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STATEMENT OF JAMES M. WILSON, JR.  
U.S. DEPUTY REPRESENTATIVE FOR MICRONESIAN STATUS  
NEGOTIATIONS, BEFORE THE TERRITORIAL AND  
INSULAR AFFAIRS SUBCOMMITTEE OF THE  
SENATE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS  
OF THE UNITED STATES CONGRESS

September 25, 1974

Mr. Chairman, Members of the Subcommittee:

It is a privilege to appear before the members of this subcommittee in support of the Administration's request for an increase in the current authorization ceiling for the Trust Territory of the Pacific Islands. I appear on behalf of Ambassador Haydn Williams, the President's Personal Representative for Micronesian Status Negotiations, who is unfortunately unable to appear at this time.

Today I would like to address myself to two things. The first is the need for \$1.5 million to finance a series of transitional activities to be undertaken when our current negotiations with the Marianas Political Status Commission have been completed. The second is the request to raise the authorization ceilings for FY 1975 and 1976 for the Trust Territory of the Pacific Islands as a whole to \$75 million and \$80 million respectively.

MARIANAS NEGOTIATIONS

As members of this Committee know, the United States since December 1972 has been engaged in a series of negotiations with representatives of the Mariana Islands District of the Trust Territory aimed at bringing the Northern Marianas into a close and permanent relationship with the United States. When the Congress of Micronesia rejected in 1971 a United States offer of Commonwealth status for all the Trust Territory, the Marianas District formally asked for separate negotiations along the lines of the rejected commonwealth agreement.

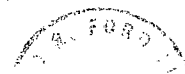
In May of this year agreements were reached with the Marianas Political Status Commission on virtually all substantive issues. These agreements, if finally approved by the U.S. Congress and the people of the Marianas, would meet the long-standing aspirations of the people of the Marianas for membership in the American political family and make possible progressively higher standards of living within the islands. At the same time they would protect essential U.S. political and security interests in this area and include establishment of a major joint service military base on Tinian.

Under the proposed new arrangements the Mariana Islands District would become fully self-governing in internal matters under its own constitution, with a popularly elected executive and legislature, and would have its own courts in addition to having access to the federal courts. All this could happen as early as mid-1976. Later when the Trusteeship is officially terminated for the Marianas and the other Districts of the Trust Territory, the Northern Marianas will come under full U.S. sovereignty as a commonwealth of the United States, and its people will become American citizens except for those individuals who may choose the status of American nationals.

Agreement was also reached in May, again subject to Congressional approval, on an initial 7-year program of U.S. financial assistance to the Northern Marianas to begin following the installation of its new Government under its own new constitution. Under this program the U.S. would provide \$13.5 million during each of these years in direct financial grants as follows: \$8 million a year to help meet the cost of government operations; \$1.5 million a year to be used for economic development loans, with \$500 thousand a year of this amount to be reserved for small loans to farmers and fishermen and to agricultural and marine cooperatives; and \$4 million a year for a Capital Improvement Program, of which \$500 thousand a year would be reserved for Rota and \$500 thousand a year for Tinian because of the urgent development needs on those islands. U.S. assistance would be provided in constant dollars using FY 1975 as a basing year.

In addition a wide range of services and assistance under regular U.S. federal programs would be made available. The United States estimates the value of such federal services at \$3 million a year. Total direct annual assistance is thus estimated at \$16.5 million. This does not include potential additional income from military construction and a growing military presence and spending including the rebate of federal income taxes collected from servicemen stationed in the Northern Marianas. Copies of the joint communiqués issued at each of the four negotiating sessions held to date with the Marianas have been made available to this committee.

During the discussions of December 1973 and May 1974 with the Marianas Political Status Commission it was agreed that every effort should be made to plan the uses for these funds as carefully as possible and to make the transition to the new status as smooth as possible. It was estimated that monies would be needed to start this planning process immediately after the signing of a new status agreement and a committee was formed to work out a program for its use. A copy of its report, as approved subsequently by the two delegations, has also been given this committee.



Under this program it was agreed to establish a joint U.S.-Marianas Secretariat on transition. The joint secretariat would consist of six highly qualified professionals who would be tasked to develop transition plans and schedules, conduct basic economic studies, arrange for the employment of experts and administer funds made available for these activities, if Congress approved the arrangements and provided the funds.

We are here now seeking that approval. These funds are urgently needed to develop plans for planning and conducting a constitutional convention developing priorities for an initial legislative program, studying the impact to the Marianas of relocating the Capital of Micronesia outside of Saipan, conducting political status education programs a plebiscite, a constitutional referendum and the election of a new Government. They are not available within present authorizations or appropriations and are sought over and above new appropriation ceilings for the TTPI as a whole.

On the basis of our discussions with the Marianas Political Status Commission we have prepared an estimated budget for transition planning. That budget is as follows:

Administration\*

Joint Commission	\$ 40,000
Secretariat	\$ 460,000
Contingencies	<u>\$ 50,000</u>
Sub-total	\$ 550,000

Research and Planning\*\*

Government Organization

Studies and Planning Constitutional Convention	\$ 50,000
Research and Planning Government Reorganization	\$ 50,000
Initial Legislative Program	\$ 50,000
Research U.S. Federal Programs and Services	<u>\$ 50,000</u>
Sub-total	\$ 200,000

\*2 year costs

\*\*one-time costs

Economic and Social Planning

Economic and Social Development Planning	\$ 225,000
Fiscal and Revenue Planning	\$ 50,000
Physical Planning	\$ 225,000
Impact of Relocation of Capital	\$ 50,000
Sub-total	\$ 550,000

Schedule Transition Steps\*\*

Political Status Education Program and Status Plebiscite	\$ 50,000
Constitutional Convention	\$ 75,000
Constitutional Education Program and Constitutional Referendum	\$ 50,000
Election New Government	\$ 25,000
Sub-total	\$ 200,000
Grand Total	\$ 1,500,000

\*\*One-time costs

THE MICRONESIAN NEGOTIATIONS

I would like now to turn to the request to raise the appropriation ceiling for the Trust Territory as a whole. Negotiations to determine the future political status of the remaining five districts of the Trust Territory comprising the Marshalls and Caroline Islands have been going on since 1969. Following rejection by the Congress of Micronesia of the United States' offer of territorial or commonwealth status, these negotiations have been aimed at establishing a so-called "free association" between the future state of Micronesia and the United States, the goal now declared by the Congress of Micronesia to be its preferred objective.

In July of this year an ad referendum agreement was reached with the Co-Chairmen of the Congress of Micronesia's Joint Committee on Future Status on a complete draft Compact of Free Association. Subsequently the full committee met and proposed certain additional changes, which the United States has not agreed to but will discuss shortly with the Co-Chairmen of the Committee.

This Compact must also be finally approved by the people and both houses of the U.S. Congress. Its principal features are as follows:

1. The people of Micronesia will be self-governing and responsible for their own internal affairs, with their own constitution, laws and system of justice. Their constitution must guarantee fundamental human rights and must be consistent with the Compact.
2. The United States will have full responsibility for and authority over both foreign and defense affairs. The Compact provides that the United States will consult with the new Government of Micronesia on matters of mutual concern relating to foreign affairs and will not enter into agreements that pertain exclusively or predominantly to Micronesia without its consent.
3. The United States will have the right of access to Micronesian land for military bases and the right to deny Micronesian territory to third parties for military purposes.
4. The Compact can be terminated only by mutual consent during the first fifteen years. Thereafter it would be terminable by unilateral action on two years notice but only after a satisfactory security agreement has been concluded embodying the United States base rights and denial of the area to third parties.
5. The United States would be committed to provide on a grant basis beginning with the first year it becomes effective \$35 million annually in support of the operations of the new Government of Micronesia during the first five years of the compact. This amount would drop to \$30 million annually during the next five years and \$25 million during the remaining five years of the fifteen year period. For capital improvements the United States would be committed to \$12.5 million annually for the first five years of the Compact, \$11 million annually over the next five years, and \$9.5 million during the last five years. In addition we would provide up to \$5 million annually in loans for specified economic development projects; half of this amount would be reserved for small business loans at the district level to be administered by the district governments. The United States is also prepared to continue three federal programs without compensation: the postal, weather and FAA services. The costs of any other agreed United States services would be charged against the grants mentioned above or could be paid for by Micronesia from its own resources. All the above amounts would be adjusted annually to reflect any changes in the purchasing power of the dollar as reflected by changes in the Guam Consumer Price Index using the value of the dollar in the present fiscal year as a basing point.

In our discussions to date with the Co-Chairmen of the Micronesian Joint Committee they have taken the position that the new status arrangement should not be put into effect abruptly but rather should be phased in over an extended period of time. This would provide time for two things to happen of great importance to them:

1. It would permit a gradual change over in the administration from the present system to the new one which will function after the end of the Trusteeship. They would like to see this done over an extended period following the approval of their new constitution.

2. They would also like to see as much basic infrastructure in place as is possible before the end of the Trusteeship. A longish period of transition in their view would make this feasible.

For our part we suggested that the transition period not extend as far as the Micronesians originally requested and that we consider it in two stages. The first stage would extend from now until the new compact is approved by the people and their constitution is drawn up and approved--a period currently estimated at two years. This could last, however, as long as three years if hitches were to develop.

Stage Two would begin thereafter and extend for three or four years depending on the length of Stage One. During this time necessary steps would be taken with the United Nations to terminate the trusteeship at the end of Stage Two. On this basis we would expect termination of the trusteeship by mid-1980 with the Compact becoming fully effective at that time.

#### GOVERNMENT OPERATIONS

So far as transition financing is concerned we have tentatively agreed on a program whereby the level of operational support, if Congress approves, would be increased for the first year of Stage One over its present level of \$60 million and remain at that level through the second year, FY 1976. The reason for this increase is found almost entirely in the increased expenses of government brought about by cost increases. The actual level of government operations would remain relatively constant. Our figures here were derived from those developed by Interior and the Trust Territory Administration.

Thereafter in Stage Two, again if Congress approves, the level in constant dollars would begin to descend as the new government began its phase in and the level of Micronesian internal revenues continued to increase. The proposed figures for opera-

tional support are as follows:

FY 1977 - \$54 million

FY 1978 - \$52 million

FY 1979 - \$50 million

FY 1980 - \$45 million

If the Marianas District during this period approves a separate commonwealth arrangement with the U.S., and we then accede to its request for separate administration, there would be a proportionate reduction in the above figures and a new and separate request would be made for the Marianas corresponding to the agreement outlined earlier.

#### CAPITAL IMPROVEMENTS

With regard to the Capital Improvements Program our discussions were aimed at reaching realistic estimates of what would be required to put in place the basic infrastructure elements identified by the Joint <sup>1976</sup> Communique and the Trust Territory Administration pursuant to Secretary Morton's recommendation of last January that a five year program be developed to attain this jointly shared goal.

The object here would be to provide each district center with utilities, an airport, adequate roads and docks, a hospital, a courtroom, administrative, public safety and public works buildings, sufficient standard classroom space and science equipment. In addition, the more populous outer islands would receive utilities, especially electricity for schools, a small hospital, a dock, an airport and in some cases roads. Smaller outer islands would receive a dispensary, a school house and some communal facilities. The High Commissioner will be prepared to describe this program in greater detail.

It is our considered view that we should try to fund this program on an initially accelerated basis, wherein new funds allocated to CIP would increase sharply through FY 1978 and then taper off during the end of Stage Two to a sustaining level in keeping with the long range post-trusteeship Micronesian programs funded under the new Compact of Free Association. This would provide a "front end loaded program" designed to have most basic infrastructure in place by the end of the trusteeship. The proposed transitional schedule for Capital Improvements is as follows:

FY 1975 - \$20 million

FY 1976 - \$25 million

FY 1977 - \$30 million

FY 1978 - \$35 million

FY 1979 - \$20 million

FY 1980 - \$15 million

We are seeking now authorization for the first two years only, corresponding to Stage One of the transition program. Just as in the case of operational support, there would be a proportionate reduction in these figures if the Marianas is to be separately administered from the other districts of the Trust Territory of the Pacific Islands. All figures are again in constant FY 1975 dollars.

We propose Mr. Chairman to embody all of the foregoing in a memorandum of understanding--specifically made subject to the approval of the U.S. Congress--to be delivered to the Micronesians at the time that the new Compact is signed. Copies of a draft of such a memorandum have previously been made available to the staff of this Committee for information and comment.

#### SUMMARY AND CONCLUSIONS

In conclusion, Mr. Chairman, the appropriation of \$1.5 million will permit the United States to assist the Marianas District in planning a sound economic and political basis for its future commonwealth relationship with the United States. We consider funding of this program extremely important in our relationship with the Marianas District and vital to the rapid conclusion of a commonwealth agreement.

The raising of the appropriation ceiling for the Trust Territory from \$60 million to \$75 million in FY 1975 and \$80 million in 1976 will permit a well ordered, rational transition program and is an integral part of a carefully worked out larger plan for establishing a new status for the Trust Territory. Ambassador Williams and I strongly urge favorable action by the Congress on these requested increases in the authorization ceiling.