calendar year 1974.

13711

SEC. 2. There is authorized to be appropriated \$1,500,000 to aid in the transition of the Mariana Islands District to a new Commonwealth status as a territory of the United States: Provided however, That no part of such sum may be obligated or expended until final agreement between the Marianas Political Status Commission and the United States has been signed.