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June 6, 1980

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CONGRESSIONAL  
LIAISON

The Honorable Jimmy Carter  
President  
The White House  
Washington, D.C.

JUN 11 1980  
cc: Tate OMB, Interior  
003282/CL

Dear Mr. President:

A situation has arisen within the past week which poses an immediate threat to continued political and economic stability within the Trust Territory of the Pacific Islands. You will recall that the peoples of the Trust Territory, commonly known as Micronesia, have now almost completed eleven years of negotiations with U.S. representatives to reach a compact of free association.

At all times during the process of negotiations, the United States Government both publicly and privately has supported the aspirations of the peoples of Micronesia to become self-governing under constitutions and elected officials of their own choosing. Thus, the Micronesian people have been faithful to the negotiating process, relying upon assurances that the U.S. would provide adequate funding both after termination of the Trusteeship and in the transitional period prior to that event, to make it possible for these dreams to be realized.

At one point during the negotiations, the people of the Northern Mariana Islands chose to become a Commonwealth of the United States, making it necessary to establish governmental headquarters for the remaining districts of the Trust Territory at some location other than Saipan, the Trust Territory capital and the new capital of the Marianas. The then U.S. Ambassador to the Status Negotiations promised that a new capital for the remaining districts of Micronesia would be provided by the United States.

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On the strength of these assurances, the four central districts of the Trust Territories, Truk, Yap, Ponape and Kosrae, adopted a constitution and in May of 1979 installed a federal government headquartered on the Island of Ponape. This new Pacific Island nation is the Federated States of Micronesia.

From the outset, the task of building a functional government upon an initial skeletal framework has been almost overwhelming. The success of this entirely new federal enterprise has required superhuman effort on the part of relatively few experienced leaders to maintain the confidence of a scattered and diverse population.

The President of the Federated States of Micronesia, the Honorable Tosiwo Nakayama, whom you met briefly in February of this year, is without a doubt the most respected national figure in all the Trust Territory. He has been and remains a symbol of Micronesian unity and a strong force for political stability in this part of the Pacific. President Nakayama came to Washington in February to make a personal appeal to Secretary Andrus for recognition of various critical funding needs felt by the Federated States. Perhaps the most immediate of these needs was modest funding to support the initial operations of the federal government itself. Without such operational funding, clearly the new federal governmental structure can never advance beyond its first faltering steps and must surely lose the confidence of its people.

Secretary Andrus was very sympathetic to this and other requests, and assurances of support were given by him and by numerous other U.S. government officials during succeeding months.

Finally, on Friday, May 16, 1980, the Interior Department formally submitted a recommendation to the Office of Management and Budget that certain funding commitments

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be incorporated into the 1980 and 1981 budgets in recognition of the unique requirements of the Federated States of Micronesia during the transitional period prior to termination of the Trusteeship. These amounts, for government operations, \$2.2 million during 1980 and \$4.1 million during 1981; \$3.8 million during 1980 and \$4.5 million during 1981 for increased costs of electrical power generation and operation of inter-Island ships; and \$15 million toward the construction of new capitol facilities, represented a careful and very painful narrowing of the more extensive list of FSM transitional requirements.

I am informed that on Friday, May 23rd, Mr. McIntyre of the Office of Management and Budget overruled every penny of the request by the Interior Department on the basis that current budgetary constraints and special problems such as dealing with refugees rule out any assistance to the Federated States of Micronesia.

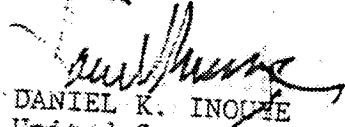
Upon being notified of this decision, President Nakayama contacted me and asked that I bring to your attention the impact upon his people of the sudden refusal to provide funds widely regarded in Micronesia as having been promised as long ago as February. This decision not only will necessitate wholesale dismissal of staff just hired, reducing governmental activity to a virtual standstill, but even more importantly, it is certain to be viewed by many influential elements within the Micronesian society as proof that the federal government they have created cannot be an effective voice in their interests.

This dangerous condition of political instability almost certainly will jeopardize evolving institutions in the adjoining areas of the Trust Territory, the Marshall Islands and Palau, whose people are also hopeful of being able very soon to establish lasting ties with the United States.

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In short, Mr. President, despite the admitted difficulties of our present economic circumstances, I ask that Mr. McIntyre be instructed to re-evaluate his decision in light of the good faith reliance of the Micronesian leaders upon promises made by U.S. officials and because of the extreme adverse impact of the decision upon the peoples of the Trust Territories and upon the vital long-term interests of the United States.

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DANIEL K. INOUÉ  
United States Senator

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