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EXECUTIVE

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June 3, 1968

Dear Steve:

This is just to say I had your letter of April 8 staffed out. The attached memorandum is the result.

You should know that we take the matter seriously here. One of my staff follows the Trust Territory issue closely.

Yours,

/s/ Walt

W. W. Rostow

X
* Mr. Stephen Enke, Manager
* Economic Development Programs
P. O. Drawer QQ
Santa Barbara, California 93102

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May 1, 1968

Memorandum Regarding the Trust Territory of the Pacific Islands

It is entirely correct that outside pressures are strongly toward termination of the trusteeship agreement. The agreement is with the Security Council, and as long as the United States perceives a strategic value in the area and as long as the United States is prepared to exercise a veto in the Council, the arrangement in theory, at least, can be perpetuated. However, the United States long ago concluded that it is not an arrangement which can be long perpetuated, partly because of United Nations pressures but, most importantly, because Micronesians were encouraged and given the means, increasingly to play decisive roles in their own political and economic development. For example, the Congress of Micronesia, although frequently described as a legislative body with "limited" authority actually has only one major limitation -- the inability to appropriate funds granted by the United States Congress. It has, however, been given the extraordinary authority to review the proposed budget to be submitted to the United States Congress and to make recommendations respecting it. Analogies cannot be pushed too far, but this is somewhat analogous to allowing the legislature of a State, for example, to review and comment upon the President's budget for all Federal programs proposed to be carried out in that State before his budget is submitted to the Congress.

Everyone who has been associated with the Congress of Micronesia has been impressed with the overall quality of its work and the capabilities of its membership. It would seem that, given the geographic dispersion of the territory, its many and different languages and cultures, the record of political development is actually quite outstanding. The Congress of Micronesia is taking an active role in the determination of the political future of the territory and a year and a day ago adopted a resolution asking the President to appoint a "commission" to study and make recommendations on the political future of the Trust Territory. The President has submitted to the United States Congress a proposal to create such a Commission with Congressional participation. This is essential because only the United States Congress can give effect to the results of a Micronesian act of self-determination (however that act might be accomplished) if the Micronesians determine that they wish to be associated with the United States.

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In the meantime the Congress of Micronesia has established its own "Status Commission" to look into this question. They want to know what the practical consequences will be of any decision to join the United States. They know the status quo and they have some idea of "national independence." But the range of potential alternatives of association with the United States is substantial and they want some idea of the mutual advantages and obligations of each. A realistic definition of these alternatives can only be made with some form of United States Congressional participation.

There have been no "polls" taken of Micronesian opinion, although the "pulse-taking" that has been done so far indicates a substantial inclination toward the United States. For example, recently a former Trust Territory employee as a part of his Master's thesis sent a questionnaire to Micronesian leaders throughout the territory. The returns showed that very few favored independence or continued trust territory status, while most favored some form of association with the United States. More recently, a graduate student at Tufts University has conducted a poll of high school juniors and seniors. Analysis of that study has not been fully completed but of the responses to the questionnaire, 753 -- or 85.9 percent -- indicated a preference for association with the United States.

It would be inappropriate at this time to comment in any detail on Mrs. Mink's organic act proposal. It will be subject to the usual review process by the several agencies directly concerned. The concept of an organic act is not new; it was proposed by the Interior Department in the early 1950's. Organic legislation has the disadvantage of being relatively rigid; it takes another act of Congress to amend it, in a period when political forms and institutions in the Trust Territory are rapidly developing. The proposal will need to be carefully considered, not only in terms of its own provisions, but in terms of whether it advances the U. S. and the Micronesians toward a mutual goal. Many of the fringe provisions, however, are deserving of consideration entirely apart from the merits of organic legislation -- customs treatment and immigration, for example.

Hand in hand with political development, there is need for the provision of better social services and the development of the economy. In both of these, much more needs to be done although there have been some past accomplishments. Attempts are being made to strengthen

the school and health programs and to develop plans, for the first time in the territory's history, for water, power and sewerage systems serving at least the district center populations -- and that is the bulk of the population.

In the economic area, the Department of the Interior states that over the years efforts have been made -- to date unsuccessfully -- to remove the tariffs imposed upon products of the Trust Territory. An act of Congress is required. However, copra is not dutiable and for many years the Trust Territory production was marketed in the States, but the price is better in Japan and for the last four or five years Japan has been the copra market for the territory. Similarly, there is no United States duty on fresh or frozen fish and it has been possible for the Van Camp plant at Palau to market its product in the United States. (Most of it goes to Samoa for canning.) For some time attempts have been made to have another such facility established in the Trust Territory and the prospects are more encouraging now than they have been for some years. However, canning the fish in the territory would provide a much more substantial employment opportunity and income to the Micronesians, and Trust Territory canned fish would be dutiable under existing laws. Based upon experience elsewhere, you may underestimate the problems with respect to the West Coast fishermen, but work is going forward on proposals which should help offset this problem, if not eliminate it entirely.

Tourism will become a major economic factor in the territory. It is true that most tourists will visit only the islands or atolls comprising the district centers, but about 55,000 of the territory's 91,000 people live on the district center islands or atolls. With Continental Airlines committed to provide hotels in each of the six districts and with a corresponding commitment to promote tourism in the United States, a rapidly increasing number of Americans will be visiting the territory. And it might be added, the American tourist does not have to have Navy clearance although he now needs the permission of the High Commissioner to enter -- largely because of the current inadequacy of hotel and transportation accommodations. This will change. For some time there has been evolving a method of streamlining the entry procedure for aliens as a means of assisting tourism development.

It has been suggested that an increase in the amount and diversity of Coast Guard presence in the territory would have many advantages. It is certainly worth pursuing because all reports indicate that the Coast Guard has been doing an excellent job in the territory wherever it has operated.

The appropriation process is one which everyone is watching with considerable concern and the Trust Territory has pending a request for \$34,000,000 for fiscal year 1969 against a \$35,000,000 authorization. The current appropriation (fiscal year 1968) is \$24,000,000, a figure \$11,000,000 short of the authorization. There is not much hope at present about making up the balance.

Part of the increased appropriations have been to repair typhoon damage in Palau; \$1,700,000 was appropriated for this purpose in fiscal year 1967 and as a result the Palau district will have some substantially improved facilities. The remaining increases in the appropriation requests have been budgeted for improved schooling, health, and general infrastructure throughout the territory.

The transfer of Ebeye to military jurisdiction has been suggested on several occasions. Like most such problems, it is not an easy one to solve. Certainly the quality of the American effort on Ebeye needs to be further improved. Ebeye is an exceedingly complex situation with its excessive overcrowding, high income, and overall slum attributes. Whether the military can better cope with these problems is a question difficult to answer, but the Government is aware of the problem and determined to solve it.

In reference to the elimination of the requirement that goods destined for the Marshall Islands be routed through Guam, there is no regulation that goods be so routed. They usually have been, but this seems to be the result of some economics of the shipping service. In fact, the Trust Territory has recently advertised for proposals for sea transportation services and one of the factors to be considered will be direct sailings from the United States.

P. O. Drawer QQ
Santa Barbara, California 93102
8 April 1968

Mr. Walt W. Rostow
Special Assistant to the President
The White House
Washington, D. C.

Dear Walt:

US Trust Territory in the Pacific

Despite other business, could you or an assistant give a few hours to the increasing problems of the US Trust Territory?

Briefly, the USG is under criticism for the way it has not discharged its responsibilities as a mandatory power. UN delegates have demanded a plebiscite that could end the mandate. In the view of several informed persons a vote today would be for independence that would permit development by Japan - and time is not on our side as things are going. The Japanese are remembered favorably by many and are "talking" large capital investments. The time may come when we shall not have such free use of bases in the Philippines, Ryukyus, etc., and may need the Trust Territory for strategic purposes.

There are several actions that the US could take that would be relatively costless. Among the most important of these would be an amendment to the Tariff Act that would include the Trust Territory within the US Customs Area and facilitate its export to the US of copra and canned fish. However, without efforts by the Executive Office, this amendment will not pass against the opposition of fishing interests on the West Coast.

Here an economic study of the relatively large beneficial effects of such an amendment to Micronesians, and of the small impact on West Coast fisheries, might provide leverage.

There are other measures, requiring actions by different government agencies, but it really takes someone in the Executive Office to "orchestrate" that sort of performance. A trivial example is not making tourists obtain permits from the U. S. Navy at Guam. A more costly one would be to station several USCG cutters in the area to preclude illegal foreign fishing, assist sea navigation, provide emergency transport and communications, etc.

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Mr. Walt W. Rostow
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Another difficulty is that UN delegates are pressing for greater self determination and presumably independence. Many officials in DoD hope or assume that the Territory will never fall under the influence of another power (Japan). But the Micronesians themselves have no cultural or ethnic affinity to the US.

Attached is a somewhat longer statement of what I understand the situation to be.

Congresswoman Patsy Mink from Hawaii has a keen interest in the Trust Territory and in the implementation of some of these suggestions. She has recently prepared an organic act for greater self government, protection of rights, etc. (HR16183). All in all she is a useful source of information and ideas.

There does seem to be an important US interest at stake that tends to be neglected because different federal agencies are involved.

With best wishes,



Stephen Enke, Manager
Economic Development Programs

SE/hh

P. S. Thanks for your note and kind words on my population/development paper, recently presented to a group at AID.

US TRUST TERRITORY PROBLEM

US National Interest

The USG presumably would not wish to have the US Trust Territory (TT) in the mid-Pacific slide under Japanese influence through a grant of political "independence". These 3,000,000 square miles of sea, scattered with 2,000 atolls and lying between the Philippines and Hawaii, could be of strategic importance under certain military circumstances. A few are important as test sites for atomic weapon systems (ABM) and the DoD has a substantial investment at Kwajalein, etc.

The UN Committee of 24 for the Elimination of Colonialism has pressed for a plebiscite that would permit the Micronesians in the TT to express their preferences. The choices voted upon would probably be (1) continuation of the mandate administered by the US, (2) establishment of a permanent US Territory (with almost no prospect of later incorporation into the US), and (3) "independence" under increasing Japanese commercial and political domination.

Many qualified observers feel that a plebiscite in the near future would be for "independence" eventual de facto Japanese control. The economy of the area was more fully developed under the Japanese than it is today under the US. Half the population was alive during the Japanese mandate and many remember that period with nostalgia. While the Micronesians have little cultural or ethnic "closeness" to the Japanese they have none to most Americans.

The USG has some difficult choices. It can simply disregard the UN now and risk having to ignore later UN notes to terminate the mandate. Or it can attempt to "win over" the local population during the 5 years or so that it can postpone a plebiscite.

It is not clear under what circumstances time is on the US side. Japanese interests are "talking" comparatively large investments to develop the major inhabited atolls. Meanwhile the US tariff effectively excludes copra and fish products processed in the Territory and there is little evidence of USG interest in the welfare and development of the native population.

Poor Development Record

US performance under the mandate, as regards political and economic development of the TT, is generally considered unimpressive.

In 1965 the Secretary of Interior established a Congress of Micronesia with limited responsibilities.

The present High Commissioner, William R. Norwood, has publicized many of the TT's problems and secured Congressional authorizations (but not appropriations) for budget increases from \$17.5 million to \$25 million in 1967 and \$35 million in FY 1968 and 1969. Some of the increased appropriations obtained have been to repair typhoon damage in Palau. The increased authorizations are supposedly for improved schooling, health, and general infrastructure.

Copra continues to be the main cash output. The annual export value is about \$2.5 million and might be increased considerably under better management. There is no processing of copra in the TT. It now moves mostly to Japan. It does not move for processing to Hawaii for instance, partly because of the US tariff of 14% ad valorem and 1.7 cents a lb.

The local population limits itself almost entirely to subsistence in-shore reef fishing. Van Camp has an operation in Palau, where deep water landed fish are frozen "in the round" and sent to American Samoa, or other locations within the US Customs area for canning. These Van Camp fishing boats are manned by Okinawan's mostly as the Micronesians will not accept such work at competitive wages.

Under the US mandate the local population that has left the traditional subsistence economy has predominantly earned its living by working for the USG or its contractors. Wage rates have been comparatively high - especially for test site work - both as regards productivity and rates available outside the TT. Many available workers have been "ruined". Real economic development based on exports, financed by private capital, may require a USG policy of wage restraint and job discipline.

Possibilities

Most observers feel that a majority of the 90,000 Micronesians who inhabit about 100 of the 2000 atolls, wish to be part of a modern rather than a subsistence economy. They wish increasingly to consume

a variety of imported goods. Somehow, apart from working for the USG and its contractors, they must develop a means of earning more money from the outside world.

The most obvious possibilities are copra, fishing, and tourism. Handicraft sales will never be significant. Significant mineral exploitation appears improbable.

At present copra is not a well organized industry. Yields are reduced by pests and insects, nut collection is not always efficient, and transportation among the numerous atolls is sometimes unnecessarily expensive. The copra is not processed in the TT. Detailed studies may be needed of what would be the most feasible and economical collection and processing system and where such activities should be located (under the assumption that the Territory became part of the US Customs area.)

Local deep water fisheries might be expanded, creating jobs on land and at sea, using modern techniques. But here again a necessary stimulus may be inclusion of the TT within US tariff boundaries. How competitive TT fisheries might then become, and where canneries might best be located, deserves close study.

Tourism will be limited to where commercial jets can land. Because of distance and expense, the numbers of such tourists may grow slowly. In May 1968 the CAB authorized Continental Air Lines and Air Micronesia to fly Boeing 727's between Honolulu and Okinawa with way-stops on condition they would establish hotels manned largely by Micronesians at such locations.

The present per capita income is estimated at around \$400 a year. Of this about 30% is from subsistence activities. Of all market-earned income about 67% is now obtained directly or indirectly from the USG. Private enterprise development must hence compete against government jobs and wages. A serious handicap is the impossibility of capturing economies of scale with such a small and scattered population. In addition there is the usual shortages of skilled labor, private capital, and management ability.

There have been several "development" studies of the TT. In 1967 Robert R. Natan Associated completed an "Economic Development Plan for Micronesia". In 1968 Commissioner Norwood hired a partnership of nine Honolulu architect, engineering, and planning firms to develop a master plan for orderly growth.

Necessary Washington Actions

The most important need in Washington is to have someone in the Executive Office of the President to work with responsible Congressional Committees and federal agencies in order to prevent continued neglect that within a few years may seriously embarrass the USG.

Urgent consideration should be given to several actions, including:

- 1) Inclusion of the TT in the US Customs Area, so that copra and fish products can be sold to the US directly.
- 2) Enactment of an Organic Act for the Trust Territory, establishing a Bill of Rights, a Governor, and a Congress of Micronesia (vide HR 16183).
- 3) Establishment of US Coast Guard stations, cutters, and aircraft in the TT, the better to (a) provide emergency transport, (b) improve navigational aids, (c) exclude foreign poachers, (d) preserve the fisheries by preventing dynamiting, etc., (e) patrolling territorial waters and "checking" on inhabited atolls, and (f) "showing the flag".
- 4) Appropriation by Congress of sums previously authorized for administration and support of the TT.
- 5) Transfer of Ebeye Island to the Department of the Army, because today at Ebeye 4,500 Micronesians who work on neighboring Kwajalein are living in complete squalor on 64 acres, and the TT Administration cannot function there as effectively as the Army (which is responsible for this situation.)
- 6) Elimination of requirement that goods destined for the Marshall Islands be routed through Guam when direct supply from Hawaii would be more economical.
- 7) Elimination of the requirement that tourists to the TT must obtain entry permits from the US Navy at Guam.