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INCREASE OF CEILING ON TRUST TERRITORY BUDGET

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HEARING

BEFORE THE

SUBCOMMITTEE ON
TERRITORIES AND INSULAR AFFAIRS

OF THE

COMMITTEE ON
INTERIOR AND INSULAR AFFAIRS

UNITED STATES SENATE

NINETY-THIRD CONGRESS

SECOND SESSION

ON

S. 3996

A BILL TO AMEND SECTION 2 OF THE ACT OF JUNE 30, 1954,
AS AMENDED, PROVIDING FOR THE CONTINUANCE OF
CIVIL GOVERNMENT FOR THE TRUST TERRITORY OF THE
PACIFIC ISLANDS

SEPTEMBER 25, 1974



Printed for the use of the
Committee on Interior and Insular Affairs

U.S. GOVERNMENT PRINTING OFFICE

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CONTENTS

	Page
S. 3996.....	2
Department of the Interior's report.....	4

STATEMENTS

Johnston, Edward E., High Commissioner of the Trust Territory, Saipan, Mariana Islands.....	26, 34
Johnston, Hon. J. Bennett, Jr., a U.S. Senator from the State of Louisiana.....	1
Olter, Hon. Bailey, Trust Territory of the Pacific Islands; accompanied by Hon. Raymond Setik; and Brian Farley, Administrative Officer and Public Information Specialist.....	35
Radewagen, Fred, Acting Director of the Office of Territorial Affairs, Department of the Interior.....	8
Thorpe, Richard, Carlsbad, N. Mex.....	40, 45
Wilson, James M., Jr., U.S. Deputy Representative for Micronesian Status Negotiations.....	10, 21

CONTENTS

Introduction	1
Chapter I	10
Chapter II	25
Chapter III	40
Chapter IV	55
Chapter V	70
Chapter VI	85
Chapter VII	100
Chapter VIII	115
Chapter IX	130
Chapter X	145
Chapter XI	160
Chapter XII	175
Chapter XIII	190
Chapter XIV	205
Chapter XV	220
Chapter XVI	235
Chapter XVII	250
Chapter XVIII	265
Chapter XIX	280
Chapter XX	295
Chapter XXI	310
Chapter XXII	325
Chapter XXIII	340
Chapter XXIV	355
Chapter XXV	370
Chapter XXVI	385
Chapter XXVII	400
Chapter XXVIII	415
Chapter XXIX	430
Chapter XXX	445
Chapter XXXI	460
Chapter XXXII	475
Chapter XXXIII	490
Chapter XXXIV	505
Chapter XXXV	520
Chapter XXXVI	535
Chapter XXXVII	550
Chapter XXXVIII	565
Chapter XXXIX	580
Chapter XL	595
Chapter XLI	610
Chapter XLII	625
Chapter XLIII	640
Chapter XLIV	655
Chapter XLV	670
Chapter XLVI	685
Chapter XLVII	700
Chapter XLVIII	715
Chapter XLIX	730
Chapter L	745

INCREASE OF CEILING ON TRUST TERRITORY BUDGET

WEDNESDAY, SEPTEMBER 25, 1974

U.S. SENATE,
SUBCOMMITTEE ON TERRITORIES AND INSULAR AFFAIRS,
OF THE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10 a.m. in room 3110, Dirksen Office Building, Hon. J. Bennett Johnston, Jr., presiding.

Present: Senators Johnston and Bartlett.

Also present: Jerry T. Verkler, staff director; James P. Beirne, special counsel, and W. O. Craft, Jr., deputy minority counsel.

OPENING STATEMENT OF HON. J. BENNETT JOHNSTON, JR., A U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator JOHNSTON. The hearing will come to order.

This is the time duly noticed for the open hearing before the Subcommittee on Territories and Insular Affairs to receive testimony on S. 3996, legislation proposed by the administration to increase the authorization ceiling for fiscal year 1975 for the Trust Territory of the Pacific Islands from the current authorization of \$60 million to \$75 million and to provide an authorization of \$80 million for fiscal year 1976.

The legislation would also provide an authorization of \$1.5 million for a special program to aid transition of the Mariana Islands District to a new Commonwealth status as a territory of the United States.

This increase in authorization is, as I understand, a result of tentative agreements reached during the current status negotiations.

I am pleased to see that Mr. James Wilson is here and I understand he will be testifying concerning the precise reasons for this increase.

At this point, I would like to have copies of the legislation and the departmental recommendations made a part of the official record.

[The text of S. 3996 and the Department of the Interior's recommendation follows:]

93^D CONGRESS
2^D SESSION

S. 3996

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 12, 1974

Mr. JACKSON (for himself and Mr. FANNIN) (by request) introduced the following bill; which was read twice and referred to the Committee on Interior and Insular Affairs

A BILL

To amend section 2 of the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 2 of the Act of June 30, 1954 (68 Stat. 330),
4 as amended, is amended by deleting "and for each of the
5 fiscal years 1974 and 1975, \$60,000,000" and inserting
6 in lieu thereof the following: "for fiscal year 1975, \$75,000,-
7 000; and for fiscal year 1976, \$80,000,000 which shall be
8 increased or decreased by such amounts as the Secretary of
9 the Interior shall determine are necessary to offset estimated
10 changes between fiscal year 1975 and fiscal year 1976 in

1 average costs of construction and average prices for goods
2 and services taking into account current trends in:

3 “(1) engineering cost indices applicable to the
4 type of construction involved;

5 “(2) applicable consumer price indices for other
6 goods and services; and

7 “(3) other relevant economic considerations.”

8 SEC. 2. There is authorized to be appropriated \$1,500,-
9 000 to aid in the transition of the Marianas Islands District
10 to a new Commonwealth status as a territory of the United
11 States: *Provided, however,* That no part of such sum may
12 be obligated or expended until final agreement between the
13 Marianas Political Status Commission and the United States
14 has been signed,



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

AUG 26 1974

Dear Mr. President:

Enclosed is a proposed bill "To amend section 2 of the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands."

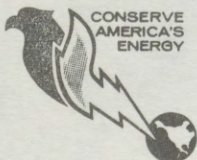
We recommend that the bill be referred to the appropriate committee for consideration and strongly urge that it be enacted.

Public Law 93-111 currently authorizes the appropriation of \$60 million for fiscal years 1974 and 1975. Our proposed bill would authorize a total annual appropriation of \$75 million for fiscal year 1975 and the 1975 constant dollar equivalent of \$80 million for 1976 plus a separate authorization of \$1.5 million for a special program to aid transition of the Mariana Islands District to a new commonwealth status as a territory of the United States.

The Trust Territory of the Pacific Islands is administered by the United States pursuant to a strategic trusteeship agreement concluded in 1947 with the Security Council of the United Nations. Governmental responsibilities are carried out through a territorial government which has executive and judicial branches, and a bicameral legislative body composed entirely of Micronesians.

Under the trusteeship agreement, the United States is charged with the promotion of political, social, educational and economic development. Beginning in 1964, with the establishment of the Congress of Micronesia, political development in the Trust Territory has been rapid and, by most accounts, effective. Indeed, the United States is presently engaged in negotiations with the Micronesians to determine new political relationships for the area. A topic of the negotiations is the future financial assistance by the United States to Micronesia.

While tourism is on the rise, overall economic development has lagged until recently. This deficiency is due in large part to a lack of the capital improvements upon which



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economic development is based. Despite a great expansion of Micronesia's capital plant over the past five years, much remains to be done.

The bulk of the increased annual authorization would be devoted to the Department's accelerated capital improvement program which the Secretary of the Interior announced in a January speech to the people of Micronesia. The accelerated program is designed to build the physical infrastructure necessary for a sound and self-sufficient economy. As much as possible, we would like to have this physical infrastructure in place within the next few years before the trusteeship gives way to a new political status for Micronesia in order to make economic self-sufficiency a more feasible goal when the trusteeship ends.

This policy dovetails with concern over the economy expressed by members of the Congress of Micronesia who cite roads, airports, ships and shipping facilities as high priority items. Construction or improvement of such facilities is vital to education, health, commerce, and even the most simple operations of government and private enterprise in the Trust Territory. Their importance is underlined by the fact that Micronesia's 115,000 population is scattered across 3,000,000 square miles of ocean. The proposed program will reflect a policy of holding down the cost of governmental operations in order that maximum funding may be devoted to important capital improvement projects. The on-going Trust Territory Government program of replacing U.S. personnel with qualified Micronesians will remain an integral part of policy in Micronesia. Future requests for appropriations will also seek to continue the fledgling program for education in self-government and on-going programs in the fields of health and education. In addition, we look for improvement in communications and transportation among the 2100 islands of Micronesia.

The bill provides an authorization for 1976 of \$80,000,000 plus or minus such amounts as the Secretary determines are necessary to offset estimated changes between fiscal year 1975 and fiscal year 1976 in average costs of construction and average prices of goods and services. This provision is necessary for implementing an agreement reached in the negotiations.

Our proposal for an expanded authorization would not affect the existing authorization of \$10,000,000 for terminated categorical grant programs. We note, however, that the House and Senate recently approved Interior appropriations conference reports calling for only \$700,000 to cover such terminated grants.

Section 2 of the proposed legislation relates to the negotiations between the United States and the Marianas Political Status Commission which will lead to a new Commonwealth status as a territory of the United States for the Marianas Islands District. The U.S. Congress has final approval authority over these negotiations. Section 2 would authorize the appropriation of \$1,500,000.00 for a special program of transition in the Marianas which will include, among other things, a constitutional convention and referendum, a political status plebiscite, political education programs and economic, fiscal and physical planning studies. The funds which Section 2 would authorize could be appropriated but would not be obligated prior to signature of the final agreement by the United States Executive Branch and the Marianas Political Status Commission.

The proposed increases in authorization are endorsed by Ambassador Franklin Haydn Williams, the President's Personal Representative for Micronesian Status Negotiations. The proposal in Section 1 is deemed vital to our negotiating efforts since it reflects the tentative agreements reached with the Congress of Micronesia's Joint Committee on Future Status at Carmel, California, in March 1974. Section 2 supports the agreement on a Marianas transition program reached in Saipan in May 1974 during the Fourth round of Marianas political status negotiations.

The Office of Management and Budget has advised that the presentation of this proposed legislation is in accord with the program of the President.

Sincerely yours,



Assistant

Secretary of the Interior

President of the Senate
Washington, D. C. 20510

Enclosure

A B I L L

To amend section 2 of the Act of June 30, 1954, as amended, providing for the continuance of civil government for the Trust Territory of the Pacific Islands.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Act of June 30, 1954 (68 Stat. 330), as amended, is amended by deleting "and for each of the fiscal years 1974 and 1975, \$60,000,000" and inserting in lieu thereof the following: "for fiscal year 1975, \$75,000,000; and for fiscal year 1976, \$80,000,000 which shall be increased or decreased by such amounts as the Secretary of the Interior shall determine are necessary to offset estimated changes between fiscal year 1975 and fiscal year 1976 in average costs of construction and average prices for goods and services taking into account current trends in:

1. engineering cost indices applicable to the type of construction involved;
2. applicable consumer price indices for other goods and services; and
3. other relevant economic considerations.

SEC. 2. There is authorized to be appropriated \$1,500,000.00 to aid in the transition of the Marianas Islands District to a new Commonwealth status as a territory of the United States, Provided, however, that no part of such sum may be obligated or expended until final agreement between the Marianas Political Status Commission and the United States has been signed.

Senator JOHNSTON. The first witness today is Mr. Fred Radewagen who is Acting Director of the Office of Territorial Affairs in the Department of the Interior.

We will be glad to hear from you, Mr. Radewagen, I might say, before we get started on this, by way of digression, it is my intention on the general subject of Micronesia, to circularize the members of the committee on the question of the tentative agreement.

I think there is a substantial chance that at least some provisions of the tentative agreements will be recommended against by the committee; particularly those with reference to the termination date and the manner of termination of the relationships between the United States and the Trust Territory.

I thought I would mention that because I think as much time as you can get—as the Ambassador can get in his negotiations, as much notice of that fact, the better off we are.

We will be glad to hear from you, Mr. Radewagen.

STATEMENT OF FRED RADEWAGEN, ACTING DIRECTOR OF THE OFFICE OF TERRITORIAL AFFAIRS, DEPARTMENT OF THE INTERIOR

Mr. RADEWAGEN. Thank you Mr. Chairman. It is a pleasure to be here this morning.

May I start by expressing the apologies of Mr. Carpenter, the Director of Territorial Affairs, who is, at this time, in the Cook Islands. He was appointed by President Ford as the senior U.S. Commissioner to the South Pacific Commission. It is a distinct honor for him and he regrets very much that he is unable to attend these hearings this morning.

I will be speaking on his behalf.

I might also say, on a personal note, I appreciate the opportunity to testify before this subcommittee because I had the personal privilege of traveling throughout the Trust Territory with the chairman and I have been very, very pleased to see the guidance of the subcommittee over the last 2 years and the insight which the chairman has brought to our program and the help we have enjoyed from him over the past 2 years.

Senator JOHNSTON. Thank you.

Mr. RADEWAGEN. I do have a short statement I would like to make at this point.

Mr. Chairman, I appreciate the opportunity to appear on behalf of the Department of the Interior in strong support of S. 3996 which embodies the administration's request for increased funding authorization for the activities of the civil government of the Trust Territory of the Pacific Islands.

As is known to most of the subcommittee members, the Trust Territory of the Pacific Islands is administered by the United States according to a 1947 Trusteeship Agreement with the United Nations.

Since 1969, the United States and Micronesia have been negotiating the future political status of the territory's six districts and termination of the trusteeship.

Public Law 83-111 currently authorizes the appropriation of \$60 million for fiscal year 1975, a level which has been maintained since 1971. The administration's proposal would authorize a total annual appropriation of \$75 million for fiscal year 1975 and the 1975 constant dollar equivalent of \$80 million for 1976. Additionally, in section 2, we are asking for a separate authorization of \$1.5 million for a special program to aid transition of the Mariana Islands District to a new commonwealth status as a territory of the United States. These proposals are a direct result of the future political status negotiations.

Most of the proposed authorization increase would be devoted to constructing such physical infrastructure projects as field trip ships, airfields, powerplants, roads, and docks. This accelerated capital improvement program announced by Secretary Morton last January has important future political status implications. It is the view of the executive branch that the trusteeship agreement calls on the United States to have a substantial portion of Micronesia's capital plant in place by the end of the trusteeship.

To that end, tentative agreement as to levels of accelerated capital improvement program funding was reached in the Carmel talks in March of this year between Ambassador Franklin Haydn Williams, the President's personal representative for Micronesian status negotiations and Senator Lazarus Salii, chairman of the Joint Committee on Future Status of the Congress of Micronesia.

Despite a continuing and, when compared with the United States, a magnified inflation, the Trust Territory has been holding the line on spending. Given the use of 1975 constant dollars, the agreement reached between Ambassador Williams and Chairman Salii anticipates that spending on Government operations will go no higher than the proposed 1975 level of \$55 million and will be reduced beginning in 1977. According to the agreement and in terms of fiscal years starting July 1 and ending June 30, we project the breakdown of Trust Territory expenditures on Government operations and capital improvements in constant 1975 dollars as defined in section 1 of the bill which is shown in a table which I would like to submit for the record at this point.

PROPOSED FUNDING LEVELS, FISCAL YEAR 1975-80

[In millions of fiscal year 1975 constant dollars]

Fiscal years	Operations	Capital improvements	Total
1975.....	\$55	\$20	\$75
1976.....	55	25	80
1977.....	54	30	84
1978.....	52	35	87
1979.....	50	20	70
1980.....	45	15	60

MR. RADEWAGEN. Of course, the amounts for the years beyond fiscal year 1976 presume that the United States and Micronesia reach final agreement on the remaining issues in the negotiations.

Mr. James Wilson, Deputy U.S. Representative for Micronesian status negotiations, will address the 1975 and 1976 authorization re-

quest of section 1 and the \$1.5 million transition request of section 2 in terms of their direct relation to the ongoing political status negotiations. We are also pleased to have Trust Territory High Commissioner Edward E. Johnston here who is prepared to address himself to the details of the capital improvement program and Government administration.

I also have the honor of introducing three members of the Congress of Micronesia who have traveled to Washington for the purpose of testifying before the committee. They are the speaker of the house of representatives, Hon. Bethwel Henry; Hon. Raymond Setik, chairman of the Joint Committee on Program and Budget Planning; and the cochairman of that committee, Hon. Bailey Olter.

We strongly urge the subcommittee to adopt S. 3996. The proposal is consistent with tentative status agreements and we believe holds the line on spending.

Thank you, Mr. Chairman.

Senator JOHNSTON. Mr. Radewagen, would it be more appropriate to query you or Mr. Johnston or Mr. Wilson relative to the status negotiations and the relationship of this budget request to those status negotiations?

Mr. RADEWAGEN. Mr. Wilson is here for that purpose, Mr. Chairman. Mr. Wilson and Mr. Johnston both have prepared statements.

Perhaps, if it would please the Chair, they might address those questions.

Senator JOHNSTON. That is fine.

Senator Bartlett?

Senator BARTLETT. I have no questions, Mr. Chairman.

Senator JOHNSTON. Thank you very much, Mr. Radewagen.

Our next witness will be Mr. James M. Wilson, Jr., U.S. Deputy Representative for Micronesian Status Negotiations.

STATEMENT OF JAMES M. WILSON, JR., U.S. DEPUTY REPRESENTATIVE FOR MICRONESIAN STATUS NEGOTIATIONS

Mr. WILSON. Thank you, Mr. Chairman.

With your concurrence, Mr. Chairman, I would like to read a prepared statement omitting parts of it, however.

Senator JOHNSTON. The entire statement will be put into the record verbatim and you may summarize as you wish.

[Mr. Wilson's prepared statement appears on p. 21.]

Mr. WILSON. Thank you very much.

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 who, unfortunately, is 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 fiscal years 1975 and 1976 for the Trust Territory of the Pacific Islands as a whole to \$75 million and \$80 million, respectively.

As members of this committee know, the United States, since December 1972, has been engaged in a series of negotiations with representatives of the Marianas Islands District of the Trust Territory aimed at bringing the northern Marianas into a close and permanent relationship with the United States.

I will not go into the further background of these negotiations in view of the fact that the members of this committee have been briefed recently on this subject. I would, however, like to insert this as part of the written record.

Senator JOHNSTON. Yes. It will be done.

Mr. WILSON. As you are aware, Mr. Chairman, these negotiations have included, among other things, a total of \$16.5 million in financial assistance for the initial 7 years of the new arrangement with the Marianas in the form of direct Federal assistance.

During our discussions of these arrangements in December of 1973 and May of 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 moneys 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 United States-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 the 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 on 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.

These funds 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:

For administration over a 2-year period, for the joint commission, itself, \$40,000; for the secretariat, \$460,000; for contingencies, \$50,000. For research, planning, and government organization a total of \$200,000 divided equally between studies and planning for the constitutional convention, research and planning on government reorganization, initial legislative program, and research on Federal programs and services.

Under the heading of economic and social planning, \$550,000 is proposed of which \$225,000 would be for economic and social development

planning; \$50,000 for fiscal and revenue planning; \$225,000 for physical planning; and \$50,000 for the impact of relocation of the capital.

Finally, Mr. Chairman, on transition steps and the scheduling thereof, we have allocated a total of \$200,000: \$50,000 for a political status education program and status plebiscite in the Marianas; \$75,000 for a constitutional convention; \$50,000 for a constitutional education program and constitutional referendum; and, finally, \$25,000 for the election process for the new government.

The total for all of this is \$1,500,000.

I should stress, Mr. Chairman, that this is anticipated to be, throughout, a joint effort between the United States and the Marianas aimed at developing a series of cooperative studies, none of which has been made before nor has there been an opportunity to do so.

The objective of all of this will be to achieve, at as early as possible a date, self-sufficiency for the Marianas Islands under their new status.

I would like to turn now to the request to raise the appropriations 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.

Again, Mr. Chairman, I would like to omit at this time further exposition of the details of the agreement thus far reached, which are embodied in a tentative draft of a compact of free association and insert these details for the record.

With regard to the financial arrangements, however, which are included in that draft compact, I should point out that 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 5 years of the compact.

This amount would drop to \$30 million annually during the next 5 years and \$25 million during the remaining 5 years of the 15-year period.

For capital improvements, the United States would be committed to \$12.5 million annually for the first 5 years of the compact, \$11 million annually over the next 5 years, and \$9.5 million during the last 5 years.

All of these, of course, are subject to the approval of the United States Congress in the process of approving the compact.

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 U.S. 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 cochairmen 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.

One, it would permit a gradual changeover 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.

Two, 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 of Micronesia and their constitution is drawn up and approved; a period currently estimated at 2 years.

This could last, however, as long as 3 years if hitches were to develop.

Stage 2 would begin thereafter and extend for 3 or 4 years, depending on the length of stage 1. During this time, necessary steps would be taken with the United Nations to terminate the trusteeship at the end of stage 2.

On this basis we would expect termination of the trusteeship by mid-1980 with the compact becoming fully effective at that time.

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 1 from its present level to \$55 million and remain at that level through the second year, fiscal year 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 2, 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 operational support during this operational phase are as follows: Fiscal year 1977, \$54 million; fiscal year

1978, \$52 million; fiscal year 1979, \$50 million; and fiscal year 1980, \$45 million.

If the Marianas District, during this period, approves a separate commonwealth arrangement with the United States, 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.

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 Committee and the Trust Territory Administration pursuant to Secretary Morton's recommendation of last January that a 5-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 fiscal year 1978 and then taper off during the end of stage 2 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: Fiscal year 1975, \$20 million; fiscal year 1976, \$25 million; fiscal year 1977, \$30 million; fiscal year 1978, \$35 million; fiscal year 1979, \$20 million; and fiscal year 1980, \$15 million.

We are seeking now authorization for the first 2 years only, corresponding to stage 1 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 fiscal year 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.

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 fiscal year 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.

Thank you very much.

Senator JOHNSTON. Thank you very much, Mr. Wilson.

At present, we have a \$60 million authorization for TTPI. Is that right?

Mr. WILSON. That is correct.

Senator JOHNSTON. How much of that would be attributable to the Marianas?

Mr. WILSON. Of the increased \$15 million?

Senator JOHNSTON. Of the \$60 million.

Mr. WILSON. At the present time, somewhat less than one-sixth, Mr. Chairman.

Senator JOHNSTON. Less than one-sixth.

Mr. WILSON. That is correct.

It depends on whether you do it on the basis of one out of six districts or on the basis of proportionate population.

Senator JOHNSTON. What is the population of the Marianas?

Mr. WILSON. The population of the Marianas is approximately 15,000 out of a total population for the TTPI of 115,000.

Senator JOHNSTON. Now, you are further along with you negotiations with the Marianas than you are with Micronesia negotiations.

Am I correct on that?

Mr. WILSON. It is very difficult to try to quantify that, Mr. Chairman. We have a draft compact in the case of our negotiations with the Micronesian Joint Committee. For the Marianas, we have agreement, in substance, on most of the points which are to be embodied in an agreement but we are still in the process of drafting that agreement.

Senator JOHNSTON. But you fully expect to conclude separate agreements with the Marianas, do you not?

Mr. WILSON. That is correct.

Senator JOHNSTON. And the Micronesian Status Negotiations take that fact into consideration, do they not? Or do they?

In other words, the Marianas Status Negotiations—are they negotiating for the whole of Micronesia, including the Marianas?

Mr. WILSON. There is a point of difference at this juncture, Mr. Chairman, on the subject of whether the Congress of Micronesia's joint committee should be speaking for the Marianas during the present negotiations.

They have recently taken the position that they should be speaking for all of the districts including the Marianas. We have taken the position, on the U.S. side, that the request for separate negotia-

tions on the part of the Marianas district is being properly honored by the United States. It has been considered very carefully by the U.S. Government and was only agreed to after much soul searching on our part.

This was based primarily on the belief that it is probably more important in the long run to recognize the longstanding, often expressed desire of the people of the Marianas to exercise their right or self-determination than it is to insist on conducting negotiations for all of the districts of Micronesia at the same time.

We have taken the position, with the joint committee, that, as far as we are concerned, the people of the Marianas district should be given the opportunity to vote on a new commonwealth relationship as they have requested.

If they reject that commonwealth relationship, they should be free to choose other alternatives. Among those alternatives could be the idea of free association with the United States in unity with the other district of Micronesia.

Senator JOHNSTON. This funding seems a little inconsistent to me. Here you have the Micronesians negotiating for the whole of Micronesia and getting a budget for the whole of Micronesia and the Marianas wanting a million and a half to make the transition to a separate status.

Is that inconsistency not rather plain and why do we have to have that?

Mr. WILSON. I think there may be some confusion here due to the fact, Mr. Chairman, that we are faced with the proposition of trying to paint a moving train. We do have the problems of having to fund the current administration acting for all six districts under the present system while we are, at the same time, trying to devise a new system.

If the present tentative schedule for the Marianas carries through, it would mean, in all probability, that the Marianas' arrangements would come into effect in the summer of 1976 and the administration would be before this committee and the other committees of the Congress asking for appropriations on the basis of the new agreement.

Until that time, we are faced with the problem of having to fund the present arrangements.

If before the summer of 1976, we arrange separate administration for the Marianas, it would also mean that there will have to be a division in the current allocation of funds under the budget previously put together for all of the districts of the Trust Territory.

Senator JOHNSTON. We have \$60 million authorization.

How much of that is capital improvements?

Mr. RADEWAGEN. About \$9 million.

Senator JOHNSTON. That is \$51 million for operations.

By the way, the subsidy for the Micronesian airlines; is that in the budget or does that come separately? Is there not a subsidy for the Micronesian airlines?

Mr. RADEWAGEN. Not that I am familiar with; no.

Mr. WILSON. There is none, Mr. Chairman.

Senator JOHNSTON. They are a profitmaking outfit in Micronesia?

Mr. RADEWAGEN. Yes, sir.

Senator JOHNSTON. I thought they were subsidized.

Under your new arrangement, you want a total of \$75 million next fiscal year.

Is that correct?

Mr. WILSON. That is correct.

Senator JOHNSTON. How much of that would be operational and how much capital improvements?

Mr. WILSON. \$55 million would be for operations and \$20 million for capital improvements.

Senator JOHNSTON. Do you have a schedule of capital improvements?

Mr. WILSON. The High Commissioner, I believe, Mr. Chairman, will be prepared to testify on that.

Senator JOHNSTON. But the increase is really part of your negotiations?

Mr. WILSON. That is correct.

Senator JOHNSTON. Would you be recommending your increase but for your negotiations?

Mr. WILSON. Perhaps Mr. Radewagen should answer that question, Mr. Chairman.

Mr. RADEWAGEN. I think, Mr. Chairman, in terms of the terrible inflation we face in Micronesia, that we probably would want some formula for increase for the current and ongoing fiscal years to, at least in holding the line, be able to spend at the same level we are today.

So, yes, I would say—

Senator JOHNSTON. Not from 60 to 75.

Mr. RADEWAGEN. I do not know if we have worked out a formula that would be able to give me a conclusive figure I could give you on that.

Senator JOHNSTON. Quite frankly, I can tell you, as I said before, this provision of the compact where it says the compact can be terminated only by mutual consent during the first 15 years and, thereafter, it may be terminated on unilateral action on two-way notice, et cetera, is totally unacceptable as far as I am concerned.

Senator Buckley, I think, mentioned the same sentiment.

I do not know how the rest of the committee is. To me it would be perfectly ridiculous to approve that kind of arrangement.

Our one real gut interest in Micronesia is a strategic interest. Here we are going to enter into a compact that would say, unilaterally, you can rescind that agreement. I think that is just insane.

It seems to me that we had better get some more sentiment from the committee and I will try to do that for you. In the meantime, I just doubt the wisdom of increasing the budget, really, as more or less of a quid pro quo to enter those negotiations—I mean, to enter that compact before we have an acceptable compact.

That is just a feeling on my part. I do not want to make any decisions but that is a strong feeling.

Now, Mr. Johnston will have the capital improvement schedule for us?

Mr. RADEWAGEN. Yes, sir.

Senator JOHNSTON. You said you would reduce that funding proportionately and then you have a separate agreement with the Marianas.

Do you have a schedule by which you would reduce the funding if the Marianas were separate?

Mr. WILSON. We do, Mr. Chairman.

I would be prepared to submit this entire schedule for the record. It has already been given, for information, to the committee staff.

Senator JOHNSTON. Thank you very much, Mr. Wilson.

Senator Bartlett?

Senator BARTLETT. Mr. Chairman, thank you.

Mr. Wilson, I share the concern that has been expressed by Senator Buckley and Senator Johnston and perhaps others on the termination by mutual consent of the compact in the first 15 years.

I attended the last hearing but I was unable to stay long enough to express myself.

In addition, I have concern about the provision that, thereafter, it would be terminated by unilateral action on two years' notice but only after a satisfactory security agreement has been concluded embodying the United States' space rights and denying the area to third parties.

It would seem to me that, rather than leaving that final condition up in the air for negotiation at that time, the satisfactory security agreement embodying the United States base rights and the denial of the area to third parties should be clearly understood prior to the negotiation of the contract.

Having that up in the air, which would be the most important thing, should be clearly worked out in advance so that there are no doubts.

Obviously, by having doubts about that, it would certainly give rise to differences of opinion and real misunderstandings, I would believe; so I have that concern, also.

Mr. Wilson, in looking at the projections on the budget for Government operations, they would go up for fiscal year 1975 from \$51 to \$55 million and more or less be flat for 2 or 3 years and then decline in constant dollars, as you stressed.

Is that because the Mariana operations would be phasing out?

Mr. WILSON. No, sir.

This is based on factors quite aside from any possible separation out of the Marianas district. All of the basic figures would change materially with the loss of the Marianas.

The decline in financial support for Government operations is based on the theory that, during this period, the new government of Micronesia would be gradually phasing in, taking over functions one by one from the present administration.

So, at the end of this period, the new government would be in a position to function completely on its own. It is assumed, during the time, that there is very likely to be a considerable simplification in the mechanism of government as we move into this new arrangement.

It is assumed, as well, that there will be a gradual reduction in the number of expatriates hired by the government of the trust territories.

We cannot, of course, put this down with any specific degree of certitude at this moment because so much of it is going to depend on what the Micronesians, themselves, decide in their own forthcoming constitutional convention about the nature and shape of their government.

I can say this, however. The leaders on the Micronesian side with whom we have been discussing this matter have indicated, throughout the discussions, that it is their intention to try, as much as possible, to reduce the cost of government during this period.

This is their aim and this is their goal.

Senator BARTLETT. So, then, Mr. Wilson, I am a little bit confused.

The decrease in government operations will partially be because of increase efficiency or less government on the part of the United States and its administrations. Other savings would be from the takeover of some facets of the government by the Micronesians.

Is that correct?

Mr. WILSON. This is correct; yes, sir.

There is one other factor that I should mention, Senator Bartlett. That is that the estimates which have been given us regarding the internal revenues of the government of Micronesia, itself, would indicate that, during all of this period, there would be a gradual increase in those revenues.

So there would not be quite as abrupt a reduction as would be indicated, perhaps, by some of these figures.

Senator BARTLETT. Then, I understand that the agreement with the Marianas, if that was put into effect, would not necessarily have any great impact on these figures.

Mr. WILSON. I can give you these figures, Senator Bartlett, if you would be interested.

You will recall, in stage 2, our CIP figures went from \$30 million to \$15 million. We would estimate that, if the Marianas decided, during this period or before that, to have its own separate administration, those figures would be reduced in 1977 to \$26 million and go down to \$14 million in 1980.

Similarly, on the operations side of the House, with the Marianas included, the figures decline from \$54 million to \$45 million. Without the Marianas, they go from \$47 million to \$39 million.

Senator BARTLETT. How much of the current capital improvement program which you advised the chairman is about \$12 million and how much of the additional projected capital improvement program represents the desires of the Micronesian Government?

Mr. WILSON. If I might, Mr. Chairman, I think the High Commissioner would be much better equipped to answer that than I could.

Senator BARTLETT. Let me ask you the opposite, then.

How much represents the thinking of the Americans involved in this?

Mr. WILSON. As I said in my testimony, Senator Bartlett, we have taken our figures throughout this from the calculations and studies which have been done by the Department of the Interior and the Trust Territories administration, itself.

These figures represent a joint effort in this regard.

On the negotiating side we have looked at them very carefully, and we certainly find no quarrel with them.

Senator BARTLETT. What I am getting at, I think, is obvious. I am just wondering whether this capital improvement program, in the mind of the Micronesians, is designed to fulfill their needs as they would see them or as we would see them or does it fulfill their desires as they see it and we concur that this is a sensible, sound program.

I should think you should be able to respond something on that because of our interest in this. I would certainly be happy to have the testimony from the High Commissioner but I would also like to have your reaction to this.

Mr. WILSON. From our standpoint, after review, we can say, unqualified that this is a sensible and sound program.

It started out, as all of these programs do, at a much higher figure than the one we ended up with. This represents a paring down. It represents the elimination of frills. It represents a concentration on those things considered to be the basic infrastructure needs of these districts.

It is not intended to fund a lot of things which are low on the priority list.

It is what we call a basic infrastructure list, designed to fund those projects which are necessary to carry out sound economic programs in each one of the districts.

It is not, in any sense, a frill list.

Senator JOHNSTON. If I might interrupt at that point; I am interested in this capital improvements budget.

Can you respond to the statement in here about the need for airports at each one? They have an airport at each of the six districts which handles 727's.

Is it that those are not adequate?

Mr. WILSON. Again, Mr. Chairman, I think the High Commissioner can talk to these in detail. It is my understanding, however, that several of those airports are quite inadequate in terms of handling 727's.

Senator BARTLETT. Mr. Wilson, as far as the capital improvement program is concerned, roughly speaking, there is a doubling or, actually, more than that of the program in the phaseout.

I am just wondering why this would be done.

I think, it might raise the question that the effort is to get all that the traffic will bear, as long as the United States is still very much involved but it is at a higher rate—more than doubled—and I am wondering what the reasons are.

You did not establish any reasons of urgent needs; just a program of expenditures.

Why should the level of capital improvements be doubled or more than doubled? Or, to put it the other way, why was the level of capital improvements so low before? That would be the other way of looking at it.

Mr. WILSON. The answer to this, Senator Bartlett, I think, is related very much to your last remark; that is, the feeling on the part of the people out there that the level of capital improvement funding has been too low before, and the result has been a lack of basic infrastructure in place.

This is something that the U.N. has commented on. It is something that the Congress of Micronesia, itself, has commented on at considerable length, and it is something that the districts have commented on.

We went through a series of hearings on this in Micronesia in February, in which representatives of the districts came in and outlined their needs in great detail. This was preliminary to the final

consideration of this matter with representatives of the joint committee.

I should say this—and again I think that the Department of the Interior can elaborate with much more expertise than I—that the increased costs of Government operations brought about by price increases throughout the area, given the present ceiling, has had the effect of cutting back capital improvement projects and the amount of money that could be made available for them. It has been a question of operations eating into capital improvements over a period of years.

This is one of the things we are trying to rectify at this point in time. We are frankly trying to front-end load this thing so we can catch up and make up for lost time.

Senator BARTLETT. Mr. Wilson, has there been—what level of capital improvements has been provided by Micronesia?

Mr. WILSON. From their own resources, Senator Bartlett?

Senator BARTLETT. Yes.

Mr. WILSON. I will have to supply that figure for the record, sir. I don't know. It has been relatively low.

Senator JOHNSTON. I can tell you that Micronesia really has no independent income, other than the United States. There is, essentially, no industry. Am I correct in that?

Mr. WILSON. Quite correct.

Senator JOHNSTON. Directly or indirectly.

Senator BARTLETT. Mr. Wilson, it seems to me, and perhaps this will be forthcoming in the hearing, that an explanation of need of the expanded capital improvement program would be important to the hearing.

If the information is not made available at the hearing today, I am sure the record will be open, Mr. Chairman, so that that information could be added. I think it would be vital to the total picture.

Senator JOHNSTON. I agree with you, Senator Bartlett. And I am in hopes that Mr. Johnston, the High Commissioner, can give us more details.

Mr. WILSON. Yes, sir. We have asked Mr. Johnston to elaborate on this.

Senator JOHNSTON. Thank you very much, Mr. Wilson. We appreciate your testimony.

[The prepared statement of Mr. Wilson follows:]

STATEMENT OF JAMES M. WILSON, JR., U.S. DEPUTY REPRESENTATIVE FOR
MICRONESIAN STATUS NEGOTIATIONS

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 communiques 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 ¹		
Joint commission -----		\$40,000
Secretariat -----		460,000
Contingencies -----		50,000
Subtotal -----		550,000
Research and planning ²		
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 -----		50,000
Subtotal -----		200,000
Economic and social planning:		
Economic and social development planning -----		225,000
Fiscal and revenue planning -----		50,000
Physical relocation -----		225,000
Impact of relocation of capital -----		50,000
Subtotal -----		550,000
Schedule transition steps: ²		
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
Subtotal -----		200,000
Grand total -----		1,500,000

¹ Two year costs.

² 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.

Four our part we suggest 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 of Micronesia 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 operational support during this operational phase are as follows:

	<i>Million</i>
Fiscal year 1977.....	\$54
Fiscal year 1978.....	52
Fiscal year 1979.....	50
Fiscal year 1980.....	45

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 Committee 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:

	<i>Million</i>
Fiscal year 1975.....	\$20
Fiscal year 1976.....	25
Fiscal year 1977.....	30
Fiscal year 1978.....	35
Fiscal year 1979.....	20
Fiscal year 1980.....	15

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.

Senator JOHNSTON. The next witness is Mr. Edward E. Johnston, the High Commissioner of the Trust Territory, and Saipan.

STATEMENT OF EDWARD E. JOHNSTON, HIGH COMMISSIONER OF THE TRUST TERRITORY, SAIPAN, MARIANA ISLANDS

Mr. JOHNSTON. Mr. Chairman, members of the committee, it is indeed a pleasure for me to appear before this committee to urge the enactment of new and higher ceiling legislation for the Trust Territory of the Pacific Islands.

Mr. Chairman, progress has been made in recent political status negotiations to the extent that it is possible to look only 5 or 6 years into the future to the end of the trusteeship agreement and the concurrent emergence of a new Pacific nation of Micronesia.

That leaves only 5 or 6 years to develop the economy of Micronesia to a point of relative self-sufficiency.

Senator JOHNSTON. May I stop you right there? To a point of relative self-sufficiency. You don't really mean self-sufficiency in the classic sense, that without support from the U.S. budget they would be self-sufficient?

Mr. JOHNSTON. No, sir, that is the reason for the word "relative". Relative to the present situation of almost total dependency on the United States.

Senator JOHNSTON. If your statement does not say it, I hate to interrupt. But I am terribly interested in this. What would be the basis of the sufficiency there?

Mr. JOHNSTON. I beg your pardon, Senator?

Senator JOHNSTON. What would be the basis of self-sufficiency? Fishing? Tourism? What?

Mr. JOHNSTON. Fishing, tourism, and agriculture, primarily.

Senator JOHNSTON. Excuse my interruption.

Senator BARTLETT. Mr. Chairman, if I might, my ears perked up at the same point. You go right on and mention political, social, and educational development which, of course, all of that would be an expense on whatever revenues are generated.

Then you mentioned economic development, which hopefully would pay some and perhaps eventually all of the additional expenses. And perhaps the current expenses. But what kind of economic development is contemplated?

Mr. JOHNSTON. Primarily, in the fields of tourism and marine resources. Every study that has been made in Micronesia, and every year of practical experience in administering the area has indicated that these are the two greatest sources of potential income for the area.

In the field of agriculture, the Micronesians can become and are becoming, in fact, much more self-sufficient. To give you one example, Senator Bartlett, there are two of our districts now which are totally self-sufficient in egg production, due to a program that has been going on for several years, of training people in the production of poultry and eggs.

We have greatly increased our vegetable production in all of the districts. In the area of agriculture, the goal is to become more self-sufficient, with possibly some exporting of bananas or papayas or some of the items that can be raised throughout Micronesia.

But the big infusion of dollars into the economy is going to have to come from tourism and marine resources. Both of them have great potential, but both of them need an adequate infrastructure in place to be at all successful, to any degree whatsoever.

Senator BARTLETT. Is there any part of the capital improvement program set aside for these purposes of economic development that you have outlined? The other educational buildings, roads, and so forth?

Administrative buildings would have very minimal value as far as economic development is concerned. So is there any plan—you mentioned you only have 5 or 6 years. Is there a plan to fuse some real momentum to their economic development program?

If you are going to have tourism, I assume you have to have places for tourists, which would mean hotels. Is there anything involved there, from a private source? What possibilities are there?

Mr. JOHNSTON. The hotel building in Micronesia has been by private capital. Of course, the Economic Development Loan Fund has loaned money to local citizens, to Micronesian citizens who have built some of our smaller hotels.

When I first went to Micronesia in 1969 the hotels in each district, except the Marianas, were operated by the Government.

A small building, with sort of a rooming house, occupied by Government employees and operated by the Government. Those hotels have, in the past 5 years, all been turned over to private enterprise.

There they have been either purchased or leased by private individuals and operated by the private sector. There are no more Government-operated hotels. So it is all a private venture.

But in order for tourists to be properly handled in any area, you have to have an airport where they can land. A dock, if they come in by ship, and roads so that they can get from one place to another.

Roads are important to the people in the agricultural areas, to bring their produce into the central population center, where it is marketed. The tourists can't really see the area if there are no roads for them to use.

In some areas, the roads are so atrocious that the tourists would not be inclined to do much traveling around. So we do feel that putting in place a proper infrastructure will aid the economic development of the area.

Senator BARTLETT. In addition to the infrastructure, what do you see as propelling agriculture, fishing, and tourism into more profitable ventures?

Mr. JOHNSTON. I think they will become much more profitable.

Senator BARTLETT. My question was, What will bring that about?

Mr. JOHNSTON. Let's take the field of tourism—

Senator BARTLETT. And what plans are there to bring that about? My feeling is that just having the roads, the highways, the docks, the possibility, does not mean that it will develop along the lines that we would think would be profitable, unless there are plans by somebody, not necessarily by the United States, but by somebody to develop these potentials.

Mr. JOHNSTON. If I may give you one example, Senator Bartlett. In our request for fiscal 1976 in the event that we are successful in getting the higher ceilings which we are requesting, we would propose

to purchase a fleet of new, modern tuna boats which eventually could be sold to local people, the way the government hotels were eventually disposed of.

But since the local, private sector lacks the capital to buy expensive tuna boats, we have been working on this proposal. And we would propose to fund it in fiscal 1976.

Senator BARTLETT. That would be part of the capital improvement program?

Mr. JOHNSTON. That is correct; yes.

Senator JOHNSTON. Why don't we let him finish? I started this subject and had no right to. Why don't we let him go ahead and finish. Then maybe we can get on these questions, for the capital improvements budget, which also interests me a great deal.

Senator BARTLETT. I want to thank you very much, Mr. Commissioner. I am going to have to leave. That is why I was asking the questions.

Senator JOHNSTON. You go ahead if you have to leave.

Senator BARTLETT. Well, I will just go ahead and finish the last question. Is there anything in fiscal 1975 that would be—I guess what disturbs me is, and I am not trying to tell you anything, I am just trying to describe my concern.

That there has not been outlined much, except for tuna boats, that would indicate in the capital improvements program that there are efforts underway to maximize the economic opportunities of the resources you cite.

Fishing, agriculture, tourism. It would seem to me it will take more than wishful thinking or more than just having the infrastructure, to bring that about. I certainly cannot judge the possible program of the tuna boats.

But that certainly would be along the line that I am thinking would be important, that have plans to bring out the economic potential that exists on the islands. The egg industry.

Those are a separate activity that would create self-sufficiency and perhaps some exports would all be important to any kind of a growing economy, because behind all of this takeover by the Marianas and behind any changes that may be made in the trust territories, other than the Marianas, would require economic development for any degree of self-sufficiency that you would hope would go right along with it.

Mr. JOHNSTON. One example, I think, Senator, is that you can plan all of the hotels in the world. You can put them on paper blueprints, architectural design. But unless you have water, sewers and power for those hotels there is no point in building.

These are the type things we are trying to put in place, so that each district would have adequate power, adequate clear, fresh water, and an adequate sewerage system, under the proper environmental protection standards, so that hotels can be developed.

And so that the tourist industry can grow. This is a very important part of that expenditure in the next few years, to bring the power, water, and sewer capacity of each district up to proper standards.

Senator BARTLETT. I could not agree with you more. At the time I was Governor of the State of Oklahoma I was quite active in industrial development. But we put the things the other way around.

The local community, sometimes with the State's help, sometimes not, would develop industrial expansion or a new industry that would improve the economy.

Then we would look to see what infrastructure was needed. Was it an industrial park? A new airport? A highway? It would fit into the plan of the industrial opportunity. This was why, I think, maybe there was something missing here.

The planning that is necessary to expand these industries and then to have the infrastructure built into them, rather than the reverse. Maybe my observations are unfair.

At least I would like to see more examples of the thinking that is behind the expansion of agriculture, fishing and tourism. And then, how the infrastructure fits into developing those to the full potential.

Mr. Chairman, thank you.

Senator JOHNSTON. Thank you, Senator Bartlett. Mr. Johnston why don't you go ahead and finish your statement? The full statement will be included in the record. You may summarize or finish it, as you please.

Mr. JOHNSTON. I think I might go through it and briefly read. I would like to have the entire statement entered into the record.

One point I think is important. We do have only 5 or 6 years for the United States to meet the commitments it made over 25 years ago to promote Micronesia's political, social, educational and economic development.

Political, social and educational development has proceeded well. We have a functioning Congress of Micronesia, several members of which are with us today, as mentioned by Mr. Radewagen.

There are schools, hospitals, a junior college and a wide range of social services. But the field of economic development has lagged behind other areas, there is no question about that.

It is our strong feeling that we do need adequate funding in the next few years to give the Micronesian people the infrastructure necessary to give them any degree of self-sufficiency whatsoever.

One thing that one must remember about our area is that, for example, in the growth of the tourist industry, it requires not one modern jet airport but seven, at least.

Senator JOHNSTON. Let me digress there, if I may. To build a hotel—how do these hotels get their property? The cannot own the property; is that correct?

Mr. JOHNSTON. Most of our hotels are locally owned. Of course, local citizens can own property. They can purchase it from another individual, build on land they already own or, under some circumstances, can lease the land, public land from the Government.

Senator JOHNSTON. Where do they get the capital?

Mr. JOHNSTON. From the banks, or the Economic Development Loan Fund, or a combination of both.

Senator JOHNSTON. There is enough capital in Micronesia to build a tourist industry, hotels, et cetera?

Mr. JOHNSTON. No sir, there is not. The larger hotels have to be financed with outside capital.

Senator JOHNSTON. How do you get any security from outside capital, if they cannot own the property?

Mr. JOHNSTON. We have worked out a system in the last few years where the lease could be taken over, temporarily assigned to the

creditor, until such time as he had cleared off the obligations of the mortgage or the loan to build whatever improvements were on that property.

Senator JOHNSTON. In other words, he can seize the right of occupancy on a property?

Mr. JOHNSTON. That is right, on a temporary basis.

Senator JOHNSTON. What do you mean, a temporary basis?

Mr. JOHNSTON. Until such time as enough requirements were paid off, at which time it would revert to the original owners or successor owners of the lease.

Senator JOHNSTON. In other words, if I am Chase Manhattan Bank, and I want to finance a \$2 million hotel, and I can lend, say, 90 percent of it to a Micronesian company, they might have a 30-year lease.

If they default on their loan to me, I can go in and, in effect, seize that 30-year lease and operate it—Chase Manhattan Bank can operate the hotel until my money is paid off; is that correct?

Mr. JOHNSTON. That is correct. Even on land that is owned by Micronesians, the lending agency can take temporary possession and control of that land, until such time as the obligation is fulfilled.

Then, of course, it reverts to the Micronesian owners. It never becomes the property of the lender. They could not sell the property to someone else, but they can take beneficial occupancy of it, until such time as the loan agreement is paid off.

Senator JOHNSTON. Can they lease it out to somebody else?

Mr. JOHNSTON. Yes, they could.

Senator JOHNSTON. They would be the owner of the right of occupancy, in effect?

Mr. JOHNSTON. Right.

Senator JOHNSTON. On these airports, what is wrong with the airport in Saipan?

Mr. JOHNSTON. There is under construction right now an airport in Saipan that will have, roughly, a 9,000-foot runway with a 500-foot overrun on each end. This airport is near completion.

It will be completed some time next year. There will be nothing wrong with it. There are two things wrong with the present airport. One, it was built for small fighter planes and takes a terrific beating from the heavier jets and commercial air transportation.

Secondly, it is not long enough.

Senator JOHNSTON. The one in Saipan will land the 747's from Japan, et cetera?

Mr. JOHNSTON. The new one will. The old one will not, sir.

Senator JOHNSTON. What is wrong with the airports on the other islands?

Mr. JOHNSTON. Majuro has a completely modern airport, similar to the one that we are building in Saipan. So that is no longer a problem. The airport at Ponape is sufficient, except that under the budget, at the time it was built, there was no money for servicing.

It is a compacted coral runway that needs to be surfaced.

Senator JOHNSTON. Why?

Mr. JOHNSTON. Because it will eventually deteriorate, Mr. Chairman, under the constant pounding of jets. It would have to be totally rebuilt, which is even more expensive than surfacing it.

Senator JOHNSTON. It has been in operation now with 727's for 5 years?

Mr. JOHNSTON. No, sir; it has been in operation, roughly, for 3 years.

Senator JOHNSTON. Three years with jets. How does it deteriorate? I understand they have initially a problem with the coral, but they got a coral guard on the airplanes. They fitted it.

And I understand that Continental thinks that the coral airports are pretty safe. That the surface is, but the surface deteriorates?

Mr. JOHNSTON. That is right. The coral in heavy rains and constant landings of airplanes, the coral surfacing—the same way with roads, Mr. Chairman. They will be fine until bad weather sets in.

Over a period of years of usage, the coral tends to break up and wash away. Then holes in the road, or the runway, have to be filled in.

Senator JOHNSTON. How many flights a day would come into, say, Ponape?

Mr. JOHNSTON. How many flights a day? Well, there is a flight into Ponape, I believe, 6 of the 7 days a week, going in one direction or another. Also, Air Nauru lands jets in Ponape, four times a week.

Senator JOHNSTON. Who is that?

Mr. JOHNSTON. Air Nauru.

Senator JOHNSTON. Where are they from?

Mr. JOHNSTON. From the Republic of Nauru.

Senator JOHNSTON. What kind of planes do they land?

Mr. JOHNSTON. They have a Fokker 828, which is a twin engine jet, somewhat similar to the Boeing 737, but much smaller.

Senator JOHNSTON. You have maybe nine take-off and landings per week?

Mr. JOHNSTON. Yes, sir.

Senator JOHNSTON. It is not really what you would call constant pounding by jets?

Mr. JOHNSTON. No; it does not get anywhere near the constant pounding that the airports at Guam or Saipan or Majuro get.

Senator JOHNSTON. We are getting a new airport built at Saipan and Majuro?

Mr. JOHNSTON. The one at Majuro is completed; yes. But I might say one thing, Mr. Chairman. This whole program of airport expansion is in cooperation and participation with the FAA, under the Airports and Airways Improvements Act.

Seventy-five percent of the financing comes from Federal grants outside the trust territory budget. What we talk about is our matching 25 percent, which has been a tremendous help.

The Kusaie area, which is now part of the Ponape District which has no airport and for all practical purposes is virtually shut off from the world, a new airport is being designed for Kusaie in cooperation with the FAA at every stage of the development.

And matching funds would be needed to meet the Federal appropriation through FAA sources.

Senator JOHNSTON. Do you have a detailed capital improvements budget?

Mr. JOHNSTON. Yes sir, I would be glad to submit it for the record.

Senator JOHNSTON. Do you have it with you?

Mr. JOHNSTON. Yes, I do.

Senator JOHNSTON. Does it show 5 years of capital improvements?

Mr. JOHNSTON. Yes; this shows 1970 through 1975.

Senator JOHNSTON. Do you have a construction schedule or an expenditure schedule? For example, we are looking at courthouse in Truk; \$200,000 in fiscal year 1971, a \$200 appropriation.

Was that finished, that courthouse in Truk?

Mr. JOHNSTON. Yes, sir, it was.

Senator JOHNSTON. In 1971?

Mr. JOHNSTON. I believe it was 1971. It may have gone over in 1972. But it is in operation at the present time.

Senator JOHNSTON. We would like that, particularly, on some of the bigger projects, the schools. Some of them have 3-year funding.

I am wondering, particularly, those put under contract. Here is educational facilities in Truk, with funding up to 1975. We ought to know how you came out on that for your last fiscal years.

Did you run over? Did you run under? We ought to have a statement about past history as well as a statement of what projects you intend to take up in the future, when you intend to approve them, what the construction schedule is, completion date.

Mr. JOHNSTON. I might say this, Mr. Chairman. There had been considerable criticism of the trust territory government in years past by the Appropriations Committee for the failure to obligate funds in a timely manner.

This, despite the fact that funds would not become available to us until the fiscal year was 30 percent completed. We made every effort to obligate them. In the past fiscal year, in fiscal 1974, at the end of the year it was just under \$3.2 million of unobligated funds.

So we obligated virtually all of the funds that had been appropriated for the trust territory, up to and including fiscal year 1974. We do not have at this moment the backlog of appropriations that we had at one time, unobligated funds.

Senator JOHNSTON. I see here in Yap, fiscal year 1972, \$600,000 appropriation; fiscal year 1973, \$200,000 appropriation. You say you have to build seven airports. Do you have to rebuild something in Yap?

Mr. JOHNSTON. Yes, sir, the airport in Yap has been a highly controversial issue for a number of years, as to the site, where it should be built. The present one is definitely inadequate.

At times it has been closed to jet traffic while the FAA insists that we make certain temporary repairs. Until we do, the planes cannot land there. The present proposal is to realine it by approximately 7 degrees.

But to keep it in the same site. This will solve the problem, without building a completely new airport. The same is true of the Palau airport. Neither the Yap, the Palau nor the Truk airport—all three of them will be extended, surfaced, and in two cases realined.

But we do not have to build a completely new airport, as we are doing in some of the other districts.

Senator JOHNSTON. Do you have a 5-year program extending from here forward?

Mr. JOHNSTON. We do at the present time, yes.

Senator JOHNSTON. For example, you are requesting fiscal year 1975 \$20 million. This is \$20 million additional; is that right?

Mr. JOHNSTON. No, sir, that is not.

Senator JOHNSTON. Fiscal year 1975 \$20 million; fiscal year 1976 \$75, fiscal year 1978 \$30, and so forth? We ought to have a justification of that for the future years.

Mr. JOHNSTON. We have here, as we submitted it to the Interior Department, a 3-year plan for 1975 to 1977 and a 5-year plan, 1975 through 1980.

Senator JOHNSTON. May we have that for the record?

Mr. JOHNSTON. I am questioning, Mr. Chairman, the propriety of our submitting something to a congressional committee which has not yet cleared the Office of Management and Budget, and the administration.

There are certain stages at which we can submit things. This is our submission to the Interior Department. I am perfectly willing to have the committee look at it, but I want to make sure it is correct, under Interior Department and the U.S. Government procedures.

Senator JOHNSTON. I am suggesting that you are asking this committee to approve an increase of several million dollars. If Interior does not want to let us have it, for my part, I certainly would not approve of the increase.

I do not want to get you into any hot water, but—

Mr. JOHNSTON. Do not worry about that, Mr. Chairman. I am in hot water 365 days a year, 24 hours a day; so I am perfectly used to it.

Senator JOHNSTON. Would you like to clear this with Interior and then submit it?

Mr. RADEWAGEN. I do not know what the procedures are. I think you ought to check. Mr. Chairman, we would like to check with OMB and the Department, if we could, before that is made a part of the record; if that is all right.

Senator JOHNSTON. All right. In any case I do not think this contains the kind of breakdown we would want. For example, this specifies certain amounts of money by category but not by project.

Mr. JOHNSTON. That, Mr. Chairman, was just a preliminary 5-year plan. We go through that process, and then each year submit a budget to the Interior Department which they, in turn, submit to the Office of Management and Budget, and in turn to the Congress of the United States.

Each year the 5-year plan is revived, almost totally redone, in fact. That is just our first effort to meet a certain deadline in the Federal budgeting process.

Senator JOHNSTON. Let us return this to you. What we would really need is a full 5-year plan, identifying where the money is going, when it will be spent, and on what projects.

I know that that is a large order for you. But it is a pretty large order for this committee as well to increase funding in this day of budget paring. I might add that Congress is in a very, very budget-paring mood.

We have voted cuts in many budgets that involve essential items, or at least essential in the eyes of many Senators. We cut some \$7.1 billion from the Defense budget the other day.

We are cutting other budgets as well. Every single budget increase must be looked at very carefully, and well justified.

Mr. JOHNSTON. If I might make the point, Mr. Chairman, once we receive the ceiling authorization from your committee, this does not in any sense mean that the money is thereby appropriated.

We still must justify every expenditure, every nickel, by individual project, in very lengthy hearings, before the appropriate subcommittee of the Senate and House Appropriations Subcommittees.

Senator JOHNSTON. I understand how the process works, but you have to get past this committee first.

Mr. JOHNSTON. Last year of the \$60 million authorization we were only actually appropriated \$58 million of it. And some years in the past we have been considerably under ceiling.

But in the most recent past we have usually been appropriated up to approximately what the ceiling is established, the established ceiling. But we will be happy to provide this committee whatever information it needs to substantiate our request.

We will be more than willing to do that.

Senator JOHNSTON. Fine. We look forward to getting that material, when you do have it cleared by OMB, and I understand what your problem is there. Thank you very much, Mr. Johnston.

We are always glad to have you appear before this committee.

[The prepared statement of Mr. Johnston follows:]

STATEMENT OF EDWARD E. JOHNSTON, HIGH COMMISSIONER, TRUST TERRITORY OF THE PACIFIC ISLANDS

Mr. Chairman and members of the committee, it is indeed a pleasure for me to appear before this Committee to urge the enactment of new and higher ceiling legislation for the Trust Territory of the Pacific Islands.

Mr. Chairman, progress has been made in recent political status negotiations to the extent that it is possible to look only five or six years into the future to the end of the Trusteeship Agreement and the concurrent emergence of a new Pacific nation of Micronesia. That leaves only five or six years to develop the economy of Micronesia to a point of relative self-sufficiency. And it leaves only five or six years for the United States to meet the commitments it made over twenty-five years ago to promote Micronesia's political, social, educational, and economic development.

The ceiling legislation under consideration would allow the United States to meet those commitments, especially in the area of economic development. Political, social, and educational development has proceeded well. There is a functioning Congress of Micronesia, several members of which are with us today at this hearing. There are schools and hospitals and a junior college and wide range of social services available to the people of Micronesia. But development of the private economic sector has not kept pace with progress in other areas. The prime objective of the higher funding ceilings we are requesting will be the economic development of the islands.

This is a very expensive proposition in Micronesia. The growth of the tourist industry, for example, requires that not one but seven multi-million dollar jet airfields be built and operated. Likewise, there is a need for multiple docks and utility systems and road networks to allow development to occur in each of the scattered population centers. It would be far less expensive to develop a tourist industry or a fishing industry if Micronesia were one large island rather than 2,000 scattered across three million square miles of the Pacific. But this is not the case, so that duplicate facilities will have to be provided if all of the districts are to develop their economies.

The higher authorization ceilings of \$60 million for each of the past four years, have allowed significant progress to be made. Majuro for example, has a new airport and Saipan's is well on its way to completion; Ponape has a new dock. But the magnitude of the task and the rapidly rising costs of putting in place the

infrastructure needed for economic development requires funding levels higher than \$60 million during the remaining years of the Trusteeship.

The ceiling legislation before this committee would allow the Trust Territory to seek \$75 million in FY 1975 and \$80 million in FY 1975 constant dollars in FY 1976. Most of the additional funding being sought would be used to complete the physical facilities needed for development.

For FY 1975, over \$5 million will be sought for additional inter-island ships to replace our obsolescent fleet. One new ship, the "Micronesian Princess" has just been delivered and is now on its maiden voyage in the islands. These are ships specifically designed to service islands that have minimal docking facilities. The ships are vital to development of the outer islands, especially in the copra trade which is Micronesia's principal export. An additional \$3.6 million will be sought to augment the power generation and distribution capacity of Saipan to keep pace with its now rapidly growing tourism development. Social development will not be ignored however, as there will also be requested about \$1.5 million for a hospital in Yap and for dispensaries throughout the Territory.

The additional funding which could be sought under higher ceilings for FY 1976 would allow for major expansion in both the inshore and offshore fishing industries. A fleet of new modern tuna boats would be built, for eventual resale to local entrepreneurs, which will allow Micronesians to tap their rich marine resources. A major new dock and industrial complex would be undertaken in Majuro. Funding for construction of airports on Truk and Kusaie would be sought and for design of new airports for Yap and Palau. Over \$5 million for road construction and paving would be requested for work in all districts except the Marshalls, whose road system is essentially complete. Utility systems would be upgraded in all districts. Design studies would be undertaken for the utilities required to support a major fisheries complex on Dublon Island in the Truk District.

Funding at the levels being proposed for FY 1975 and FY 1976 and under consideration for future years, should allow the United States to leave behind for use by the Micronesian people, a physical plant that includes an airport, a dock, a paved road system, and adequate utility systems in each major population center. There will be fully developed medical and educational facilities to ensure a trained education and health workforce. Outer islands will not be neglected and there will be community utility systems provided as well as a new fleet of ships to move people, trade goods, and copra among the islands. With seed capital provided for private business and with the encouragement of private capital inflows, Micronesia will have all the necessary tools for sustained economic and social advancement.

Mr. Chairman, I most strongly urge the committee to give favorable consideration to our request for higher ceilings for the next several years. I firmly believe that such action is in the long term interests both of Micronesia and of the United States.

Senator JOHNSTON. Our next witnesses are Senator Bailey Olter, from the Congress of Micronesia, who will be accompanied by Senator Raymond Setik, and Brian Farley, Administrative Office and Public Information Specialist.

Gentlemen, we are very glad to have you. We are glad to have you before the committee. You may read your statements or summarize it, and we will put the whole thing in the record, as you prefer.

**STATEMENT OF HON. BAILEY OLTER, TRUST TERRITORY OF THE
PACIFIC ISLANDS; ACCOMPANIED BY HON. RAYMOND SETIK;
AND BRIAN FARLEY, ADMINISTRATIVE OFFICER AND PUBLIC
INFORMATION SPECIALIST**

Senator OLTER. Thank you, Mr. Chairman. First, I would like to introduce the members of the Micronesian Congress. We have Senator Raymond Setik of Truk and our Administrative Officer and Public Information Specialist, Mr. Brian Farley.

We have a joint statement, Mr. Chairman, which I would like to read for the record. Mr. Chairman, it is a pleasure to appear once again before this committee and have the opportunity to represent the people of Micronesia at these hearings concerning proposed new ceiling legislation for 1975 and 1976.

We have appreciated your concern and assistance in the past with regard to budget matters and look forward to such at these hearings in the future. At the outset, I would like to draw our attention to the fact that our budget concerns, such as the subject legislation before us now, are increasingly becoming tied into the future political status of Micronesia.

Not only will this legislation have an impact on the daily lives of our people, but it will also greatly influence the foreseeable period of transition into a new status with the United States and also influence the post transition period during which Micronesia will become internally self-governing.

Because of this need to increase Micronesian control and responsibility for our civil administration, Mr. Chairman, I would like to reiterate the desire of the Congress of Micronesia that it be given the final authority to allocate funds from a block grant for the Trust Territory of the Pacific.

This step has been requested for several years now, not only by the Congress of Micronesia, but also by the trusteeship council and it has also received the support of our High Commissioner, Mr. Johnston.

With this request in mind, I now wish to turn to the legislation before us which proposes to implement new funding levels for the next 2 fiscal years. Clearly, Mr. Chairman, these proposed increases are needed, and while we are uncertain as to if they will prove to be sufficient, there is no doubt in our minds that increases are necessary.

We say this because it is obvious that at the present level of funding, not all the basic important infrastructure needed for a self-governing Micronesia can be completed before the end of the transition period.

And at this point it should be noted that this is a basic infrastructure. There are no frills or luxury items, in these projects. An increase in ceiling will thus put us closer to the mutually desired objective of bringing Micronesia closer to economic sufficiency, so necessary under a new political status.

Therefore, it is our position that new authorization levels must take into account the following factors: One, Micronesia is not a department or agency of the United States. It is a developing nation.

It is a growing entity. Micronesia is a place of growing population, of an increasing tourist trade, and of a widely fluctuating market for its primary agricultural product, copra.

Senator JOHNSTON. If I may interrupt you there. What were the exports of copra last year? Do you know that, Mr. Wilson?

Senator OLTER. The amount in terms of dollars, roughly about \$5 million.

Mr. WILSON. \$4 to \$5 million probably, Mr. Chairman.

Senator JOHNSTON. That is up considerably from what it was a couple of years ago; isn't it? The market must be coming back for copra. Excuse me for that interruption.

Senator OLTER. Micronesia, with its ocean is also a place of vast potential for development of marine resources. Any budgeting for Micronesia must be flexible enough to account for these vital facts.

Two. Rising costs. From an overall point of view, the authorization for Micronesia should take into account inflationary factors for both construction projects and personnel services.

The long lead time inherent in the present budgetary process sometimes results in what was a sufficient and effective funding level being overtaken by inflationary influences.

Three. Flexibility. The amounts authorized for appropriation must be based on a flexible principle to allow for adjustments as future events warrant it. The converse of this would be to keep returning to the U.S. Congress for additional requests, or for new ceiling legislation, both courses being both costly and time-consuming.

Four. Changes. The maximum ceiling amount must take into account that there may be emergency and unexpected changes and additions which will occur during the authorization period.

Since much of the budget is devoted to capital improvement projects, and all of these projects are priority items, allowances must be made for additional items or cost changes.

If allowances are not made for change, then projects will be deferred with the consequent effect of deferring transition into self-government.

Five. Categorical assistance programs. Under the present legislation an additional \$10 million is authorized for fiscal years 1974 and 1975 for Federal programs which would be lost as a result of revenue sharing in the United States.

A determination must be made as to how this matter must be handled for the fiscal years now under consideration. If no allowance is made for continuance of some of these programs, then they will either have to be dropped entirely, or funded in some limited way from the already overstrained fiscal capabilities of the Congress of Micronesia which, as you may know, has enacted revenue sharing legislation effective beginning next year.

Neither of these two latter possibilities appear to be feasible.

Six. Status and transition. Lastly, new ceiling levels for funding should take into account any changes or additions which might result from developments in the transition period related to Micronesia's future political status.

Given the present intentions of the Marianas Islands District, it is a distinct possibility that funding for a new capital of Micronesia might have to be sought within the period of the proposed authorization, or that funding for planning for this eventuality might prove necessary.

Assuming the foregoing factors are utilized in defining the funding levels to be authorized, appropriations will be sought primarily for capital improvement projects, and to a lesser extent for operations which cannot be accommodated in the projected limits for operations and maintenance.

Therefore, the bulk of capital improvements projects will be for infrastructure. Of first priority in this area, because it has such a vital multiplier effect on all aspects of life in Micronesia, will be the con-

struction of a fleet of versatile interisland field-trip vessels which can meet the present docking and harbor conditions in Micronesia, and can also accommodate containerized cargo.

Senator JOHNSTON. Excuse me, Senator. Why do you need containerized ships in Micronesia?

Senator OLTER. With the conditions of shipment nowadays we have started constructing a fleet and the first one is now in Micronesia, that is capable of handling containers. This of course reduced not only pilferage and other undesirable breakages and spoilage.

It also cut down on the labor.

Senator JOHNSTON. You say interisland; is that from one island to another, or from stateside to Micronesia?

Senator OLTER. The field trip vessels are strictly between districts.

Senator JOHNSTON. Just within the districts. And you need containerized ships, within the districts. In other words, from one island to another you use containers?

Senator OLTER. Yes.

Senator JOHNSTON. I see.

Senator OLTER. Also of equal importance will be the rehabilitation or construction of hospitals, schools, and airfields.

While it is our intention to keep down the costs of operations in future years, there will also be a need to use a lesser portion of the authorization for transportation, medical support, and other operations and maintenance services, including utilities.

Also included in this area will be funds for economic development planning which rates an extremely high priority for us at this time. We consider this area of first-rank importance in achieving greater economic self-sufficiency in the future.

We say this, because we can see that in the not too far future, Micronesia like other developing countries will have to reorient its government expenditures and total growth on the basis of total resources available, and not on the basis of a myriad of needs which cannot be met due to constraints in income, manpower, and natural resources.

Therefore, Mr. Chairman, we ask your support in favorably considering increases in the ceiling for the next 2 fiscal years, and that our concerns as expressed be taken into account in enacting this legislation.

If this is accomplished, then we feel certain that a period will be reached in the future where our funding requests will decrease as economic growth, made possible by a completed infrastructure, will allow Micronesia to increasingly rely upon its own economy.

Thank you.

Senator JOHNSTON. Thank you very much indeed, Mr. Congressman. It is always a pleasure to have you here in Washington to testify before our subcommittee, accompanied by your two distinguished colleagues.

Let me just say that I am sure it is no news to you that the mood of the Congress is very much one of austerity and budget-cutting. I think Senator Goldwater was quoted yesterday and today as saying that all Federal employees, including Members of Congress, should cut their salaries 10 percent each.

I think, frankly, that is a good idea for those who can afford it. The point is, with that kind of sentiment in this Congress, and with the average American being so severely cut by inflation, with his take-home pay in real dollars going down, the gross national product of the country going down, it is very difficult to get increases in budgets.

I am not saying that we cannot do it, and you do not deserve it and that we will not try to do it. But I want you to understand the context in which the Congress has got to look at all budgets, the Micronesian budget included.

I know this is part of the status negotiations. I think to the extent that it is part and parcel of the status negotiations as opposed to the ordinary recurring request, it may be premature.

In other words, I think once we have the agreement concluded, and Congress agrees to it, that would be the time to implement that part of the increase which represents simply that new status, as opposed to the area of increases.

I assume, Congressman, that when the new status is concluded that your concern about control of the budget in a block grant would be totally met.

I would assume that that is part of the tentative agreement, that such moneys as Micronesia gets from the United States would be in block, with no control at all by the United States; is that correct, Mr. Wilson?

Mr. WILSON. That is correct; yes.

Senator JOHNSTON. Certainly at that early date, whenever that new status is concluded we should be able to take care of that concern. The direction, of course, of the Congress has been each year to give more and more autonomy to Micronesia.

And, looking forward to the total self-government, when these agreements are concluded. I hope and trust they will be successfully concluded very soon. In the meantime, as I say, I just wanted to impress upon you the general mood of the Congress to any extent that you are not familiar with it.

It is a very austere, very budget-cutting mood. Gentlemen, again I want to thank each of you. Did either one of you Congressmen or Senators have anything you particularly wanted to add?

Senator SETIK. No.

Senator JOHNSTON. Thank you very much for coming. We appreciate your presence.

Senator OLTER. Thank you.

Senator JOHNSTON. Our final witness today is Mr. Richard Thorpe, of Carlsbad, N. Mex. Mr. Thorpe has made some allegations which are presently being investigated by both the Justice Department and the permanent subcommittee, the permanent investigation subcommittee.

For that reason, we do not propose, Mr. Thorpe, today, to go into full investigation of the charges to the extent that the permanent investigating subcommittee will. But we would very much like to hear from you on the subjects before this committee, insofar as they relate to the funding of the new budget, and anything you want to discuss here today.

STATEMENT OF RICHARD THORPE, CARLSBAD, N. MEX.

Mr. THORPE. Mr. Chairman, I want to thank you and the committee for allowing me to appear here to testify. But I want to state one thing. I am not glad to be here. I was forced into this.

I found out, as I go through life, that you cannot fight them with your back. You have to face them. What they are doing in the trust territory with American money, and I am referring to American officials, is a scandal, spelled in capital letters.

Now I will do my best to read you the statement. I am not in the same world as you are, Mr. Chairman. I am educated in the field of machinery, but I know my business. Here is where it starts.

On about May 3, 1973, I was given information by one of the machinery dealers on Okinawa that there were six generators for sale by the trust territories government on the island Palau in the trust territory.

I took a plane to Saipan and found out that these generators were for sale and that I was to contact a man by the name of Sakuma, who was supposed to be a Government official handling this property.

Senator JOHNSTON. Excuse me. You are from New Mexico. How do you get out in Saipan?

Mr. THORPE. I am a rigger, and I travel all over the world. I move heavy machinery. I specialize in lowering tanks from heights, moving heavy machinery. I travel around the world from Australia to Hong Kong to South America and Canada.

Senator JOHNSTON. Go ahead.

Mr. THORPE. I was told that Mr. Sakuma was in the Navy hospital on the island of Guam and that he was the man that handled the surplus equipment.

I talked to Mr. Sakuma in the hospital and he told me to go down to the island of Palau and I could make a deal with his son, Benjie. I went to the island of Palau and talked with his son.

He told me the same. That this equipment had been offered for sale and there were no bidders and that I could make a deal with him as they controlled the equipment. I gave Sakuma's son \$100 as a retainer until I could make a check on the port facilities and to the availability of cranes or rigging that I may need in the operation for removal of these machines.

I talked to David Saew of the public works and also to Mr. Malsol, who told me that I had to work through Sakuma as he was the Government official who controlled the surplus property on the island of Palau.

I returned to Guam and made arrangements for rigging equipment and then returned to Palau which was a period of some 2 weeks. Mr. Sakuma had returned from the hospital and he asked me for more money and at that time I asked him for the papers on the generators which he promised he would deliver within a few days.

I gave him \$500 more and then waited a few more weeks but I kept asking Mr. Sakuma for the bill of sale on this property and he told me that he would make the arrangements to pick them up as I informed him I would not start to move any machinery until the deal was complete.

I then discovered that the papers that he was referring to were survey papers which stated clearly that this was still U.S. property and not the property of the trust territory or Mr. Sakuma.

It was then that I realized that these American officials both on Saipan and the island of Palau were disposing of American property in an illegal manner. On July 6, I sent a telegram to the High Commissioner Johnston in which I received an answer on the same day and was informed that it would be a waste of my time to visit Saipan.

I flew to Saipan on Saturday morning and I immediately was given a note by the clerk of the Royal Taga Hotel asking me to meet with Mr. Miyamoto. On Monday morning I met with Mr. Miyamoto who is attorney general and the discussion that Mr. Miyamoto brought up was on the lines of how much have you sold?

How much have you removed? And, who did you sell it to? There was nothing sold or removed from the public works building at any time. The only thing that was done there was cleaning of new parts and the preparation for packaging which was never completed.

This meeting with Mr. Miyamoto lasted some 20 minutes in the presence of a lady attorney and one other trust territory official.

I told Mr. Miyamoto that I was there to see Mr. Johnston and I spent some 2 months on the island of Saipan trying to get an appointment with Mr. Johnston, the High Commissioner, with no results and was side-tracked from Mr. Miyamoto to Mr. Peter Coleman, from Mr. Coleman to Mr. Zackrey, from Mr. Zackrey to Mr. Peterson.

This was a game of passing the victim in hopes of wearing him out both financially and mentally. High Commissioner Johnston refused under any conditions to see me or to hear my side of the story.

While on the island of Saipan a man by the name of Lewis introduced himself and told me that he had completed a deal on the purchase of a refrigeration barge from the trust territory for Philippine Packing, which is a subsidiary of Del Monte Food Co.

He bragged about the price of \$165,000 and told me that it was completely rebuilt. This barge cost the U.S. Government \$1,600,000, and would have scrapped out to \$225,000.

The barge was guaranteed to the Philippine Packing Co., to be in perfect condition, in a sales agreement and this is unheard of in any surplus deal. These documents are in the hands of the Navy and the Justice Department.

I then flew to the island of Guam. I was told that the Justice Department had an attorney who could help me, by the name of Duane Craske.

I talked to Mr. Craske and got an appointment with him and explained the situation with very poor results as far as Mr. Craske was concerned. I later learned that Mr. Craske, on October 29, had sent a signed memorandum to his superiors in the Justice Department informing them that the Navy intelligence had conducted an investigation into my charges and found them groundless.

I did not know of this memorandum until I returned to the United States in January of 1974. This memorandum was read to me in the presence of an FBI agent by the name of Jim Tyson and myself by

Mr. Baise who was Deputy Attorney at that time in the Justice Department and who is now in private practice.

Incidentally, he is in Mr. Ruckelshaus' office. Mr. Baise immediately called the Navy and the Navy denied that any investigation had been made in any form, and Mr. Baise told me that he would turn the papers over to the Criminal Division of the Justice Department and let them handle Mr. Craske.

But the Justice Department has refused to prosecute this attorney for lying in the memorandum to his superiors. I have since filed charges against Mr. Craske with the State bar association in Portland, Oreg.

I was in contact with Mr. Tony Peron, of the Navy Intelligence Service on Guam from August until the end of December and he informed me that he could do nothing without an order from the Justice Department.

He called Mr. Craske and talked to him about the case and I took copies of documents that my attorney, Mr. Bill Nabors, had obtained for me while I was on Saipan to Mr. Craske as well as documents that were given to me by members of the legislature on the island of Saipan.

Also the documents of the sale of the barge to the Philippine Packing Co. This barge was sold by the trust territory without the proper advertising or spot bid sale procedure that should be used, whether sold by any territory or by the U.S. Government.

There was a document that was given to me by members of the district legislature on the island of Saipan asking me to please help, if I got to any official in Washington.

Senator JOHNSTON Mr. Thorpe, let me interrupt you there. I have read your statement in full, and I would like to ask you a few questions about it.

Your charges are now being investigated by Senator Jackson's permanent Subcommittee on Investigations.

Mr. THORPE. Yes; by the GAO, by the Navy, by the CID, and by the Justice Department.

Senator JOHNSTON. You are satisfied that it is being thoroughly investigated now?

Mr. THORPE. I pushed all the way to the total of \$25,000 of my personal money, Mr. Chairman; \$1,600 in phone calls to the Justice Department, to the Department of the Interior, without an answer.

The only man that has treated me and shown any decency or respect has been Senator Jackson, and he is 100 percent behind it.

Senator JOHNSTON. Now, as far as the items you are personally familiar with, we have the item of the generator.

Mr. THORPE. There are six generators.

Senator JOHNSTON. Six generators. Then with this barge, did you just receive information about that?

Mr. THORPE. I will be very frank. This man could not hold his liquor. I am not a drinker, but on the island of Saipan—

Senator JOHNSTON. What I am trying to say is, you were not trying to purchase the barge?

Mr. THORPE. No; but I had the right to bid on it, had it been put up properly on public bid. I want to explain something else to you, Mr. Chairman. That barge, put up on the proper bid system, like I forced them to put those generators, after I was involved to the tune

of some \$13,000 to \$15,000 in expenses, in the harbor of Hong Kong, China or Singapore they would have brought \$350,000.

I would stake my life on it. That is my business. I know my machines.

Senator JOHNSTON. Do you know, of your own personal knowledge, what happened—this barge got to what, \$165,000? Do you know what happened and who profited on the deal?

Mr. THORPE. Who was in on it?

Senator JOHNSTON. Yes.

Mr. THORPE. If you look at the contracts, you have copies of the contracts up here. The bill of sale is signed by Mr. Peter Coleman, the Assistant High Commissioner, and by Zachary, who, as I understand, promoted the deal.

When I approached Mr. Zachary he did not know that I talked to this man the night before. Mr. Zachary flew into a rage, denied it, then admitted it. This barge was rebuilt, in Pusan, Korea.

It was the last barge brought out. It was never in the possession of the trust territory, physically. It was towed directly from Dasun Shipyard to the Philippine Packing Co.

Senator JOHNSTON. We have before this committee a budget request, a request for an authorization; based on the information you have in your statement, what should we do with the budget request?

Mr. THORPE. Turn it down. Under High Commissioner Johnston not even the \$61 million should be allotted. If you will look at GAO's slip in front of you that was put out in 1970, saying that they are misappropriating funds, it is right in front of you.

This has just happened recently, although I do not know this man, Duane Craske, I have a copy of his statement where he spent money and built a port on the Island of Palau and called it Port Nixon.

The money was never appropriated. He took a ship by the name of Gunner's Knot, that was a piece of junk. Took it down to Korea and had it rebuilt at the expense of \$100,000. And I understand that money was not appropriated.

That is what is happening with that money out there. It is not going—if I may read another note to you, this came over from Saipan to a man, Bill Nabors, attorney for the legislature, if you will let me read it.

Senator JOHNSTON. This is what, now?

Mr. THORPE. A note from the attorney who was connected with the legislature on the Island of Saipan.

Senator JOHNSTON. You can put the note in the record—go ahead and read the note.

Mr. THORPE. I talked to Saipan last night to the attorney from the legislature, Mr. William Nabors. He informed me that the Legislature of Micronesia when it went into session—I think the connection wasn't so good.

I think he said 2 weeks ago—had congratulated President Ford on his becoming President. They also voted unanimously and asked the President to remove from the Office of High Commissioner, Mr. Johnston.

They are sick and tired of being controlled by a dictator. And want an end put to the mishandling of funds in the Trust Territory. He also informed me that this is the third time in 2 years that the legislature

has voted unanimously to remove High Commissioner Johnston from office.

Senator JOHNSTON. He is talking about the Micronesian Legislature?

Mr. THORPE. Yes, sir. Mr. Santo is the President, I believe.

Senator JOHNSTON. Such a resolution would eventually make its way to the Congress. So we would get the resolution itself.

Mr. THORPE. Mr. Chairman, I have some papers here, and I have talked to some men who said, "We should have it" and when they looked for it they never got to it.

Senator JOHNSTON. We have members of the Congress of Micronesia here today.

Mr. THORPE. They know about this, if they are here. He also informed me that the sewerage disposal line installed some 3 years ago is working only in a few sections, and is under constant repair by the Black Construction Co., in Micronesia.

Senator JOHNSTON. Mr. Thorpe, your charges are serious. They merit an investigation, and I am glad that they are being investigated. In my judgment, this committee cannot, other than recommend that charges for investigation—

Mr. THORPE. They are already under investigation. We know that.

Senator JOHNSTON. But you understand this committee cannot take charges before they are proven, as serious as they are, and cut a budget, disallow a budget which involves some 115,000 people in Micronesia, until they are investigated and the charges proved or disproved.

Then appropriate action should be taken. That is not to say that you do not have a very good case and cannot prove your charges.

Mr. THORPE. They have already been proven, Mr. Chairman.

Senator JOHNSTON. They have not been proven to this committee.

Mr. THORPE. I understand this.

Senator JOHNSTON. I am trying to tell you we cannot cut a budget based on that. I just want you to understand.

Mr. THORPE. This is what I am saying to you. If you do not want to listen to it, I will pick the high points. There is 56,000 tons of equipment that was shipped from Okinawa to the tune of \$795,000 in freight, and 90 percent of it cannot be found.

Where did it go? Mr. Carpenter, in a statement in the paper, admitted that a tremendous amount of tonnage—they did not know where it was—it disappeared. I do not see how you men can sit here and appropriate money before something like this cleared up.

These are facts. The only thing they have not found is where it went.

Senator JOHNSTON. It will be a fact, as far as this committee is concerned, when it is proven by the investigating committee. That is why the Congress is investigating it. In the meantime, Mr. Thorpe, we simply cannot let the Government stop in the Trust Territory.

Mr. THORPE. May I point out a few other things, Mr. Chairman? I heard Mr. Wilson and Mr. Johnston sit here and talk about the economy of the Trust Territory. They talked about everything but the coconut. The coconut on that island is the biggest asset those people have.

They have been out there 30 years, and done nothing with it. Today, in Indonesia and other countries around the world, you have the

coconut oil plants that are flourishing. This country could use that coconut, every bit of it, to feed the cattle and chickens.

The coconut oil is at its highest price. From the husk of the coconut wallboard can be made. Nothing has been done out there but cocktail armbending; that is what has been done out there.

I am a machine man, Mr. Chairman. I can show you. It is no secret out there. It is just a political playground and nothing else.

Senator JOHNSTON. In your judgment, the best thing, economically for the island, is the development of the coconut.

Mr. THORPE. Absolutely. That is the biggest asset. If you will look at those—

Senator JOHNSTON. Do you know what percent of copra there is used or exported?

Mr. THORPE. Someone told me last year 140,000 tons. It has to be 140 to 200 tons exported to Japan. It is done the crude way. If you put up the coconut oil plants with presses and that used to take the oil from the copra, you can produce.

And you will get those people out there, those natives, to plant the trees, to increase production of coconuts. I guarantee you that in 10 years this country would not have to put \$10 million in to help them; they would be self-supporting and have some respectability.

Senator JOHNSTON. Mr. Thorpe, we appreciate your testimony very much. We look forward to the results of this investigation.

Mr. THORPE. I hope you will study the documents before you, before this money is appropriated. Especially the one from GAO, which has already been put through.

Senator JOHNSTON. We will study all the documents. Thank you very much.

Mr. THORPE. Thank you very much.

[The prepared statement of Mr. Thorpe follows:]

STATEMENT OF RICHARD THORPE, CARLSBAD, N. MEX.

On about May 3, 1973, I was given information by one of the machinery dealers on Okinawa that there were six generators for sale by the Trust Territories Government on the Island of Palau in the Trust Territory. I took a plane to Saipan and found that these generators were for sale and that I was to contact a man by the name of Sakuma, who was supposed to be a Government Official handling this property. I was told that Mr. Sakuma was in the Navy Hospital on the Island of Guam and that he was the man that handled the surplus equipment. I talked to Mr. Sakuma in the hospital and he told me to go down to the Island of Palau and I could make a deal with his son Benjie. I went to the Island of Palau and talked with his son. He told me the same—that this equipment had been offered for sale and there were no bidders and that I could make a deal with him as they controlled the equipment. I gave Sakuma's son \$100 as a retainer until I could make a check on the port facilities and to the availability of cranes or rigging that I may need in the operation for removal of these machines. I talked to David Saew of the Public Works and also to Mr. Malsol, who told me that I had to work through Sakuma as he was the Government official who controlled the surplus property on the Island of Palau.

I returned to Guam and made arrangements for rigging equipment and then returned to Palau which was a period of some two weeks. Mr. Sakuma had returned from the hospital and he asked me for more money and at that time I asked him for the papers on the generators which he promised he would deliver within a few days. I gave him \$500 more and then waited a few more weeks but I kept asking Mr. Sakuma for the Bill of Sale on this property and he told me that he would make arrangements to pick them up as I informed him I would not start to move any machinery until the deal was complete. I then discovered

that the papers that he was referring to were survey papers which stated clearly that this was still U.S. property and not the property of the Trust Territory or Mr. Sakuma. It was then that I realized that these American officials both on Saipan and the Island of Palau were disposing of American property in an illegal manner. On July 6, I sent a telegram to the High Commissioner Johnson in which I received an answer on the same day and was informed that it would be a waste of my time to visit Saipan. I flew to Saipan on Saturday morning and I immediately was given a note by the Clerk at the Royal Taga Hotel asking me to meet with Mr. Miyamote. On Monday morning I met with Mr. Miyamote who is Attorney General and the discussion that Mr. Miyamote brought up was on the lines of how much have you sold? How much have you removed? And, who did you sell it to? There was nothing sold or removed from the Public Works Building at any time. The only thing that was done there was cleaning of new parts and the preparation for packaging which was never completed. This meeting with Mr. Miyamote lasted some twenty minutes in the presence of a lady attorney and one other Trust Territory official. I told Mr. Miyamote that I was there to see Mr. Johnson and I spent some two months on the Island of Saipan trying to get an appointment with Mr. Johnson, the High Commissioner, with no results and was side tracked from Mr. Miyamote to Mr. Peter Coleman, from Mr. Coleman to Mr. Zackrey, from Mr. Zackrey to Mr. Peterson. This was a game of passing the victim in hopes of wearing him out both financially and mentally. High Commissioner Johnson refused under any conditions to see me or to hear my side of the story.

While on the Island of Saipan a man by the name of Lewis introduced himself and told me that he had completed a deal on the purchase of a refrigeration barge from the Trust Territory for Philippine Packing which is a subsidiary of Del Monte Food Company. He bragged about the price of \$165,000 and told me that it was completely rebuilt. This barge cost the U.S. Government \$1,600,000, and would have scrapped out at \$225,000. The barge was guaranteed to the Philippine Packing Company to be in perfect condition, in a Sales Agreement and this is unheard of in any surplus deal. These documents are in the hands of the Navy and the Justice Department. I then flew to the Island of Guam. I was told that the Justice Department had an attorney who could help me, by the name of Duane Craske. I talked to Mr. Craske and got an appointment with him and explained the situation with very poor results as far as Mr. Craske was concerned. I later learned that Mr. Craske, on October the 29th had sent a signed memorandum to his superiors in the Justice Department informing them that the Navy Intelligence had conducted an investigation into my charges and found them groundless. I did not know of this memorandum until I returned to the United States in January of 1974. This memorandum was read to me in the presence of an FBI Agent by the name of Jim Tyson and myself by Mr. Baise who was Deputy Attorney at that time in the Justice Department and who is now in private practice. Mr. Baise immediately called the Navy and the Navy denied that any investigation had been made in any form, and Mr. Baise told me that he would turn the papers over to the Criminal Division of the Justice Department and let them handle Mr. Craske, but the Justice Department has refused to prosecute this Attorney for lying in the memorandum to his superiors.

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Palau and to Yap. There is now an investigation being conducted by the Justice Department, the CID, the Navy Intelligence and the GAO on my behalf and that of Senator Jackson, who has been the only person to have given me 100% support in an effort to expose this scandal and corruption which has been going on for some time. The article that was written by the Washington-Star News in August states that there is some 56,000 tons of machinery that has disappeared and some \$795,000 in freight on this equipment which was supposed to have been shipped to the Trust Territory but cannot be located. In this article Mr. Carpenter, Director of the Trust Territory admits that there is an enormous amount of equipment missing but he does not know the exact tonnage.

I ask this Committee to put the pressure on these officials that has been handling the Trust Territory and uncover the truth and remove these men from office as they are only taking the taxpayers money and mishandling it with no benefit to the Micronesian people. We are not helping these people. We are only creating free loaders and giving them a license to steal. We Americans have been on these Islands approximately 30 years and these people are not being helped except in one Department and that is Education, but as far as giving them a chance to increase their economy and to become self-supporting, we have accomplished little. Their greatest asset is the cocoanut which, if the cocoanut plants were installed, these people would have an opportunity to work and earn self respectability. They would be able to earn approximately one-half of the money that is now being appropriated to support the Territory of Micronesia. The copra, or the meat of the cocoanut, and the oil could be used by this country in feeding our cattle and chickens as it has a high protein and is now being exported to Japan. We would not only be helping the Micronesians in this venture but the Micronesians would be helping us. Their farming is not being helped by the Interior Department. The Interior Department's story is that the Micronesians are too lazy. Although under Japanese control the islands were growing sugar cane and farm produce that was shipped to Japan. We have handled this Territory very poorly and it has become a playground for the politicians.

I ask that no more money be appropriated under the Administration of High Commissioner Johnson until this situation is cleared and officials involved are prosecuted, as the corruption is uncovered. I also suggest that all surplus property be held under U.S. control and only loaned to the Territory or to any other agency or country that may ask our help. This equipment should be returned to the possession of the United States and stockpiled. As within the next 3 to 5 years the same equipment which we are giving away and selling on Okinawa, Korea, and Vietnam for \$70 and \$100 a ton will become scrap material that we will be forced to pay approximately \$300 a ton, plus the freight.

By loaning this surplus property it would halt all sales and corruption by any official. That all surplus equipment and scrap that is to be put on sale be handled by the U.S. property disposal.

Mr. JOHNSTON. Mr. Chairman, may I have a word for the record? Without engaging in any argument with Mr. Thorpe, since his accusations have become a matter of record before this committee and before the very active pencils of the press and the public media, I would like to state, for the record, that we consider Mr. Thorpe's charges totally unsubstantiated, libelous, and scandalous.

And that the investigation will bear that out. I thank you, Mr. Chairman.

Senator JOHNSTON. Thank you, Mr. Johnston.

Mr. THORPE. Mr. Johnston, I have a word for you. I might as well tell you directly. The President of the United States has all the documents.

Senator JOHNSTON. We will adjourn now, subject to the call of the Chair.

[Whereupon, at 12:20 p.m., the subcommittee was adjourned, to reconvene, subject to the call of the Chair.]

The text on this page is extremely faint and illegible. It appears to be a dense block of text, possibly a list or a series of paragraphs, but the characters are too light to be read accurately. The layout suggests a structured document, but the content is lost due to the quality of the scan.