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President: Mr. SCALABRE (France)

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Examination of the annual report of the Administering Authority for the
year ended 30 June 1975: Trust Territory of the Pacific Islands
(continued)

Report of the United Nations Visiting Mission to observe the plebiscite
in the Mariana Islands District, 1975 (continued)

Report of the United Nations Visiting Mission to the Trust Territory of
the Pacific Islands, 1976 (continued)

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EXAMINATION OF THE ANNUAL REPORT OF THE ADMINISTERING AUTHORITY FOR THE YEAR ENDED 30 JUNE 1975: TRUST TERRITORY OF THE PACIFIC ISLANDS (T/1772; T/L.1200)
(continued)

REPORT OF THE UNITED NATIONS VISITING MISSION TO OBSERVE THE PLEBISCITE IN THE MARIANA ISLANDS DISTRICT, 1975 (T/1771) (continued)

REPORT OF THE UNITED NATIONS VISITING MISSION TO THE TRUST TERRITORY OF THE PACIFIC ISLANDS, 1976 (T/1774) (continued)

The PRESIDENT (interpretation from French): I invite the Acting High Commissioner of the Trust Territory of the Pacific Islands and Special Representative of the Administering Authority, as well as the Special advisers, Senator Nakayama and Representative Setik, and Mr. Zeder, Director of the Office of Territorial Affairs of the United States Department of the Interior, to take places at the Council table.

At the invitation of the President, Mr. Coleman, Special Representative; Mr. Nakayama and Mr. Setik, special advisers; and Mr. Zeder, Director, Office of Territorial Affairs, took places at the Council table.

The PRESIDENT (interpretation from French): May I now, on behalf of the Trusteeship Council, extend a warm and cordial welcome to the Special Representative and the special advisers. They are here to provide the Council with information on the latest developments in Micronesia in the political, economic and social fields. There can be no doubt that this information will greatly facilitate the Council's examination of conditions in the Trust Territory of the Pacific Islands.

May I also, on behalf of the Council, extend a welcome to all the other officials who have come from Washington and from the Trust Territory of the Pacific Islands.

I now call on Mr. Fred M. Zeder, Director of the Office of Territorial Affairs of the United States Department of the Interior.

Mr. ZEDER: My name is Fred Zeder and I am addressing the Council today on behalf of the Secretary of the United States Department of the Interior. As the Council knows, the Interior Department has the primary responsibility within the United States Government by Act of Congress and Order of the President for the administration of the Trust Territory of the Pacific Islands. What I have to tell the Council today is intended to be fully supportive of the statements of Ambassador Scherer and the Acting High Commissioner, Mr. Peter Coleman. I will place particular emphasis on what has become the most important thrust of our administration of Micronesia since I became Director, that is, an intelligently organized and self-sustaining programme of economic development for the Trust Territory.

I first met with this Council on about this date over a year ago, when I attended the forty-second session as Director-designate. A couple of weeks later, on 20 June, I was officially sworn in.

Over the past 12 months, in contrast to the work schedules of my predecessors in this position, I have spent the greater part of my time in the Territories -- about seven months.

One of the most pressing problems which confronted me upon assuming the directorship of the Office of Territorial Affairs was to evaluate the effectiveness of the administration of our programmes in the Trust Territory of the Pacific Islands. In accordance with the recommendations made by the Senate Committee on Interior and Insular Affairs, which followed that Committee's investigation of the Trust Territory, my first assignment was to organize and direct a task force to carry out an intensive study and analysis of our programmes in the Trust Territory of the Pacific Islands. Copies of the report of that task force have been provided to members of the United Nations Trusteeship Council.

The report supports in a number of areas the findings of the Senate Interior and Insular Affairs Committee. It fully documents specific areas of mismanagement, poorly conceived and ineptly executed policies and programmes, and raises a number of questions concerning the continuing procedures and practices of this Office. More importantly, it provides what we believe will prove to be a sound solution to immediate problems. Further, it offers a realistic appraisal of the seriousness and magnitude of the challenge ahead.

(Mr. Zeder)

To improve operational efficiency in the Trust Territory, we established a three-phase programme, first, to identify and document the problem; secondly, to take immediate action and propose continuing action, and, thirdly, to establish vigorous and concrete implementation procedures.

It was quickly apparent that the biggest single problem in the Trust Territory could be summed up in two words -- inadequate accountability. Corrective action has been taken in eight vital areas: (1) accounting; (2) legal; (3) priorities. (4) capital improvements; (5) maintenance; (6) inventory; (7) personnel; and (8) decentralization.

With regard to accounting, we now have a new, fully staffed and operating financial management system, both here in the Office of Territorial Affairs and in Saipan. Since January 1969, "Letters have been exchanged, discussions entered into, conferences convened, visits made" and more than three quarters of a million dollars spent with an independent auditing firm to establish the fact that we had an accounting problem and that something needed to be done about it. Now it is being done.

I turn now to the legal area. We have, in co-operation with the Congress of Micronesia, begun restructuring and rewriting the Trust Territory criminal code. In the future, the law of the Trust Territory will more closely follow United States Federal standards. It will be sterner, more inclusive and more enforceable.

As regards priorities, we have, in co-operation with all district leaders and district administrators, begun establishing a firm and binding list of priorities for capital improvement projects and civic action programmes within clearly understood budget restraints. Furthermore, the Micronesians, perhaps for the first time, are facing up to the cold, hard fact that they have only five more years to select and put in place an infrastructure that they, on their own, will be required not only to maintain but also to count on for the revenues required to sustain continuing improvement in the standard of living that Micronesians select and deserve. The preferred choice of life style varies widely between districts. Therefore, in the establishment of priorities, each individual district has been given an opportunity to choose the type of infrastructure that will, in its judgement, best serve its future needs and well-being.

(Mr. Zeder)

I come now to capital improvements. The Trust Territory government has signed an agreement with the Department of the Navy giving NAVFAC-OICC the responsibility for contracting and subcontracting capital improvement programmes. The many instances of abuse, mismanagement, inefficiency and lack of accountability noted during the Senate Committee's investigation and by this office should not occur in the future.

As for maintenance, we have completely redirected the activities and responsibilities of the Department of Public Works in Saipan. The Department is now concentrating its energies and efforts towards the the maintenance, repair and servicing of all existing and future capital improvement projects. Training programmes are under way to provide the Micronesians with the management capabilities and physical skills necessary to keep their buildings from falling down, their machinery from rusting, their sea and air facilities from collapsing, their communications -- telephone and cable services -- from breaking down and their roads open. In short, they are now charged with keeping things operating.

I turn now to the inventory: We have, for the first time in eight years, made a physical inventory of all property and equipment owned by the Federal Government and the Trust Territory and for which they are accountable. New systems and businesslike methods for the control of purchases, the disposition of inventory and individual accountability for specific items are being installed.

We have made a number of changes in key personnel both in Washington and in Saipan. More will come. High Commissioner Edward Johnston has resigned, and Deputy High Commissioner Coleman has assumed full responsibility for administration as Acting High Commissioner. The former chief financial officer in Saipan is now stationed here in Washington and is reporting directly to me. A new Public Works Officer has been appointed in Saipan and his function has been redirected. The Director of Transportation and Communications in Saipan has been replaced and a new Acting Director has been appointed. The Attorney General has been reassigned to another Territory in a different capacity. A new Attorney General has been appointed and is now in Saipan. The Director of Planning in Saipan was

(Mr. Zeder)

notified of the termination of his contract, and we are now in the process of selecting his replacement. The District Administrator in Ponape has been terminated.

In Washington, in addition to my appointment as Director of Territorial Affairs, we have added a special assistant reporting directly to the director whose primary assignment is financial matters of Micronesia. Two other financial management staff members were added: a programme and budget auditor and a supervisory auditor. We are in the process of establishing an economic development commission under the Office of Territorial Affairs. The purpose of that commission will be to create a viable economic development capability not only in Micronesia but throughout the Territories.

Concerning decentralization, we have, with the co-operation and approval of the Congress of Micronesia and all district leaders, started a most comprehensive and sweeping programme designed to decentralize the headquarters complex in Saipan. The following functional departments now operate out of headquarters; they are similar to departments of the United States Government and are headed by cabinet officers called directors: Financial; Health Services; Public Affairs; Education; Resources and Development; Public Works; Personnel; transportation and communications.

Total operating expense approximates \$20 million a year. There are over 700 people employed. In 1975, 642 of these were Micronesians, and 95 were American civil service employees. It is estimated that when fully implemented the decentralization programme will eliminate as many as 500 of those positions. Studies are being conducted to find employment for these people in the private sector. There does not appear to be any problem of identifying jobs and qualifying individuals for future employment.

Under the programme for decentralization of headquarters, the executive function -- that is, the High Commissioner and his immediate staff -- will be trimmed down but left intact. The current headquarters complement of over 700 will be reduced to less than 300 over a four-year period. The administrative function -- the day-to-day operational personnel -- will be relocated throughout the Territory. Their offices will be staffed only with those numbers of qualified individuals absolutely necessary to carry out their

(Mr. Zeder)

specific missions. Decentralization will be carried out in a two-step programme: first, functional decentralization, which will be followed by the physical reassignment of individuals. Individuals phased out of employment in this process will be educated and trained to assume employment in the private sector. An employment office has been established to assist those individuals in gaining private employment.

This phase-down, occasioned by the decentralization exercise, is necessary for the following reasons:

First when the Trust Territory capital moves from Saipan to a new location, logistics and economics dictate that the transfer of only a small, compact, efficient nucleus be involved to provide for the continuation of orderly government at the new location;

Secondly, this small, compact unit will be in keeping with the type of Government envisaged in the draft constitution.

Thirdly, the new Government will be the one which the Micronesians can afford on reduced levels of funding under the new status.

Fourthly, the four-year phase-down process will not occasion severe economic impact on any individual or district and should give plenty of time for an orderly transition to a more efficient Government.

Fifthly, the entire exercise closely parallels the recommendations made by the United Nations Development Programme study completed recently. The net result will be politically, economically and logistically desirable as well as efficient. The private sector will benefit by minimization of the advantages that the government sector has previously had in attracting qualified personnel. All districts will benefit to some degree from the physical decentralization in that experts not absolutely required at a headquarters location will be divided among the districts, so that respective districts can receive priority attention to pressing needs. Those experts can be readily transferred from district to district, as desired, in order to give each district the opportunity for training in a given area. In other words, the present cumbersome and expensive bureaucracy will be modified and become a mobile, efficient unit for the greater benefit of Micronesia.

(Mr. Zeder)

At this point I should like to address myself to a personal comment. Essentially, I am an optimist by nature. What success I have enjoyed in business and civic activities has, however, taught me to be a realist. During this, my first year in government service, I have on occasion found myself expressing observations that have been somewhat short on amenities, blunt and lacking in that certain grace of diplomatic ambivalence. I seek your forgiveness if the preceding, or what follows, may be so categorized. In the interest of truly understanding conditions in Micronesia, I feel obligated to speak of realities and facts, not hopes and fiction.

During the past year I have testified on a number of occasions before the United States House and Senate Sub-Committees regarding matters concerning the Territories. I have always tried to give our Congressional representatives a candid and factual assessment of conditions in the Territories. My views have on occasion been considerably less optimistic than reports that you and they have been receiving over the years. For example, in the report I submitted last January in response to the Senate Committee on Interior and Insular Affairs, I said in a summary of the financial review,

"In short, the hard facts are that the Congress of Micronesia can realistically anticipate future gross receipt revenues of only about \$2 to \$3 million a year. There is simply no way the expenses of running the Government providing government services and maintaining an infrastructure can continue to operate without a huge and continuing capital commitment from the United States. On their own, they are bankrupt."

Nothing that I have seen since, nor anything I have heard in all the optimistic rhetoric or read in the \$5 million-worth of reports on economic development would lead me to alter that judgement. We have a list of economic studies going back to 1946 which enumerates these studies and their costs. Peripheral reports, probably totalling something over another million in cost, have also been done. The United Nations Development Programme is currently engaged in another million-dollar-plus study. Unless they are acted upon, these studies are useless.

(Mr. Zeder)

Tourism, copra production, agriculture, livestock, commercial fishing and handicrafts, by themselves or combined, will not generate enough cash flow to provide the present or projected funds necessary to support the Government at a level commensurate with past or future demands. The only viable business opportunity on the horizon is the proposed super-port at Palau. That gigantic oil storage and transfer station, funded by Iranian and Japanese interests, is of the magnitude that is needed.

(Mr. Zeder)

Here I should just like to comment, in regard to Ambassador Murray's observations and concern over the environmental impact, that we too in my office are very much aware of that. I shall be leaving tomorrow for Guam and will be visiting Palau on about 10 July. One of the purposes of my mission there will be to meet with the district leaders in Palau and our people there to determine the role of our mariculture centre in connexion with this study of environmental impact on Palau. We recognize that it is going to be necessary to have a completely impartial and objective source to do this, and we shall consider the possibility of expanding the mariculture centre there to include oceanographic studies. It is hoped that they could be the contracting source for an objective study to be made by some organization similar to Woodhole, the Scripps Institute or the Midar Corporation. We are aware of this and we hope we are taking a proper course of action on it.

Mineral exploration and a refining capability similar to the Amerada-Hess operation in the Virgin Islands are real possibilities in this area too. A refinery goes hand in hand with a storage capacity such as that being proposed for study in Palau. Incidentally, the Amerada-Hess operation on Ste Croix in the Virgin Islands in 1975 generated \$200 million in revenue, and in 1981 Amerada-Hess will be out from under a tax shelter that it is enjoying in the Virgin Islands now. At that time some \$100 million will become available to the people of the Virgin Islands to help in supporting their economy. If we had something just half as large as that in Micronesia, it would solve many of our economic problems.

Over the years, United States grants have been substantial, particularly when compared with other trusteeships. From 1947 through 1977, in an effort to fulfil our trusteeship obligations, the United States has expended and will expend more than \$824 million in grants for operational capital improvement programmes in Micronesia. The United States Treasury now annually provides \$866 to every man, woman and child in Micronesia. According to the Development Corporation Review of 1974, the following received per capita outside assistance in the following amounts: Papua New Guinea, \$77.20; Togo, \$8.56; Tanzania, \$7.88; Cameroon, \$7.20; Rwanda, \$7.09; Somalia, \$6.95; Western Samoa, \$4.72; Burundi, \$4.20; Ghana, \$4.10; Nigeria, \$1.05; and Nauru, nothing.

(Mr. Zeder)

In the United States the ratio of private employment to government employment is 12 to 1. In Micronesia, where 7,550 people out of a total work force of 15,800 work for the government, the ratio of private to government employment is nearly 1 to 1. The average annual wage earned is \$3,416 in government versus \$1,776 in the private sector. Total annual wages paid to government workers amount to \$25,806,000 as opposed to \$14,623,000 paid to those in the private sector.

In this year -- 1976 -- total United States grants to Micronesia will be almost \$100 million. It is estimated that Micronesians will generate from taxes, tourism and exports around \$17.5 million. This is an optimistic figure, and it has been somewhat misrepresented in the past. The fact is that, of the previously reported and hoped for revenues in the future, 38 per cent must immediately be returned to the districts and cannot be used to support the ever-increasing government obligations. In addition, more than \$3 million is required to fund the Congress of Micronesia and its activities -- that is \$1.7 million for congressional salaries and expenses and \$1.4 million for social security and other peripheral operations. This leaves an operating deficit for one year alone of around \$87 million. Over the past five years the operational deficit is half a billion dollars.

If the United States Government is willing to commit itself to a continuing 20-year period of subsidy -- five more years under the Trust Agreement and 15 under the local self-government -- the United States tax payer must accept an obligation exceeding two billion dollars. I personally believe that this is grossly excessive and totally unnecessary. Following the separation of the Northern Marianas under a commonwealth status, there will remain only about 100,000 people in the rest of Micronesia. With resolve and determination they can and should become self-reliant.

In April 1974 the Joint Committee on Future Political Status of the Congress of Micronesia proposed that 1981 be the target date for termination of the trusteeship. The United States Government accepted that date and expressed the hope that the Marshalls and the Carolines would have selected the form of government under which they, through their own free choice, could guide their destiny. It is assumed that their future status will be an act of full

(Mr. Zeder)

self-determination by the people of Micronesia. This action requires that the people of Micronesia have a clear recognition of their economic as well as their political responsibilities. Full self-determination can be achieved only with full economic independence.

It is possible for Micronesia to achieve these objectives. It is barely possible that it can be accomplished within the remaining five-year period. Nevertheless, a concentrated effort must be made towards this goal. There is no acceptable alternative.

In closing, I should like to pledge to you now that over the remaining years of this Agreement that we have our Office will intensify our efforts to become more efficient and thereby will produce better results in carrying out our responsibility under the Trusteeship Agreement.

The PRESIDENT (interpretation from French): I now call on the Special Representative, Mr. Peter Coleman.

Mr. COLEMAN (Special Representative): It is indeed an honour and privilege for me to make my first appearance before this Council to report on conditions and developments in the Trust Territory of the Pacific Islands. The Trusteeship Agreement was approved by the Security Council almost thirty years ago, on 2 April 1947, and I have spent half of that time, or 15 years, serving the Administering Authority in the Trust Territory.

This morning I will be making a statement on the political, economic and social developments in the Trust Territory during the past year, but before I do that I should like to congratulate you, Mr. President, and the Vice-President on your election to the important posts of President and Vice-President of the forty-third session of the United Nations Trusteeship Council.

I should like to introduce to the members of this Council other representatives of the Executive Branch and the Congress of Micronesia, which comprise the Trust Territory of the Pacific Islands delegation to the United Nations Trusteeship Council this year. Representing the Congress of Micronesia as Special Advisers are, as has already been mentioned, the President of the Senate, the Honourable Tosiwo Nakayama, and Representative Raymund Setik, who appeared before the Council last year as one of the Special Advisers. Staff members are Mr. Kaleb Udui, Legislative Counsel, and Mr. Brian Farley, Information Specialist.

From the Executive Branch of our Government there are Mr. Oscar De Brum, District Administrator of the Marshall Islands; Mr. Strik Yoma, Director of Public Affairs; and Mr. Jim Hall, Information Specialist on the staff of the High Commissioner.

I should like to say that we from Micronesia are pleased to be here today to report to the Council regarding events in Micronesia during this past year, and we look forward to discussing Micronesian affairs with Members of the Council.

(Mr. Coleman, Special Representative)

As to recent developments and events in Micronesia during the past year, I regret to report that nature has not been too kind to several of our islands. As most members of this Council know, the islands of the Trust Territory lie in an area of the Western Pacific where they are subject at all times of the year to natural disasters resulting from tropical storms and typhoons. During the year under review, the Trust Territory experienced several of these devastating storms which have cost the Trust Territory Government thousands of dollars for relief and recovery programmes. In November 1975, Typhoon June hit some of the outer islands of Yap District causing extensive damage to subsistence crops and a few private dwellings, as well as public buildings such as schools and dispensaries. The Trust Territory Government has spent over \$40,000 for recovery efforts, and a United States Department of Agriculture feeding programme has been instituted for the people in that district until their crops can be replanted and harvested.

On 8 April 1976, Typhoon Marie struck Palau District with maximum sustained winds of 75 miles per hour and gusts up to 90 miles per hour, causing extensive damage to private housing, public facilities and subsistence crops. At my request, the President of the United States declared Palau District a major disaster area, making it eligible for Federal disaster assistance funds. From the initial damage estimate of \$1.8 million for both public and private sectors, \$851,000 have been identified as eligible costs for restoration and recovery programmes in the Palau District. The Trust Territory Government has committed \$115,000 for the Palau disaster recovery effort.

Truk District was hit by a tropical storm on 15 May 1976, a storm which on 17 May developed into a super-typhoon named Pamela. Between 17 and 19 May, Typhoon Pamela circled the entire Truk District with winds of 85 miles per hour and gusts up to 115 miles per hour. With the combination of strong winds and heavy rains, a landslide on the Island of Moen totally demolished a private residence, resulting in the tragic loss of the lives of 10 persons, including a citizen of the United States.

(Mr. Coleman, Special Representative)

I should like to take this opportunity to express the gratitude of the people of Truk District, and particularly of Moen Island, to the Trusteeship Council for its thoughtful message of condolences, sent to them by Ambassador Ambassador Murray after Typhoon Pamela.

Turning to constitutional and political developments, I am pleased to inform the Council that probably the most significant constitutional development occurred in Micronesia during the past year. Members of the Council will recall that a year ago we reported that the Micronesian Constitutional Convention was to start drafting a Constitution for the rest of Micronesia on 12 July 1975. Members of the Council will be pleased to know that the Micronesian Constitutional Convention did meet in Saipan for 90 days and a proposed Constitution was signed on 8 November 1975 by the delegates who assembled on Saipan for that purpose. This proposed Constitution is being studied and our programme of education for self-government has made extensive use of this document. The recent United Nations Visiting Mission to the Trust Territory of the Pacific Islands was provided with copies of this document and I am certain that it has been carefully studied by this Council also.

Just before my departure for New York, a little over a week ago, I signed a proclamation calling for a special session of the Congress of Micronesia, and one of the items the Congress will probably consider during that session --- from 19 July through 2 August in Ponape --- is the proposed Constitution for the Federated States of Micronesia.

I shall not dwell on this subject as the President of the Senate of the Congress of Micronesia -- who also served with distinction as the President of the Micronesian Constitutional Convention -- is in a better position to review this subject with the Council. Suffice it to say that considerable progress has been made this past year in the area of constitutional and political development in Micronesia.

(Mr. Coleman, Special Representative)

As explained by the representative of the United States, political status negotiation between the United States and the Congress of Micronesia has also made considerable progress recently and it is entirely possible for the Congress of Micronesia to take up also the subject of the draft Compact of Free Association, which is in the call for the special session.

In the area of education for self-government, major activities during the past 12 months included the translation of the proposed Constitution for the Federated States of Micronesia into the 10 major languages. Workshops regarding the Micronesian Constitution were held in several districts and an essay contest on the proposed Constitution for the Federated States of Micronesia was sponsored.

Arrangements are being made to sponsor a full curriculum writing workshop for social studies teachers at the high school and adult education level in co-operation with the Headquarters Department of Education. This workshop will concentrate on producing curriculum writing related to the Constitution, political status and the comprehensive development plan.

With respect to the dissemination of information regarding the United Nations and its activities, I am pleased to inform this Council that the visit to the Trust Territory of the Pacific Islands by an official of the United Nations Office of Public Information well over a year ago was most productive in that since his visit we in the Trust Territory have been receiving United Nations materials fairly regularly, including the United Nations publication "Objective Justice". This document and other United Nations materials, including the resolutions adopted by the United Nations General Assembly during its thirtieth session have been publicized. Just last week that official, Mr. Masao Nakachi, visited us again and new plans were made to use additional materials, especially for broadcast purposes.

(Mr. Coleman, Special Representative)

Our Territorial Housing Commission continues to explore the ways and means of utilizing local resources in the construction of safe and sanitary housing for our expanding population. Recently, Mr. Rao Prabhakar, the ESCAP Regional Housing Adviser, visited all districts to analyse, diagnose and propose solutions to our housing problems. During Mr. Rao's visit in March of this year, the proposal to set up a "latorex" factory and a lime firing facility was discussed with him. Mr. Rao was strongly in support of this project to build a "latorex" plant in Micronesia which will have the minimum capacity of producing 2,000 masonry blocks per day. It is now only a question of money to fund the construction of the plant, and we intend to pursue this in the coming months.

(Mr. Coleman, Special Representative)

As we reported to this Council a year ago, the training and preparation of Micronesian students, with a view to placing them in key positions in the Government, remains one of our top priority programmes.

Of the 37 positions subject to the advice and consent of the Congress of Micronesia, 22 -- or 59 per cent -- are filled by Trust Territory citizens; eight -- or 22 per cent -- are filled by United States citizens; and seven -- or 19 per cent -- are vacant.

With the appointment of Mr. Koichi Wong of Palau as Director of Public Works, all but two of our eight department director positions are now filled by Micronesians. It is our hope that, by the end of the trusteeship, all key positions in the Trust Territory of the Pacific Islands will have been filled by qualified Micronesians.

During previous Council hearings, the members have been concerned about vocational education in the Trust Territory. During the school year just finished, over 7,200 secondary-school students enrolled in vocational education courses. These courses were in the areas of agriculture and animal husbandry, construction trades, mechanics, business education, consumer and home economics, co-operative education -- which incorporates on-the-job training with classroom learning -- and a small pilot programme in traditional methods of fishing.

Two districts have active programmes in prevocational education for upper-level elementary-school children, principally in the fields of agriculture and animal husbandry, and other districts have expressed the desire to institute such programmes.

The Micronesian Occupational Centre in Palau continues to train Micronesian citizens in 10 grade areas encompassing 19 specific skills. A recent follow-up survey by the school showed that 75 per cent of its graduates available for employment were working, 69 per cent in the field for which they were trained or in a related field.

(Mr. Coleman, Special Representative)

Efforts are increasing in the field of training and upgrading vocational education teachers. During this summer, 20 agriculture teachers will attend a three-week workshop on agriculture and animal husbandry. This new course will then be field tested during the 1976-1977 school year in selected locations. Also during this summer, nine co-operative education teachers will receive special training in this field at San Jose State University in California. At the Micronesian Occupational Centre an additional 56 vocational education teachers will take a two-month course conducted by the University of Hawaii in the fields of agriculture, construction, mechanics and home economics. During the 1976-1977 academic year and in the summer of 1977, 10 vocational education teachers will spend a full year at the University of Hawaii pursuing studies for the bachelor's degree in vocational education teaching.

The Community College of Micronesia is continuing with its degree programme in secondary-school vocational teaching. The graduates of this excellent programme have been enthusiastically welcomed by the secondary schools of the Territory.

Under our health services programme, health care facilities are at present undergoing a rebuilding and replacement process. A total of 68 new dispensaries will be built either to replace old dispensary buildings in the outer islands or provide new dispensaries where there is a need for new ones. A total of seven dispensaries have been completed in Palau, Yap and the Marianas districts.

The hospital construction and reconstruction programme is well under way.

Construction of a Saipan hospital warehouse is 99 per cent complete, a 35-bed subhospital in Kusaie is 85 per cent complete, a 116-bed hospital in Ponape is 83 per cent complete, a 50-bed hospital in Yap is 37 per cent complete, renovations to the MacDonald Memorial Hospital in Palau are 42 per cent complete, the 22-bed subhospital on Ebeve has been completed, and the rehabilitation centre in Majuro is being renovated.

(Mr. Coleman, Special Representative)

A major development will be the construction of a 116-bed central teaching-referral hospital at Ponape. It will be staffed by physicians representing the major specialties. The hospital will serve as a centre for, first, training and upgrading Micronesian physicians, nurses, and technicians and, secondly, developing and administering a system of comprehensive medical care throughout the districts.

Forty-six per cent of the total Trust Territory resident population have direct access to the six district hospitals and subhospitals. Another 35 per cent are within one day's travel, and the remaining 19 per cent are served by the 173 existing dispensaries in the outer islands. Regular field trip service brings medical referral cases from the dispensaries to the district hospitals. Over 200 small radio stations provide communications between the field health care facilities and the district hospitals.

Better to serve the people of the outer islands, the Trust Territory government has instituted a Health Assistant Retraining Programme. A small staff -- one physician and one education specialist -- at headquarters prepares standardized teaching material. This material is then taught at the district levels by Medex, using the local language, since the trainees will be supervising the health assistants when they return to their dispensaries. The training is rigorously pragmatic and is limited to those diseases, situations and public health conditions that occur frequently or are dangerous. Forty-four health assistants are now taking this six-month-long course. Thirty-five have completed their retraining. The training will continue until all 170 health assistants have been retrained.

The Trust Territory of the Pacific Islands has been included in the United States national plan to immunize against swine-type influenza. All districts have developed a plan of action for implementation when the vaccine becomes available.

In the area of transportation, field trip service is currently provided by seven small passenger/cargo vessels ranging in age from 11 to 32 years old, and one vessel, the "Micronesian Princess", which was built in 1974 to handle containerized cargo and passengers. Currently all vessels are operable. However, two are out of service for regularly scheduled overhaul.

(Mr. Coleman, Special Representative)

The Trust Territory of the Pacific Islands is planning to construct a new fleet of seven field trip vessels, and the design work will be completed late this summer, at which time construction contracts will be sought. Eight million dollars are available for this construction, and an additional \$4.4 million are budgeted for fiscal year 1976. Delivery of the first vessel should be in late 1977.

This past week, through the hard efforts of the Director of Territorial Affairs of the United States Department of the Interior, Mr. Fred Zeder, negotiations have just about been completed to expedite the construction of two small vessels of the landing-ship type to be used for transporting equipment and construction materials for the capital improvement programme in the outer islands and for field trip services to those islands. Delivery of the first of these two vessels is expected in October, and the second vessel is expected in November of this year.

Poultry and swine business in each district is slowly moving into production to meet local consumption needs. Each district is assisting interested people in securing loans to establish operations. As of today, there are 9,000 laying hens producing roughly 48,000 dozen eggs a year. Our target is almost 50,000 laying hens, enough to meet the local demand for eggs in the Territory.

Vegetable and fruit production for local consumption and possible export is being encouraged in each district. Trials and cost/income analyses on various agricultural crops for small farmers have been completed and distributed to each district.

A total of 15,400 timber trees have been distributed and planted in Ponape District, both on government and on private land. A total of 61,000 board-feet were milled there during the past year.

A number of major public works projects are nearing completion. The Koror-Babelthuap Bridge, which is 46 per cent complete, was scheduled to open in July 1977, but the progress of this project has been such that it is estimated that it will now be completed by March 1977.

(Mr. Coleman, Special Representative)

The Ponape hospital, mentioned earlier, is nearing completion with a target date of September of this year. Ponape hospital will have a capacity of 150 beds.

The Kusaie harbour-airport complex is still in the planning stage. A master plan for the complex has been developed, a public hearing relative to the environmental considerations has been held, and construction plans are 50 per cent complete.

Other projects under construction in Kusaie include the 35-bed hospital mentioned before, a 450-student high school and a water system producing 100,000 gallons per day. A docking facility capable of accommodating a 5,000-DWT ship is about 45 per cent complete.

The issuance of Secretarial Order 2969 appears to have largely removed the controversy from the issue of public lands by committing the Trust Territory to transferring ownership from central to local control. To date, the Northern Mariana Islands -- now administered separately -- and the Palau District have adopted legislation acceptable to the Administering Authority. The Yap District Legislature recently passed legislation which is at present being reviewed. The Ponape District Legislature considered, but did not pass, legislation during its last session. The Truk and Marshall Islands Districts have not considered the matter. Neither the Northern Marianas nor the Palau legal landholding entities have, to date, requested the transfer of title to any lands.

(Mr. Coleman, Special Representative)

In order to expedite the public land survey and ensure an early return of all public land to the districts, it was decided to use aerial surveying techniques in most areas to reduce the time required to complete the surveys and parcel indices. Ordinarily, an aerial survey of such heavily wooded, inaccessible terrain would not be feasible. However, with the complete co-operation of the people in clearing property corners, we were able not only to complete 95 per cent of the required photography but to establish positions on more than 20,000 property corners.

Changing attitudes in regard to foreign investment, improved investment climate and recognition that export industries are essential for Micronesia to become self-supporting led to several positive developments during the year.

In Palau District a plant to dry and shred fish -- katsuobushi -- and a coconut oil mill financed by foreign capital joined the Van Camp Seafood freezer plant in providing export income to the district.

The Micronesian Industrial Corporation is at present making a test run in its copra crushing mill. This \$3.7 million company, organized by Guy Luttrell of California and financed by Jardine, Matheson and Company, Ltd. of Hong Kong, will be processing between 45,000 and 50,000 tons of copra per year. The plant's capacity is more than three times the present Trust Territory copra production. This company is paying the world market price for copra, resulting in increased income and production by local copra producers.

Because of the availability of raw materials from the operation of the oil mill and katsuobushi plants, the Trust Territory Agriculture Division plans to build a small feed mill in Palau. The mill will primarily produce hog feed.

In the Marshalls, ground has been broken for a second coconut oil mill. The \$1.8 million plant, financed by a United States firm, expects to be operational by mid-1977. Its capacity will be 15,000 to 25,000 tons of copra annually.

(Mr. Coleman, Special Representative)

A feasibility study for a desiccated coconut processing plant was completed for Truk or Ponape District. This would be an investment of approximately \$800,000 and would process 13,000 tons of fresh coconuts per year. The plant would employ over 220 people and operate on a 24-hour basis.

During the calendar year 1975, the reporting year for foreign investment, the Trust Territory of the Pacific Islands received 59 applications for permits to do business. A total of 50 foreign business permits were issued, of which 14 were non-United States.

Visitor entries into Micronesia continued to show an increase during the 1975 calendar year in the face of a world-wide decrease in international travel. Well over a thousand jobs now exist directly in the business of tourism in the Territory and direct annual expenditures have approached the \$5 million mark.

The six district tourist commissions continue their work of setting standards and goals for the development of tourism, with three district Legislatures -- Palua, Truk and Yap -- having adopted formal sets of goals defining how much and what kind of tourism will best meet the district's economic and social needs.

Tourism continued its growth during the 1975 calendar year with a 6 per cent increase over the prior year. More than \$4.9 million of direct expenditures were estimated to have come from a total of 66,640 visitor entries. In the previous calendar year, some 62,945 visitor entries were recorded with expenditures of \$4.7 million. At the close of the 1975 calendar year, there were 804 rooms and another 376 rooms were under construction. Of the 38 existing hotels in the Trust Territory, 33 are owned by Micronesians and 33 have Micronesian managers. Additional Micronesians are holding upper level positions in the growing hotel industry.

Visitors from the United States made up about 45 per cent of the total entries, compared with 48 per cent last year. Entries from Japan rose correspondingly. The per district share of total entries for each district were: Marianas, 71 per cent; Palau, 8 per cent; Ponape, 7 per cent; Truk, 6 per cent; Marshalls, 5 per cent; and Yap, 3 per cent.

(Mr. Coleman, Special Representative)

As members know, an Indicative Development Plan for the Trust Territory prepared by the United Nations Development Programme is recommending a planning strategy concerned with decreasing imports and promoting exports. The simplest means of reducing imports is to increase Micronesian production of food and relatively unsophisticated manufactured items, such as household furniture and utensils. To implement this strategy, much higher levels of investment will have to be directed toward agriculture, marine resources and small-scale manufacturing industries.

However, it may still be necessary to increase imports of investment goods and raw materials, and this sum may be expected to amount to more than the savings from import substitution. Nevertheless, the required imports of investment goods could be reduced if greater efficiency were achieved in their utilization or if greater economics were effected in the use of labour. Increased productivity from imported investment goods and domestic labour is a necessary condition for any significant increase in economic growth.

An important factor in the development strategy currently proposed is that it will be through export expansion that the economy of Micronesia will receive its greatest growth stimulus. Therefore, both private and public investment will be directed toward this objective, recognizing, of course, that tourism remains an invisible export.

The Trust Territory of the Pacific Islands has been designated as one of the beneficiary countries under the generalized system of preferences authorized by title V of the United States Trade Act of 1974. This means that tariffs on over 2,700 categories of imports into the United States have been abolished as far as the Trust Territory is concerned.

A final subject which needs to be mentioned is that of war claims. I am well aware of the numerous times that this subject was broached before the recent Visiting Mission, and it has been one of the subjects included in the very earliest petitions to the United Nations from the Trust Territory, dating as far back as April 1950. I believe that at long last this perennial problem is finally being settled.

(Mr. Coleman, Special Representative)

As of today, there have been 10,807 claims filed and adjudicated. A little over 300 claims, or around 5 per cent, are still under appeal. All initial awards have been made and cheques are being issued. Title I awards -- those as a result of hostile action -- total \$33,877,130, and the post-secure claims, or title II, amount to \$29,831,793.

Title I payments to date amount to \$4,381,925 and they average approximately 13 per cent of the award. However, since the total of title I money available to be distributed amounts to \$11,658,247, the final payment of the awards will be approximately 35 per cent of the adjudicated claims.

Title II payments are at present being sent out, and approximately \$6 million in cheques will have been issued by today. Since total title II availability is \$20 million, the percentage to be distributed to claimants is estimated at 67 per cent. There is a reasonable expectation that the title II awards will be paid in full. There is less optimism with regard to title I, since it is not purely an internal matter of the Administering Authority.

This past year has seen some remarkable changes in the political, economic and social conditions throughout Micronesia. I have touched briefly only on selected highlights as I recognize that the United Nations Trusteeship Council Visiting Mission had an opportunity to observe first hand much of what I have reported.

Along with my staff and our two Special Advisers, Senator Nakayama and Representative Setik, I look forward to answering any questions the members of the Council may pose and to receiving the Council's helpful advice and comments.

The PRESIDENT (interpretation from French): I now call on the Special Adviser, the Honourable Tosiwo Nakayama, of the Congress of Micronesia.

Mr. NAKAYAMA (Special Adviser): At the outset, Mr. President, I wish to associate myself with the remarks previously made in congratulating you and the Vice-President upon your election to guide the deliberations of this forty-third session. I have every confidence that with your thoughtful assistance the work of the Council will be concluded in an expeditious manner. I am sure our meeting will be of benefit to the people of the Trust Territory of the Pacific Islands, in their progress toward the goal of self-government.

Like that of my colleague Representative Setik, my appearance here represents my second time before this forum. However, while Representative Setik's last visit was during the forty-second session, my last visit was on 13 June 1961.

Since then, in the 15 years which have passed, Micronesia has undergone many social, economic, and political changes. This fact has been recorded by five Visiting Missions since that time. It has been documented by the most recent one, this year, headed by the representatives of the United Kingdom and France.

In my statement to the Council today, I want to concentrate primarily on specific political and economic accomplishments during the past year. In doing so I want to take note of the very extensive report of the 1976 Visiting Mission, and delineate certain issues which will affect our future progress.

First, I want to talk of progress in the political area. An important matter brought to the attention of the 1976 United Nations Visiting Mission to the Trust Territory was the historic Micronesian Constitutional Convention. It took place between 12 July 1975 --- the tenth anniversary of the convening of the First Congress of Micronesia -- and 8 November 1975. During the Convention 60 elected and traditional delegates from the six districts, including the Northern Marianas, met on Saipan. What transpired during those 90 days has been the subject of much discussion in every village of every district in Micronesia. But on the final evening of the Convention, shortly before the delegates signed the completed Constitution of the Federated States of Micronesia, speeches were made by

(Mr. Nakayama, Special Adviser)

each district delegation. I would like to quote what I felt then, and still feel now, was an excellent summary of those 90 days. It was given through a spokesman by the two High Chiefs of Palau, High Chief Ibedul and High Chief Reklai. They said, in part:

"We began our task against great odds. The possibility of failure was very real. After 90 days of hard work, heated and sometimes passionate discussions, we have proven that our differences do not divide us; they enrich us and make us stronger. The seas between our islands do not separate us; they bring us together. The waves that wash the Marshalls also wash the shores of Ponape, Truk, the Marianas, Yap and Palau. No longer is Micronesia a group of tiny islands separated by miles of ocean. Rather, we have become the nation with the greatest ocean territory in the world."

Sitting here today I feel compelled to say that the delegates to the Micronesian Constitutional Convention have planted the seeds of unity and self-government in Micronesia. Our work, however, has only begun. There is a long journey ahead of us. The challenges of the present, and the future, will require the same united efforts and dedication of all the Micronesians who worked so hard at that meeting.

The Convention, I am happy to say, produced a document that incorporates the best parts of the democratic three-branch system of government and at the same time gives due recognition to our traditional way of life. It guarantees equality under the law to all men and women, regardless of race, ancestry, national origin, language or social status.

I view that historic Convention and the Constitution as perhaps the largest single step the people of the islands of Micronesia have ever taken towards self-government in the past 400 years of colonial domination. The Convention was funded jointly by the Congress of Micronesia and the United States. To me, it was the fulfilment of the promise made in the Charter of the United Nations and the Trusteeship Agreement.

Furthermore, as any Constitution should be, the Micronesian Constitution is flexible. It respects changing social, economic and political realities

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that sometimes require amendments to the basic legal charter of any nation. In this connexion I strongly believe that the people of Micronesia can show the world that we can resolve our political differences. We can provide an efficient and modern government for all our people, and at the same time maintain our individual cultural integrity. I join with those who believe that there is great beauty in a rainbow of different colours. The people of Micronesia can create a government that will keep each of those colours bright for generations to come.

I now turn to the subject of future political status and unity.

As members of the Council are aware, and as noted by the 1976 Visiting Mission, several important events affecting Micronesian unity and future political status arrangements have occurred since the forty-second session.

One such event is, of course, the approval by the United States Congress and the President of the Covenant to Establish a Commonwealth of the Northern Marianas. In this connexion the Congress of Micronesia, recognizing the inevitable, and with goodwill towards the people of the Marianas District, adopted on 12 February 1976 House Joint Resolution No. 6-119. This measure urged the United States Senate to take prompt and favourable action on the Covenant. The Covenant was approved by the Senate on 24 March 1976. Then, on the same day, an amendment to Secretarial Order No. 2918 was promulgated administratively separating the Northern Mariana Islands from the Trust Territory effective 1 April 1976.

(Mr. Nakayama, Special Adviser)

In anticipation of that event the Congress had created a Special Joint Committee on Marianas Transition. Members of this Committee worked with Marianas leaders and representatives of the Department of the Interior. The result of meetings between the three groups, both in Saipan and in Washington, D.C., was a "memorandum of meetings". This memorandum outlined the agreements on recommendations reached and those not reached between the Northern Mariana Islands and the Trust Territory Governments on various issues. These recommendations were transmitted to the Interior Secretary for his review and consideration. In the main, we are pleased to report that all of the joint recommendations and agreements were incorporated into the Secretarial Order. They included recommendations on such matters as land use, applicability of laws, Congress of Micronesia revenues, United States grant funds, Congressional immunity, movement of goods job protection, social security, taxation, and so forth.

As a result, we feel that the interests of the residents of the Northern Marianas and the Trust Territory were equitably protected. This will also allow for a harmonious working relationship between the two Governments during the period of transition for the Marianas and until the capital is relocated.

Approval of the Covenant, and administrative separation have also had political impact upon the unity of Micronesia. It appears that it has increased the desire of both Palau and the Marshall Islands District to seek separate negotiations with the Administering Authority. This fact was made known to the Visiting Mission. The United States position continues to be one of "hoping" for the future unity of the Marshalls and the Carolines.

However, we in the Congress of Micronesia want to assure the Council that we are more than hopeful, that we actively support and work for the cause of unity for Micronesia. Certainly if the Micronesian Constitutional Convention is any example, unity is not only desirable but possible.

(Mr. Nakayama, Special Adviser)

In the specific area of status negotiations, the Council is aware that the Congress enacted Law No. 6-87, which establishes a Commission on Future Status and Transition. That body replaces the previous Joint Committee on Future Status. This new Commission has two primary responsibilities, as indicated by the name. It organized and established its two sub-committees to undertake their mandated responsibilities on 3 June 1976. The Commission is composed of five members of the Congress of Micronesia, appointed by the Speaker and the President, and five members appointed by resolution of the district legislatures. There is also provision for one representative of Kusaie. The Chairman of the new group is former Congress of Micronesia Senator Andon Amaraich, of Truk District. Mr. Amaraich appeared as a Special Adviser before the thirty-ninth and fortieth sessions of the Trusteeship Council, as members may recall.

Prior to the organization of this new Commission, the outgoing Joint Committee on Future Status met with the United States delegation. This eighth round of status negotiations was held on Saipan, during the early part of this month. On 2 June 1976 both delegations initialed a revised draft Compact. In this revision, general agreement was reached on all provisions with one exception. That exception is in the area of marine resources control and the law of the sea. This is an issue that had been brought to the attention of the United States delegation quite some time ago. However, because the United States delegation was not prepared to discuss the issue, talks are tentatively scheduled to be held on this part of the Compact in Washington, D.C., during the first part of July.

The revised draft was turned over to the new Commission on 3 June 1976. It will be reviewed by that group. It should be noted that the new Commission has a specific mandate, and I quote from the part of the law that says that the Commission shall:

"(a) continue and complete the work of the Joint Committee on Future Status in strict conformity with the Constitution; and

"(b) renegotiate the existing draft Compact to the extent necessary to bring it into conformity with the Constitution.

"(3) The Commission may negotiate, study, recommend, or otherwise deal with any other matters, including those matters originally assigned to the Joint Committee on Future Status, which will effect an early and satisfactory conclusion of the future political status negotiation and promote a smooth and orderly transition to government under the Constitution."

This Council is well acquainted with our views regarding the law of the sea. On this subject, opinion in Micronesia is virtually unanimous. Micronesia has appealed in the past to this Council to support the right of Micronesians in their sea resources. The Micronesian people seek to have the full advantage that international law provides for their maritime rights and status. They seek these rights with respect to their sea resources, their archipelagic waters, and their right to protect and control them. They seek the right to protect their sea resources, as do all other nations and peoples. The statement of 1 May 1976 of the Micronesian delegation to the Law of the Sea Conference has been submitted to this Council with an appeal for its support. I shall not read out that statement, but I adopt it wholly as part of this presentation.

The subject of Micronesian sea resources is the last major subject that remains between our Administering Authority and us, assuming that a way will be found to conform the draft Compact to our new Constitution. In dealing with the law of the sea, we believe that this Council and our Administering Authority are entitled to a clear statement of the Micronesian position. We believe also that this Council and the Micronesian people are entitled to an equally clear statement of the United States position. The Micronesian position is that Micronesia's sovereignty resides in its people, and that its maritime rights similarly reside in its people. That is true now, and it will be true in the future.

(Mr. Nakayama, Special Adviser)

The Micronesian position was solemnly adopted by its self-governing institutions. It provides that Micronesian sea rights should be protected beyond question for its inhabitants in any future political relationship.

In our negotiations on future status, the Micronesian position has not been addressed or discussed so far by the Administering Authority. So far, the Micronesian negotiators have been unable to secure any response at all, either favourable or unfavourable.

(Mr. Nakayama, Special Adviser)

On the other hand, the Administering Authority has vigorously and continuously opposed in the United Nations Law of the Sea Conference each of the principal positions of Micronesia. It has opposed Micronesia's rights in its tuna resources. It has opposed Micronesia's archipelagic position. It has opposed Micronesia's right to become a contracting party to the Convention. Becoming a contracting party is the only effective way to secure Micronesia's rights in the emerging law of the sea. Other nations support such status for Micronesia. The United States opposes it.

Why is this so? Surely, we are entitled to assume that the United States does not covet our tuna and other maritime resources for itself. Yet, the United States has never made a clear declaration that Micronesia's sovereignty will be respected in the law of the sea, either now or in the future. The actions of the United States point in the opposite direction, unfortunately.

Our own position is not difficult to understand. It is based on our sense of identity. It is based on the responsibility we have for the future of Micronesians. It is based on the natural pride that we feel in having survived 400 years of foreign occupation. But, even more, our position is based on necessity. It reflects pragmatic considerations for our national future. It reflects our concern for the economic survival of our people. By using a few examples, let me explain clearly what we mean.

First, only a "State" can be an archipelagic State under the draft Convention on the Law of the Sea and under current international law. Micronesia fits the definition of an archipelagic "State", but not the United States. Some people would have Micronesia seek its rights as part of the political sovereignty of the United States. If it did so, it would not be entitled to the status and advantages of an archipelagic State.

An archipelagic State, having met the definition of the Convention, may enclose its islands within baselines of 80 miles in length. It may make an appropriate declaration of archipelagic status and of the baselines. Thereupon, those waters become to all intents and purposes inland waters. Those archipelagic waters are wholly under the jurisdiction of the archipelagic State, with certain exceptions that are not important in the case of Micronesia.

(Mr. Nakayama, Special Adviser)

The archipelagic waters of Micronesia would enclose most of our densely populated island areas and all our traditionally important local fishing grounds. They would protect us against foreign abuse, exploitation or pressure from international fishing organizations controlled by others. They would beyond question guarantee our sea home in those areas closest to us.

But, unless we are an archipelagic "State", we cannot achieve these ends for our people. And if we are not a "State", we cannot be an archipelagic State.

Secondly, as for tuna, our chief resource, the statement of the Micronesian delegation of 1 May 1976 describes the narrow escape we had from United States domestic legislation that would have destroyed the recognition of our tuna rights. Only a last-minute appeal directly to the Congress of the United States saved our rights.

Let me give another example: A number of exceptional privileges have been recognized by international law to States that are particularly or extremely dependent upon maritime resources. Those States have certain special rights to protect their maritime resources for their own residents and against foreign competition or exploitation.

It is only for States that are so dependent on sea resources that the normal rules of international competition provide additional protection. These extraordinary rules exist only to compensate the special dependency upon the sea of the small States involved. The United States could not possibly meet the definition of State so extremely dependent on the resources of the sea. Only Micronesia, viewed as a separate "State" for this purpose, could meet such a definition and receive the advantages of it.

A very similar matter is the special benefits that will be reserved in the new Convention on the Law of the Sea to developing countries. Developing countries will have certain rights of priority that other nations will not have. The United States could of course not qualify for those rights. Only Micronesia, viewed as a separate "State" for this purpose, could qualify.

(Mr. Nakayama, Special Adviser)

The following is another example: Under the Convention, the protection of maritime rights, including the rights of a coastal State to its exclusive economic zone, will depend on various means of dispute settlement and, of course, on agreements reached between the coastal States and others. Most of those means of dispute settlement, including recourse to the International Court of Justice, can only be invoked by a "State." No doubt the distant fishing nations will wish to deal only with other "States", and perhaps international law will require that such agreements be made only between "States".

There has been much legal study of what is a "State" for purposes of access to the International Court of Justice. The net effect of that study is that a "State" is what the United Nations says it is. The United Nations votes on the question in the Assembly and the Security Council, and that is it. Three examples come to mind of freely associated States. They have all given away to the more powerful States in free association with them the powers of defence, foreign policy and much of their fiscal administration. But they are still "States" that have the protection of the international rule of law. Monaco, Liechtenstein, and San Marino, however much they are under the effective protection and even administration of their freely associated protector States, are still "States". The reserved sovereignty of their peoples and their Governments leave them "States" in the eyes of the United Nations.

Those three freely associated States, to continue the example, all sit in the United Nations Conference on the Law of the Sea as full members. They will sign the Convention as full contracting parties.

Does this status of theirs in the law of the sea do any harm? Does it weaken their treaties with the more powerful countries freely associated with them on defence, on foreign policy and on finance? Of course not.

There appears to be no problem in this respect for the powerful countries freely associated with Monaco, Liechtenstein and San Marino. They do not object to the continued existence as "States" of their smaller and weaker freely associated States. There should be no problem for the Administering Authority in recognizing now, and preserving in the future, in any

(Mr. Nakayama, Special Adviser)

relationship of truly free association, the sovereignty of the Micronesian people over their sea resources.

Where would be the harm if the Administering Authority were now to recognize and support the existence of Micronesia as an archipelagic State and a coastal State? By doing so, it would help to secure the benefits of the sea resources of the area for Micronesia's inhabitants. Would such recognition abolish the United Nations Charter or the Trusteeship Agreement? Would it affect either the powers or the responsibilities under the Charter of the Administering Authority? We think not.

On the contrary, we believe that in accordance with its current United Nations responsibilities, the United States as Administering Authority, has a duty to maximize the benefits of the law of the sea for the inhabitants of Micronesia. The only way fully to accomplish this is to recognize that for these purposes Micronesia is a State within the meaning given in the draft Convention and by the International Court of Justice and that it should, in any case, be a contracting Party in the Convention.

(Mr. Nakayama, Special Adviser)

With our current status, and in any freely associated future relationship with the United States, we are prepared to do everything possible to consider the world-wide interests of the United States. We are prepared to negotiate in detail just what powers would be exercised by our respective Governments in the law of the sea or in any related administrative, foreign affairs or defence matter. We are prepared to negotiate what powers would be exercised by the United States Government only, and what powers would be exercised by the Micronesian Government only, and what powers would be exercised by both Governments jointly.

We do not believe that it would be too difficult to reach such an agreement. And if agreement can be reached on the respective exercise of specific real functions and powers, what insuperable problem remains? What harm would it do the United States to acknowledge a status for Micronesia which would ensure for it the full enjoyment of its maritime resources and status?

For the United States, such an acknowledgement of Micronesia as an archipelagic coastal State appears to be a matter only of conceptual difficulties. For Micronesia, it is a matter of its economic future.

It has been said that the representatives of Micronesia should spare themselves the trouble of this risky disagreement with the Administering Authority. It has been said that they should not worry too much as to just how Micronesian maritime resources will be safeguarded for them by others. It is said that the Administering Authority can be expected to do its best for Micronesia. Unfortunately, four years of experience in the Law of the Sea Conference have made such statements unrealistic. That experience has made it more than clear that, unless Micronesia can protect its own maritime resources and status, they will not be protected. These views of ours are the lessons of hard experience.

The economic future of our people will lie in the manifold uses of the sea and its resources. All mankind is turning increasingly to the sea. Thus, in this dependence on the sea, our past is in some measure recreated.

(Mr. Nakayama, Special Adviser)

We may be asked to be reasonable. We have tried very hard to accommodate the interests of the United States, which is a super-Power with very different interests in the law of the sea from our own. But we cannot be asked to abandon our past, our present and our future.

We appeal to the Trusteeship Council to lend us its support in this matter and to use its good offices with the United States. We appeal likewise to the Administering Authority to support us. This is the Bicentennial Year. Two hundred years ago the dependent States of North America addressed similar appeals to their overseas administering authority. They too wanted a truly free association. We ask most earnestly a thoughtful hearing by the United States of America. Recognition that Micronesia is and will be an archipelagic State, and is and will be a contracting Party in the United Nations Convention, will maximize the benefit to the inhabitants of Micronesia of their sea resources. Any alternative would threaten those benefits grievously and perhaps destroy them irrevocably.

An issue which is related to the economic, social and political well-being of the Trust Territory is that of our present and future governmental structure. The 1976 Visiting Mission has indicated that the topic of decentralization was a "lively" one during its visit. The Congress of Micronesia is well aware of the need to reduce the size and cost of the present administration. At the same time, we are also aware of the effect political considerations such as the Constitution and the draft Compact will have on our Government. This is also a matter which is considered in the indicative plan and which -- because of the recent administrative separation of the Marianas -- was the subject of a survey and report by the Office of Territorial Affairs, Department of the Interior.

While Representative Setik will elaborate on this matter, it is the general position of the Congress of Micronesia that decentralization should first be approved by the Congress of Micronesia, secondly, consistent with the economic reality as dictated by a detailed and comprehensive development plan, thirdly, consistent with the future Constitution of Micronesia, and fourthly, implemented at a pace in conformity with the tentative termination date of 1981 or any appropriate final termination date agreed upon by the Congress of Micronesia.

(Mr. Nakayama, Special Adviser)

We are in principle in agreement with the concept of decentralization. However, we interpret this to mean greater efficiency and more local autonomy. We do not interpret this to mean that more decision-making is to be done in Washington, rather than in Micronesia.

We therefore hope that the Administering Authority is in agreement with this position. We hope it will not only consult with the Congress of Micronesia and district leaders on this matter but also seek our approval prior to implementation.

In this connexion, as indicated in a previous letter to the Visiting Mission, uncertainties on status issues and lack of progress in economic and political areas cause us to question whether Micronesia will indeed be ready for self-government in 1980 or 1981. While we in the Congress of Micronesia have no desire to prolong the Trusteeship Agreement any longer than necessary, we also do not wish to see it terminated as a matter of expediency.

It should be noted that the executing parties to the Trusteeship Agreement were the Administering Authority and the Security Council of the United Nations. The Agreement came into existence without the sanction or the express approval of either the people or the duly constituted Government of Micronesia. It is to be hoped, however, that inasmuch as the people of Micronesia are and have been the beneficiaries of that international document, they will be allowed to play the key role in the decision to terminate its stewardship provisions and its tutelage and in the timing of that decision.

(Mr. Nakayama, Special Adviser)

An issue which deserves our attention at this session is one which predates the Trusteeship Agreement. This issue is the matter of Micronesian war claims resulting from the hostilities of the Second World War and from damages caused in the post-secure period. As communicated to the Visiting Mission, the Micronesian War Claims Commission will cease to exist this year.

One of the most persistent and perplexing problems connected with this issue is that of the partial payment of 16 per cent referred to in the Mission's report. The partial payment is, of course, a matter of contention. But what is intolerable to Micronesians is that in order to get the 16 per cent they must sign a receipt form. This receipt form releases the Governments of Japan and the United States of America from any and all future liability. This means that the people may never see the remaining 84 per cent of their payment. It also means that they or their heirs can never press the issue of personal claims in the future.

This problem is complicated by a report of the Commission which indicates that funds authorized for payment of claims under Titles I and II will fall drastically short of the amount awarded claimants by the Commission.

We are therefore extremely disappointed to see that representatives of the Department of the Interior have stated to the Visiting Mission that the door is closed to full restitution. We can only hope that this view does not represent the official position of the Administering Authority on war claims. We can only recall the statement of one member of the United States House of Representatives who said that if the United States cannot honour its legal and moral obligations in the case of war claims 100 per cent, then how can the people of Micronesia expect the United States to honour its other commitments 100 per cent?

Consequently, we support the comments made in the Visiting Mission's report on this matter. We are therefore keenly interested in learning at this meeting what steps the Administering Authority is planning to take to solve this serious problem.

The Congress of Micronesia's position on War Claims is well known, and has been conveyed to this Council, most recently through Senate Joint Resolution No. 6.85 requesting the United States Congress to amend the Micronesian War Claims Act of 1971.

(Mr. Nakayama, Special Adviser)

I now turn to the area of economic progress.

I am sure that the Council members are pleased to know that a national indicative plan for Micronesia is nearing completion. That plan was developed with assistance from UNDP and the co-operation of the Trust Territory Administration. The essential elements of this plan were formulated during a meeting in Truk District from 5 to 14 May of this year. Present were representatives of the Congress of Micronesia, the District Legislatures, District Administrations, UNDP, Trust Territory Headquarters, and the Department of the Interior.

Once the plan is put into final form, it will be submitted for approval at the special session of the Congress of Micronesia in July. In its final approved form it will be the basis for a comprehensive and balanced economic development plan for all of Micronesia. My colleague, Representative Setik; will explain specific elements of this indicative plan more fully in his remarks.

It should be sufficient to say that we believe real and positive progress has been made in regard to Micronesia's future economy by the formulation of this plan. As promised in previous years to this Council, it was the Congress of Micronesia which took the first steps to initiate such a programme with assistance from the Administering Authority and the United Nations.

We are disappointed to report that a final decision has not yet been made in the critical service-to-Saipan air route case. But we are most encouraged to learn informally that the United States Civil Aeronautics Board has twice unanimously recommended the selection of Air Micronesia, our local service carrier. The Congress of Micronesia, civic parties from all six districts of the Trust Territory, and the Department of the Interior all are parties to the proceeding. They all have strongly recommended that the route be awarded to the only carrier that can provide the benefits of service from Japan to all our districts. This step would maximize the economic benefits to be gained from the award of the route. In past years, this Council has also taken a strong position in favour of the use of such a criterion. We believe that the Council's position was a major factor in the recommended decisions of the Civil Aeronautics Board (CAB).

(Mr. Nakayama, Special Adviser)

We would like the Council and the Administering Authority to know that the depth of our commitment in this matter is unchanged and unwavering. We hope that President Ford will act rapidly in this matter to approve the recommended decision of the CAB. In so doing, the United States will have contributed substantially, we believe, to its obligation to promote the economic development of the Trust Territory. It would thereby contribute to its equally important obligation to enable the people of Micronesia to make their future government more self-supporting.

With regard to Micronesia's regional and international interests, the Congress of Micronesia has continued to participate in worth-while regional and international bodies. At the same time, we have explored the ways by which our membership in such organizations can be made more effective and useful.

During the past year, representatives of the Trust Territory Administration and Congress have attended the Committee for Co-ordination of Joint Prospecting for Mineral Resources in Asian Offshore Areas (CCOP) and the Committee for Co-ordination of Joint Prospecting for Mineral Resources in South Pacific Offshore Areas (SOPAC) meetings, and were recently informed at the thirty-second session of the Economic and Social Commission for Asia and the Pacific (ESCAP) that the Trust Territory had been approved as a member of CCOP. During that ESCAP session, at which Speaker Bethwel Henry and I were present, increasing emphasis was placed on the needs of developing island countries. This was done in addresses to the members by former High Commissioner Edward E. Johnston, by the Secretary-General of the South Pacific Commission (SPC), and by the Director of the South Pacific Bureau for Economic Co-operation (SPEC). Additionally, His Excellency Hammer de Roburt, President of the Republic of Nauru, a former Trust Territory in the Pacific, was elected Chairman of the session.

Micronesia, of course, continues to participate in and financially to support the SPC. Last year, members of the Congress attended the fifteenth session of SPC in the Republic of Nauru, and Micronesia also sent participants to the 1975 South Pacific Games held on Guam.

(Mr. Nakayama, Special Adviser)

It should also be mentioned that Micronesia continues to receive great benefits from the United Nations Development Programme, as outlined earlier.

In closing, I hope that our comments here today have proved helpful to the Council and to the Administering Authority. They were offered in the spirit of co-operation and mutual concern. We hope that these remarks, along with the excellent report of the 1976 Visiting Mission, will serve as a basis for further accomplishments and progress in Micronesia in the future.

We should also like to take this opportunity to congratulate the Administering Authority on the occasion of the 200th anniversary of the American revolution. This occasion has more than just symbolic significance to the people of Micronesia. I am sure that they look forward to the continued assistance and efforts of the United States now, during the period of constitutional government and after termination of the trusteeship.

Finally, I would be remiss if I did not express our gratitude to the members of the Trusteeship Council for making it possible for us to appear before you today.

Likewise, I would like to convey our sincere appreciation to the members of the United States delegation and representatives of the Administering Authority for giving us the opportunity to be here today and to express our views on behalf of the people of Micronesia.

The PRESIDENT (interpretation from French): I thank Mr. Nakayama for the very kind words he addressed to me personally and to Ambassador Murray, the Vice-President, for whom I think I may take the liberty of speaking.

The next speaker is Mr. Raymond Setik, on whom I now call.

Mr. SETIK (Special Adviser): Mr. President, it is indeed both a pleasure and an honour to appear before you once again and to report to you on the important events affecting Micronesia that have occurred since my last appearance. Before doing so, however, I wish to convey to you and the other members of this Council the greetings and best wishes of the people of Micronesia for a successful meeting. Like my colleague, Senator Nakayama, I want also to add my congratulations to the President and Vice-President on their election.

Before coming here today, we had the opportunity to review and to study the report submitted to this Council by the 1976 United Nations Visiting Mission to the Trust Territory. The report, with its findings and conclusions, should be commended for its grasp of the complex issues and problems that are still facing Micronesia today. Most, if not all, of the recommendations made in the report deserve close scrutiny and examination for possible implementation and action on our part.

It is not necessary or desirable for me to recite the specific conclusions and recommendations of the report with which we find ourselves in substantial agreement. It should suffice to mention that the report has gone a long way towards vindicating the direction of our efforts in seeking the betterment of our people and in advancing their best interests.

Previous speakers have enumerated most of the areas of main concern to us. I wish merely to amplify further their remarks on the issues they covered. I also want to mention additional matters of concern that have yet to be resolved.

(Mr. Setik, Special Adviser)

Last year, we reported to the Council our concern over the impending intention and action of the Administration to nullify the efforts of the Congress of Micronesia to encourage unity through enactment of revenue-sharing legislation. Regrettably, the Council took no position on this issue. As we indicated at that time, the surtax measure had two important aspects. First, it was a means of raising more revenue. Secondly, it was also a means of accommodating and satisfying the district desires for revenue-sharing between the Congress of Micronesia and the district legislatures. It thus represented a step towards encouraging further unity in Micronesia.

Despite this positive intention on the part of our Congress in enacting such legislation, the Administration viewed our action differently. It was seen as an indirect way of imposing a greater tax burden on United States military activities. As a consequence, the amendment to Secretarial Order No. 2918, specifically proscribed any further taxation on United States military activities in Micronesia. Consequently, it spurned the good-faith effort of the people of Micronesia to preserve the concept of unity through their legislative processes.

Again, in our statement to this Council last year, we drew the attention of this Council to the need for lowering -- if not eliminating -- tariff restrictions and trade controls on Trust Territory exports entering the United States. If Micronesia is ever to have any hope of viable economic development, its export products should be accorded favourable tariff treatment entering the United States as a marketplace and trading partner. Yet, to date, no positive result has been obtained. No active steps have been taken by the Administering Authority to accord Micronesian products entering the United States any favourable tariff treatment.

In fact, a cursory review of the composite list of articles accorded duty-free treatment under the Generalized System of Preferences as provided for in the Trade Act of 1974 is disappointing. One finds that, for the foreseeable future, Micronesian products will continue to have a competitive disadvantage if imported into the United States. This is due in large part to the strictures contained in the General Headnote 3 (c) of the United States

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Tariff Schedules. It may be recalled that this particular subject was regarded as a subject to be taken up in political status negotiations. A close review, however, of the various issue papers connected with the political discussions to date has not reflected any prospect of relief for Micronesia in this particular regard.

No discussion on economic development could ever be complete without a specific mention of fiscal control and accountability. We have taken a position before this forum -- and before many other forums --- to the effect that the Congress of Micronesia should be granted much more authority and power in allocating and expending United States Federal grant funds. In this connexion, we are most grateful that this Council has gone on record recommending the implementation of our position. Now, with the prospect of terminating the Trusteeship Agreement for the Trust Territory by 1980/1981, the necessity of implementing this position becomes urgent.

It is of course an acknowledged fact that the main characteristic of the Micronesian economy is one of a consumption-oriented, deficit economy. Total consumption, public and private, is higher than total national income. This means, in short, that Micronesia has been living beyond its income. It is heavily dependent on imports and foreign aid, namely, United States grants, to pay for those imports. The scale of social services, namely, education and health services, is high in relation to the production being generated in the economy. And those services in turn are dependent on United States annual Federal grants.

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Consequently, there is one single obvious conclusion. Micronesia, in order to become "viable", will have to produce much more than it is doing today. It must do so in order to maintain its present level of consumption of goods and services, to pay for its imports and, finally, to meet the requirements of investment for increasing its productive capacity.

Despite these considerations, however, Micronesia is at present saddled with a layering of government which it can hardly afford. At the same time, we have been told that the Trusteeship Agreement for Micronesia must come to an end no later than 1981. Between now and that time, we are to expect a continuous reduction in operating funds, to begin almost immediately. The Congress of Micronesia is allowed only to review the annual Trust Territory budget.

We are faced with a situation where, on the one hand, we are told to expect less and less funding in the years to come and, on the other hand, we are powerless to direct how those funds ought to be expended to facilitate the early achievement of a self-supporting Micronesian economy. This situation has prompted the Congress of Micronesia to initiate an attempt at preparing its own detailed budgetary request. This budget was presented to the United States Congress in consultation with the United States Department of the Interior. We are pleased to report that our presentation was well received by the United States Congressional committees. However, we have no assurances that future budgetary requests initiated by the Congress of Micronesia will receive continued favourable consideration by the Executive Branch of the United States Government.

Our funding requests must continue to reflect the development plans now under way at both the national and the district level. We believe we have demonstrated that we are responsible in our budgetary actions. We therefore cannot foresee unilateral action on the part of the Administering Authority which would deviate from prudent development objectives and physical reality. It is our intent to redirect our economy towards viable development and greater self-sufficiency. It is therefore our desire that the Administering Authority grant to us a broader scope of, and greater voice in making, budget decisions. It is our sincere hope that we can work with the Administration to

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ensure that future budgetary requests reflect reductions in unnecessary operating costs. At the same time, we want to ensure that deserved priority can be given to capital infrastructures and economic development-related activities.

The size and structure of the present government of the Trust Territory has been of great concern to us, as also mentioned in the report of the 1976 United Nations Visiting Mission. In fact, the need to decentralize the central government merits considerable attention from the Government of the United States and the people of Micronesia, given the tentative termination date of the trusteeship. The present desire to reorganize and further reduce the size of the present central government is conceived to be more than an economy measure. There seems now to be a consensus that the cost of government operations, the number of persons employed by the Trust Territory government, and the quantity of national income consumed by the government has had a negative impact on economic development. A disproportionately large number of better educated and skilled Micronesians work in our administrative system, rather than in the private sector of our economy.

Accordingly, the Administration and the Congress of Micronesia are in broad, general agreement that a restructuring and reorganization of the present Government is in order. We further agree that specific steps should now be taken to adjust the cost of the Micronesian government so that it matches much more closely the tax revenues available in Micronesian economy. We believe that the administrative system should be fashioned so as to promote economic development -- spurring production, increasing income, generating revenue and discontinuing the existing pattern of high-level government consumption. It is clear that government operations, at both the headquarters and the district levels, should be trimmed of excessive costs and unnecessary programmes. Furthermore, employees of the administrative system should be primarily Micronesians, in accordance with the provisions of the Trusteeship Agreement on granting Micronesians a progressively increasing role in their government. Concomitantly, the district governments should be given additional powers and responsibilities to govern themselves.

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The Congress of Micronesia has in general acquiesced to the desire of the Administration for an immediate and speedy reorganization and reshaping of the Trust Territory government. However, it is of the impression that such a decentralization effort cannot and should not be achieved overnight. It should be an ongoing programme of adjusting government organization and reallocating functions and responsibilities to meet the changing needs of Micronesia as it prepares for termination of the Trusteeship Agreement.

In short, while the members of the Congress of Micronesia endorse the concept of decentralization, it is recommended:

First, that the programme be initiated, approved and implemented by the Trust Territory government and the Congress of Micronesia and not by the United States Department of Interior;

Secondly, that implementation of the programme be gradual and consistent with the proposed Micronesian Constitution;

Thirdly, that the structure and organization of government should encourage economic growth. It must facilitate implementation of the comprehensive and balanced development plan being prepared for the Trust Territory government by the Congress of Micronesia with the able assistance of the United Nations Development Programme (UNDP) team of experts; and

Fourthly, that the proposed physical decentralization of departments --- that is to say, the actual moving of entire departments of the Trust Territory government to different administrative districts --- should be a matter for consideration solely by the future Micronesian Government.

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During the remaining years of Micronesia's administration under the Trusteeship Agreement the process of handing the reins of Government over to the people of the Territory should be completed. Accordingly, the programme of decentralization must be more than a reorganization of government for the administrative advantage or financial benefit of the United States. The Congress of Micronesia is aware of a disturbing trend in the Trust Territory government, where daily decisions are being handed down from Washington, rather than being made in Micronesia. We do not favour a programme of decentralization if powers and responsibilities which should be vested in the central government are to be transferred to the United States Department of the Interior. Nor can we support a programme of decentralization which may have a detrimental impact on Micronesian unity.

As with many other major subjects of great concern to Micronesia, the issue of decentralizing the central government of Micronesia should be the result of mutual understanding between Washington and Saipan if it is to be effective. Understandably, the physical distance separating Washington from Micronesia -- thousands of miles -- leads, more often than not, to breakdowns in communication. This is a problem which we have recognized over the years. We have explored different ways and means whereby we could overcome the difficulty of conveying the views and recommendations of the people of Micronesia to the various agencies of the United States Government, including the United States Congress.

In this connexion, during the second regular session of the Sixth Congress of Micronesia a law was passed and approved by the High Commissioner, creating a Micronesian Washington Office. This Office will be headed by a Liaison Officer, preferably a Micronesian, and will provide the communication link between the United States Congress and agencies of the United States and the people and Government of Micronesia. It is our hope that this Office will supplement the efforts of the Department of the Interior to make the views of the people and Congress of Micronesia known to the Administering Authority on important subjects. It is envisaged also that the creation of this Office will reduce significantly recurrent costs of travel to Washington for official business.

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Finally, we are most pleased to report to this Council on our progress in formulating an indicative development plan for Micronesia covering the five-year period ending 1980. As this Council may recall, we reported to you last year regarding our passage of a law calling for a comprehensive and balanced economic development plan. This plan would enable us to formulate a set of strategies, policies and guidelines for our developmental efforts and to set as our goal the establishment of a self-supporting economy in Micronesia.

This year, we are happy to report that much progress has been made towards the realization of this objective. Sometime in October of last year, the United States executed on our behalf an Agreement with the United Nations Development Programme (UNDP). The agreement provided that the UNDP would extend to Micronesia its technical assistance and consultancy expertise to assist us in the preparation and formulation of the plan. It was a full-scale project request, including a detailed development plan for Micronesia. Owing to time constraints, however, it was later recognized that the scope of work envisaged in the project request to UNDP was too great for the project to be carried out within the time allowed. As a result of this determination, it was decided that an indicative plan for Micronesia would be prepared and formulated for submission and approval by the Trust Territory government. A later request would then be submitted to UNDP for preparatory assistance to undertake preparation of the comprehensive and balanced plan called for in Public Law No. 6-56.

Under this arrangement, we were most fortunate to be able to secure technical assistance and expert advice from a UNDP team headed by Dr. Robert J. Trusk during the past year. The technical assistance and expert advice from the UNDP team of experts enabled my Joint Committee on Programme and Budget Planning to draft and prepare for submission to the upcoming special session of our Congress a five-year indicative development plan for Micronesia. The indicative plan must be approved by the Congress of Micronesia and by the High Commissioner. It is our hope to be able to retain

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by request the UNDP expertise to assist us during the later development stages of the planning exercise and its implementation. Much time and effort were expended in developing and formulating the draft indicative development plan for Micronesia. The plan will have to await formal approval by the Congress of Micronesia and by the High Commissioner during the latter part of July of this year. However, I believe it would be of great interest to this Council if I were to outline briefly some of the major findings, conclusions, and recommendations.

The plan finds the Micronesian economy to be very much a consumption-oriented deficit economy. People are consuming more than they are producing by way of income.

The second characteristic of the present economy is that a very large proportion -- one fourth to one half of the working age population, between the ages of 15 and 64, either are not working or are unemployed. A very large portion of the employed population, again, is dependent on the government for jobs and income. Also, and perhaps as a consequence of large-scale government employment, there is a large concentration of population at the district centres.

The third characteristic of the Micronesian economy is that the government is the largest consumer in the economy. That is to say, well over half or approximately 57 per cent of the total operating expenditures of the government go to administration, social consumption and social welfare. Very little expenditure goes into what we call the productive sector of the economy.

The fourth characteristic of the Micronesian economy is the lack of equal or equitable distribution of income amongst the districts of the Trust Territory. Per capita incomes on a district-by-district basis, excluding the former Mariana Islands District, vary from a low of nearly \$600 to a high of \$1,100 per annum.

Another characteristic was found to be the lack of trained and skilled manpower in the labour force. There is also the need to raise taxes to pay for a much larger share of the operating cost of government through increased revenues.

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On the basis of the foregoing and several other economic factors, decisions were reached to formulate a plan. That plan would have as its major elements and components provisions whereby the income of the government could be used most efficiently and equitably to support necessary programmes and services. It would also give special attention to shifting the major expenditures of the government from the present consumption and social infrastructure to more productive capital investment programmes. It would change a top-heavy government organization, with its administrative overheads --- finance, administrative services, personnel and procurement --- to a government structure of a more realistic and manageable size and savings could possibly be realized without damaging operational efficiency. It was further concluded that the plan should seek to find solutions for problems in the vital area of transportation. It would also address itself to a proper emphasis on and expenditures for the training of Micronesians. A further aspect would be the review of long-range manpower requirements, in view of the implications of the declining operations budget and accelerated capital project programmes.

In short, the plan was able to reach conclusions regarding such things as the cost of providing utilities in population centres; the best method of meeting those costs through a combination of user-cost revenues and subsidies by government; costs of support of outer-island populations, with emphasis on how to meet or reduce those costs; income distribution and effects; alternative methods for increasing tax revenues on an equitable basis, including income tax, sales tax, import and export taxes and business and other licence fees.

Options and methods were explored for financing capital improvements through private sector investments and, for financing health services, through private and government insurance and/or direct user costs.

As I mentioned earlier, the five-year indicative development plan that will be submitted to the Congress of Micronesia during its upcoming special session will not be comprehensive in scope, nor will it be a balanced plan. That will have to come at a later date. It will, however, have as one of its objectives the attainment by Micronesia of economic self-sufficiency or viability by an increase in the total national and district incomes of the

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Government, at the centre, and, in the districts, by meeting the requirements of national consumption, including imports and investments. A growth rate of 6 per cent per annum is envisaged, assuming an average 3 per cent growth in the population of Micronesia over the next 10 years. This in turn would mean a 3 per cent per capita growth in national income or the attainment of economic self-sufficiency at the present level of per capita income during the next 10 years.

A second social objective for the plan envisages a more balanced regional or inter-district development in Micronesia. It also contemplates more equitable distribution of incomes within each district.

At the same time, the plan would call for future changes in the scope and structure of government in Micronesia and would address itself to two distinct although related factors: first, a movement towards greater Micronesian control over its government, and, secondly, more political and administrative autonomy at the district level.

Lastly, the plan would call for more emphasis on major efforts by the government to shift its emphasis from the development of social infrastructure to a more productive sector of the economy, to agriculture, fisheries and tourism -- in that order. Adequate provisions would be made in the plan to lay down strategies and development guidelines to develop agriculture; livestock; forestry; marine resources; tourism; agro-industries and manufacturing; mineral resources; water resources; public works, including infrastructure; and transportation and communications, as these specific sectors would contribute to the total economic development of Micronesia.

In conclusion, it must be remembered that a development plan for Micronesia is not an end in and unto itself. The ultimate utility of any plan for development is that it serves as a guideline by which progress can be measured, short-comings can be determined and corrections in subsequent plans can be made. There has been much criticism that too many plans have been formulated for Micronesia in the past. Too many of them have been shelved, owing in large part to their lack of responsiveness to the prevailing needs of the people or the society for which they were conceived.

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But, while there may be some element of truth in such an argument about development plans, the lack of constructive guidelines for the development of the economy of Micronesia has stemmed from the very fact that we do not now have any indicative plan to guide us in promoting the well-being of the people of Micronesia and the betterment of their lives. In fact, our past performance record in the administration of Micronesia has been and continues to be one of mismanagement and maladministration of the public affairs of our Micronesian people.

Accordingly, the only alternative left to us is to design and implement such a plan in a systematic and orderly way so that we can be assured of continual advancement in our total effort and in our progress and growth. In this regard, Micronesia needs the Council's patience, compassion, understanding and goodwill as we begin the last stages of the trusteeship stewardship.

The PRESIDENT (interpretation from French): I thank Mr. Setik for his kind words about the Council and its officers.

The meeting rose at 6.15 p.m.