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Forty-ninth session
Item 4 of the provisional agenda

OUTLINE OF CONDITIONS IN THE TRUST TERRITORY
OF THE PACIFIC ISLANDS

Working paper prepared by the Secretariat

Addendum

C. ECONOMIC ADVANCEMENT

General economy

71. At its forty-eighth session, the Trusteeship Council noted with regret that the Territory's economy was such that it could not produce sufficient funds to cover the administrative and social expenditure of the constitutional Governments. In particular, the structural imbalances in the economy seemed not to have been significantly reduced. Under the circumstances, it felt that now that the Micronesians were on the verge of choosing their future status, economic assistance to the Territory should be maintained at least at its present level to enable the people to achieve a certain measure of economic independence.
72. The Council noted in that connexion that the Micronesian economy continued to feel the effects of inflation and energy price rises. However, it noted the efforts that had been made to find and develop alternative sources of energy, in particular, solar energy and wind power.
73. The Council noted that the Territory's exports amounted in value to only one fifth of its imports and that the income derived from copra and tuna fish had declined in 1981. Inasmuch as the funds now derived from agriculture, handicrafts, fishing and tourism would not increase rapidly to any significant degree, the Council urged the Administering Authority to promote the development of the kinds of production that could satisfy local needs, especially for food. It noted that the Administering Authority was providing assistance to the constitutional Governments if requested, in order to develop local products, thereby discouraging purchases of similar products abroad.

74. The Council noted with satisfaction that the Administering Authority would provide the funds needed for the attainment of the goals of the five-year capital improvement plan ending in 1981. It hoped that the final contracts could be awarded speedily.
75. The Council regretted that the second phase of the capital improvement programme, which was designed to ensure the development of the outer islands, was currently seen by the Administering Authority as being a list of projects which might be implemented at a later stage. It none the less hoped that some parts of the second phase of the capital improvement programme would be implemented before the termination of the Trusteeship Agreement.
76. The Council noted that water and electricity supplies continued to be erratic in certain parts of the Territory. Pending the implementation of projects relating to alternative sources of energy, it felt that modernization of the diesel generators should be undertaken as a matter of priority.
77. According to the current annual report, economic assistance is continuing at a substantial level. With the transfer of functions, responsibilities and property, it is within the purview of the new Governments to select economic activities within the resources available and to support them through the Economic Development Loan Fund, local resources and funds provided by the Administering Authority's appropriations and federal programmes.
78. The annual report states that the Administering Authority is continuing to support the new Governments in the search for viable alternate energy sources. The United States Government has completed a comprehensive energy source inventory and assessment, which it has made available to the Governments. The Administering Authority's efforts are now directed to follow-up work on this study and to support and assist the efforts initiated by the new Governments.
79. The Administering Authority is continuing to provide assistance when requested and is looking forward to the development of viable, locally controlled efforts to resolve many of the imbalances in exports and imports.
80. The annual report states that the capital improvement programme is a multi-year programme initiated in 1976. While funding for the programme has been made available, actual construction of all projects will extend beyond the five-year period originally projected. By 31 January 1982, 18 projects had been completed at a cost of approximately \$25 million. A total of 70 per cent of all the projects have either been completed or are under construction. The remaining projects are in various stages of planning or are being replanned to accommodate changes in local preference or priority.
81. Various grants from other United States agencies are being utilized to address some of the needs of the outer islands. Specifically, \$555,000 is being utilized to develop renewable energy sources, \$430,000 to provide facilities for health care, \$469,700 to improve communications and \$3,250,500 for other related projects.

82. The annual report points out that in addition to the capital improvement programme, energy related projects and the development of alternate energy projects in the outer islands, the Administering Authority has initiated a \$1.9 million generator rehabilitation programme. The programme will be carried out during 1981/82 and is intended to bring existing diesel generators back into operation. This activity has a high priority, and the Administering Authority has recruited an additional expert to implement the programme.

83. In the current annual report, the Government of the Federated States of Micronesia states that it has begun to feel the squeeze from the new United States Administration budget cuts. It expresses concern that further cuts proposed by the present Administration could mean that the Administering Authority would not fully comply with its commitment to provide the necessary economic infrastructure as well as the political development in the Federated States of Micronesia before the compact of free association becomes effective.

84. There were no new economic development programmes initiated with the support of the Administering Authority. United States authorized funds were mostly used for preparation of state and national five-year development plans. Future economic development in the Federated States of Micronesia is tied largely to construction programmes. During the year under review, construction was under way on the Yap airport and the Kosrae airport and dock. The Truk airport and dock were near completion; and the Yap dock had been completed.

Public finance

85. The costs of Trust Territory operations are met by grants from the Administering Authority in the form of annual appropriations and federal programme grants, as well as by local reimbursable revenue collections.

86. The grant from the Administering Authority to the Territory (excluding the Northern Mariana Islands) for 1981 was \$94.5 million. In addition, the Trust Territory received approximately \$25.6 million in federal grants from United States Government agencies for the execution of various programmes. In 1981, tax revenues raised within the Territory totalled \$17.7 million. Reimbursements earned from services provided to the public and agencies amounted to \$7.0 million. In 1981, the Northern Mariana Islands received from the Administering Authority \$14.4 million for operations and \$7.0 million for the capital improvement programme. Local tax revenue totalled \$8.0 million and revenue from various services and other fees amounted to \$3.3 million.

87. At its forty-eighth session, the Trusteeship Council noted that the constitutional Governments had been given the opportunity to determine their programme priorities for the 1982 budgetary year on the basis of certain budgetary guidelines.

88. The Council noted with interest that the constitutional Governments had been provided with additional funds to cover the expenses they would have to incur during the transitional period. It hoped, however, that if federal programmes were cut the level of assistance given to the Territory would not be affected, particularly in the social field.

89. The Council hoped that the views of the Governments concerned would be taken into account in rationalizing the financial management system and facilitating budget preparation and accounting.
90. The Council reiterated its view that the Territory's system of taxes and duties should be designed to discourage the import of goods and products which could be obtained locally.
91. According to the current annual report, the Administering Authority confirms that the new Governments have had the opportunity to determine their own priorities within certain budget ceilings. The Administering Authority has provided a total of \$7.4 million to help defray the costs of transition to full self-government. This amount is in addition to funds provided under various federal programmes.
92. The annual report states that the Administering Authority has been consulting the Governments on the future directions and operations of their financial management systems, as well as on budget preparation procedures and accounting functions. Programmes to rationalize the various financial systems are being developed. The system of taxes and duties is under the jurisdiction of each constitutional Government subject only to limitations under the Trusteeship Agreement relating to the protection of free trade within the Territory.
93. The annual report further states that orders of the Administering Authority, in effect after 1979, require that the budgets of the Federated States of Micronesia, the Marshall Islands and Palau be submitted to the Secretary of Interior through the High Commissioner who will review the budgets and make recommendations.
94. The annual report further states that as of 1 October 1981, the Finance Office at Trust Territory headquarters separated the financial management and payroll systems to allow each Government to control its own data processing and to request special reports or changes to the system which do not affect the other Governments. Virtually all functions of programme management and financial administration are performed by the Governments. The Finance Office is now responsible only for ensuring proper operation of the standardized accounting system, for oversight review of the accounting system and for preparation of consolidated accounting reports to higher authority.

Assistance from international institutions and other countries

95. At its forty-eighth session, the Trusteeship Council strongly encouraged the leadership of the Territory to develop relations with the various regional and international programmes.
96. The Council noted with satisfaction the assistance provided by the World Health Organization (WHO) under the three-year health development programme launched in 1979, with particular reference to the training of medical and paramedical personnel and the granting of fellowships. The Council also noted with satisfaction the efforts undertaken by the Governments of the Territory to forge links and develop co-operation with the other States in the region.

97. The current annual report states that all four Governments have attained full membership in SPC, as well as associate membership or observer status in a variety of other regional and international groups. The Northern Mariana Islands is also a member of the Pacific Basin Development Council.

98. The Administering Authority will continue to support the efforts of the constitutional governments to join in organizations and to establish relations with other nations of the Pacific.

99. According to the annual report, a demographer, who was recruited and will be paid by the United Nations Fund for Population Activities (UNFPA), has been assigned to the Trust Territory. The expert will, among other things, analyse and disseminate data for population planning and projections. He will also conduct in-service training in analysis and use of population and related statistics in the Federated States of Micronesia, the Marshall Islands and Palau.

100. The annual report states that several experts from the United Nations Development Programme (UNDP) work closely with the Department of Resources and Development of the Federated States of Micronesia.

101. The annual report further states that the Federated States of Micronesia received aid from Japan amounting to \$1.5 million, to be used for the purchase of heavy road-building equipment. It also received \$2.5 million in cash, goods and services from Japanese fishing companies for rights to fish in the waters of the Federated States of Micronesia.

102. The annual report points out that the International Labour Organisation (ILO) provides expert and other services to the co-operatives and credit union organizations of the Northern Mariana Islands. Similar services are also provided to those organizations by SPC.

Credit

103. At its forty-eighth session, the Trusteeship Council was pleased to note that the constitutional Governments would be able to apply for loans from the Economic Development Loan Fund once they had established their banking systems.

104. The current annual report states that the last remaining obstacle to full implementation of the Economic Development Loan Fund programme is the establishment of a national bank in Palau. Banks in the Marshall Islands and the Federated States of Micronesia have been established and are operational. The transfer of lending responsibilities from Trust Territory headquarters to the constitutional Governments will assure participation of the local boards of directors and the loan credit committees of the respective Governments in any lending decisions. Approximately \$5.5 million is available for loans.

105. According to the current annual report, the Economic Development Loan Fund of the Northern Mariana Islands became active in the early part of 1979 and the first loan was granted in July 1979. During 1977/78, 1978/79, 1979/80 and 1980/81, the

Northern Mariana Islands received \$7.7 million as guaranteed by the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States. 1/

106. The current annual report states that in 1981, four chartered credit unions were operating in the Marshall Islands, with 2,130 members. Loans granted by them aggregated \$3.3 million. There are 20 chartered credit unions in Palau with total assets of \$1.5 million.

107. The annual report points out that in 1981 the Northern Mariana Islands granted 66 loans which aggregated \$8.9 million. In addition, the Northern Mariana Islands also administered 83 loans, which aggregated \$1.4 million, committed to it before its administrative separation from the rest of the Trust Territory.

108. According to the annual report, the operation and lending activities of the Economic Development Loan Fund programme in the Marshall Islands, which were frozen by the High Commissioner for the past four years, have now been reorganized by the Trust Territory and Marshall Islands Governments. More than 30 businesses and institutions have borrowed approximately \$360,000 since the creation of the Fund.

Land

109. At its forty-eighth session, the Trusteeship Council noted with satisfaction that all public land had been transferred to the local authorities, with the exception of small areas of Palau where there were still some administrative difficulties. The Council noted that the weather stations and adjoining housing still held by the Government of the Territory would be handed over to the constitutional Governments before the termination of the Trusteeship Agreement. The Council also noted that funds were available to finance the purchase or leasing of land which the Administering Authority currently held under indefinite use agreements and that negotiations were under way. In that connexion, it observed that the Administering Authority planned to complete most of the payments before the end of 1981.

110. According to the current annual report, local administrative difficulties continue to inhibit the transfer of land on Palau; the Administering Authority is prepared to finalize all transfers as soon as these are resolved. The Administering Authority has completed payment for past use of land held under indefinite use agreements. There are approximately 20,000 land parcels in Palau, of which 16,000 have been surveyed, documented and registered by the Land Commission. It is estimated that it will take five or six years to complete the survey and registration of land parcels in Palau.

1/ For the text of the Covenant, see Official Records of the Trusteeship Council, Forty-second Session, Sessional Fascicle, annexes, document T/1759.

111. The annual report states that land disputes are fairly common in the Marshall Islands. Most of the disputes are between members of a family or families controlling land rights in a given parcel of land. Lack of written records and failure to record transactions involving land are the principal causes of land disputes.

112. The annual report points out that in Kosrae, there are 4,000 land parcels, both private and public, of which 1,443 have been surveyed, documented and mapped by the Land Commission.

113. The annual report states that during the period under review, 50 hectares of public land were surveyed and mapped in the Northern Mariana Islands. Further, determination of ownership was established in respect of 56 village lots and 19 agricultural lots and certificates of title were issued for 306 village lots and 389 agricultural lots.

Agriculture and livestock

114. In the current annual report, the Government of the Federated States of Micronesia states that agricultural development, for which there is great potential, remains unexploited. Production of agricultural products for export could well be the main factor in the balance of payments, particularly since production of copra, the major export item, has remained nearly static for the past few years. If a serious promotional and developmental plan could be executed, the production of agricultural export crops could help to promote greater economic stability.

115. The annual report states that subsistence farming is pursued in the Federated States of Micronesia by most of the population with access to land. This involves growing coconuts, bread-fruits, bananas, taros, sweet potatoes, cassavas, yams, vegetables and various other fruits and minor crops. The Government of the Federated States of Micronesia estimates that approximately 18,000 hectares is devoted to tree crops and 6,500 hectares to root crops. The Federated States of Micronesia receives approximately \$3 million in export revenues annually, mainly from copra (the chief export crop), black pepper, handicrafts and marine products. A coconut rehabilitation scheme to increase copra production has been progressing at a slow but steady pace for the past few years.

116. The agricultural sector has been emphasizing production of traditional food crops and the initiation of vegetable and fruit production to meet local demands and to reduce imports. Dependence on imports has been increasing due to population growth combined with limited development.

117. The annual report points out that farmers have been encouraged to expand existing operations in the production of livestock, poultry, eggs and various dairy products in order to retain capital in the Federated States of Micronesia. Swine, cattle and goat products have been experiencing increased demand. The Federated States of Micronesia has obtained improved breeds.

118. Two training courses in the technology of root and tuber crop production, to be held in Nigeria and Hawaii were authorized. Three participants from Truk and Ponape were designated for the Nigerian training programme. Three states will participate in a forestry training programme.

119. During the period under review, two staff members of the Division of Plant Industry and Extension Services of the Northern Mariana Islands attended a five-day workshop at the University of Guam on soil science and plant pathology. In addition, an expert from the University of Hawaii conducted a workshop at the Kagman Agriculture Station.

120. The principal livestock in the Marshall Islands are swine and poultry. In 1981, 200 pigs were imported from New Zealand and 1,780 chickens were imported from Hawaii. It is the intention of the Government to improve the production and marketing of both poultry and swine.

121. Under the direction of the Resources and Development Department, the Marshall Islands Farmers Market provides a retail outlet for locally produced vegetables. Since the Government focuses on vegetable production in the outer islands, the services of the Farmers Market are expected to expand and grow in the coming years.

122. In Palau, the Agriculture Division is providing extension services to assist the farmers and livestock owners in all 16 states by visiting farm sites and performing demonstrations on proper agricultural cultivation. In 1981, there were 4 poultry farmers and 30 vegetable and root crop farmers.

123. The Palau Feedmill began operating in January 1981, utilizing locally available feedstuff mixed with other imported ingredients to manufacture hog and chicken feeds.

124. The annual report states that the UNDP/Palau joint venture in livestock development had 55 head of cattle on 30 hectares of improved pastures in 1981.

125. Sales of agricultural products in the Northern Mariana Islands for 1981 totalled \$312,692, of which export sales amounted to \$57,674. The principal livestock in the Northern Mariana Islands is cattle. In 1981, livestock sales totalled \$2.7 million, \$550,174 more than in 1980. The beef industry produced \$463,305 in cash receipts, 42 per cent more than in 1980.

126. At its forty-eighth session, the Trusteeship Council stressed that the expansion of agricultural and livestock production to meet the needs of the population should continue to be a matter of priority. In addition, it requested the Administering Authority to promote export-oriented agriculture. The Council reiterated its hope that the study on the development of pepper plantations on Ponape and the Truk broiler project, which was 70 per cent done, would soon be completed. The Council noted the distribution of a new variety of coconut trees and urged the Administering Authority to continue its effort to improve the yield of coconut plantations in order to guarantee supplies for the two copra processing plants in the Territory.

127. The current annual report states that, as part of its general reduction, the Trust Territory Administration has dissolved the Department of Resources, comprising the divisions of agriculture, tourism, marine resources, economic development and lands and surveys, and transferred its functions to the new Governments. The Administering Authority will continue to provide technical assistance to the new Governments from other agencies of the United States Government, as available and when requested.

Marine resources

128. In its current annual report, the Administering Authority states that the Micronesian Maritime Authority continues to handle all matters concerning the 200-mile fishery zone of the Federated States of Micronesia. In 1981, the Government of the Federated States contributed \$50,000 to Yap for its fishing programme but could not, due to lack of funds, provide the \$7,500 requested by Truk for a fisheries training programme.

129. The current annual report states that it is the goal of the Government of the Marshall Islands to assist and encourage the development of marine resources for home consumption and export.

130. In 1981, the Republic of China conducted a survey to determine the capacity of the bait-fish population to support the local fishing operations. Three fishing vessels, including the crews, were provided by the same Government. Results are yet to be reported.

131. During the period under review, the United States Pacific Tuna Development Foundation (PTDF) conducted a "troll survey project" to determine the availability of tuna during a one-year period and provided technical and financial assistance to support the project. An average catch of 2,000 kilograms per month was reported.

132. In 1981, the Majuro Fishermen's Co-operative Association received goods and services valued at \$170,000 from the Government of Japan through the Government of the Marshall Islands to develop the fishing industry. In the same year, the Association purchased 58,134 kilograms of fish for \$87,313 and sold 52,257 kilograms for \$103,322.

133. The administration and management of the Mariculture Demonstration Center in Koror has been transferred from the Trust Territory Administration to the Government of Palau. The Center, which develops programmes in trochus reseedling, reef fish and rabbit-fish farming, is attempting to make commercial mariculture productive in Palau. Special efforts are being made to promote technology for the development of commercial tuna and deep-bottom fishing by Palauans.

134. In 1981, tuna/skipjack production in Palau amounted to 7.4 metric tons and reef fish to 2.6 metric tons. Exports of frozen fish were valued at \$1.5 million.

135. In the Northern Mariana Islands, the domestic catch of reef, deep-bottom and pelagic fish in 1980/81 was approximately 110,000 kilograms. Three large

commercial vessels were added to the fishing fleet of the Northern Marianas, bringing the total to 8 large vessels and 130 skiffs. The Government is building a centralized fishery complex in Saipan, which will provide some of the basic needs of the local fisherman. The facility was scheduled to be completed in 1981.

136. The annual report states that PTDF has awarded \$50,000 to the Northern Mariana Islands to conduct a feasibility study on small-scale shark fishing. Several companies have indicated their desire to purchase dried shark fins at prices ranging from \$4 to \$24 a kilogram, depending on size and quality.

137. At its forty-eighth session, the Trusteeship Council noted with satisfaction that the three maritime authorities of the Federated States of Micronesia, the Marshall Islands and Palau were working to strengthen their legislation on the protection of the 200-mile zones. It took note of the Administering Authority's intention of extending assistance to ensure respect for the rights of the Micronesians over the 200-mile zones.

138. At the same session the Council noted with interest that the Governments of the Federated States of Micronesia, the Marshall Islands and Palau had entered into a licensing agreement with the American Tuna Boat Association. It also observed with interest that the Government of the Marshall Islands had signed a fisheries agreement with the Government of Japan.

139. The Council also noted with satisfaction that the Administering Authority was paying constant attention to projects for improving the exploitation of marine resources. It particularly welcomed the services of the Research Center set up in Palau.

140. The current annual report states that the Administering Authority has been co-operating with the Governments of the Federated States of Micronesia, the Marshall Islands and Palau with respect to the development of suitable legislatively-based régimes of maritime jurisdiction. The initialed compact of free association, and two of its related agreements deal directly with the maritime jurisdiction issue in a manner acceptable to all parties. Prior to and after termination of the Trusteeship Agreement, the United States will continue to support measures and activities which ensure that the benefits of the maritime zones surrounding the Federated States of Micronesia, the Marshall Islands and Palau are preserved for those jurisdictions.

Third United Nations Conference on the Law of the Sea

141. At its forty-eighth session, the Trusteeship Council noted that the Trust Territory delegation to the Third United Nations Conference on the Law of the Sea during the year under review had been composed of representatives of the Federated States of Micronesia, the Marshall Islands and Palau. In that respect, it noted that the question of their possible participation in a convention on the law of the sea had been raised in a positive manner at the last session of the Third United Nations Conference on the Law of the Sea.

142. In the current annual report, the Administering Authority notes that participation by the Governments of the Federated States of Micronesia, the Marshall Islands and Palau in any final law of the sea convention has not yet been fully resolved by the Conference. The United States has made clear its position of support for participation by those Governments after the compact of free association comes into effect.

Industry and tourism

143. According to the current annual report, the Tourism Officer of the Government of the Federated States of Micronesia was active in the tourism promotion programmes of the various states within the Federated States of Micronesia. He attended the Micronesian Regional Tourism Council in Koror and Saipan in 1981. He also participated in a seminar on tourism in Honolulu which was sponsored by the Pacific Area Travel Association (PATA).

144. The annual report indicates that a total of 1,906 visitors entered Ponape in January and February 1981.

145. The total number of visitors to the Marshall Islands in 1981 was 1,242 and expenditures by those visitors totalled \$323,456. There are three hotels on Majuro with a total of 80 rooms. A ground-breaking ceremony was recently held for a proposed 150-room hotel to be constructed on Majuro by the Government of Nauru. There are also 10 motel rooms on Mili.

146. The number of visitors to the Northern Mariana Islands totalled 116,375 in 1981 and estimated expenditures by those visitors amounted to \$59.4 million. There were 741 hotel rooms during the period under review. The Northern Mariana Islands' Visitors Bureau, established by the Northern Marianas Legislature in 1976, employs 17 people and operates under a board of directors, mandated by law to oversee the total development of the industry.

147. At its forty-eighth session, the Trusteeship Council reiterated its concern at the absence of small industrial enterprises in the Territory.

148. The Council stressed that Micronesia could be considered to be an attractive region for tourism. It noted the remarkable growth of the tourist industry in the Northern Mariana Islands and the more modest progress achieved in other parts of the Territory. In that connexion, it noted the tourist hotel projects in Palau and the Marshall Islands. The Council considered that tourism could only be developed gradually, with a carefully prepared over-all plan. It noted in that respect that in order to set up a tourist industry there would have to be a well-developed infrastructure (roads, water supply, electricity, hotels) as well as a potential tourist market. While welcoming the expansion of the tourist industry, the Council reiterated the hope that the interests of the population and the existing social structures would be safeguarded and the environment preserved.

149. The current annual report states that the Administering Authority continues to endorse the development of small industries. Resources and development functions related to industrial development have been transferred to the new Governments.

150. The Administering Authority has also transferred the functions related to tourism to the new Governments. The establishment of an infrastructure noted by the Council will occur with the completion of the capital improvement programme. In the annual report, the Administering Authority expressed its confidence that the tourism development programmes of the constitutional Governments were adequately sensitive to the importance of cultural preservation.

151. In the annual report, the Government of the Marshall Islands states that growth and development of its tourist industry must involve formulation of a comprehensive and well-conceived plan. The goal for tourism development is to increase local tourist expenditures in the Marshall Islands by substituting local products for imported products. Greater efforts should be made to improve the quality of the existing infrastructures and services and to employ Marshallese instead of foreigners. The Government's strategy is to develop tourism gradually because of the need to build the necessary infrastructure and production base.

Transport and communications

152. The current annual report states that during 1981, the Division of Communications made a concentrated effort to upgrade and expand the telecommunications systems within the three emerging Governments. While much has been accomplished already, completion of the remaining work is expected to take place during 1982 or early 1983. The goal of the telecommunications projects is to expand, upgrade and modernize the telecommunications facilities and services so that there will be an effective and efficient system of telecommunication for the emerging Governments which will enable them to communicate between themselves and with other parts of the world.

153. The annual report further states that the maritime transportation system in the Trust Territory serves two primary functions: interisland field trip service and international/interstate trade or logistic shipping service. The interisland field trip service provides for the movement of cargo, passengers, administrative services and logistic support from the administrative centre to all inhabited outer islands. The service is provided by a fleet of 10 steel-constructed, diesel-powered cargo/passenger ships operated by the three new constitutional Governments.

154. The annual report under review states that provision of air transportation is an integral part of the Marshall Islands Government's commitment to provide adequate health care for all outer-island residents, through both service delivery and medical evacuation. Following the advent of the Airline of the Marshall Islands, presently consisting of a 14-seat and a 16-seat Nomad, a project of outer-island airstrip construction was undertaken. The goal is to provide every populated atoll, or island not part of an atoll, with air service capability.

155. Air Micronesia continues to operate in Micronesia. Saipan being the northern gateway, with 11 weekly B-727 jet flights direct from Tokyo. Japan Air Lines (JAL) also provides service with four weekly flights from Japan using B-747 jets. Commuter flights provide service between the Northern Mariana Islands and Guam.

156. At its forty-eighth session, the Trusteeship Council stated that it shared the view of the representatives of the constitutional Governments that transport and communications continue to be a serious problem in the Territory. In that connexion, it hoped that the legal problems resulting from the transfer of ownership of ships and aircraft to the constitutional Governments would be solved rapidly. It noted in that respect the negotiations undertaken by the Governments of the United States and of the Marshall Islands for the registration of the two aircraft belonging to the Airline of the Marshall Islands.

157. The Council noted with satisfaction that the work on the Moen (Truk) and Kosrae docks was nearing completion. It noted with satisfaction the opening of the new Rota airport, the expansion of the Truk airport and the improvements made to the Ponape airport. It hoped that the new airports in Palau and Kosrae would be completed soon. The Council noted with regret that the road network remained inadequate in certain parts of the Territory and that some of the work carried out was hardly consistent with the local situation.

158. At the same session, the Council noted that the Territory's inhabitants wished to see the development of a satellite communications system to improve communications within Micronesia and with the outside world and also noted the studies conducted by the Administering Authority in that respect. In that connexion, it welcomed the signing of the agreements concluded between the Governments of the Federated States of Micronesia, the Marshall Islands, Palau and the Northern Mariana Islands and the Communications Satellite Corporation.

159. The current annual report states that completion of the capital improvement programme and the communications projects now under way will greatly alleviate the problems of transportation and communications.

160. The annual report further states that in September 1981, the High Commissioner and the Governments of the Federated States of Micronesia, the Marshall Islands and Palau concluded formal agreements to transfer to the three Governments title of ownership of vessels operated by each of them. The transfer of ownership titles of the vessels affords the three Governments the full responsibility and complete control of management and operation of their interisland shipping services.

161. The Trust Territory Government still retains the title of ownership, management and operations control of two logistic vessels, the M.S. Herkimer and the M.S. Fentress. At the request of the Governments of the Federated States of Micronesia and the Marshall Islands, arrangements are being worked out to transfer the M.S. Herkimer to the former and the M.S. Fentress to the latter.

162. According to the annual report, the concerns regarding the two Marshall Islands aircraft have been resolved to the satisfaction of all parties.

163. The report states that work on the airport and road network projects has either been completed or is in its final stages. The Moen (Truk) dock was completed in July 1981.

164. According to the annual report, progress continues to be made in the planning and installation of a satellite communications system. Palau has recently received approval from the United States Federal Communications Commission (FCC) for its earth station. The Governments of the Marshall Islands and the Federated States of Micronesia have signed similar agreements and expect FCC approval during 1982.

Proposal for a super-port in Palau

165. At the forty-eighth session of the Trusteeship Council, the representative of the United States, referring to the proposal for a super-port in Palau, said that the position of his Government was that a feasibility study was a necessary first step and the environmental impact of the proposal should be thoroughly and objectively assessed. Any request for a super-port would have to comply with Palauan law, the Trust Territory code and relevant United States laws. He pointed out that no action was being taken with regard to the proposed super-port and that it did not seem to be an active issue at the present time.

166. At the same session, the Adviser of the Administering Authority from Palau recalled that the former Chairman of the Palau Political Status Commission had declared during the forty-fifth session of the Trusteeship Council in 1978 that the super-port was at that time no longer feasible as a project for construction in Palau. The Adviser said that he had no further information to provide to the Council on the question.

Co-operatives

167. In its annual report to the forty-eighth session of the Trusteeship Council, the Administering Authority stated that, at 30 September 1980, eight co-operatives were active in Palau with 853 members and aggregate assets of \$230,449. Although complete information was not available for the number of co-operatives in Truk, four were listed as operating in the states with 24,566 members and assets totalling \$1.5 million. Kosrae had one co-operative with 666 members and assets of \$457,979.

168. The current annual report states that in the Marshall Islands, the co-operatives are organized as producer-consumer organizations. In the outer islands, copra is the main staple purchased from members. However, some handicrafts and seafoods are also purchased. In 1981, six co-operatives were in operation with a total membership of 793 persons and a share capital of \$136,570.
