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Memorandum

To: Special Assistant, Division of General Law  
From: Assistant Solicitor, Territories  
Division of General Law  
Subject: Major Issue Briefing Paper

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Category IV

1. Political Status Negotiations - Trust Territory of the Pacific Islands

Since 1969 the United States Government has been engaged in negotiations with the TTPI for a future political status. The negotiations are being conducted by the Ambassador Franklin Haydn Williams, the President's personal representative. Because of its responsibility for the administration of the civil government of the Trust Territory, this Department plays a significant role in providing support to the Ambassador.

Separate negotiations have been conducted with the Northern Mariana Islands District and have concluded with the execution of an agreement called a "Covenant" under which the Northern Mariana Islands District has agreed to join in political union with the United States as a Commonwealth. A referendum of the citizens will be held on June 17, 1975 to determine the wishes of the people. If they opt for Commonwealth status, a separate administration will have to be established. There will be extensive departmental involvement in this matter.

Political status negotiations (at the moment not too active) continue with the other five administrative districts (Yap, Truk, Palau, Ponape and the Marshalls). At present, it appears that these districts, as a unified Micronesia, will become an "independent" state in free association with the United States. This is an on-going matter with significant departmental involvement.

2. Senate Interior and Insular Affairs Committee Overview Hearings on Administration of the Trust Territory

As the result of a staff report highly critical of the administration of the Trust Territory, particularly in the areas of public works, property and

17-414287

fiscal management, hearings were held before the Senate Interior and Insular Affairs Committee on March 10 and 12, 1975. As a result of the report and the hearings, the Department will have to conduct extensive studies and investigations into the property and monies management and accountability systems in the Trust Territory and take corrective action. In addition, in the field of public works and capital improvement projects, long range (5 years at least) plans will have to be made of the infrastructure deemed essential for the Trust Territory together with realistic costing of the CIP items and a plan for training the Micronesians to run, maintain and repair these capital improvements.

### 3. Virgin Islands - Oil Import License Fees

The Presidential Proclamation 3270, as amended, relating to the import of oil and products into the United States, provided, among other things, that the license fees on oil coming into the United States custom territory from the Virgin Islands should be returned to the V.I. treasury. The Justice Department has ruled that such a payment would be unlawful. Legislation has been introduced in Congress to permit such payment of those fees that had accumulated to January 31, 1975.

By Proclamation dated January 21, 1975, the President ended the former licensing program and, commencing February 1, 1975, instituted a new one designed, by imposing a \$3.00 per barrel fee, to further discourage the use of oil and products. In this Proclamation there is no provision for the payment to the V.I. treasury of fees collected on imports from that territory. The rationale behind this omission appears to be that these payments to the Virgin Islands would be a windfall that they should not have.

The Virgin Islands economy, based as it is largely on tourism, is suffering, and a new source of revenue may be needed to prevent it from going bankrupt. The local government has no authority to levy income taxes and is barred from deficit financing. This matter is being studied, and, if in fact, based upon a bare bones budget, the V.I. will be faced with a deficit, a new source of revenue must be found. There are only two real choices--one is to require the V.I. to come to Congress each year for appropriations to make up the deficit and this would be most unacceptable; the other is to sponsor legislation to authorize payment into the local treasury of at least a part of the license fees collected on products coming from the V.I. into the United States.

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