

Micronesia and Negotiations



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

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Honorable James T. McIntyre, Jr.
Director
Office of Management and Budget
New Executive Building, Room 8208
726 Jackson Place, NW.
Washington, D.C. 20503

MAY 14 1980

Dear Mr. McIntyre:

The fiscal year 1981 budget request approved by the Office of Management and Budget contains a contingency \$15,000,000 item to help meet capital relocation costs in Micronesia. Although this item was included in status negotiating instructions approved by the President for Ambassador Rosenblatt in negotiating future status agreements with the Marshall Islands, Palau, and the Federated States of Micronesia, it is to be negotiated by the High Commissioner, channeled through the Department of the Interior's budget, and allocated for use before the trusteeship ends.

I believe that this \$15,000,000 item needs to be reconsidered.

The concept of assistance in capital relocation had its genesis in the mid-1970's in the decision of the United States to negotiate a separate political status agreement with the Northern Mariana Islands. The headquarters of the Trust Territory were then located on Saipan, as they are now. The headquarters facilities, consisting of housing, office buildings and other facilities were built by the United States in connection with a training program operated during the 1950's and are now the property of the Government of the Northern Mariana Islands. They will be fully utilized by that Government when the trusteeship agreement is terminated.

The commitment to the Micronesians is embodied in a March 24, 1976, amendment to Secretarial Order No. 2918 and reads in pertinent part as follows:

"Future Government of Micronesia. At such time as a location for the future Government of Micronesia is determined, the United States will assist in the funding for the planning and construction of new facilities for such government. The level of such assistance will be subject to the ultimate authorization and appropriation authority of the United States Congress."

In this connection, you will be interested in the enclosed letter from former Ambassador Hayden Williams to former

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The initial plan, in view of the loss of the Marianas facilities, was for the United States Government to assist the Micronesians in the construction of a single capital facility at another location within Micronesia. During recent years, however, Micronesia has further separated into three more entities: the Marshall Islands, Palau, and the Federated States of Micronesia. The Marshall Islands and Palau will require some assistance in accommodating their new governments, but we believe their capital facility needs are much less than those of the Federated States, where an entirely new capital must be constructed.

The Federated States have determined that their future capital shall be on Ponape. Consulting architects and engineers have drawn up preliminary plans for capital facilities estimated to cost about \$42,000,000 in 1979 dollars, at Palikir, some five miles from the main community of Kolonia. The Federated States National Government has requested that the work be done in three phases: Phase I providing architectural engineering work and utilities, costing about \$10,000,000; Phase II providing for remaining utilities and office construction, costing about \$24,000,000; and Phase III providing for housing and community facilities, costing about \$8,000,000. An annual inflation factor of 12% is estimated but is not included in the above figures.

In an effort to reduce costs and to integrate the capital into the existing community of Kolonia, High Commissioner Winkel and we have requested that alternatives be fully explored. The conclusions of both the Federated States and the Governor of Ponape are that an attempt to locate the capital permanently in Kolonia would be more expensive than at the Palikir site. We have enclosed for your information a summary of the PSM Palikir proposal, which also briefly discusses the Kolonia alternative.

The requirement that a future capital location be determined has been met although the precise site within that location can be re-examined. We also believe that adequate facilities can be provided at a lesser cost than is proposed by the Federated States. Yet, the choice of a capital site and the kind of facilities to house governmental activities is peculiarly a local decision, not one that ought to be made by the High Commissioner in Saipan nor by Federal officials in Washington. If the PSM chooses to construct more expensive facilities at a more expensive location, it would be free to do so provided it can raise the funds from non-United States sources. We believe the \$15,000,000 here suggested is a reasonable U.S. contribution to meet capital relocation costs of the Federated States.

Palau and the Marshalls Government also need assistance in providing capital facilities and we proposed to offer each of them assistance in the amount of \$3,000,000. We would also propose to offer the Federated States assistance in the amount of \$15,000,000. The latter amount would, we believe, provide for adequate office facilities and the related facilities necessary to support them.

In summary, we would recommend contributing \$15,000,000 to the Federated States and \$3,000,000 each to Palau and the Marshall Islands for capital relocation costs. With all three grants we would provide that the amounts are all that the United States proposes to contribute for this purpose. The United States has been in the process of creating institutions of self-government and it should be in a position adequately to assist those new governments in acquiring the facilities necessary to accommodate those institutions.

Sincerely,

/s/ LARRY E. MEIEROTTO

Assistant SECRETARY

Enclosure

cc: Secy file
Secy RF(2)
TIA file
TIA hold copy
OMSN

GRMilner:bds 3/17/80, TIA, x6816
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