

United States Department of the Interior

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1. Type of Material: Statement.
2. Brief Description: Remarks by Assistant Secretary of the Interior Harry R. Anderson before House Interior subcommittee, February 21, 1968, recommending enactment of H.R. 15151, to promote the economic development of Guam.
3. Relation to President's interests and programs: In support of Administration objective to advance the economic development of the territory of Guam.
4. Filed in:
5. Key dates:
6. Volume:
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STATEMENT OF HARRY R. ANDERSON, ASSISTANT SECRETARY OF THE DEPARTMENT OF THE INTERIOR FOR PUBLIC LAND MANAGEMENT, AT HEARING BEFORE THE SUBCOMMITTEE ON TERRITORIAL AND INSULAR AFFAIRS OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS, UNITED STATES HOUSE OF REPRESENTATIVES SCHEDULED FOR WEDNESDAY, FEBRUARY 21, 1968, IN CONNECTION WITH H.R. 15151, A BILL "TO PROMOTE THE ECONOMIC DEVELOPMENT OF GUAM."

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Mr. Chairman and Members of the Committee:

Thank you for this opportunity to appear in support of H.R. 15151 which would authorize appropriations to the territory of Guam to provide a source of long term development capital.

Such capital is needed if Guam is to develop a sound, diversified and viable civilian economy which is not wholly dependent upon the activities of the military. We believe that it is important that Guam be encouraged to continue its efforts to promote economic development in the private sector. Experiences of the past several years, however, have demonstrated that the territorial government has not had the necessary resources to permit any substantial diversion of funds for this purpose. Furthermore, private and Federally assisted financing have also been inadequate. The net effect has been a frustration of economic development in Guam.

Governor Guerrero and others who are present this morning can readily demonstrate that excellent use would be made of these funds. I will not attempt to speak for them with regard to the details of the projects they are considering. I would like, however, to speak very briefly to the three amendments which are proposed by our report on this measure.

The first is aimed at disposing of the sensitive issue that centers on section 26(c) of the Guam Organic Act and which was recently highlighted by Resolution 309 of the Legislature of Guam.

Section 26(c) of the Organic Act of Guam states that the United States shall bear the expense of bringing off island employees to Guam to work. Except for the fiscal years 1951 and 1952, the United States has not paid the cost of bringing such employees to Guam. Instead, the Government of Guam has, through fiscal year 1967, willingly spent \$7,396,827 to bring employees recruited outside of Guam to Guam to work. Neither the Department nor the Government of Guam regards the language of section 26(c) as creating a debt which the United States is obligated to pay. Nevertheless, we feel that under the circumstances a persuasive argument can be made for Federal reimbursement.

Our primary concern continues to be in the fact that Guam needs an economic development fund and must look to the Congress for that assistance. Secondly, we suggest that in determining the amount of assistance to be provided it would be appropriate for the Congress to consider the questions raised by the history of section 26(c). Accordingly, we recommend that the bill be amended to raise the authorization to \$7 million. We do not know now whether \$5 million, \$7 million or some other sum would be the optimum figure for the purpose of creating a Guam development fund. In a sense, any figure must be somewhat arbitrary. For that reason and because "26(c)" is a matter of deep concern with respect to the relations of the people of Guam with the Federal Government, we are hopeful that the Committee will take this opportunity to dispose of it as an issue.

The remaining two amendments proposed by our report are relatively minor in nature. Our second amendment seeks to soften what we regard as too stringent a requirement with respect to premium charges for the insurance and guarantee of loans. Without any prior experience, we are not able to determine in advance exactly what premium charge "will be adequate to cover expenses and probable losses." Therefore, we have recommended substitute language that we believe will permit more flexibility and exercise of judgment.

The third and last amendment is intended to clarify the reserve requirement with respect to loan guarantees. We do not believe that it was intended to require a 90% reserve against amounts guaranteed, as the bill now seems to require, and we therefore wish to make clear that such was not the intention. We do this by adding language limiting the reserve requirement to 25% of the guarantee.

I would also like to point out that the bill does have built-in safeguards in that before any funds are made available for development purposes, the Government of Guam must submit a plan for the use of the funds to the Secretary of the Interior for his approval. The Governor of Guam is also required to make annual reports to the Secretary of the Interior on the administration of this act.

In conclusion, we believe that this proposal embodies a real potential for the territory of Guam, and it will mark a significant turning point in the future of the territory. We are certain that the value of this fund to the territory will ultimately be many times greater than the amount appropriated.

Thank you.