

QUESTIONS AND ANSWERS ON THE COVENANT
RELATIVE TO FOREIGN RELATIONS ASPECTS

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I. UNITY VS. FRAGMENTATION

1. Why did the United States Government change its policy on unity of Micronesia?

Answer: The United States did not change its basic policy toward Micronesia which is one of commitment to self-determination for the Trust Territory in fulfillment of obligations under the Trusteeship Agreement. It had been hoped that one form of political status might have proved acceptable to the territory as a whole. However, after the third round of status negotiations in 1971, when it became apparent that the intentions of the five districts differed from the long-known desire of the Marianas for a close and lasting relationship with the United States, the U.S. agreed to honor the two differing views and accordingly the following year opened negotiations with the Marianas, while continuing those with the other districts.

It is pertinent to note that there is no tradition of unity among the island groups that comprise the Trust Territory. Earlier foreign administrators, the Spanish and the Germans, made no attempt to meld the far-flung, diverse and multi-lingual islands into any semblance of unity. The only approach to unity came from the outside, through the formal designation of the territory, first by the League of Nations as a mandate of Japan and subsequently by the United Nations as a Trust Territory to be administered by the United States. U.S. Administration of this trust has in fact brought to the territory the only institutionalized territory-wide unity which it has ever known. This is the Congress of Micronesia, established in 1965.

2. Did you consult with the Congress on that change?

Answer: Yes. Following the third round of negotiations in October 1971, when the divergence of views had become clear, we consulted with the leadership of the Interior Committees of both the Senate and the House and subsequently in full hearings of those committees discussed the developments and their implications for the opening of separate negotiations with the Marianas.

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V. FINANCIAL IMPLICATIONS

1. Why should we, in these austere economic times extend our federal programs?

Answer: We are not talking about unlimited application of all federal programs nor are we talking about immediate application. The Covenant recognizes that the Northern Mariana Islands, as a new U.S. territory, should receive no less equal treatment than other U.S. territories. The Northern Mariana Islands will still have to qualify for each program and federal programs will apply over a period of time. The level of U.S. funds under these programs is, of course, subject to the annual scrutiny of CAB and to the final review and approval of the U.S. Congress. In austere economic times, the Northern Mariana Islands will secure no more federal programs than other U.S. territories. Owing to the small population of the Northern Mariana Islands and that the Northern Mariana Islands will not qualify for all programs, it is likely the level of federal funds for U.S. programs will be very, very modest. We estimate that approximately \$3 million in federal programs will extend to the Northern Mariana Islands.

2. How much will the Commonwealth cost the U.S. Government?

Answer: The Northern Mariana Islands currently receive some \$12 million annually in direct grants from the U.S. Government. Under the Covenant, the Northern Mariana Islands will receive \$14 million annually in direct grants for seven years. This is very modest and should be considered "start-up" funds for the new Commonwealth Government. After seven years, the Congress may authorize and appropriate such amounts as it determines the Northern Mariana Islands warrant. The grant monies are for economic development, capital improvement projects, and governmental operations during the initial transition stages of the Commonwealth. These monies will enable it to move toward economic self-sufficiency and a balanced economy. The prospects for economic self-sufficiency in the Northern Mariana Islands is quite good.

The U.S. will also extend federal programs and services now available to other U.S. territories. This is not an unlimited extension and is not immediate. The Covenant recognizes that the Northern Mariana Islands should receive

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no less favorable treatment than the U.S. Government extends to its other territories. The Northern Mariana Islands will still have to qualify for each program and the Congress would have to approve the level of federal funds to be used in the programs. Owing to the small population of the Northern Mariana Islands the cost of these programs would be very low. It is estimated at some three million dollars annually. This estimate considers that the Northern Mariana Islands could absorb only so many programs, that the Northern Mariana Islands may not qualify for all federal programs, and the Northern Mariana Islands may choose not to participate in other programs due to matching grant requirements or other stringent federal requirements.

If the Executive Branch should seek and obtain Congressional appropriations for use of the lands set forth in Article VIII of the Covenant, an additional \$19,520,600 will be required. These funds are required under the Covenant only if the U.S. seeks to acquire the use of land in the Northern Mariana Islands.

When viewing these figures, one should keep in mind that the United States is now responsible for the cost of government in the entire Trust Territory, including the Northern Mariana Islands. The judgment of the Senate Interior Committee which has legislative authority for the administration of the Trust Territory, as contained in its report on H.J.Res. 549, is that:

"... The annual authorization for the Mariana Islands included in the Covenant is in line with the present allocation to the Marianas and would result in a commensurate decrease in the Trust Territory authorization in future years. Absent approval of the Covenant, the United States would continue to have obligations under the Trusteeship Agreement which would necessitate the appropriation of comparable sums in future years."

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3. Is the Northern Mariana Islands economically self-sufficient? If not, why not?

Answer: The Northern Mariana Islands is not now economically self-sufficient, and there are no mineral resources that would make the Northern Mariana Islands

self-sufficient. The Northern Mariana Islands has a high potential for self-sufficiency, however. The most promising areas for development in the Northern Mariana Islands are tourism, fisheries and agriculture. The islands are potential high exporters of fish and agriculture and its scenic beauty is a magnet for Asian tourism. Essentially, the basic reasons for the fact the Northern Mariana Islands are not now self-sufficient is due to budgetary constraints in the federal government as a whole over the past 25 years. The Northern Mariana Islands has had to compete with the other national priorities and with the states and territories for funds. It has, overall, been relatively successful. The Northern Mariana Islands still requires funds for capital infrastructure on which economic development can take hold.

4. Do the Northern Mariana Islands pay U.S. income taxes?

Answer: Yes. As in other territories, the Northern Mariana Islands will be subject to the U.S. revenue laws and the taxes and revenues collected will be deposited in the local treasury for use by the legislature. In this regard, the Northern Mariana Islands will have the exact same U.S. tax system as Guam now enjoys.

5. How many and what types of federal programs will the U.S. give the Northern Mariana Islands.

Answer: There is no available precise number of federal programs for which the Northern Mariana Islands will qualify. Congress has created over 1,000 federal programs which benefit American citizens directly or indirectly. The U.S. currently extends some 79 federal programs to the Northern Mariana Islands and the Trust Territory of the Pacific Islands. These would continue under the Covenant. Other programs will be extended as the Northern Mariana Islands qualify. These programs range from health care to environment and soil conservation. They include others as the postal system, weather services, FAA, maritime commerce, and Coast Guard. Generally speaking, the Northern Mariana Islands will receive those federal programs which now extend to Guam.

6. What is the magnitude of federal welfare programs to be extended to the Northern Mariana Islands?

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Answer: It is not possible to give a precise estimate. The Northern Mariana Islands population is quite small (only 14,000) and there is now full employment. Additionally, the requirements and demands for social welfare in the Northern Mariana Islands are not as great as in other places. Average family incomes are quite high (\$4,448.00 for a family of 5.9), and families in the Northern Mariana Islands remain close knit and share in their support and financial care for one another under their culture. Families in the Northern Mariana Islands are very self-reliant and remain largely an agrarian society with each family maintaining subsistence agriculture areas for food supplies. Consequently, there are no old age homes and no soup kitchens for the needy as we have in the continental U.S. Also, the temperate and gentle climate make it easy for families to attain a reasonable standard of living in the way of clean, comfortable housing. Therefore, it is highly unlikely the Northern Mariana Islands would qualify for more than a mere minimal amount of federal welfare funds.

Generally speaking, the Covenant only makes the Northern Mariana Islands eligible for participation in the federal programs. The Northern Mariana Islands must still apply and qualify for each program. And, the Congress must approve the funds for the Northern Mariana Islands. Therefore, there is no plan for wholesale nor immediate extension of the federal welfare system for the Northern Mariana Islands.

7. How much unemployment is there in the Northern Mariana Islands?

Answer: There is virtually no unemployment. There is a critical shortage of manpower in several areas. For example, there is a need for doctors, nurses, engineers, teachers and other professional and skilled workers.

8. What do people in the Northern Mariana Islands do for a living?

Answer: They are primarily employed in service industries related to tourism, government, agriculture, and fishing. The Northern Mariana Islands remain largely an agricultural area that is moving towards a more merchantile

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