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 PTUZYM RUHGSAAZ5 02 2020346-JUUU--RUHGSUU.
 ZNR UUUUU

P 200842Z JUL 76
 FM DISTAD PONAPE CAROLINE ISLANDS
 TO ZEN/NICONTERPACIS SAIPAN MARIANAS ISLANDS
 ZEN/ALDISTADS TERPACIS
 ZEN/TT LNO GUAM MARIANAS ISLANDS
 TT LNO KWAJALEIN MARSHALL ISLANDS
 OCEANIC/ACNE/UNEPACIS/RE/ACT/TA/MA/SA/ISLANDS ISLANDS
 CINCPAC HONOLULU HI
 INTELLIGENCE CENTER PACIFIC (IPAC) HI
 NAVINVSERVO GUAM MARIANAS ISLANDS
 COMTWELVE SAN FRANCISCO CA
 SECSTATE WASHINGTON DC
 SECDEF WASHINGTON DC
 JCS WASHINGTON DC
 CNO WASHINGTON DC
 CINCPACFLT HAKALAPA HI
 CINCPACAF HICKAM AFB HI
 CGFMFPAC CAMP H M SMITH HI
 COMCDBPAC PEARL HARBOR HI
 NAVFACENGCOMHQ ALEXANDRIA VA
 PACNAVFACENGCOM PEARL HARBOR HI
 FCDNA-LGA KIRTLAND AFB NM
 COMDT COGARD WASHINGTON DC
 CCO FOURTEEN HONOLULU HI
 COMCOGARD MARSEC GUAM MARIANAS ISLANDS
 OICC MARIANAS GUAM MARIANAS ISLANDS
 CDRUSAGO MAKINATO JAPAN//TIPI-LNO//
 CDRENDSCOM HUNTSVILLE AL//MED SC-RO//
 AMEMB CANBERRA AS
 AMEMB TOKYO JA
 USMISSION USUN NEW YORK NY

*July 20
 1976*
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BT
 UNCLAS
 COMTWELVE PASS INFO FOR AMB WILLIAMS
 SECSTATE PASS TO DEPT INT/SEC INTERIOR/DOIA OSN
 AMEMBASSY CANBERRA FOR PAC ISL MONTHLY.
 (ZEDER ADDRESSES CONGRESS JOINT SESSION)

KOLONIA, PONAPE, JULY 20 (MNS)---DIRECTOR OF THE OFFICE
 OF TERRITORIAL AFFAIRS FRED M. ZEDER TOLD THE JOINT SESSION
 OF THE CONGRESS OF MICRONESIA TUESDAY (JULY 20) THAT HE WAS
 "SHOCKED AND DISTURBED" BY THE HIGH NUMBER OF DELINQUENCY
 RATE IN THE CURRENT ECONOMIC DEVELOPMENT LOAN FUND (EDLF).

IN A 30-MINUTE ADDRESS AT THE PONAPE DISTRICT LEGISLATURE
 BUILDING, ZEDER ALSO EXPLAINED THE U.S. POSITION ON THE
 KWAJALEIN SINTAX ISSUE; TARIFF TREATMENT OF MICRONESIAN GOODS;
 DECENTRALIZATION; THE UNITED NATIONS DEVELOPMENT PROGRAM
 (UNDP) AND THE MICRONESIA DEVELOPMENT BANK.

ZEDER SAID THAT HE WAS MORE DISTURBED AT THE NAMES OF
 INDIVIDUALS AND THE MANNER IN WHICH THEY HAVE SUCCEEDED IN

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SECURING FUNDS FROM EDLF WITHOUT "ADEQUATE COLLATERAL."

"I WOULD STRONGLY RECOMMEND THAT IN YOUR DELIBERATIONS OVER THE COMING DAYS, YOU GIVE SERIOUS CONSIDERATION TO DRAFTING LEGISLATION THAT DISQUALIFIES ELECTED OFFICIALS AND CERTAIN APPOINTED GOVERNMENT EMPLOYEES FROM ENTERING INTO LOAN AGREEMENTS WITH MICRONESIA DEVELOPMENT BANK," THE DIRECTOR OF TERRITORIAL AFFAIRS TOLD MEMBERS OF CONGRESS.

HE STRONGLY RECOMMENDED THAT THE BOARD OF DIRECTORS OF THE MICRONESIA DEVELOPMENT BANK ESTABLISH A POLICY ON HAVING THE "SENIOR RANKING ADMINISTRATOR" OF THE TT GOVERNMENT TO SERVE ON THEIR BOARD.

ZEDER THEN LISTED 10 AREAS OF LEGISLATION WHICH HE CONSIDERED IMPORTANT FOR THE CONGRESS TO CONSIDER DURING THEIR CURRENT SPECIAL SESSION. THEY ARE:

- TO DECIDE UPON THE FUTURE CAPITAL LOCATION;
- PROVIDE GOVERNMENT CONTRACT PROCEDURES;
- AMEND CERTAIN SECTIONS OF THE TT CODE TO PROVIDE PENALTY FOR UNAUTHORIZED ELECTRICAL CONNECTIONS;
- TO PROVIDE INVENTORY OF THE TRUST TERRITORY GOVERNMENT PROPERTY;
- TO PROVIDE FOR PENALTY FOR UNAUTHORIZED TAKING OF WATER;
- AMEND CERTAIN SECTIONS OF THE TT CODE REGARDING DELIVERY OF GOODS WITHOUT TITLE;
- AMEND THE TT CODE TO PROVIDE PENALTY FOR UNAUTHORIZED ACCEPTANCE OF ANY FEE, COMPENSATION, GIFT, PAYMENT OF EXPENSES OR ANY OTHER THING OF VALUE BY A PUBLIC OFFICIAL OR EMPLOYEE OF THE TT GOVERNMENT;
- AUDIT OF CONGRESS OF MICRONESIA FUNDS;
- BUSINESS PERMITS; AND
- AMEND LAWS TO PROVIDE GREATER PENALTIES FOR THE MISAPPROPRIATION OR MISUSE OF GOVERNMENT PROPERTY.

ZEDER BEGAN HIS SPEECH SAYING THAT HIS PURPOSE OF ADDRESSING THE CONGRESS IS TO "ATTEMPT TO CLARIFY" THE POSITIONS AND VIEWS OF HIS POLICIES AND RESPONSIBILITIES.

"OUR MISSION IS NOT NECESSARILY TO AGREE IN EVERYTHING," HE SAID, ADDING THAT THERE MUST BE AN "ACCURATE AND PRECISE UNDERSTANDING" TO PROBLEMS THAT ARE CONFRONTING THE TRUST TERRITORY.

CONCERNING THE KWAJALEIN SURTAX ISSUE, ZEDER SAID THAT THE U.S. HAS ESTABLISHED THE POLICY THAT ITS MILITARY INSTALLATIONS IN NON-U.S. AREAS WILL NOT BE TAXED, HE EXPLAINED THAT THE U.S. ALLOWED THE THREE PERCENT TAX ON KWAJALEIN IN CONSIDERATION WITH "SPECIAL RELATIONSHIP" WITH MICRONESIA BUT THE MICRONESIANS WERE TOLD THAT "WE WOULD NOT BROACH ANY HIGHER TAX LIABILITY."

"THE CONGRESS OF MICRONESIA KNEW THIS WHEN IT PASSED ITS REVENUE SHARING LEGISLATION," HE NOTED. HE SUGGESTED THAT IF THE CONGRESS BELIEVES THAT INCOME DISTRIBUTION IS THE ANSWER TO UNITY, IT SHOULD RAISE TERRITORIAL INCOME TAX TO SIX PERCENT AND REBATE 50 PERCENT OF THAT TO THE DISTRICTS OF ORIGIN.

REGARDING TARIFF TREATMENT OF MICRONESIAN GOODS, ZEDER TOLD THE CONGRESS THAT THE UNITED STATES HAS TAKEN POSITIVE STEPS TO LIBERALIZE TRADE AND TO RESTRICT IMPORT TARIFFS. ACCORDING TO HIM, MICRONESIA IS SUFFERING FROM A "COMPARATIVE DISADVANTAGE" BECAUSE THERE IS NOT YET A MARKET ON THE U.S. FOR THE TYPES OF GOODS MICRONESIA PRESENTLY PRODUCES, LIKE COPRA FOR EXAMPLE. IT CAN, HOWEVER, EXPORT FROZEN TUNA BUT MICRONESIANS "DO NOT APPEAR TO BE SUFFICIENTLY INTERESTED" IN PRODUCING COMMERCIAL QUANTITIES

OF FISH.

ZEDER NOTED THAT SOME MEMBERS OF THE CONGRESS OF MICRONESIA WANTED THE RIGHT TO APPROPRIATE FUNDS WHICH THE U.S. GIVES TO MICRONESIA. HE EXPLAINED THAT SINCE IN THE PAST, HIS OFFICE AND THE U.S. CONGRESS HAVE UNCOVERED INSTANCES OF "INADEQUATE ACCOUNTABILITY MISMANAGEMENT AND POOR JUDGEMENT WITH REGARD TO THE USE OF THESE FUNDS," THE OFFICE OF TERRITORIAL AFFAIRS WILL CONTINUE TO MAINTAINED CONTROL OVER THESE FUNDS.

TURNING TO THE SUBJECT OF DECENTRALIZATION, ZEDER REBUTTED POINT BY POINT THE ALLEGATION MADE BY CONGRESSMAN RAYMOND SETIK IN HIS STATEMENT AT THE UNITED NATIONS TRUSTEESHIP COUNCIL HEARINGS EARLIER THIS MONTH.

ZEDER SAID THAT DECENTRALIZATION IS NOT RUN BY THE INTERIOR DEPARTMENT BUT RATHER BY THE TRUST TERRITORY GOVERNMENT IN CONSULTATION WITH THE CONGRESS OF MICRONESIA AND OTHER MICRONESIAN LEADERS. THE DUTIES OF J. BOYD MACKENZIE, SPECIAL ASSISTANT FOR DISTRICT AFFAIRS, HAVE BEEN EXPANDED TO INCLUDE "PRIMARY AND PRIORITY RESPONSIBILITY" FOR THE IMPLEMENTATION OF DECENTRALIZATION AND REDUCTION IN THE SIZE OF GOVERNMENT.

HE EXPLAINED THAT THE PHYSICAL DECENTRALIZATION --- REDUCING MANPOWER AT THE GOVERNMENT --- "INVOLVES MOSTLY EXPATRIATES AND MARIANAS CITIZENS.

"THE MICRONESIANS FROM THE OTHER DISTRICTS PRESENTLY WORKING FOR HEADQUARTERS (WHO ONLY NUMBER SLIGHTLY IN EXCESS OF TWO HUNDRED) WILL FOR THE MOST PART BE RETAINED OVER THE FIVE YEAR PROGRAM AND WILL OR CAN FORM THE CORE FOR THE NEW MICRONESIAN POST-TRUSTEESHIP GOVERNMENT," ZEDER TOLD THE CONGRESS MEMBERS.

HE ASSURED THE CONGRESS, HOWEVER, THAT THEY WILL BE CONSULTED IN VERY PHASE OF THE PHYSICAL DECENTRALIZATION PROCESS.

TURNING TO THE SUBJECT OF THE UNITED NATIONS DEVELOPMENT PROGRAM, THE DIRECTOR OF TERRITORIAL AFFAIRS COMMENDED THE CONGRESS OF MICRONESIA FOR "RECOGNIZING THE URGENT NEED" FOR A COMPREHENSIVE PROGRAM IN MICRONESIA. "GIVEN PROPER GUIDANCE AND INCENTIVE, IT IS POSSIBLE FOR MICRONESIA TO BECOME ECONOMICALLY SELF-SUFFICIENT," HE NOTED.

HE URGED THE CONGRESS TO PASS "SOUND LEGISLATION" TO FOLLOW UP ON THE RECOMMENDATIONS OF THE UNDP, OTHERWISE IT WILL ONLY BE ANOTHER "EXPENSIVE AND WASTED EXERCISE IN THEORETICAL ANALYSIS."

"DO NOT IN YOUR DELIBERATIONS LOSE SIGHT OF THE MAJOR THEMES OF THOSE VOLUMINOUS REPORTS," HE CAUTIONED. "THE BASIC RECOMMENDATIONS (IN THE UNDP REPORT) ARE: (1) AUSTERITY; (2) SMALL GOVERNMENT; (3) INFUSION OF OUTSIDE CAPITAL; AND (4) THE RELATIVE IMPORTANCE OF FARMING VERSUS FISHING," CONTINUED ZEDER.

"KEEP ALWAYS IN MIND THAT YOUR PRIMARY GOAL IS TO REDUCE EXPENSES AND INCREASE INCOME. IT'S THAT SIMPLE. IT CAN BE DONE. YOU CAN CUT THE COST OF GOVERNMENT SERVICES BY IMPROVING EFFICIENCY AND YOU CAN HARNESS YOUR RESOURCES TO GENERATE INCOME," HE EMPHASIZED IN HIS SPEECH.

ZEDER COMMENDED THE MEMBERS OF THE BOARD OF DIRECTORS OF MICRONESIA DEVELOPMENT BANK FOR THEIR ADOPTION OF "SUGGESTED CONTROLS AND QUARANTEES" REGARDING THE TRANSFER OF THE EDLF TO THE BANK.

THE MDB IS THE "VITAL KEYSTONE" IN MICRONESIA'S FUTURE ECONOMIC DEVELOPMENT IF IT IS PROPERLY AND PRUDENTLY ADMINISTERED. HOWEVER, IT WILL "FAIL AND GO DOWN IN DISGRACE" IF THE BANK BECOMES NOTHING MORE THAN A "DEPOSITORY OF USELESS PAPER MADE UP OF THE UNDER-COLLATERIZED AND DELINQUENT NOTES OF INDIVIDUALS WHO FOR POLITICAL AND OR PERSONAL AVARICE MISUSE AND ABUSE THE CHARTER AND PURPOSE OF THE MICRONESIA DEVELOPMENT BANK."

CONCLUDING, ZEDER REMINDED THE MEMBERS OF CONGRESS THAT THEIR ACTIONS DURING THIS SPECIAL SESSION WILL BE MEASURED BY THE PEOPLE OF MICRONESIA AS WELL AS THE U.S. CONGRESS. (REACTIONS TO ZEDER'S SPEECH)

KOLONIA, PONAPE, JULY 26 (MNS)---DIRECTOR OF TERRITORIAL AFFAIRS FRED M. ZEDER'S REMARKS DREW MIXED FEELING AMONG THE LAWMAKERS.

YAP'S SENATOR JOHN MANGFEL SAID: "ZEDER'S SPEECH IS EXCELLENT. I LIKE HIS RECOMMENDATION THAT THE CONGRESS OF MICRONESIA MUST TREAT ITS FUNDS CAREFULLY. HE IS RIGHT. THE INDICATIVE DEVELOPMENT PLAN IS A WASTE UNLESS THE CONGRESS OF MICRONESIA WORKS ON IT AND FOLLOWS IT UP. WE ARE IN BUSINESS. THE INDICATIVE DEVELOPMENT PLAN IS A PROGRAM THAT WE SHOULD FOLLOW UP."

CONGRESSMAN EDGAR EDWARDS OF PONAPE SAID: "I WANT TO RECOMMEND THAT 1981 SHOULD BE A TARGET DATE THAT WE SHOULD ALL WORK FOR."

"IT IS A GOOD PRESENTATION, BUT THE PROBLEMS HE MENTIONED SHOULD BE BROUGHT UP AT HEADQUARTERS INSTEAD OF AT THE CONGRESS OF MICRONESIA." REACTED CONGRESSMAN CHIRO ALBERT OF TRUK.

YAP'S JOHN HAGLELOAN, THE YOUNGEST MEMBER OF CONGRESS, SAID: "THIS REMINDS ME OF A COLLEGE PROFESSOR LECTURING HIS STUDENTS. THE PROBLEMS HE MENTIONED ARE THE TRUST TERRITORY ADMINISTRATION'S PROBLEMS AND NOT THE PROBLEMS OF THE CONGRESS OF MICRONESIA."

VICE-SPEAKER OF THE HOUSE EKPAP SILK OF THE MARSHALLS COMMENTED: "IT IS A GOOD SPEECH. I AGREE WITH HIS COMMENT THAT HE IS SHOCKED AND DISTURBED BY THE HIGH INCIDENCE OF DELINQUENCY IN CURRENT ECONOMIC DEVELOPMENT LOAN FUNDS."

IN OTHER DEVELOPMENTS, THE PALAU DELEGATION TO THE CONGRESS OF MICRONESIA HAVE NOT YET ARRIVE ON PONAPE. CONGRESS SOURCES SAID THE DELEGATION MIGHT ARRIVE ON THURSDAY (JULY 22) OR SATURDAY (JULY 25). NO REASON WAS GIVEN FOR THEIR DELAY. SENATE PRESIDENT TOSIVO MAKAYAMA HAVE NOT ARRIVE ALSO, AS IS REPRESENTATIVE ATAJI BALOS OF THE MARSHALLS.

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