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OUTLINE OF CONDITIONS IN THE TRUST TERRITORY OF THE PACIFIC ISLANDS

Working paper prepared by the Secretariat

Note: The present paper has been prepared as a preliminary draft of the section dealing with conditions in the Trust Territory of the Pacific Islands to be included in the next report of the Trusteeship Council to the Security Council. Each subsection of the draft will be supplemented by such additional information as may become available during the Council's examination of conditions in the Territory and by such observations and recommendations as the Council may wish to include.

A. GENERAL

Land and people

1. The Trust Territory of the Pacific Islands consists of three archipelagos: the Marshalls, the Carolines and the Marianas. The island of Guam in the Marianas is not a part of the Trust Territory but is an unincorporated Territory of the United States. The three archipelagos include more than 2,100 islands and atolls scattered over an area of some 7.8 million square kilometres of the western Pacific, north of the Equator. The islands and atolls of the Trust Territory have a combined land area of approximately 1,854 square kilometres.
2. According to the 1977 estimates, the population of the Territory totalled 126,239. The distribution of the population in the Trust Territory was as follows: Truk, 35,220; Marshall Islands, 27,096; Ponape, 21,187; Northern Mariana Islands, 16,264; Palau, 13,519; Yap, 8,482; and Kosrae, 4,471.
3. The people of the Trust Territory are broadly classified as Micronesians, except for about 1,000 inhabitants of the outlying islands of Kapingamarangi and Nukuoro and a scattering of individuals of other racial groups. Language differences exist in the Territory, although each island language has a common Malayo-Polynesian source. Nine major languages, with dialect variations, are spoken in the Trust Territory: two in Yap, three in Ponape and one in each of the other districts and the Northern Mariana Islands.

4. At its forty-fifth session the Trusteeship Council noted the statements by Senator Bailey Olter, Special Adviser, regarding the lack of progress in transferring the executive and judicial branches of the Government to Ponape. It believed that, in the interests of efficiency and good management, all government bodies should be located in the same place. Accordingly, it recommended that, after the referendum to be held on 12 July 1978, the Administering Authority should take all appropriate steps to ensure that the three branches of the Government were set up close to one another.
5. In the annual report under review covering the period from 1 October 1977 to 30 September 1978 (T/1803), the Administering Authority states that as a result of the referendum held on 12 July 1978, discussions and planning for the location on Ponape of the executive and judicial branches of the Government of the Federated States of Micronesia have begun and that actions are underway to locate all branches of the Government of the Federated States of Micronesia in the same place.

Population movements

6. At its forty-fifth session, the Trusteeship Council noted with satisfaction the progress made in 1977-1978 with regard to the long-standing problems created in the Marshall Islands District by the situation of the displaced population groups.
7. The Council regretted, however, that the earlier statements by the Administering Authority to the effect that Bikini Island was once again fit for habitation had been contradicted by the latest analyses, which had revealed the presence of radioactive elements in crops. The Council took note of the Administering Authority's position that normal community life could not be maintained on Bikini.
8. The Council noted with interest that the United States Congress had before it a request for \$15 million ^{1/} to permit the resettlement of the population concerned. It noted that the Administering Authority envisaged the possibility of using other islands of the Bikini Atoll for that purpose and, in particular, of improving existing facilities on Kili Island. The Council urged the Administering Authority to take all necessary steps to ensure that the health of the present inhabitants of Bikini was not otherwise endangered.
9. The Council took note of the information that the programme for the clean-up of Enewetak was proceeding according to schedule and that the rehabilitation and resettlement work was progressing smoothly. It noted with satisfaction the statement by the Administering Authority that all such work would be completed in 1980.
10. The Council also noted with satisfaction the adoption of Public Law 95-134, which provided compensation for the inhabitants of the Bikini, Rongelap and Utiirik Atolls who had been exposed to radiation, as well as for the payment of such compensation to the heirs of those who had died, and for continued medical

^{1/} The local currency is the United States dollar (\$US 1.00).

care. The Council was pleased to learn that the appropriate departments were engaged in implementing that Law and hoped that all those concerned would soon receive compensation.

11. The current annual report of the Administering Authority states that the situation of the displaced population groups of the Marshall Islands has long been a major concern and that an effort has been made by the Administration to resettle those people in a satisfactory way. The report further states that close attention will be paid to the problem and that the search for a satisfactory solution will proceed on a priority basis.

12. According to the annual report, the fitness of Bikini Atoll for habitation continues to be a serious question. There are conflicting interpretations on the radiation levels on other islands of the atoll and their potential impact on the health of residents. The Administration regrets that ambiguous situation and is most anxious to resolve the problem and allow for the resettlement of Bikini, but not at the expense of the health and lives of the Bikinians. While it is most anxious to resettle satisfactorily the displaced persons of Bikini, it cannot, in good conscience, do so until portions of Bikini Atoll have been declared to have acceptable radiation levels or a mutually acceptable alternative to resettlement on that atoll has been developed. The Administering Authority will continue to investigate the levels of radiation present on Bikini Atoll and what constitutes an acceptable radiation level for safe habitation. If normal community life on Bikini Atoll is found to be impossible, alternative solutions will be investigated.

13. The annual report states that the clean-up of Enewetak continues to proceed according to schedule, and that rehabilitation should be completed in 1980. Some reforms are currently being undertaken in the assessment of the contamination present on the northern islands of the atoll. If those islands are determined to have levels of radiation satisfactory for habitation, the rehabilitation and resettlement programme will be modified to allow for the resettlement of families on Enjebi. However, even with the modification, the resettlement should still be completed in 1980.

14. With regard to the question of compensation for the people of the Bikini, Rongelap and Utirik atolls, the current annual report points out that Public Law 95-134 has been implemented. In 1978, \$1,239,000 was paid to the people of the Rongelap and Utirik atolls who were exposed to radiation as a result of a thermonuclear detonation at Bikini Atoll in 1954. Payment to 46 individuals (heirs of those who had died) is in progress.

War and post-war damage claims

15. War damage claims by the inhabitants of the Trust Territory fall into two broad categories: claims against the Japanese Government, mainly for damages sustained by the indigenous inhabitants during the Second World War, and post-war claims against the Government of the United States.

16. On 18 April 1969, the Governments of the United States and Japan signed an agreement providing for the settlement of Micronesian war claims, under the terms of which the two Governments joined in an ex gratia arrangement to make a contribution towards the welfare of the inhabitants of the Territory. Japan agreed to make available in grants to the United States, in its capacity as Administering Authority, 1.8 billion yen, then computed at the equivalent of \$5 million. The United States, for its part, agreed to establish a fund in the amount of \$5 million.

17. The Micronesian Claims Act of 1971 (United States Law 92-39) established a Micronesian Claims Fund to consist of the contributions of the United States and Japan pursuant to the agreement referred to above. The Act also established a Micronesian Claims Commission with authority to receive, examine, adjudicate and render final decisions with respect to: (a) claims for damage directly resulting from the hostilities between the United States and Japan between 7 December 1941 and the dates of the securing of the various islands of Micronesia by the United States (Title I claims); and (b) claims arising as post-war claims between the dates of securing of the various islands by the United States and 1 July 1951 (Title II claims).

18. The Act authorized an appropriation of \$20 million for the settlement of post-war claims by Micronesian inhabitants against the United States or the Government of the Trust Territory because of personal injury or material damage, including claims for the acquisition, use or retention of property without adequate compensation, provided that the accident or incident out of which the claim arose occurred prior to 1 July 1951.

19. The Micronesian Claims Commission completed its work on 30 July 1976 and issued its final report shortly thereafter. In that report, the total amounts awarded and certified by the Commission were \$34,349,509 under Title I and \$32,634,403 under Title II, leaving unpaid balances of about \$24.3 million and \$12.6 million respectively.

20. At the forty-fifth session of the Trusteeship Council, the representatives of the Administering Authority reported that United States Public Law 95-134 of 15 October 1977, had authorized the appropriation of funds required to satisfy all adjudicated claims and the final awards made by the Micronesian Claims Commission under Titles I and II of the 1971 Act. Although the law authorized full payment of such awards, it provided that no further payments be made on Title I awards until the Government of Japan had contributed its share to the Trust Territory in goods and services and that payment of awards made under Title II were exclusive of interest from such awards.

21. At the same session, Representative Raymond Setik, Special Adviser, said that House Joint resolution 7-92, adopted during the seventh session of the Congress of Micronesia in 1978, (see T/COM.10/L.229), had urged the Government of Japan to pay its full share of Title I claims. The Special Adviser requested that in its report to the Security Council, the Trusteeship Council should give the matter appropriate emphasis and that the President and members of the Trusteeship Council should use their good offices in conveying the importance and the urgency of the request to the Government of Japan.

22. The representative of the United States stated at the same session that article III of the 1969 agreement between the United States and Japan concerning the settlement of war claims provided that all claims against Japan had been fully and finally settled, and that in the accompanying exchange of notes the United States had confirmed that Japan and its nationals were fully and finally discharged from all liability for Micronesian claims falling under article III of the agreement, including claims arising out of the involvement of the Trust Territory in the Second World War. Accordingly, the United States did not consider that Japan was legally obliged to provide further payment.
23. The representative of the United States further stated that his Government was aware of the strongly held view of the Micronesians that full compensation should be paid for Title I claims in accordance with the awards of the Micronesian Claims Commission. The Government of the United States was also aware of the interest of the members of the Trusteeship Council in that question. The Congress of the United States, in enacting Public Law 95-134, had expressed the desire of the United States to participate in such payment. The representative assured the Council that his Government, as the Administering Authority of the Trust Territory, was mindful of its obligations in that respect.
24. At the same session the Trusteeship Council reiterated its concern over the fact that war and post-war damage claims had not yet been settled. It noted with satisfaction, however, that the United States Congress had passed and the United States President had approved Public Law 95-134, which authorized the United States Government to pay 50 per cent of the balance outstanding under Title I and 100 per cent of the balance outstanding under Title II.
25. The Council welcomed with satisfaction the statement by Representative Setik, Special Adviser, that the United States Senate had recently allocated the sum of \$12 million for payment in full of claims under Title II. It hoped that the United States House of Representatives would approve that decision very soon.
26. With regard to claims under Title I, the Council noted with concern that the United States would pay the outstanding balance only when the Japanese Government has supplied Micronesia with goods and services, the value of which was estimated to be equivalent to half the balance outstanding under Title I. Similarly, it noted, in that connexion, that the United States did not regard Japan as legally bound to make those payments. Nevertheless, it hoped that the United States Government would pursue its efforts to resolve that problem satisfactorily.
27. Moreover, the Council, noting the serious concern expressed by the Special Advisers in that connexion, requested the President of the Council to contact the parties concerned in order to ensure that they settle that issue in one way or another, in the best interests of the population.
28. At the fourteenth special session of the Trusteeship Council, the Council's Acting President reported that in respect of war and post-war damage claims, she had called on the Permanent Representative of Japan to the United Nations and Deputy Permanent Representative of the United States to the United Nations to

explain to them the concern of the Council that that matter should be speedily resolved in the interests of the people of Micronesia. The Acting President stated that both parties had undertaken to report her démarche to their Governments.

29. Referring to United States Public Law 95-134, which authorized the payment of the total awards made by the Micronesian Claims Commission under Title I (\$34,349,509), and Public Law 95-465 of 17 October 1978, which made available \$12.6 million to cover the unpaid balance of the total awards made by the Commission under Title II (\$32,634,403), the current annual report states that action to pay the claims under Title II began upon the receipt of authorization issued by the Department of the Interior on 25 October 1978. The report further states that a total of \$10,285,264 was paid in late 1978 to 1,662 claimants, which represented the full amount of their claims under Title II. There is, accordingly, an unpaid balance of \$3,629,468 for 270 claimants who have not returned receipts releasing the Administering Authority from future liability.

30. In its annual report, the Administering Authority states that it had earlier paid the sum of \$18,719,671 to claimants under Title II, which together with subsequent payments made (see para. 29 above) represents the total awards made by the Micronesian Claims Commission of \$32,634,403. The annual report points out that the Administering Authority continues to favour a prompt resolution of the issue concerning Micronesian war damage claims in a manner acceptable to all parties and that it is investigating a possible solution to the problem.

B. POLITICAL ADVANCEMENT

General political structure

31. Executive and administrative authority for the Government of the Trust Territory and responsibility for carrying out international obligations undertaken by the United States with respect to the Territory are vested in a High Commissioner appointed by the President of the United States and confirmed by the United States Senate.

32. At its second regular session, in February/March 1974, the Fifth Congress of Micronesia passed an act (Senate Bill No. 38) calling for a constitutional convention for Micronesia. This act was signed into law (Public Law 5-60) by the High Commissioner of the Trust Territory. The convention began its work on 12 July 1975 and concluded it on 8 November 1975 with the signing of a draft constitution for a proposed Federated States of Micronesia. 2/

33. In a referendum held on 12 July 1978, Kosrae, Ponape, Truk and Yap approved and ratified the draft constitution while the Marshall Islands and Palau rejected it. 3/ Consequently, the Marshall Islands and Palau, having rejected that constitution, continued with the drafting of their own constitutions.

34. On 21 December 1978, the Constitutional Convention of the Marshall Islands adopted a draft constitution and, in a referendum held on 1 March 1979, the majority of the voters of those islands approved it. 4/

35. On 29 September 1978, the Secretary of the Interior issued Secretarial Order No. 3027, which provided for an interim legislative authority for Kosrae, Ponape, Truk and Yap, constituting the Federated States of Micronesia, and for the Marshall Islands and Palau districts. This authority resides in the Interim Congress of the Federated States of Micronesia for Kosrae, Ponape, Truk and Yap. For Palau and the Marshall Islands, the authority was vested in the Palau Legislature and the Marshall Islands Nitijela respectively.

36. The authority of each of the three legislatures is coextensive. Each enjoys the same relations with the executive branch of the Government of the Trust Territory but the authority and responsibility of each of them does not extend beyond the district which elected members to it.

2/ For the text of the draft constitution, see T/COM.10/L.174, annex I.

3/ For the report of the United Nations Visiting Mission to Observe the Referendum in the Trust Territory of the Pacific Islands, 1978, see Official Records of the Trusteeship Council, Forty-sixth Session, Supplement No. 2 (T/1795).

4/ For the report of the United Nations Visiting Mission to Observe the Referendum in the Marshall Islands, Trust Territory of the Pacific Islands, March 1979, see Official Records of the Trusteeship Council, Forty-sixth Session, Supplement No. 3 (T/1805).

37. The executive power of the Northern Mariana Islands is vested in a Governor who is responsible for the execution of the laws. Legislative power is vested in a Northern Marianas Commonwealth Legislature composed of a Senate and a House of Representatives.

38. Judicial authority is independent of the executive and the legislatures. The High Court is the highest judicial authority in the Territory. There are also district courts and community courts.

39. The judicial power of the Federated States of Micronesia is vested in a Supreme Court and subordinate courts established by statute. In the Marshall Islands, the judicial power resides in a Supreme Court, a High Court, a Traditional Rights Court and other subordinate courts. In the Northern Mariana Islands, judicial power is vested in a judiciary of the Northern Mariana Islands, which includes trial and appeals courts established by the Legislature.

Territorial Government

Legislatures

40. The Congress of the Federated States of Micronesia is a unicameral body. The Congress consists of one member elected from congressional districts in each State apportioned by population. Members elected on the basis of State equality serve for four years, and all other members for two years. A State may provide for one of its seats to be set aside for a traditional leader.

41. Members of the Congress are elected by residents of the Federated States of Micronesia, 18 years of age or older. The first general election under the new Constitution took place on 27 March 1979.

42. The Northern Marianas Commonwealth Legislature is a bicameral body, consisting of a Senate and a House of Representatives. The Senate has nine members elected at large for four-year terms from each of the three senatorial districts. The House of Representatives has 14 members elected for two-year terms. Twelve members of the House are elected from Saipan and the islands north of it, one member is elected from Rota and one member from the combined electorates of Tinian and Aguiguan.

43. Members of the Legislature are elected by residents of the Commonwealth of the Northern Marianas, 18 years of age or older, who are registered voters. The first general election took place on 10 December 1977.

44. The legislative power in the Marshall Islands is vested in the Nitijela, consisting of 33 members. A general election is held every fourth calendar year. The President of the Marshall Islands may, however, dissolve the Nitijela at any time if a motion of no confidence in the Cabinet has twice been carried and has twice lapsed, and no other President has held office in the interval between the two votes of no confidence. He may also do so if no cabinet has been appointed within 30 days after the date on which the Nitijela has proceeded to elect a President for any reason other than the resignation of the President following a vote of no confidence.

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45. Members of the Nitijela are elected by citizens of the Marshall Islands, 18 years of age or older who are qualified voters. The first general election under the new Constitution took place on 10 April 1979.
46. There is also the Council of Iroi of the Marshall Islands consisting of 12 eligible persons. It considers, inter alia, bills affecting the customary law, any traditional practice, land tenure or any related matter adopted by the Nitijela.
47. Pursuant to Secretarial Order No. 3027, an interim legislative authority is vested in the District Legislature in Palau. On 2 April 1979, however, the Constitutional Convention of Palau adopted a draft constitution. A referendum on that constitution is scheduled to be held on 9 July 1979.
48. At its forty-fifth session the Trusteeship Council noted, in particular, the important role being played by the Commission on Future Political Status and Transition of the Congress of Micronesia and by its delegation to the Third United Nations Conference on the Law of the Sea.
49. The Council noted with continued concern that the Administering Authority had not acted on the Council's previous recommendation that regulations should be adopted which would have the effect of restricting as far as possible the use of the veto power by the High Commissioner. While the Council was aware that it was the stated policy of the Administering Authority that the High Commissioner's veto authority should be used as sparingly as possible, it also drew attention to the comments of the Special Adviser to the United States delegation at the forty-fourth session of the Council, in which he had reported additional cases of its use.
50. The Council remained aware, however, that some of the difficulties associated with the use of the veto power resulted from the separation of powers between the legislative and executive branches and that those difficulties were further exacerbated because that power was exercised by an appointed rather than an elected Chief Executive. It noted that the draft constitution of the Federated States of Micronesia provided for an elected Chief Executive, which could help to reduce the use of the veto.
51. According to the current annual report of the Administering Authority, the role played by the Commission on Future Political Status and Transition with the Congress of Micronesia would continue with the Congress of the Federated States of Micronesia, representing the four central districts. Palau and the Marshall Islands would be represented by their respective status commissions.
52. The annual report states that the current Trust Territory Government is modelled on the governmental structure of the United States, with the executive and legislative branches sharing powers. The Administering Authority states that the exercise of approval and disapproval power by the executive is a normal and expected authority and should not be limited by outside forces. The veto power of the executive branch could be overridden by the Congress. In the case of the Trust Territory, provision is also made for an appeal to the Secretary of the Interior.

Executive

53. Working under the High Commissioner is a headquarters staff which functions under the Trust Territory Code and the Trust Territory Manual of Administration.

54. The executive power of the Government of the Federated States of Micronesia is vested in a President elected by the Congress for a four-year term. He may not serve for more than two consecutive terms. The Vice-President is elected in the same manner as the President and serves for the same term of office. He may not be the resident of the same State as the President.

55. The executive authority of the Government of the Northern Mariana Islands is vested in a Governor elected for a four-year term who must be at least 30 years of age, qualified to vote and a resident and domiciliary of the Commonwealth for at least seven years immediately preceding the date on which he takes office. In the performance of his duties, the Governor is assisted by a jointly elected Lieutenant Governor and by heads of executive departments.

56. In the Marshall Islands, the executive authority is vested in the Cabinet, whose members are collectively responsible to the Nitijela. The Cabinet consists of the President, who must be a member of the Nitijela, and 6 to 10 other members of the Nitijela, appointed as ministers by the Speaker on the nomination of the President. The President is elected by the Nitijela following each general election. The President is the Head of State of the Marshall Islands. He is required to resign whenever a vote of no confidence is carried by the total membership of the Nitijela. His resignation might lapse however, if no successor has been elected within 14 days following his resignation.

57. Executive responsibility in Palau resides in the district administration headed by a district administrator. The High Commissioner appoints the district administrator. On 2 April 1979, the Palau Constitutional Convention adopted a draft constitution which will be put to a referendum scheduled to take place on 9 July 1979 (see para. 47 above).

58. The current annual report states that, in keeping with its policy of placing Micronesians in senior positions, the Administering Authority, in February 1978, appointed a Micronesian as Deputy High Commissioner of the Trust Territory. In addition, a Micronesian was appointed as Associate Justice of the Trust Territory High Court. Two Micronesians were also appointed as heads of the Department of Community Services and the Department of Development Services.

District government

59. At its forty-fifth session, the Trusteeship Council noted with satisfaction the approval by the High Commissioner of charters for the districts of Kosrae, Ponape, Truk and Yap and noted that elections would be held for district chief executives beginning in 1978. Since there would be an advantage in the transition to elected district governments taking place uniformly throughout the Trust Territory, the Council, while recognizing their right to do so, regretted that the

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district legislatures of Palau and the Marshall Islands had decided not to exercise their prerogatives to enact district charters and had chosen instead to draft district constitutions and to postpone organization of new district governments until after the constitutional referendum on 12 July 1978.

District administrators

60. According to the current annual report, Kosrae, Ponape, Truk and Yap have already elected governors under their respective charters. Executive responsibility in Palau still resides in the district administrator appointed by the High Commissioner of the Trust Territory. The Northern Mariana Islands and the Marshall Islands elected governors in accordance with their constitutions adopted on 6 March 1977 and 1 March 1979, respectively.

District legislatures

61. Kosrae, Ponape, Truk and Yap act under charters approved by the Congress of Micronesia and the High Commissioner. The Palau Legislature acts under a charter granted by the Trust Territory Government. The Northern Mariana Islands and the Marshall Islands have established legislatures under their respective constitutions. Members of all the local legislatures in the Trust Territory are elected by popular vote with the exception of Palau, which has a House of Elected Members and a House of Chiefs.

Municipal government

62. The municipality is the basic unit of local government in the Territory. Municipal boundaries to a large degree represent customary geographic-political divisions or entities which may comprise an island, group of islands or atolls, or a locally recognized area or division of a larger island. The Marshall Islands, however, are grouped into municipalities by islands and atolls, irrespective of the overlapping jurisdiction of the hereditary chieftains.

63. Some municipalities function under a charter. Those without a charter may elect only an executive officer or they may remain under a traditional form of government. In general, the charter provides for a municipal council, a chief executive and other officials. The chief executive of a municipality is known as magistrate or mayor.

Civil service

64. The enactment of Public Law 4C-49, on 12 April 1972, repealed the Trust Territory Merit System under Public Law 2-2 and provided the basic statutory authority for the Trust Territory Public Service System. Government personnel in Micronesia are divided into three categories: the United States Civil Service; contract; and the Trust Territory Public Service.

65. The constitution of the Northern Mariana Islands provides for a civil service system which operates under a Civil Service Commission. The Commission administers personnel policies for the government.
66. Under the Marshall Islands Constitution, the public service, headed by a Chief Secretary, comprises the employees necessary to assist the Cabinet in exercising the executive authority and perform other duties as required. The Constitution also contains provisions for the establishment of a Public Service Commission.
67. According to the Administering Authority, the number of government employees totalled 5,437 in March 1978, compared with 5,813 for the preceding year. In addition, there were 2,783 individuals classified as government employees, under the category entitled 'special grants'. These were trainees, not necessarily in preparation for government employment but rather to acquire various skills.
68. The number of staff in the Government of the Northern Mariana Islands in October 1977 totalled 1,270 (45 less than the preceding year), of whom 1,195 were Trust Territory citizens and 75 were expatriates. Of the latter number, 8 were United States civil service employees, compared with 10 for the previous period. In accordance with the decision taken by the Office of Territorial Affairs of the United States Department of the Interior, all federal civil service positions in the Northern Mariana Islands were to be abolished on 8 January 1978.

Political education

69. The current annual report states that during the year under review, the Education for Self-Government (ESG) programme concentrated its efforts on preparing the people of the Trust Territory for the constitutional referendum on 12 July 1978.
70. At the headquarters level, the ESG programme concentrated on radio and printed material. The districts were provided with posters, Education for Self-Government Notes (a regular bi-weekly publication), radio programmes and other general guides for activities concerning the referendum on the Micronesian constitution.
71. Seminars for teachers and ESG personnel were held in all districts, and at the Community College of Micronesia.
72. In addition, ESG Task Forces disseminated information with regard to the establishment of chartered district governments in Kosrae, Ponape, Truk and Yap; the future political status negotiations; and the activities of the Congress of Micronesia.
73. The ESG programme was financed by the Government of the Trust Territory and the Congress of Micronesia.

Decentralization

74. At its forty-fifth session, the Trusteeship Council noted with continued satisfaction the efforts of the Administering Authority to devolve progressively greater authority on the district governments, thereby increasing local autonomy, and urged continuation of that policy. Following the approval of four district charters and the continuation of management training courses, the Council hoped that the Administering Authority, in consultation with elected Micronesian representatives, would be able to achieve a reduction in the headquarters' governmental functions.

75. The current annual report states that a major programme of district management training has continued through the Headquarters Training and Employee Development Division. The four chartered districts have assumed greater responsibilities, and function under elected governors. The Trust Territory Government has provided assistance to the districts in governmental structuring, to facilitate the transfer of functions now carried out at headquarters. As the legislative entities assume increasing political responsibilities, they also exercise greater administrative functions, a fact that has been reflected in the decrease in regular positions and drastic budget reductions at headquarters.

Judiciary

76. The Trust Territory has three types of courts: the High Court, district courts and community courts. The highest judicial authority in the Territory is the High Court, which has appellate and trial divisions. The High Court consists of the Chief Justice, three associate justices and a panel of four temporary judges. The High Court judges are appointed by the United States Secretary of the Interior. The temporary judges are full-time judges on Guam and are residents of that island. Each district court consists of a presiding judge and may include one or more associate judges appointed for three-year terms by the High Commissioner with the advice and consent of the Congress of Micronesia. The High Commissioner may appoint a special judge of the High Court to serve as presiding or associate judge of a district court. Community courts have one or more judges, all appointed by the appropriate district administrator.

77. In the Marshall Islands, the judicial power is vested in a Supreme Court, a High Court, a Traditional Rights Court and district courts, community courts and other subordinate courts. In the Northern Mariana Islands judicial power resides in a judiciary which includes trial and appeals courts established by the Legislature. The Legislature may establish a commonwealth trial court with original jurisdiction over actions involving land in the Commonwealth and other civil actions. The Legislature may also establish a Commonwealth Appeals Court.

78. At its forty-sixth session, the Trusteeship Council noted with satisfaction that a Micronesian had been appointed to the position of Associate Justice of the High Court and that the intermediate and lower levels of the judicial branch were now fully staffed by Micronesian citizens. The Council urged the Administering

Authority to continue to give preference to Micronesian candidates for senior posts in the judiciary, when other qualifications were equal.

79. The current annual report states that Micronesian candidates are given preference for all posts of the judiciary when other qualifications are equal. Appointments of judges to serve on the Trust Territory High Court are made by the Secretary of the Interior.

C. ECONOMIC ADVANCEMENT

General economy

80. The gross domestic product of the Territory is derived largely from United States expenditures for services and capital improvements from tourism, the production of copra, subsistence and commercial farming and fishing and the sale of handicrafts.
81. In the Northern Mariana Islands, a large portion of the gross domestic product is also derived from expenditures for services and capital improvements by the United States. The tourist industry is an important source of revenue and there are agricultural and fishing activities on a commercial scale. Although imports of food-stuffs and other commodities exceed exports in the Northern Mariana Islands, its development, unlike that of the rest of the Trust Territory, is geared to a money economy with a good infrastructural basis.
82. In 1977/78, tuna fish exports totalled \$3.7 million and direct income from tourism amounted to \$2.3 million (excluding the Northern Mariana Islands). Imports during the period October 1977 to July 1978 (excluding the Northern Mariana Islands) totalled \$30.7 million.
83. The current annual report states that during 1977, the Territory received 35 applications from foreign companies for permits to do business in the Territory, and issued 16 foreign business permits. Over-all investments (aggregate assets) amounted to \$18.1 million in 1977 (excluding the Northern Mariana Islands).
84. At its forty-fifth session the Trusteeship Council reiterated its concern over the imbalances in the Micronesian economy and its considerable dependence on outside support. It noted with satisfaction that the Administering Authority was aware of the need to promote the development of the productive sectors and of basic infrastructure and to keep unproductive expenditure within reasonable limits. The Council therefore hoped that the Administering Authority would encourage local and foreign capital investment.
85. The current annual report states that work has been undertaken to produce literature that would help attract new investments. The Administering Authority will continue to take other steps to encourage local and foreign capital investments.
86. At its forty-fifth session, the Trusteeship Council noted with concern the statement made by a special adviser to the effect that implementation of the five-year indicative development plan was behind schedule. It noted that the Administering Authority still considered the plan the basis for the Territory's development policy. While realizing that implementation of the plan depended on factors that could not always be foreseen, the Council nevertheless requested the Administering Authority to do all in its power to achieve the objectives set within the established time-limit.
87. The current annual report states that, while the Administering Authority

continues to support the five-year indicative development plan as the basis for economic development, responsibility for implementation lies primarily with the districts' governments. The concern in the districts about their internal organizations and future political status has delayed the implementation of the plan.

88. At its forty-fifth session, the Trusteeship Council considered that it would be desirable to promote an increase in exports from the Territory. It therefore recommended that the Administering Authority extend to the Territory as a whole the tariff advantages accorded to the Northern Mariana Islands under the Covenant to establish a Commonwealth in Political Union with the United States of America. ^{5/} It urged the Administering Authority to try to secure preferential tariffs for the Territory from other countries.

89. The current annual report states that the Administering Authority has extended to the Territory the Generalized System of Preference and that it is assisting the Territory to become eligible for preferential tariffs by other countries. It has extended to the Territory preferential tariff on the import of coconut oil. The tariff treatment extended to the Territory by the Administering Authority will be dependent upon the agreements reached between the United States and the districts of the Trust Territory in respect of their future status.

Public finance

90. 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. Appropriation requests are subject to limits fixed by the United States Congress.

91. The grant from the Administering Authority for 1978 was \$97.0 million compared with \$98.0 million for the preceding year (excluding the Northern Mariana Islands). Programme grants from United States federal agencies for the same period totalled more than \$35.0 million. The revenue raised within the Trust Territory totalled \$8.2 million, excluding taxes collected by district legislatures and municipal councils, compared with \$9.8 million for the previous year.

92. Since the Government of the Northern Mariana Islands is administered separately from the rest of the Trust Territory, it is responsible for maintaining the account of its budget operations. The grant from the Administering Authority is provided to the Northern Mariana Islands Government through the High Commissioner of the Trust Territory, who subsequently incorporates its report into the report of the Trust Territory Government for submission to the Administering Authority.

93. According to the current annual report, the grant from the Administering Authority to the Northern Mariana Islands in fiscal year 1978 was \$16.1 million.

^{5/} For the text of the Covenant, see Official Records of the Trusteeship Council, Forty-second Session, Sessional Fascicle, annexes, document T/1759.

94. According to the annual report, preparation of the annual budget begins well over a year in advance, when district administrators, district legislatures and various department heads submit estimates to the Programme and Budget Officer. After review, the estimates are presented to the High Commissioner for approval. The Programme and Budget Officer then draws up a preliminary budget plan for the coming fiscal year, which is presented to the Congress of Micronesia for its review of, and recommendations on, portions relating to funds to be appropriated by the United States Congress. Under the terms of Secretarial Order No. 2918, the High Commissioner then adopts those recommendations of the Congress which he deems appropriate; he must also transmit to the United States Secretary of the Interior all recommendations he does not adopt.
95. District governments administer and control budgetary operations at the district level. Each district administrator is required by law to submit to the district legislature estimates of his annual budget based on anticipated district and territorial revenues from taxes. Following consideration of those estimates, the legislature concerned adopts an annual budget which is transmitted to the district administrator for action. Control of fiscal operations at the municipal level rests with the municipal administration, but the district administrator concerned has certain powers of supervision and approval.
96. At its forty-fifth session, the Trusteeship Council reaffirmed its earlier recommendations to the effect that the Congress of Micronesia should be allowed to participate to a greater extent in the preparation of the budget. While taking note with satisfaction of the fact that it was effectively consulted in the preparation of the budget estimates and that it could be given hearings by the budgetary committees of the Congress of the United States, the Council noted, however, that in that area the Congress of Micronesia only played an advisory role.
97. The current annual report states that the Congress of Micronesia has been dissolved and replaced, with effect from 1 October 1978, by three legislative bodies (the Interim Congress of the Federated States of Micronesia, the Palau District Legislature, and the Marshall Islands Nitijela). Each of these bodies bears the responsibility, as did the Congress of Micronesia, for the initial preparation of its operational budget.
98. The Administering Authority feels that to involve these legislative bodies in the determination of guidelines for budget preparation would result in a complex and impractical budgetary process.
99. The annual report also states that, as the districts of Palau and the Marshall Islands have become separate legislative entities within the Trust Territory Government, the "District revenues" are, since 1 October 1978, the total revenues collected under the Territorial Tax Code applicable to these districts. In other words, no share of the revenues applicable to Palau or the Marshall Islands is remitted to a central Government, and the district budget reflects the entire funds collected. The Federated States of Micronesia continues to receive approximately 50 per cent (depending upon the tax code provisions) of total revenues collected pursuant to the Territorial Tax Code, with the balance reverting to the district in which the tax was collected. District governments control and administer financial operations at the district level.

100. At its forty-fifth session, the Trusteeship Council noted that a computerized accounting system had been instituted in the capital of the Territory and in all the districts except Kosrae. It noted that, according to a special adviser, the computers in operation were not proving satisfactory, and it also noted the statement made by a special representative to the effect that plans were being made to install computers better suited to the Territory's needs.

101. The current annual report states that a central automated accounting system is being used throughout the Trust Territory Government for the management of all funds and that it has provided the standard base for transferring functional responsibility of most accounting and financial management to district governments. In view of the dissatisfaction expressed by some regarding continued reliance on a central computer, the Administering Authority is participating together with representatives of the three political entities in Micronesia in the preparation of a plan for the development of an accounting system specifically geared to future financial administration.

102. At its forty-fifth session, the Trusteeship Council recalled that, in order to facilitate the promotion of local products and increase the Territory's revenue, it suggested earlier that the Congress of Micronesia might consider increasing duties on non-essential imports (certain food-stuffs, beverages and tobacco).

103. The current annual report states that the Administering Authority has provided to the Trust Territory on a full-time basis the services of a professional tax adviser, who has reviewed possible tax system modifications with representatives of the legislative entities from both conceptual and practical aspects.

Assistance from international institutions
and other countries

104. At its forty-fifth session, the Trusteeship Council again expressed the hope that the Territory would continue to develop its contacts with regional and international bodies with a view to participating in their activities and receiving assistance for its development.

105. It noted with satisfaction that representatives of the Territory participated in the preparation of a plan of action for integrated rural development for Asia and the Pacific under the sponsorship of the Economic and Social Commission for Asia and the Pacific (ESCAP). It was pleased to note that the Territory had become a member of the Committee for Co-ordination of Joint Prospecting for Mineral Resources in Asian Offshore Areas (CCOP).

106. The Council noted with satisfaction that the United Nations Development Programme (UNDP) was continuing to provide technical and financial assistance to the Territory. It hoped that UNDP would be able to proceed promptly with the appointment of a new representative in the Territory.

107. The Council noted with interest the statement made by a Special Representative to the effect that the Administering Authority had recently devised a policy enabling other countries to provide loans and technical assistance to the Territory.

108. The current annual report states that the Territory continued to develop contacts with regional and international bodies with special emphasis on those agencies which offered training opportunities in agriculture, fisheries, public administration and project analysis.

109. During the period under review, Trust Territory officials met with representatives of a UNDP/ESCAP mission to review the plan of action for the rural development of the Pacific, and plans were being made to send senior planning officials from the Trust Territory to participate in a meeting organized by UNDP, ESCAP, the South Pacific Commission (SPC) and the South Pacific Bureau for Economic Co-operation (SPEC).

110. The annual report also states that UNDP continues to provide a livestock expert for the Trust Territory's integrated feed-mill project in Palau, as well as various types of expert services for plan implementation. The final results of a survey on skills and occupation conducted in 1978 were expected to be available at the end of 1979. The preparation for an agricultural census is expected to be completed by September 1979.

111. A new UNDP project manager was appointed and began work in the Trust Territory in September 1978. UNDP expected to place major emphasis on the development of projects and programmes for the implementation of the five-year indicative development plan.

112. With regard to loans and technical assistance from other countries, the annual report states that the Japanese International Co-operation Agency is co-operating with the Trust Territory in a project in Palau to demonstrate the most effective operation of a pole and line skipjack vessel. In addition, requests for other types of assistance were made during the year to the Federal Republic of Germany, Japan and Canada.

Credit

113. The Economic Development Loan Fund makes direct loans and guarantees loans by commercial banks for development purposes. The Fund is administered by a nine-member Board of Directors. The current annual report states that, as from 13 November 1975, a moratorium was placed on granting new loans, to remain in effect until final agreement is reached on division of funds between the Government of the Northern Mariana Islands and the Trust Territory Government.

114. The current annual report states that other sources of credit are provided by credit unions. By the end of 1977, 43 chartered credit unions were operating in the Territory (excluding the Northern Mariana Islands). Of this number, over half were serving residents of villages and communities; the others were credit unions of employees, representing 80 per cent of the financial activity of the credit unions. Credit unions had a total of 10,101 members with assets of \$6.4 million (\$5.7 million in the previous year). During 1977, loans granted by credit unions aggregated \$4.6 million (\$5.3 million in the previous year). About 10 per cent of the population participates in credit union and co-operative programmes in the Territory.

115. At its forty-fifth session, the Trusteeship Council considered that lack of capital continued to constitute an important obstacle to the economic advancement of the Territory. It therefore considered it desirable to develop local credit facilities. It noted that a new economic development loan fund had been planned and was currently under consideration in Washington, D.C. The Council noted with regret that, four years after the adoption by the Congress of Micronesia of the law establishing a development bank, the bank had not yet become operational. The Council also noted with satisfaction the increase in share capital in credit unions in the Territory.

116. The current annual report states that the Administering Authority and the Trust Territory Government recognize that lack of capital constitutes an obstacle to development. The Micronesian Development Bank is not yet operational and no final decision has been made on the economic development loan fund. During 1978, the Congress of Micronesia transferred the balance of funds in the Micronesian Development Bank to its general fund to cover operating deficits.

117. The report also states that credit unions continued to build share capital, increasing their assets by more than 14 per cent to a total of \$6.4 million.

Land

118. According to the current annual report of the Administering Authority, the land area of the Trust Territory comprises 83,305 hectares classified as arable land and 99,479 hectares classified either as grazing land and forest or as swamps, rock and built-up land. Of the total area, 73,647 hectares are privately owned and 109,584 hectares are classified as public lands. Some 6,489 hectares of land are under cultivation in the Trust Territory. About 33,553 hectares are planted with tree crops - primarily coconut, bread-fruit, banana and pandanus.

119. On 26 December 1974, the United States Secretary of the Interior issued Secretarial Order No. 2969 transferring the Trust Territory public lands to district control. He stated that the Order was now part of the Trust Territory Code, and that it provided the legal framework for each district to request and receive title to appropriate public lands within its jurisdiction. The Secretary also noted that the Order, when implemented in every district, would provide for the transfer of the same amount of land as any other approved mechanism for implementing the policy statement.

120. At its forty-fifth session, the Trusteeship Council noted with satisfaction that land identification and survey work had resulted in the delimitation of large areas of public and private land.

121. The Council also noted with satisfaction that a procedure for the settlement of disputes between the landowners and the Government concerning indefinite land use had been unanimously adopted by the members of the study group set up for the purpose by the Congress of Micronesia. It noted the statement by the Special Representative that the entire question could be settled towards the end of 1979.

122. Referring to land identification and survey, the current annual report states that work has been completed on approximately 775 square kilometres of public land and 260 square kilometres of abutting private parcels. The remaining work of finalizing the compilation of parcel indices will be completed before the end of fiscal year 1979. The cadastral parcel index sheets which have been completed have greatly facilitated the adjudication process in respect of public and private lands.

123. The report further states that the Trust Territory Government has received a professional appraiser's report on all the land under indefinite use agreements, which is being considered by all parties concerned. Funds will be requested from the United States Government in 1979, to convert land held by the Trust Territory Government under indefinite use agreements into holdings through purchases, fees or leases on fixed terms basis.

Agriculture and livestock

124. Copra is the principal commercial agricultural product of the Territory. On Ponape, black pepper, rice and vegetables are being developed on a commercial scale. Taro, arrowroot, yams, sweet potatoes, cassava, bread-fruit, pandanus, bananas, citrus and a number of other crops, used mainly for local subsistence, comprise the remaining principal crops. The total area under production during 1978 was estimated at 39,000 hectares.

125. The principal livestock in the Territory are swine and poultry. Cattle, goats and carabao are found on the high islands. Cattle, the third most important type of livestock, are concentrated mainly in the Northern Mariana Islands, which in 1977 had 7,250 head out of a total of 7,450 head in the Territory. The carabao is used as a draft animal on Palau and Ponape.

126. At its forty-fifth session the Trusteeship Council reiterated its recommendation that the Administering Authority should expand production of food-stuffs to enable the Territory to become more nearly self-sufficient. However, that priority should be without prejudice to current efforts to diversify crops, develop agriculture on a commercial scale and establish an agriculture-based industry.

127. The Council noted with satisfaction that two copra processing plants began operating in 1976/77. It recommended that the Administering Authority would encourage copra production so that supplies for those two plants could be provided entirely by the Territory. The Council noted with interest that in 1977 exports of coconut oil were valued at \$4.2 million and copra cake at \$786,000.

128. The current annual report states that one of the major priorities of the Trust Territory Government is the promotion of increased production of subsistence crops for local consumption and the encouragement of the production of vegetable crops. This is being done through training programmes for farmers and further on-the-job training for employees at the agricultural extensions in Hawaii and Taiwan. Special training seminars are also organized for those engaged in the agricultural field.

129. According to the current annual report, the improvement and increase in coconut production has been a major priority for the past 16 years. However, since large numbers of palms had been planted during the German and Japanese administrations, the replacement of the old with new palms is at an equilibrium. Further, as a result of growth in the population, an increasing amount of coconut is being consumed locally. Funds to finance a programme for the introduction of hybrid coconuts are requested in the budget for fiscal years 1979 and 1980. The use of hybrid coconuts would improve and increase production faster than the local ones.

130. At its forty-fifth session, the Trusteeship Council reiterated its recommendation that particular attention should be paid to the possibilities of exploiting forestry resources.

131. The current annual report states that the budget for fiscal year 1979/80 includes funds to purchase logging and saw-mill equipment to begin the exploitation of the forest resources that are readily accessible in Kosrae, Ponape and Palau districts.

132. At its forty-fifth session, the Trusteeship Council noted with satisfaction that the Northern Mariana Islands produced vegetables, fresh milk and other agricultural products amounting, in 1977, to an estimated value of \$1.3 million, both for local consumption and for export.

133. The current annual report states that in 1978, the Northern Mariana Islands produced both for export and for domestic consumption 269,481 kilograms of vegetables, valued at \$139,090; 534,482 litres of fresh milk, valued at \$263,793; 157,765 kilograms of beef valued at \$228,191; and 20,465 kilograms of staple crops, valued at \$17,916. The value of those and other agricultural products in the Northern Mariana Islands totalled \$668,523.

134. According to the annual report, tropical storms and an unprecedented severe flood which occurred in the Northern Mariana Islands in 1978 destroyed vegetables, fruit and staple crops covering approximately 120 hectares. It is estimated that more than 450,000 kilograms of crops, several hundred livestock, mostly swine, goats, and several thousand chickens, valued at \$540,000, were destroyed during the flood.

Marine resources

135. The current annual report points out that while the major potential for economic development based on marine resources is dependent on tuna catches in the oceanic area, the required capital, skill and the necessary infrastructure to exploit those resources successfully are not yet available. Many of the districts have, therefore, given top priority to the development of small-scale fisheries operations by exploiting the marine resources of the reefs and lagoons, with a view to supplying fish to local markets and to introducing a commercial fisheries programme.

136. The annual report states that the pole and line skipjack fishery in Palau had one of its best years on record. During the 1977/78 season, 15 vessels operated primarily by foreign nationals brought in an estimated catch 8,302 metric tons, which was 75 per cent above the 13-year average highest since the fishery programme began operation in 1964.
137. The Japanese Marine Resource Research Center conducted biological resources evaluation surveys in Palau in 1977, and in the Marshall Islands. According to the annual report, the results of the survey show that biological resources will continue to be a limiting factor in the development of pole and line fisheries in the Territory.
138. The annual report states that the Japanese International Cooperation Agency and the Trust Territory Government are co-operating in a project to develop the most effective way of operating a pole and line skipjack fishery in Palau (see para. 112 above). One of the seven skipjack vessels under the Japan-United States war damage claims agreement has been used for training operations and Japanese technicians are training Micronesians. The project is also investigating the potential advantages to the local residents of holding bait in net cages to provide a steady supply of bait for the fishery when it cannot ordinarily be obtained.
139. In addition, the seven 26-metric ton skipjack fishing boats also obtained through the Japan-United States war damage claims agreement were in operation in 1978. With the exception of the Lejabil, which was incorporated into the joint fisheries development project in Palau, these vessels have been leased to local businessmen.
140. In Ponape, the first phase of a master plan has been incorporated into the 1979 capital improvement programme. The plan, which will consist of the development of a dock and adjacent land area, is designed primarily to support local fisheries development.
141. A year-long programme, supported by the Pacific Tuna Development Foundation, will be implemented in early 1979 to identify the available baitfish resources in Ponape lagoon and to develop techniques which will allow Ponapeans to participate directly in the development of the tuna fishery through the development of a baitfish industry.
142. Progress is also being made on the development of a tuna processing complex on Dublon Island in Truk. The design of a fisheries dock has been approved and construction is expected to begin in 1979. The Pacific Tuna Development Foundation is supporting a one-year programme to demonstrate the potential for the development of a locally based pole and line fishery. This project will also investigate the potential of rafts anchored in the deep waters outside the lagoon to attract the pelagic tunas.
143. The current annual report states that reef fisheries facilities for the support of small-scale fisheries are located in district centres in Palau, Truk, Ponape and the Marshall Islands.

144. There are smaller fisheries facilities in Yap; in addition, an outer reef fishing expert from SPC is assisting in training Yapese fishermen in the technology of harvesting the resources of the outer reef. The Yap District Fishing Authority is experimenting with a 53-metric ton cement vessel, equipped with adequate freezing capacity and support for small crafts, in an effort to ease the problem of transportation from remote areas to urban centres.

145. In the Marshall Islands, fibreglass boat manufacturing companies are producing a number of boats which can be used in small-scale fisheries projects. Ponape is developing a boat design using fibreglass technology which does not require expensive moulds. The ferro-cement boat building yard in Truk has a potential for manufacturing fishing craft. The Palau shipyard builds small craft, but is not yet adequately equipped to deal with major boat repair and to provide services.

146. During the period under review, the Micronesian Mariculture Demonstration Center on Palau continued its experimental and research work pertaining to the application of mariculture technology to conditions in the Trust Territory. The Center is currently working on a number of demonstration projects to ascertain the potential and economic viability of the various species of fish under observation.

147. In the Northern Mariana Islands, 28,487 kilograms of tunas, wahoo, mahimahi, billfish and reef and bottom fish were harvested by the local subsistence, recreational and commercial fishermen during 1978 with a total sale of \$48,565 in the retail market. The fish catch was low since chartering of foreign fishing vessels is not allowed under the new fisheries law (see below).

148. In January 1978, the United States Fishery Conservation and Management Act of 1976 (Public Law 94-265), which extended the fishery zone to 200 miles and placed authority on all marine resources except tuna with the United States, became applicable to the Northern Mariana Islands. The United States Department of Commerce will be setting up regulations for the control of foreign fishing activities within the Fishery Conservation Zone of the Northern Marianas.

149. The Pacific Tuna Development Foundation, on which the Northern Mariana Islands is a board member, approved two fishery projects for the Northern Mariana Islands for 1979, which would provide training to local fishermen.

150. The Northern Mariana Islands is also eligible for other federal grants which will be used to develop the necessary physical infrastructures and to provide incentive programmes for the development of commercial fishery and aquaculture development.

151. At its forty-fifth session, the Trusteeship Council reaffirmed that marine resources were crucial to the economy of Micronesia and urged the Administering Authority to do everything possible to protect and develop those resources, while continuing to improve equipment and training. It noted with satisfaction that the Administering Authority had given high priority to programmes designed to promote a financially viable fishing industry in the Trust Territory and that basic support facilities had been established in all districts.

152. The Council noted with satisfaction the adoption by the Congress of Micronesia of Public Law 7-71, which established a fisheries management and conservation zone of 200 miles surrounding the Territory and a Micronesian Maritime Authority for the purpose of adopting regulations regarding the exploitation of Micronesian marine resources. The Council notes that the districts of Palau and the Marshall Islands had exercised their prerogatives to remove themselves from the jurisdiction of Public Law 7-71. The Council hoped that those two districts would nevertheless co-operate with the Micronesian Maritime Authority in their efforts.

153. The Council noted with satisfaction the participation of representatives of the Trust Territory as members of the United States delegation to a November 1977 meeting at Suva to discuss the organization of a South Pacific regional fisheries association.

154. The Council further noted with interest the statement by Representative Setik favouring Micronesian membership of the projected South Pacific regional fisheries association and the statement by the representative of the Administering Authority that in view of the principles set out at the meeting at Hilo, it appeared to be logical for the United States to support the Micronesian applications for status as an observer, or other status, in appropriate international bodies and forums, but that it would be inappropriate to take a decision until the results of the referendum to be held on 12 July were known.

155. The Council noted with interest the steps taken by the Northern Mariana Islands to prevent overfishing of marine reef resources. It recalled with satisfaction that the Administering Authority had reaffirmed that it did not contest the fact that all benefits derived from marine resources located off the coasts of Micronesia belonged to the people of the Trust Territory and not the United States.

156. The current annual report states that the Administering Authority has continually given a high priority to programmes which would assist in establishing financially viable businesses to exploit marine resources in the Trust Territory.

157. During the period under review, technical assistance was secured from the governmental fishery agency of Japan to assist in demonstrating the most effective techniques in the harvesting of tunas in the off-shore water and to explore the most effective and socially acceptable ways to establish Micronesian-owned and managed commercial tuna fishing fleets. Support was also secured from the Pacific Tuna Development Foundation to explore the viability of establishing commercial trolling and bottom handling fisheries for large tunas and other pelagic fish, as well as fish smoking. SPC has also extended its technical assistance for deep bottom fishing to Yap District.

158. The current annual report states that the Micronesian Maritime Authority established under Public Law 7-71 has been formally organized, and that it is currently in the process of developing its negotiating schemes and approaches to attract enterprises interested in fishing within the jurisdiction of the Federated States of Micronesia.

159. The Marshall Islands and Palau districts have adopted District Laws No. 25-1 and No. 6-7-14, respectively, which provided for a 200-mile fishing zone. The latter became effective on 1 January 1979 and the former is to come into force on 30 June 1979.

160. According to the current annual report, Palau, Ponape and Yap districts have established their land holding entities under Secretarial Order No. 2969. Subsequently and in compliance with that Order, which requires each entity to send in a request for the release of its marine lands, Palau and Ponape have already transmitted their requests for such a release.

Third United Nations Conference on the Law of the Sea

161. At its forty-fifth session the Trusteeship Council noted with satisfaction that representatives of the Congress of Micronesia were again participating as observers in the Third United Nations Conference on the Law of the Sea with the sponsorship of the Administering Authority. The Council noted that the interests of Micronesia at the Conference might not necessarily coincide with the interests of the Administering Authority.

162. The current annual report states that since the inception of the United Nations Conference on the Law of the Sea, the Administering Authority has recognized that Micronesian interests might not coincide with its own position. Accordingly, the Administering Authority actively sought observer status for the Micronesian delegation so that the latter could explain its own position to the Conference.

Industry and tourism

163. Manufacturing in the Territory consists primarily of cottage-type activities in the subsistence sector. According to the Administering Authority, the few activities directed towards production for the market economy are characterized by inadequate capital, poor management and an untrained labour force. Boat-building is widespread but, except for the Palau shipyard, it is usually carried on by individual craftsmen working in their own homes. The demand for Micronesian handicrafts is high, owing mainly to the growing number of visitors to the Territory. Although some small-scale handicrafts are available for export, production in the desired quantities and at reasonable prices needs stimulation.

164. At its forty-fifth session the Trusteeship Council noted with concern the almost complete absence of industries in the Trust Territory. It noted that, although boat-building by individual craftsmen working in their homes was widespread, there was only one shipyard. It further noted that the few existing cottage-type industries were for the most part short of capital, badly managed and dependent on untrained labour, and that, although handicrafts existed in the Trust Territory, they were not available for export in sufficient quantities to attract foreign markets. The Council recommended that further efforts should be made to establish light industries in the Territory.

165. The Trusteeship Council reiterated its recommendation that, in both the construction and operation of tourist facilities, local products should, whenever possible, be given preference over imports. Local products should be used more often in the restaurants of tourist hotels. In that regard, the Council noted with satisfaction that the objectives of the Trust Territory tourism board closely paralleled the Council's recommendations and that the district of Ponape had taken steps in that direction, and other districts were planning to follow.

166. The Council welcomed the fact that the tourist industry in Micronesia was largely in the hands of local entrepreneurs rather than outside investors: 24 of the 29 existing hotels were owned by Micronesians and 25 were managed by Micronesians.

167. The Council also noted with satisfaction the statement by one of the special representatives that tourism had become the second leading export industry in Micronesia, and that 22,260 persons visited the Territory in 1977 and spent approximately \$2.3 million. It noted that earnings from tourism increased by 15 per cent in 1977, and that well over 500 Micronesians were directly employed in the industry, with another 500 estimated to be benefiting indirectly from tourism.

168. The Council also noted with satisfaction that continuing steps were being taken to ensure that growth in that sector was steady and did not exceed the capacity of the districts to accommodate tourists. It noted with interest that each district was responsible for the pace and direction of its own tourism. It recommended that training and workshops in tourism should continue to be expanded. While favouring the expansion of the tourist industry, the Council expressed the hope that care would be taken to safeguard the interests of the population.

169. The current annual report states that while the Micronesian indicative development plan does not stress the development of industry, the Government of the Trust Territory agrees with the tenor of the Council's comments of the Trusteeship Council and is interested in encouraging light industry in the Territory. There is only one medium-sized boat yard in the Trust Territory, located in Palau. However, there are two fibreglass boat manufacturers in the Marshall Islands and one ferro-cement boat yard in Truk.

170. The Trust Territory Government is actively seeking to increase joint-venture investments for construction of hotel and motel accommodations. It has initiated a more energetic effort to organize and establish small business enterprises in both the tourism and the handicraft industry.

171. Visitors' bureaux in the districts are taking new initiatives for the promotion of tourism and are organizing additional places of interests, such as cultural centres and museums. These efforts are entirely directed by the districts themselves whose involvement safeguards the interests of the people. In addition, the Trust Territory Administration has made available more promotional literature and has taken other measures to promote tourism.

172. In 1977/78, of the existing 27 hotels in the Territory, 25 were owned by

Micronesians and 21 had Micronesian managers. During the first 10 months of 1978, 19,243 visitors entered the Territory and over 23,240 were expected by the end of that year. Income for 1978 is estimated at \$2.4 million, compared with \$2.3 million for the previous year.

Transport and communications

173. Road maintenance is difficult in the Trust Territory, especially on the high islands where heavy rainfall washes out road-beds, and limited budgets make upkeep difficult on roads outside district centres. As reported in previous years, a territorial road programme has been established, providing for the construction or repair of a number of kilometres of road each year.

174. Air Micronesia, which took over air service in the Trust Territory in 1968, is a corporation formed by Continental Airlines, Aloha Airlines and the United Micronesian Development Association. Regular air service links all district centres of the Territory. Outside the Territory, service is provided to Guam, Tokyo, Honolulu and Okinawa.

175. At its forty-fifth session, the Trusteeship Council commended the continuing efforts of the Administering Authority to improve further the transportation system in Micronesia pursuant to Executive Order No. 113. It noted that the Trust Territory had taken delivery of the first two of seven new ships and that the other five would be delivered in the near future. It noted with interest that part of the capital improvement programme was designed to provide cargo and passenger service to all islands and atolls with sufficient population or productive service to warrant service. The Council further noted that construction contracts had been awarded for new wharves on Majuro and Yap, that designs were completed for a new dock at Kosrae and that design work had begun on new wharf facilities in Truk and Palau.

176. The Council noted with satisfaction that negotiations on the Tokyo-Saipan air service were successfully concluded and that Continental Airlines began air service between Tokyo and Saipan, with continuous flights to the eastern and western districts of Micronesia beginning on 1 October 1977.

177. The Council further noted with approval the continuing attention of the Administering Authority to the question of airport development, in particular the establishment of a target date for the completion of all proposed projects.

178. The current annual report states that the transportation system in Micronesia has improved considerably since the promulgation of Executive Order No. 113 by the Administration. Seven shipping companies serve the Trust Territory, three of which are Micronesian. The three large vessels of the Trust Territory Government have been under charter to three of the shipping companies, two Micronesian and one foreign, on reduced charter rates, to keep the vessels in satisfactory operating condition and to assist in the development of the Micronesian shipping companies.

179. The annual report further states that the Trust Territory Government has received six new Islander class field trip ships, which have been assigned to the

various districts. A seventh ship, expected in February 1979, would be assigned to the Marshall Islands. The field trip services to the outer islands have improved since the arrival of the new ships.

180. The construction of new docks in Majuro and Yap was in progress during the period under review. Construction on the Kosrae, Truk and Palau docks has been delayed because of insufficient funds.

181. The Trust Territory is now serviced by regular, connecting flights to Guam, Tokyo, Taipei and Honolulu. Air Micronesia has added to its fleet a third B-727-100 aircraft to meet the increased demand created by the inception of the Saipan-Tokyo route. The Government continues to monitor air service within the Trust Territory and is considering the establishment of new air routes to Manila, Australia and Papua New Guinea. With increased air services in Micronesia, the Government has established a new Division of Air Transportation within the Bureau of Transportation and Communication to ensure that anticipated developments are handled in a safe, efficient and economic way.

182. On 31 March 1978, the award for the construction of Truk International Airport was granted. Final plans and specifications for the improvement of the airports of Ponape, Palau, Yap and Kosrae are under study. Construction is expected to begin during 1979 for the airports of Palau and Kosrae, and in 1981 for Yap.

183. The annual report states that inter-island communication was greatly improved during the year under review with the initiation of the Department of Interior Satellite Project network, utilizing NASA's ATS-1, the same satellite through which the Trust Territory has, for six years, participated in the Pacific-wide PEACESAT project of sharing information of mutual interest to territories and nations of the Pacific region. Through the network, which provides two ground terminals in each of the district centres, administrative messages are relayed and intra-district conferences are conducted.

Proposal for a super-port in Palau

184. At its forty-fifth session, the Trusteeship Council, recalling its recommendations that consideration should be given to the possible effect of the development of a super-port on Micronesian unity, noted the statement by one of the petitioners from Palau that the question of a super-port was not related to the quest for separation.

185. The Council continued to believe that attention should be given to the environmental impact of such a port. The Council welcomed the statement by the High Commissioner that a feasibility study would be a necessary preliminary step, that the approval of the people of Palau would be required and that the processing of any request for a super-port would have to be in full compliance with the applicable laws of the Palau District Legislature, the Trust Territory Code and applicable United States laws. The Council noted the continuing commitment of the Administering Authority to consider the impact of the proposed super-port on the general welfare of the people, the security of the area and the effects it might have on the physical and social environment of Palau.

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186. The current annual report states that the Administering Authority agrees with petitioners from Palau that the question of a super-port is not related to the quest for separation. In this connexion it is important to note that the Palau super-port has made no appreciable progress over the past few years. Nevertheless, Palau in effect rejected unity when the people of the district failed to ratify the constitution for the Federated States of Micronesia in the 12 July 1978 referendum.

Co-operatives

187. In 1977, 74 co-operatives and 43 credit unions were active in the Territory, excluding the Northern Mariana Islands, primarily in importing, retailing, copra, handicrafts and the marketing of fish. Sales and revenue of co-operatives aggregated \$12.5 million in 1977. Merchandise sales predominated, followed by sales of copra. At the end of 1976, co-operatives had 12,466 members, showed net savings of \$807,000 and had paid \$59,740 in dividends and patronage refunds.

188. At its forty-fifth session, the Trusteeship Council reiterated the hope that the Administration would continue to devote some of its educational and information efforts to persuading farmers in the Trust Territory of the benefits of farming co-operatives, in particular the shared use of machinery.

189. The current annual report states that efforts are being made in producing educational and informational material which describe the advantages of co-operative development, with emphasis placed on managerial improvement of consumer organizations. Co-operative farming and the use of machinery for common services have not yet been fully accepted by the Micronesian farmers because of their land tenure system and traditionally independent way of life.
