



# United States Department of the Interior

OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20240

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## Memorandum

To: Ambassador F. Haydn Williams, Office of Micronesian Status Negotiations

From: Peter T. Coleman, Chairman, Ad Hoc Committee on *P.T.C.* Marianas Separation

Subject: Discussions between representatives of the Congress of Micronesia and the Marianas Leadership on the subject of administrative agreements for separation.

On September 5, 1975, the Ad Hoc Committee on Administration Contingency Planning for the Marianas Separation submitted its final report and recommendations to the Office of Territorial Affairs. This report included two draft Secretarial Orders (one for the governance of the Marianas and one for the other five districts) along with a draft memorandum of understanding to be entered into by the Resident Commissioner and the High Commissioner covering the method of shared government-service provision after the separation commences. Over the summer of 1975, the Ad Hoc Committee expanded its membership and worked regularly with both the Congress of Micronesia representatives and the leadership of the Marianas District Legislature and the MPSC. The Congress of Micronesia established a Joint Committee on Marianas Separation which is chaired by Representative Setik and includes Messrs. Henry, Mangefel and Silk. Senator Borja, I understand, declined the opportunity to sit on the Committee.

In September and early October of this year, it became apparent that the Congress of Micronesia representatives were not fully pleased with the results of the Ad Hoc Committee's deliberations and were interested in further pursuing questions of a technical nature relating to the separation. It did not prove possible to schedule meetings on Saipan between the Marianas and Congress representatives because of the latter's absence. It was therefore not until both groups were convened in Washington by the



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Office of Territorial Affairs that progress was made in settling the outstanding issues. By the time both groups left after the Senate Foreign Relations and Armed Services Committee hearings, all substantive issues save one had been settled. Both groups felt that the final issue could be handled amicably and with dispatch after their arrival on Saipan. We are presently awaiting word on this matter.

*Result*

The areas of agreement reached in Washington under the chairmanship of the Office of Territorial Affairs are the following:

1. Section 606 of the Covenant (Social Security). The COM was informed that the splitting out of Marianas portions of the Social Security trust funds need not be accomplished on the exact date of Covenant approval. It was also agreed that any losses or overages in the fund would be pro-rated to the individual so that all would lose or gain equitably.

2. COM appropriations for public projects in the Marianas. It was agreed that those Congress of Micronesia projects which have been authorized and for which funds have been made available by the TTPI Director of Finance for the Marianas by the date of separation shall be made available to the Marianas. In the case of those projects which have been authorized on the basis of fund availability but which will not have been financed in whole or in part by the time of the separation, other arrangements including under-writing by the Marianas District Legislature or project cancellation will be made.

3. Immunity for Members of the Congress of Micronesia. On this issue, the Office of Territorial Affairs proposed that the type of immunity already afforded Members of the Congress in Secretarial Order No. 2918 would appear to be sufficient for their purposes. This was agreed. Members of the Congress of Micronesia and the Marianas Legislature will enjoy this immunity after separation on the basis of appropriate language in both of the proposed Secretarial Orders.

4. Taxation. An apparently agreeable method of taxation has now been worked out between the two groups and their respective legal counsels in Washington. This method allows the COM to impose personal income tax on all persons who are employed by either the Congress or the Trust Territory Headquarters. The Marianas, for its part, may tax anyone in the Marianas except those exempted by other law or order or those non-Marianas persons who are employed by the COM. If any individual is subjected to double taxation by this agreement, he would be given a direct tax credit by the Marianas government in the amount of tax that person pays to the COM if that person's Marianas tax liability is equal or higher than his COM tax liability.

5. Applicability of the laws of one entity to the other.

It was agreed that the Congress of Micronesia would retain the right to legislate for the Trust Territory Headquarters including the land it occupies for as long as that installation remains on Saipan. The COM will not retain any legislative authority over the Marianas nor will the Marianas Legislature have the authority to legislate with regard to the Trust Territory Headquarters or the Congress of Micronesia. All public land in the Marianas held by the High Commissioner at the date of separation will vest with the Resident Commissioner subject to use agreements. This agreement pertains specifically to the Capitol Hill area.

6. The Headquarters Central Repair Shop. This facility will be transferred to the Marianas (budget, management and control) at the date of separation but will continue to service Headquarters and the other districts on an as-needed priority basis. The Headquarters and districts will reimburse the Marianas for services rendered them by the Central Repair Shop. Finally, it was agreed that any dispute concerning the workload or priorities of the Central Repair Shop would be referred to the High Commissioner and the Resident Commissioner for settlement.

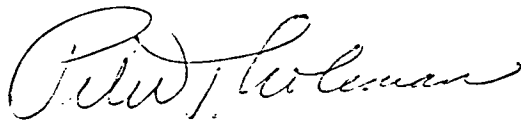
7. Congress of Micronesia loan funds. These funds include the Production Development Loan Fund, the Marine Resources Development Loan Fund and the Agriculture Development Loan Fund. The Marianas suggested that it retain its entire share of COM loan funds (portfolio and access to capital accounts) as long as the Marianas is part of the Congress of Micronesia. At the time of separation, the Marianas will lose access to the capital accounts but will retain the rights and responsibilities of its portfolio. The Congress indicated its agreement conditioned upon further study. The Office of Territorial Affairs felt this was not an issue of sufficient importance to cause future dispute.

8. The Economic Development Loan Fund (EDLF). Since these funds were appropriated by the Congress of the United States, the Office of Territorial Affairs retains the ultimate responsibility as to their use and division upon the Marianas separation. Several suggestions were made as to what would be an equitable split and both sides came close to agreeing that the Marianas would retain one seventh of the unused loan fund along with some fraction of its portfolio since most borrowing to date has been by Marianas residents. As mentioned above, both groups were informed that while the Office of Territorial Affairs would be pleased to hear suggestions on the division and management of this fund, the final decision is at the Washington level.

The final area on which the groups are still working is that of import-export taxation. One sub-issue on this topic -- that of the prohibition of transshipment tax -- has already been settled.

Further word is awaited regarding the continuing discussions on Saipan.

It should finally be mentioned that, with the exception of number 8 above, the Office of Territorial Affairs indicated it has no objection to the agreements reached and could recommend to the Secretary their inclusion in the eventual Secretarial Orders.

A handwritten signature in cursive script, appearing to read "Paul W. Coleman".