

PART III

ADMINISTRATION OF THE TRUST TERRITORY

The current United States administration of the Trust Territory was described briefly in Part I. This part will deal in more detail with the present organization, its problems and the steps necessary to improve its operations to pave the way for implementing the recommendations in Parts I and II.

A. Authority of the Trust Territory government

As noted in Part I, the current government has been created under the authority of the trusteeship agreement approved by the Security Council and a Joint Resolution of the Congress in 1947. The agreement does not specify the machinery to be used by the United States as the administering authority to govern the territory. Article 3 of the agreement simply gives the United States plenary powers of "administration, legislation, and jurisdiction" subject only to the provisions of the agreement which generally deal with the development of the territory, the rights of its citizens and the United Nations and the maintenance of peace and security.

On July 18, 1947, the day he approved the Joint Resolution, the President issued Executive Order No. 9875 which provided for an interim administration of the Trust Territory under the Secretary of the Navy, pending the enactment of an appropriate organic act by the Congress of the United States. This order simultaneously terminated the military government which was established for the territory when the islands were wrested from Japan.

On the same day in a public statement, the President expressed his intention to transfer the civil administration of the Trust Territory to a civilian agency at the earliest practicable date. This transfer was made eventually to the Secretary of the Interior on June 29, 1951, by Executive Order No. 10265. Subsequently, the administration of Saipan and Tinian in the Marianas was transferred back to the Secretary of the Navy by Executive Order No. 10408 of November 10, 1952, and the administration of the rest of the Mariana Islands, except Rota, was similarly transferred by Executive Order No. 10470 of July 17, 1953. On May 7, 1962, by Executive Order No. 11021, the responsibility for the administration of civil government in all of the Trust Territory was again placed in the Secretary of the Interior.

Though several organic acts for the territory were introduced in the Congress in the late 1940's and early 1950's, the Congress has taken no action on the matter. It has, however, confirmed the authority of the Trust Territory government with two enactments. A joint resolution of the Congress, approved August 8, 1953, continued the ~~then~~ civil administration of the Trust Territory to June 30, 1954, on the assumption that a pending organic legislation would be enacted before the latter date. As no such organic legislation had been enacted, another measure, Public Law 451 of the 83rd Congress, to provide for the continuance of the Trust Territory civil administration was approved on June 30, 1954. The 1954 law merely provides for the continuance of an interim civil administration which was established by Executive order of the President. Section 1

of this measure states:

"That until Congress shall further provide for the government of the Trust Territory of the Pacific Islands, all executive, legislative, and judicial authority necessary for the civil administration of the Trust Territory shall continue to be vested in such person or persons and shall be exercised in such manner and through such agency or agencies as the President of the United States may direct or authorize."

The foregoing constitutes essentially all that Congress has provided for the civil government of the Trust Territory. The kind of civil government -- its form, power and authority, design of the administrative and legal machinery, etc. -- which may be established is left to administrative discretion. Beyond its broad delegation to the President, Congress has acted to place an annual ceiling -- currently \$17,500,000 -- on the appropriations for the Trust Territory and annually to review and enact those appropriations.

As is noted in the foregoing paragraphs, the President has been given broad authority over the civil government of the Trust Territory. This broad authority has been delegated alternatively to the Secretary of the Navy and the Secretary of the Interior. In his delegation to the latter, first in 1951 and currently under Executive Order No. 11021, the President made the Secretary of the Interior fully responsible for the administration of civil government in all of the Trust Territory. All executive, legislative, and judicial authority necessary for such administration are granted to the Secretary who may redelegate the same to appropriate officials under his jurisdiction.

Two provisos were contained in the 1951 and 1962 delegations, and both pertain to activities in the Trust Territory affecting the foreign policy of the United States rather than to the authority over the civil administration. One relates to the authority, which the President reserves to himself, to close for security reasons parts or all of the Trust Territory. The other provides that the Secretary of the Interior shall keep the Secretary of State currently informed of activities in the Trust Territory affecting foreign policy of the United States and shall consult with the Secretary of State on questions of policy concerning the Trust Territory which relate to foreign policy, and that relations between Federal agencies and organs of the United Nations regarding the Trust Territory shall be conducted through the Secretary of State. Thus, just as Congress has not imposed restrictions on the President for the administration of the Trust Territory, the President did not impose any restrictions in his basic delegation to the Secretary.

However, the 1951 order referred to a memorandum of understanding between the Navy and Interior which the President approved on September 23, 1949, and directed the two departments to effect the transfer to civilian control in accordance with the memorandum. The memorandum provided for the appointment of a civilian High Commissioner by the President to serve, first under the Secretary of the Navy in 1950 and then under the Secretary of the Interior when control was transferred. The remainder of this memorandum dealt with the replacement of military with civilian personnel, exchange of information and transfers of property. Amendments to the memorandum

provide for military control of the entry of persons and vessels into the Trust Territory.

Until August 1962, even United States citizens and flag vessels and aircraft were not permitted to enter the Trust Territory without the permission of the Navy. At that time, the President directed that only applications for entry of aliens and foreign flag ships and aircraft may be vetoed by the Navy. As the latest agreement between the Department of the Interior and the Department of the Navy in accord with the President's directive only went into effect on July 1, 1963, it is too early yet to draw any conclusion as to the implications the new arrangements may have on the administration of the area.

A month after the issuance of the President's order in 1951, the Secretary of the Interior issued his own Order No. 2658 to "delimit the extent and nature of the authority of the Government of the Trust Territory" and to prescribe the manner in which the relationships of the Trust Territory government with the Congress, Department of the Interior, other Federal agencies, foreign governments, and international agencies shall be conducted. Essentially, however, the Secretary's order again broadly delegates to the High Commissioner all executive authority for the government of the Trust Territory to be exercised under the "supervision and direction" of the Secretary. It also provides that "judicial authority shall be independent of the executive and legislative powers."

Subsequently, Department of the Interior Order No. 2812 of April 6, 1956, required Washington clearance with respect to the certain actions of the High Commissioner. It provided that the High Commissioner, in the exercise of his authority in the Trust Territory, shall obtain the approval of the Secretary of the Interior (a) of any proposed new Trust Territory law or regulation or amendment to an existing law or regulation which embodies important changes in policy, and (b) of any significant change in the budget as approved. The latter includes the transfer of funds between programs or between operating and construction funds, and the expenditure of local revenues in excess of the amount estimated in the budget as it was justified to Congress.

In much of its administrative relationships with the Department of the Interior, the Trust Territory government now deals with or through the Office of Territories in that Department. This office is headed by a Director whose major responsibility is to serve "as the principal staff advisor to the Office of the Secretary of the Interior" on territorial matters. He initiates or reviews major policy and program proposals and broadly directs the implementation of policies and programs approved by Secretarial Officers (i.e., the Secretary, Under Secretary and Assistant Secretaries). While the office does administer Canton and Enderbury Islands, Jarvis, Baker, Howland, and Palmyra Islands, its main function is to provide administrative and liaison services for the larger territories.

Department of the Interior Order No. 2658 provides for certain specific relationships between the Office of Territories and the Trust Territory government. Section 3(c) states in part that "with freedom to consult directly with the Secretary (of Interior) when necessary, the High Commissioner of the Trust Territory shall normally communicate with the Secretary of the Interior through the Director of Territories." Paragraph (d) of the same section provides that, in dealing with Federal agencies outside the Department of the Interior on other than routine matters, initial contact shall be made through the Office of Territories. Thereafter, direct contact may be maintained by the Trust Territory, but the Office of Territories must be kept informed of significant developments. Thus, though it is evident from a review of the various sources relating to the authority of the Trust Territory government that it is fully subject to the control and direction of the Secretary of the Interior, it is equally evident that the Office of Territories is not in the line of command of this relationship.

B. Administrative relationship with Washington

As indicated in the preceding paragraphs, Washington has imposed a minimum of restraints on the administration of the Trust Territory by the High Commissioner. Congress has not provided for a government of the territory except to authorize the continuation of the present one which was established by executive action. Similarly, delegation orders issued by both the President and the Secretary of the Interior have provided hardly any substantial restricting policies on the administration of the Trust Territory by territorial officials.

While under optimum conditions such lack of administrative restrictions might be desirable from an administrator's point of view in that it would provide for administrative flexibility, the fact is that during the past years this minimum of supervision and guidance by Washington has fostered the development of territorial government machinery which does not readily respond to policy changes prescribed by Washington. For example, the Mission found that even after over a year since the issuance of NSAM No. 145, many of the responsible officials of the Trust Territory government were still unfamiliar with the United States objectives as outlined in that instrument. Yet, it would be these same officials on whom we must rely for the achievement of those objectives.

Responsibility for any problems resulting from the present situation cannot be focused on any one cause. Over the years the Trust Territory government has learned to function without significant guidance from Washington.

With only three territories remaining under the international trusteeship system, international pressures for the United States to meet her commitments under the trusteeship agreement will markedly increase during the next few years. Public interest in the territory will also continue to increase as it has increased during the past year since the relaxation of entry controls into the area. Further, Washington is beginning to respond to pressures to prepare the Micronesians for participation in the world of the Twentieth Century. Congress has recently doubled the annual appropriation for the territory; the President has directed the substantial upgrading of public services for the Micronesians. The next few years of the administration of the Trust Territory accordingly will be subjected to more intense examination by both national and international interests.

To protect fully the interest of the United States during those critical years, Washington must provide more supervision and direction over the administration of the Trust Territory. It not only must provide general policy guidance, but also must establish specific guidelines which the territory must follow if the recommendations in Parts I and II of this report are to be effectively implemented. Accordingly, the Mission recommends the following with respect to the working relationships between Washington and the Trust Territory government:

First, the Task Force created by NSAM No. 145 or some similar group should continue to serve as a program and policy advisory group to the Secretary.

The Task Force consists, at the Assistant Secretary level, of representatives from Federal agencies most concerned with the Trust Territory -- the Department of State, the Department of Defense, the Department of Health, Education, and Welfare and the Department of the Interior. Observers from the National Security Council and Bureau of the Budget are also included in the group.

The Mission believes the Task Force provides a necessary mechanism not only for calling to the Secretary's attention the effect of Trust Territory programs and policies on the agencies it represents but also for involving those agencies on a somewhat continuing basis in Trust Territory matters of concern to them. A "master plan" of priority programs such as that represented by the recommendations of the report should be reviewed by this group for appropriate recommendations to the Secretary of Interior. It would review periodically with the High Commissioner and appropriate officials of the Office of Territories the status and progress of programs contained in the "master plan" to ascertain that pre-set goals and objectives have not been altered. Where such alterations have occurred, or should change in goals be desired, it would so advise the Secretary.

Second, an evaluation team should be organized to visit the Trust Territory preferably on an annual basis for the next few years. The primary function of such a team would be to ascertain by field inspections that programs are being implemented in accordance with the terms of reference

approved by Washington. Secondly, and only if it would not jeopardize the primary mission of the team, it would provide on-the-spot advice to officials and agencies of the Trust Territory government in accordance with the type of expertise found in the membership of the team. Thus, if a personnel expert is a member of a particular mission, he should be available to render assistance to the personnel staff of the Trust Territory government.

The team would consist of persons who are individual experts in the various fields of public services which would be reviewed. The members could be either Government officials or private citizens and each mission need not consist of the same individuals. Though it would be very useful for the Task Force mentioned above to nominate the membership, the team should serve the Secretary of Interior. Copies of any team reports, however, should be made available to the Task Force for such consideration and action as it determines appropriate.

Third, the High Commissioner's legislative authority should be clarified and his legislative enactments should be approved by the Secretary. As noted earlier, Department of the Interior Order No. 2812 requires the High Commissioner to obtain Secretarial approval of new laws and regulations embodying important changes in policy. However, neither that order nor the Secretary's basic delegation, Order No. 2658, expressly gives the High Commissioner any of the legislative authority delegated by the President to the Secretary. Order No. 2658 only delegates

executive authority to the High Commissioner. The Mission believes that omission should be corrected in an updating of those orders.

The Mission also notes that since December 31, 1959, 10 new laws amending the Code of the Trust Territory have been promulgated by the High Commissioner of which only one was submitted for approval by the Secretary of the Interior. Three sets of regulations, apart from amendments to the Code, were adopted, only one of which had Secretarial approval. Without going into the question of which ones should have been approved, and while the list of promulgations does not appear too impressive (see Appendix A to Part III), it appears that the issuance of new laws and amendments is a function of such importance as to merit Secretarial approval in every instance. Accordingly, the Mission recommends updating the current Secretarial orders to require approval of all new laws and amendments except in case of emergency.

Fourth, the annual budgets of the Trust Territory should be given more intensive examination by the Department of the Interior. As the annual budgets are the primary implementing tool of new programs, it is recommended that the budgets submitted by the High Commissioner for presentation to the Congress be subjected to more intensive examination by the administering agency. Budget items which would affect any long-range program for the territory must be reviewed thoroughly for consistency with that program before they are made a part of the President's budget. A comparison of recent estimates prepared by the High Commissioner and those

submitted to the Bureau of the Budget indicated that the Department of Interior has been serving merely as a transmitting agency.

Fifth, Interior approval should be required for those departures from the Business Investment Code (proposed in Part II, Section A of this report) that would have significant impact on the Trust Territory.

Sixth, the appointment of the High Commissioner should be made by the Secretary of the Interior. It was earlier explained how the High Commissioner came to be appointed by the President. That appointment may be viewed as a subtle and indirect Presidential control over the management of the affairs of the Trust Territory. However, it is somewhat anomalous in view of the President's complete delegation to the Secretary of the Interior.

Further, while it is not usual to have Presidential appointees serving under the supervision of other Federal officers, as far as the Mission can determine, the High Commissioner's appointment situation is now unique. We are not aware of any other case in which the President appoints an officer whose position is not specified in law and who has continuing operating responsibilities. The President's Executive Order No. 10265, incorporating by reference the memorandum of understanding which provided for Presidential appointment, has been superseded. The current delegation, in Executive Order No. 11021, does not refer to the office of High Commissioner and does not indicate any Presidential reservation of that appointment. Therefore, the only currently effective order relating

to the High Commissioner's office is Secretarial Order No. 2658 which is silent on the manner of appointment.

We believe this very unusual situation should be clarified, not only because of the doubts it raises but also because it is particularly important that the High Commissioner be completely responsible to the Secretary of Interior who has been charged with the administration of the Trust Territory. This will be most important during the next few important years. The Mission, therefore, recommends that High Commissioners be appointed by the Secretary of Interior as long as the latter official is held responsible for the overall administration of the Trust Territory and until such time as Congress enacts an organic act for the government of the Trust Territory.

(A draft of a new Secretarial order to replace the current Orders Nos. 2658 and 2812 and of the above recommendations is attached as Appendix B to Part III.)

C. Administrative organization under the High Commissioner

As noted earlier, the government of the Trust Territory is organized into a headquarters unit and six districts. The High Commissioner, as the chief executive of the territorial government, directly administers the headquarters unit in Saipan. A district administrator is the head of each district and is responsible to the High Commissioner through the Deputy High Commissioner.

Both headquarters and the districts are organized along functional lines. Headquarters, for instance, has a Director of Education, a Director of Public Health, a Director of Agriculture and Fisheries and a Director of Public Works. Similarly, there are counterpart officials in the district level who are subordinates of the district administrator. Thus, in all districts there are also department heads for education, public health, agriculture and public works. In addition, both headquarters and the districts have field activities. Pacific Island Central School and the Farm Institute in Ponape are examples of field activities which are operated directly from headquarters at Saipan. Field dispensaries and schools represent the most common type of field facilities which are run by the district centers.

In general, the organizational structure for both headquarters and the district administrations has been formed along basically sound lines. However, the territorial government has a most vexing problem of communications between headquarters and the districts. When one considers the

geographical distribution of the islands and atolls over an area covering over three million square miles, it is easy to appreciate the physical difficulties involved even working with the most modern of communication facilities. With the distances involved, face-to-face discussions between headquarters and field personnel and exchanges between districts are minimal. The district administrators only meet annually, for example. Throw in even a little confusion as to the allocation of functions between headquarters and the district organizations and one should not be surprised to detect feelings of frustration among many officials. An inquiry into this problem in one of the districts elicited this response from a district administrator: "It is difficult to communicate with headquarters, I have three dispatches now for which I have not received any reply. I don't know what they do with our inquiries. Maybe throw them in the waste basket." Another district administrator claimed he did not know what happened to his current (FY 1964) budget estimates since the district administrators' annual conference in July 1962. An assistant district administrator stated that headquarters had no confidence in them, referring to the staff in his district. How much of these beliefs are true is beside the point. These and other similar instances point to the general problem of communication in the organization.

In a setting such as that which obtains in the Trust Territory administrative organization where geographical, technical, language and cultural considerations have vital roles, the development of effective communication media and devices becomes critical. Goals and objectives prescribed by

headquarters staff must not only be understood but must also be accepted by the district personnel who are responsible for the realization of such goals and objectives. Adequate manuals of procedures, policy directives and especially staff conferences must be utilized if the organization is to develop any semblance of single-purpose mindedness.

In this regard, the Mission was informed that the development of an integrated manual of procedures is being planned, incorporating therein procedures which have been developed on an intermittent basis. The Mission further recommends that a regular procedures-improvement program be adopted and that a middle-grade organization and procedures specialist be employed for the purpose. The Mission also recommends that the district administrators' conferences be held more often than once a year.

However, in the Trust Territory, the physical problems of communication and dispersal over a vast area, in the Mission's opinion, are further complicated unduly by an over centralization of authority at headquarters and a lack of appropriate delegation of powers to the functional departments. Essentially, the High Commissioner utilizes his department heads as staff officers. They have no real operating authority delegated to them and do not directly deal with or supervise their district counterparts. The latter are subordinate to and supervised by the district administrators.

Thus, the channels of communication from the district department head to his counterpart on even minor technical matters are most circuitous since

they involve going through the district administrator and High Commissioner and their key aides in both directions. Since all directives and messages must pass through the High Commissioner's office and the district administrators, those points have a great bottleneck potential. The Mission also heard complaints that supervision of district department heads by district administrators, who did not understand the technical problems of the programs, resulted in arbitrary department budget cuts and unjustified transfers of funds. For whatever reason, there are some district department heads who believe they should be directly supervised by their counterparts at headquarters.

The Mission agrees that there should be more direct communication between district department heads and their headquarters counterparts. We recommend that headquarters department directors be delegated the authority to take action and to supervise directly their district subordinates in technical and professional matters. This action should be taken quickly in those programs -- education, health and agriculture - which do involve a high degree of professional activity. Without such action, the channels of communication and authority will continue to be unduly complex and stymie effective operations.

This change should not totally remove those programs from the cognizance of the district administrators. They must still perform a coordinating role and provide for certain common services and logistics.

In order to spell out the specific and orderly steps needed to achieve these objectives, it is further recommended that an organization and management specialist be sent to the Trust Territory on a short term contract (or detail) which could be financed from the President's Management Improvement Fund.

D. Execution of the Master Plan

The Mission believes that in addition to the improvement of the United States and Micronesian personnel of the Trust Territory government dealt with later in Section G, a new approach to territorial administration is required if the Executive and the Congress want results. This should be the conscious effort to utilize the services of other Federal agencies or to contract out the implementation of the new and expanded programs recommended in this report. Based on its survey the Mission is convinced that results will be quicker and the overall and long-run costs of such a policy cheaper.

Recommendations for contracting the new and expanded capital and operations programs have been made in various sections of this report. It is worth listing here the more important of these programs and activities that should be contracted out to indicate the scope of this approach.

<u>Program or Activity (or implementing personnel)</u>	<u>Contracting Organization or Agency</u>
1. American elementary and secondary teachers	State of Hawaii Department of Education
2. American physicians	Medico
3. Community action	Peace Corps
4. Tropical agricultural research	University of Hawaii, School of Agriculture
5. Fisheries research	Bureau of Commercial Fisheries and the Scripps Oceanographic Institute
6. Quarantine	U.S. Department of Agriculture

7. Immigration	U.S. Immigration and Naturalization Service
8. Cooperatives and credit union specialists	Cooperative League of U.S.A.
9. Programming and Development Unit	Private consultant organization
10. Surface transportation (inter-district) Surface transportation (intra-district)	Competitive bidding by U.S. firms Negotiated contracts with Micronesians
11. Air transportation	Federal Aviation Agency or new contract with Pan American by Civil Aeronautics Board
12. Vital statistics, and Public Health Laboratory backstopping	Public Health Department of Government of Guam

There has been sufficient exploration by the Mission to be reasonably sure of the general appropriateness, and in most cases the particular willingness, of the suggested agencies and contractors to undertake those functions. Contract supervision will pose its own set of problems for the Trust Territory government, but it can handle these problems more readily. To charge the Trust Territory government with the task of implementing with its own staff a relatively large and complicated program will not only involve many years' delay and much waste, but will saddle that government (and the United States) with the costs of permanently swollen bureaucracy necessarily recruited in many cases without full qualifications owing to the pressure of time. The need for many of these contractual services will disappear as certain programs are completed and others are increasingly staffed by qualified Micronesians.

E. Budgeting

The desire to bring education and a higher standard of living to the Micronesian, however strong it may be, cannot be fulfilled without adequate planning. Even a single individual pursuing this goal must face the necessity of careful planning -- financing must be provided, physical resources mobilized, labor applied and accomplishments evaluated. While the effective individual may follow the planning process without an overt consciousness, the effective large scale organization must include planning as an integral part of its operations as an overt rational process. For government organizations, the budget process, through its cycle of formulation, execution, and evaluation, has become a primary mechanism for planning.

When budgeting was discussed with officials at the district and headquarters levels, the usual reaction was -- "The budget is too small." While this response would not be unexpected in almost any government organization, it was evident that most of the officials only thought of the budget in this narrow sense, i.e. -- an amount of money currently available for expenditure. Very few line officials thought of budgeting as a planning process through which a program is developed to make optimum utilization of whatever amount of funds were or could be expected to be made available.

Heads of departments and district administrators seem to consider the formulation and execution phases of budgeting as two separate processes. Typical district department heads said they submitted a budget estimate

in the spring and didn't hear anything further until the next June or July. Then, in most cases, the budget allotment received in June or July bore little relationship to the estimate submitted a year ago. Other than being accompanied by a ceiling on non-resident and Micronesian employment, the budget allotment was simply a dollar amount that could not be exceeded during the fiscal year. Line officials were not told which parts of their budget estimate submitted a year ago had been approved or disapproved nor were they given guidance on what to use the funds for. Headquarters made the allotments in a lump sum, and instructed the districts to show how the funds were distributed among its programs. The budget office at headquarters indicated, however, that the distribution of allotments by programs submitted by the districts to headquarters was primarily for information purposes and not for program control. Given these conditions, it is not difficult to see why effective planning has not been done through the budget process.

The lack of an effective link between the formulation and execution phases of budgeting and the lateness of allotment advice from headquarters (usually just prior to the beginning of the fiscal year) leaves inadequate time for district planning. In most instances, planning by the district department heads consists of figuring out where to add any additional personnel, if the personnel ceilings are greater than the current employment, and determining what would be left over to buy supplies after the salaries of all personnel were paid.

This past year, when a Micronesian pay increase went into effect and increased personnel costs, the funds remaining for supplies and equipment in some departments were inadequate to support effective operations. Aside from the lack of appropriate planning to allow for the pay increases in the government's overall budget, line officials had not adjusted their programs to accomplish more limited amounts of work which may have required reducing personnel to provide funds for supplies and equipment so the remaining portion of the program could be carried on effectively. The operation of the public works departments, for example, were hindered by a lack of spare parts, but action had not been taken to reduce personnel costs so additional funds could be made available for purchasing spare parts.

The bifurcation of budget formulation and execution, and the allotment of funds on a lump-sum basis to the districts, has also left executive officials without a means of insuring that funds would be spent for the purposes for which they were justified. The department heads at headquarters could not through the budget execution processes insure that the program justified to the Congress was in fact being carried out. As an example the 1963 budget request presented to and passed by the Congress, indicated that \$300,000 would be used to establish a revolving stock fund for supplying the districts with POL (petroleum and other lubricant) products. As of the end of the 1963 fiscal year funds still had not been used for this purpose.

Amid these problems, it is of some encouragement to note that the deficiencies of the budgeting process have not gone unnoticed by the High Commissioner. On February 15 of this year he established a Budget and Fund Utilization Subcommittee consisting of the executive officer, programs officer, a special assistant to the High Commissioner in charge of construction projects, the director of property and supply, the comptroller and the budget officer. This committee was given responsibilities for reviewing budget estimates prior to their submission to Washington, evaluating performance in relation to the budget program, making recommendations on proposals for changing the budget program, and reviewing long-range plans and programs. The High Commissioner identified a number of current problems in budget preparation, reporting, program evaluation and auditing, long-range planning, and budget execution for the committee's attention.

Several changes made in the accounting system and the allotment procedure during the last few months should also improve the budget process. A newly issued accounting manual provides for setting up a system of accounts which will produce information on the cost of each program and activity and more detailed information on unit costs. Unfortunately, the district finance officers' lack of accounting training may slow the implementation of the new system and limit its reliability. Only one out of the five district finance officers questioned said that he could set up the new accounting system without help.

Headquarters also recently issued a new cost accounting system for construction projects and delegated to the districts the responsibility for cost accounting. However, the new system appears to be poorly conceived in that it requires distributing costs to 41 different object classifications. This amount of detail seems to be excessive without providing any useful end-product information. The public works departments at the district level indicated that they would have difficulty in distributing costs this finely -- the increase in paperwork would also be significant.

To facilitate some of the actions already underway and to overcome other budgeting problems, the Mission recommends:

1. A qualified accountant should be employed by headquarters to assist the districts with their accounting. Most of his time should be spent with the districts, preferably on a rotation basis so each district would be visited at least twice a year.

2. District finance officers should be given additional formal training in accounting. Short training sessions at headquarters can be used as a stop-gap measure, but if the incumbents are to remain in their positions, they need to have additional training outside the territory.

3. The cost accounting system for construction projects should be revised. A new system should be developed which will accumulate cost information on the same basis as detailed estimates are made for construction projects. The end product which the

cost accounting system should provide is actual cost information which can be evaluated against the elements of the original construction estimate. Then, upon the completion of construction, actual cost information would be available for evaluation purposes and use on future estimates for similar construction. If certain object classification information is needed for other purposes, it should be obtained by coding vouchers.

As mentioned earlier, the High Commissioner, in a memorandum of March 6, 1963, recognized the need for improving the budgeting process. Although some specific changes have already been made, a general plan of the budget planning process has not been established. The following recommendations are made as a general outline for the process --

1. Preliminary budget estimates should be required in March, or 15 months before the start of the fiscal year in which the funds are to be used. Preparation of these estimates should be the primary responsibility of the headquarters staff. The districts should, however, be canvassed to identify any significant changes they expect to request in their next budget submissions.

2. Budget policy guidance and instructions for the regular budget request should be sent to the districts by May 1. If only a target amount is given to the districts as a guide for budget preparation, they should be asked to prepare a priority listing of programs or program elements which would be included or

excluded if their target figure were increased or decreased by 10 percent. Very few of the district budget justifications are now based on workload data. Headquarters should insist on workload data to support budget requests. Districts should submit their budgets to headquarters by July 1. (When the Territorial Congress is given the power to participate in the budget review process this date will need to be advanced.)

3. As described in Part II, Section A, chapter 5, the Programming and Development Unit (to be established by contract) in headquarters will play a key role in the budget formulation process. It would provide direct staff assistance to the High Commissioner and would be responsible for the overall programming and budget coordination. In addition to evaluating the merits and soundness of individual proposals, the headquarters' review should identify program priorities. New programs requiring additional transportation, supply, public works and other auxiliary activities should be carefully coordinated to insure that adequate support will be available. As tentative conclusions are reached on a budget program, changes proposed by headquarters should be specifically identified by activities within each district, rather than a lump-sum amount for the district as a whole and should be discussed with the district administrator concerned. Material prepared for final decision making by the High Commissioner should contain a complete analysis, including the evaluation of the department heads and

district administrators, of alternative program proposals.

The budget program request should be submitted to the Department of the Interior by September 1. Alternative program levels should be submitted to the Department for review as requested.

4. The districts should be advised as soon as the budget request is submitted to Washington of changes in their programs. This will permit them to keep abreast of the planning program and to revise their plans as necessary.

In December, the headquarters will be advised of the programs and amounts that are to be included in the President's budget. Again the districts should be advised of any changes affecting their programs.

At this time the districts should be requested to provide an apportionment plan by quarters (the first quarter should be broken down by months in case the annual appropriation bill is not passed by the beginning of the fiscal year) for those programs that require larger apportionments in some quarters than others. The Mission observed that the districts had to delay requisitioning needed supplies when apportionments did not allow for normal peaks in requisitioning. This problem becomes particularly acute when the annual appropriations bill has not been passed and the districts receive only monthly apportionments. Medical supplies

and spare parts, which are used at a fairly uniform rate, are normally requisitioned the first month of each quarter. When the requisitioning is delayed by a month or two, programs are disrupted. The continuing resolution passed by the Congress, when final action has not been completed on the annual appropriation bill, is flexible enough to permit larger apportionments in the first month of the quarter to meet normal purchasing schedules. The headquarters should allow for the normal peaks in requisitioning when the quarterly or monthly apportionments are made.

5. The Department of the Interior should keep the headquarters advised of changes in the budget request as it moves through the Congress. Unless a significant change in program would be required as a result of House of Representatives action, the districts should wait until after the Senate has acted (by this time a reasonably accurate estimate can usually be made of the final program and amount that will be approved by the Congress) before taking further action to adjust their programs. If the budgeting process described above is followed, the headquarters and districts will have a planned program for the coming year available when the Congress takes final action on the appropriation bill. This program should be used by the districts to request apportionments from headquarters.

6. After apportionments are made and programs are implemented, the district administrators and headquarters should be furnished

progress reports monthly or quarterly -- depending on the type of program. These reports should relate the work performed and the costs incurred with the workload and financial plans prepared during the earlier phases of the budget process. Data obtained from these reports should then be used for estimating purposes as the budget planning process begins again.

If a process such as the one described above is used, to link the budget preparation, execution, and evaluation, the deficiencies noted earlier in the present operations can be corrected. In addition to changes in the process itself, several other changes relating to budgeting are needed.

Recommendations for immediate changes:

1. Starting in 1965 all construction projects should be fully funded. The past practice of funding annually increments of buildings has been accompanied by inadequate estimates of total project costs and the stretching of construction over a period of years has increased costs.
2. Detailed cost estimates should be made on all construction projects. For large or complex projects this may require funding final design and engineering in one year and construction costs in a subsequent year. On other projects funds should not be apportioned for construction until final design and engineering has been completed.
3. The distribution of funds between capital outlay and operating costs as justified to Congress should not be changed

without approval from the Department of the Interior. Changes in the distribution of funds among operating activities and separately programmed capital outlay items should be approved by the Department of the Interior unless the changes involve amounts less than 10 percent of the activity or project or \$50,000 whichever is the smaller.

4. A fund should be established to finance emergency expenses such as epidemics, typhoon damage, repair of damage to ships, planes, and power and water facilities resulting from "Acts of God." Initially, the fund should be established at \$200,000. The uses of the fund during the past year should be presented in the annual budget justification as a basis for restoring the level of the fund to \$200,000.

5. Accounting for water, power, sewer and hotel operations in the districts should be handled on a business type basis as soon as the districts are capable of setting up the accounting systems. Since the government is the sole supplier of these services, this type of separate accounting is needed to determine accurately appropriate charges.

F. Supply

The procurement of most supplies for the Trust Territory government is done centrally by headquarters. District purchases are permitted only for items costing less than \$75, except in the case of fresh food supplies for district institutions where no limits are applied.

It is estimated that a substantial portion of those supplies has heretofore been procured through the General Services Administration's San Francisco office. However, last June, the territory's Director of Property and Supply indicated that it would further expand its direct-vendor buying from non-GSA sources and rely on GSA sources only when it is in the territory's interest. Vendor buying generally does not involve the solicitation of sealed bids because of the limited number of suppliers but rather the obtaining of informal written quotations.

Again, in the area of supply, the remoteness of the territory and transportation difficulties loom large as sources of problems.

Because of the length of its supply lines, the government must maintain a sizable inventory -- valued at \$900,000 on June 30, 1963. Most of the supplies are kept in the central warehouses in Saipan, but each district has a general warehouse, a medical supply warehouse (under the public health department) and a spare parts warehouse (under the public works department).

Despite this effort, in every district visited a concern was expressed for the inadequate flow of supplies. In some cases, expensive equipment was idle because of the lack of spare parts. Hospital staff stated that medical supplies were short except in Saipan where the hospital "does not have too much difficulty as headquarters can always lend supplies to the district."

Whatever the reasons -- distance or lack of funds for adequate stock -- the supply system is vital to the success of the operation. With the complexities of supply in the Trust Territory, the operation requires professional management. The Mission also believes that a periodic outside review of the operation is necessary to insure that it is currently updated. Since the last such review was about five years ago, it is recommended that another review be made in the next year.

The Mission was advised that an inventory level of four to six months of supplies is necessary. This level appears reasonable in view of the length of supply lines with the increased activities underway in the government, the Mission recommends an increase of about fifty percent -- about \$500,000 -- in the current supply inventory to meet expanding needs. Any further increases will depend on the overall rate of government spending and changes in levels of activities. The supply staff should be apprised of such changes well ahead of time.

G. Personnel

The Trust Territory has two classes of employees, those whose normal place of residence is outside the Territory (or conversely those whose residence in the Territory is attributable solely to their employment) and indigenous personnel. There were 241 of the former and 2191 of the latter as of June 30, 1962. The first group, consisting almost entirely of United States citizens, are employed under a grade structure and wage system which follows the Classification Act of 1949, as amended. Indigenous personnel are employed under standards and rates of pay prescribed in the Micronesian Title and Pay Plan. The three pay schedules provided under this plan are (a) labor, crafts, and domestic work (annual salary range \$634-\$1,851), (b) professional, administrative, and protective (annual salary range \$520-\$3,785), and (c) senior professional and executive positions (annual salary range \$2,080-\$4,840). The government gives first opportunity in filling positions to qualified Micronesians. If none are available, selections are made through U.S. Federal Civil Service Registers with preference given to Guam, Hawaii, and San Francisco, in that order.

The Trust Territory has pursued an active policy of replacing non-indigenous personnel with Micronesians. Since this policy was adopted, Micronesians have taken over 76 positions formerly held by non-indigenous staff members. Given an adequately trained supply of manpower, such a policy would be very desirable as a means of creating an increasing degree of local self-government in the area. However, while Micronesian

employees seem to have met the minimum personnel qualifications for the positions they entered in terms of on-the-job experience, the Mission observed that their level of competence and performance was significantly below the level expected from non-indigenous personnel. We attributed much of this deficiency to the employees' meager educational achievement prior to their appointment. For example, a Micronesian administrative assistant to a district administrator, who was appointed to a position formerly held by a IGS-9 non-indigenous employee, had the following educational background: 4 years elementary school, 2 years intermediate school, and 3 months at the College of Guam during a summer session. When the employee was first appointed to this position he had only the minimum qualifications of 5 years on-the-job experience. In other cases, Micronesians who had had a good educational background were moved into advanced supervisory positions before they were capable of assuming the full responsibilities of the position. One department head at the district level candidly admitted to a member of the Mission that he needed additional experience before he adequately could supervise the non-indigenous employees under him.

These accounts reflect a most urgent personnel requirement in the Trust Territory -- the need for adequate training of Micronesian personnel. If the native population is to make progress toward a greater degree of local self-government, there is an urgent need for more training, particularly in the area of professional and technical skills. Even with additional scholarships recommended in the education section of

Part II of this report, it will take a number of years to meet the need for professional and technical skills. Micronesians are now filling most of the manual and clerical jobs in the government, but their productivity is relatively low. The government has relied heavily upon on-the-job training as a teaching mechanism for manual and clerical employees, but the effectiveness of this training appears to have been limited by inadequately trained supervisors and a lack of supplementation with formal training.

To strengthen the personnel system, the Mission recommends:

1. Micronesians should be placed in jobs held by non-indigenous personnel only when they are fully qualified and can meet the standards of competence and performance expected of non-resident personnel. Qualification tests, similar to the U.S. Civil Service Commission's entrance examinations, should be developed and used to screen applicants for administrative, technical, and professional positions. A one-year probationary period should be established for Micronesians who replace non-indigenous personnel and immediate supervisors should be required to make a detailed evaluation of the Micronesian replacement's performance after nine months.

2. A formal training program in public administration should be established for Micronesians who are promising candidates for positions at the district administrator, assistant district administrator, and district department head level. The training could be provided through

a contract with one of the United States public administration schools. An intensive three-month summer program at headquarters is suggested.

3. The educational scholarship program for Micronesians should be expanded. (Detailed recommendations on this are included in the education section of the report, II-B-5.)

4. Because of the special needs in the area, the Micronesian medical practitioners should receive additional training not only at the East-West Center but also in the new program being worked out by the Hilo hospital in Hawaii. Although this additional training will still be short of United States M.D. standards, it will increase the effectiveness of the medical practitioners who still have a vital role in the public health program of the Trust Territory.

5. Additional emphasis should be given to clerical and manual labor training and to the training of first-line Micronesian supervisors. Formal training which would supplement to on-the-job training is particularly needed. Evening classes taught by qualified United States personnel could be organized for this purpose and small bonuses paid to those employees who successfully complete them.

There is also a need to broaden the horizons of Micronesian employees. Micronesians are now appointed, with very few exceptions, to positions within their own districts. This practice tends to perpetuate parochialism which is already too prevalent in the Territory. The

Mission recommends that Micronesian employees at the higher executive and supervisory levels should be offered and encouraged to accept positions in other districts as a means of getting more interaction among the people of the Territory.

With the additional responsibilities brought on by the new and expanded development program for the territory, several key positions at the headquarters department head level need to be upgraded. The Director of Education at the present time does not have direct responsibility for the operation of the school system. Earlier in the report the Mission has recommended that the Trust Territory government assume full responsibility for education and that the Director of Education have direct responsibility for the operation of the schools. Similarly, the responsibilities of the Director of Engineering and Construction (now called Public Works) will increase with the expansion of the construction program. The Mission specifically recommends that the following positions be upgraded because of the additional responsibilities:

Director of Education	<u>From</u> IGS-13	<u>To</u> IGS-15
Director of Public Works	IGS-13	IGS-15
Director of Engineering and Construction	IGS-14	IGS-15

The program recommended in this report envisions additional responsibilities, not only greater in scope but also different in character from those carried on by the present Trust Territory government personnel, even though the majority of these programs are to be executed on a

contract basis. Therefore, a timely evaluation of the capabilities of the present staff to carry out their responsibilities should be made, and therefore, the Mission recommends that the Department of the Interior detail three qualified employees to the High Commissioner for service as a personnel evaluation committee.

At the present time the Trust Territory government does not have a program for periodically rotating its professional staff to stateside jobs. Periodic rotation to the United States seems to be a desirable method of overcoming the limited educational and training opportunities for professionals in the territory. A number of the U.S. professional staff at headquarters and in the districts have served in the territory for over five years without a stateside rotation. While this record of devotion to duty is commendable, the need to periodically widen one's horizons and gain additional training should not be overlooked. The Mission recommends that professional employees who have served four years or more in the territory be requested to take a stateside position for a two-year period. The Department of the Interior should have the responsibility for finding appropriate positions for these personnel.

Traditionally, one of the sorest points in the territorial administrations of the United States has been the differences in treatment accorded non-indigenous and indigenous personnel. This problem is already becoming apparent in the Trust Territory and will grow as Micronesians are trained for, and advance into more responsible positions. The evolution toward increasing self-government also requires the elimination of

distinctions and the appearance of treating Micronesians as second-class employees in their own government. Finally, since it is anticipated that Micronesians may soon have free access to the United States, the government must be able to offer competitive salaries and employment conditions to its citizens who otherwise would be attracted to United States jobs. A significant difference between the professional salary levels in the United States and Micronesia when full access to the United States is offered would undoubtedly result in a loss of urgently needed Micronesians who have full professional training. This must be avoided. The objective then, should be to work toward a gradual change in the personnel program to achieve a single system. To achieve this goal, it is recommended that:

First, a new schedule D should be added to the existing Micronesian pay plan. This schedule would be reserved for use only by Micronesian senior professional employees and officials who meet every qualification requirement for comparable grades in the Federal civil service. This new schedule would be the link or bridge between the existing Micronesian pay plan and the Federal employees' pay plan. Accordingly, any grade in the new schedule would begin about the top step in the present Micronesian pay plan and end about the beginning step of the comparable grade in the General Schedule. The new schedule D should have not less than six steps nor more than ten. For example, GS-9 grade is equivalent to C-1 grade in Micronesian pay plan. The beginning step for grade D-1 in the proposed schedule D would start at Step 2 of C-1, i.e., at \$3,265 per annum, and

would increase annually to a top step which is the beginning step of GS-9 in the GS scale, i.e., to \$6,675 per annum.

It is intended that the plan would not only be a transitional schedule but would also serve as an incentive for Micronesian employees, both present and future, to obtain the necessary training to meet professional standards. Admission to the plan therefore should be based on a rigid examination and qualification system. No admission should be made unless the entrant has met every qualification standard requirement in the Federal service for comparable grades. The use of experience in lieu of academic credits for grading entrants should be tightened as much as possible. The new plan would also be used for promotion of persons with exceptional ability. A board should consider cases of this type before the person is permitted to come under the proposed pay schedule.

Second, action should eventually be taken to change the status of U.S. employees from Federal to territorial employees depending on the availability of qualified Micronesian replacements and the anticipated ability to recruit non-Micronesians without offering Federal employee status. U. S. employees employed by the Trust Territory government at the time of the change should be permitted to continue participating in the Civil Service retirement system as long as they continue in the employment of the Trust Territory. However, U. S. employees hired after this date should participate in social security system and should not be eligible for the Civil Service retirement system.

Third, action should be taken to give Micronesians sick leave of 13 days a year as a step toward integrating the two personnel systems. With this additional benefit, the absence of a limitation on the accumulation of annual leave is no longer justified and should be replaced with a limitation of 30 days. The interest of the Micronesians in the establishment of a group life insurance plan should also be explored. Finally, since the level of premiums for the U. S. health benefits program is based on a United States medical fee structure, it would not be appropriate to extend this program to Micronesian employees. The level of fees for medical care in the Trust Territory and the policy of providing medical care regardless of a person's ability to pay, lessen the need for a special medical insurance program for Micronesian personnel. When U. S. employees are no longer eligible for Federal benefits as described above, it may be appropriate to establish a medical insurance program open to all employees of the Territory.

H. Judiciary

The President has delegated all judicial, as well as executive and legislative, authority for the Trust Territory government to the Secretary of the Interior. As noted earlier, in Department of the Interior Order No. 2658, the Secretary has provided that the judicial authority shall be independent of the executive and legislative powers. The order provides that judiciary budgets should be drawn up by the Chief Justice and submitted to the Department of the Interior by the High Commissioner. The latter is only given the function of calling the attention of the Department to any budgetary questions he may have. All regulations bearing on the judiciary must have the prior approval of the Secretary.

The organization, jurisdiction, and functions of the Trust Territory judiciary are detailed in the Trust Territory Code which provides for a High Court, district courts and community courts. Except for the Chief Justice and one Associate Justice appointed by the Secretary, the judges of those courts are Micronesians. Only two major problems were mentioned to the Mission with respect to the territorial judiciary:

First, despite the language of the current Secretarial order, the budget of the judiciary has been subject to review and change by the High Commissioner. The Mission recommends that the procedure called for in the order be adhered to and that the High Commissioner simply transmit the judiciary budget unchanged to the Department of the Interior together with any comments he may wish to make.

Second, cases decided by the territorial judiciary may not be appealed to higher Federal courts. In effect, at present, cases that are decided by the Trial Division of the High Court, which include cases appealed from lower territorial courts, may be appealed only to the Appellate Division of the High Court which includes the same judges as the Trial Division. That the arrangement does not give the appearance of a sound appellate system is recognized by territorial judges, and the Chief Justice has recommended that the Appellate Division be abolished and, instead, that appeals go to the appellate division of the District Court of Guam. The Department of the Interior is working on draft legislation to accomplish this, and, as a result, provide a right of further appeal through the Federal court system. The Mission endorses such action.

The Chief Justice also made several other recommendations to the Mission which we would endorse: (1) the translation of the territory code into local Micronesian languages and distribution of such translation to the numerous non-English-speaking local court judges; (2) increased training for Micronesian judges, trial assistants and other court employees by a law professor serving on a contract basis or as a temporary territorial employee; (3) increased legal scholarships; and (4) improved courthouse facilities (which are provided for in the capital investment program recommended in Part II, Section C). The Chief Justice has also indicated a need for a second Associate Justice. The Mission did not have the opportunity to study this matter, but suggests that it merits serious consideration in view of the workload of the present American judges,

the lack of training of Micronesian judges and the travel and communications problems which exist.

APPENDIX ALIST OF EXECUTIVE ORDERS, REGULATIONS AND AMENDMENTS TO THE TRUST TERRITORY
CODE SINCE REVISION ON DECEMBER 31, 1959.

Executive Order No. 83 - Dated: August 9, 1960

An Order Establishing the Office of the District Treasurer and amending the Charter of the Palau District Congress, the Yap Island Congress, the Truk District Congress, the Ponape District Congress, and the Marshall Islands District Congress.

Executive Order No. 84 - Dated: December 23, 1960

Amendment of Chapter 6, Section 398 of Trust Territory Code extending the offense of malicious mischief to include littering, and Section 406 clarifying the penalty for bigamy.

Executive Order No. 85 - Dated: December 23, 1960

Amendment of Section 661 of the Code of the Trust Territory concerning requirement for citizens to obtain travel documents prior to departure as prescribed by the High Commissioner.

Executive Order No. 86 - Dated: July 27, 1961 - to be effective September 27, 1961

Amendment of Emigration and Immigration Regulation No. 2, requiring a valid International Certificate of Vaccination and indicating required inoculations.

Executive Order No. 87 - Dated: July 27, 1961

Amendment of the following Sections of the Trust Territory Code: Section 691 pertaining to application for license to marry; Sections 1305, 1309 and 1310 pertaining to eminent domain; and the elimination of all reference to the Island Trading Company of Micronesia wherever the same appears in the Code.

Executive Order No. 88 - Dated: September 18, 1961

Amendment of Section 577, Trust Territory Code, to lower the age requirement for school attendance.

Executive Order No. 89 - Dated: October 11, 1961

Amendment of Chapter 15 of the Code of the Trust Territory concerning Zoning of certain land by District Administrators and regulations pertaining thereto.

Executive Order No. 90 - Dated: September 6, 1962

Amendment of Sections 249, 390, 430, 489, 814, 924, and 926 of the Trust Territory Code - concerning issuance of Process; Arson, Principals and Accessories; Process obligatory upon police; Rules of the Road (Speed Restrictions); Office of Land Management; and, Land and Claims Administrator; duties.

Executive Order No. 91 - Dated: May 18, 1962, to be effective July 1, 1962

Amendment of Chapters 3 and 4 of the Trust Territory Code, concerning the territorial waters and the repeal of Section 39(g) of Chapter 3 and Section 151 of Chapter 4.

Executive Order No. 92 - Dated: November 27, 1962

Amendments and Additions to the Trust Territory Code concerning jurisdiction; Court Fees; Commitment of Insane Persons; Naturalization; Simplified Procedure of settlement of estates of deceased persons where the value of the personal property does not exceed \$1,000.00; "Delinquent Child" defined; Juvenile Delinquency Proceedings; Liability of parent for acts of delinquent child; Registrar of Corporations: duties; Charters; Use of the terms "Co-operative" and "credit union"; Articles of Incorporation; Audit of Accounts; General Application; Existing Corporations; and Violations enjoined.

Executive Order No. 93 - Dated: March 4, 1963

Amendments and Additions to the Code of the Trust Territory concerning Burglary; Reckless Driving; and Locally produced handicraft.

Executive Order No. 94 - Dated: July 1, 1963 Approved by the Secretary of Interior on July 8, 1963

Revision of Chapter 10, Nationality, Emigration and Immigration - Permission to enter or remain in territorial waters.

Executive Order No. 95 - Dated: July 1, 1963 Approved by the Secretary of Interior on July 8, 1963

Revision of Emigration and Immigration Regulation No. 2 concerning entry of non-citizens into the Trust Territory.

Chapter IV, Board of Marine Inspectors' Regulation, Certificates of Competency - Dated: June 27, 1963 and approved by the High Commissioner, June 28, 1963, concerning Certificates of Competency to be issued by the Board of Marine Inspectors for certain categories of Merchant Marine personnel.

APPENDIX B

Department of the Interior Order No. _____.

Subject: Government of the Trust Territory of the Pacific Islands

Section 1. Purpose. The purpose of this order is to delimit the extent and nature of the authority of the Government of the Trust Territory of the Pacific Islands (hereinafter called "the Trust Territory"), as it will be exercised under the jurisdiction of the Secretary of the Interior pursuant to Executive Order No. 11021 of May 7, 1962, and to prescribe the manner in which the relationships of the Government of the Trust Territory shall be established and maintained with the Congress, the Department of the Interior and other Federal agencies, and with foreign governments and international bodies.

Section 2. Executive authority. (a) The executive authority of the Government of the Trust Territory, and the responsibility for carrying out the international obligations undertaken by the United States with respect to the Trust Territory, shall be vested in a High Commissioner of the Trust Territory who shall be appointed by the Secretary, and shall be exercised and discharged under the supervision and direction of the Secretary.

(b) The relations of the Government of the Trust Territory with the Congress of the United States on all legislative matters, including appropriations, shall be conducted through the Department of the Interior.

(c) With freedom to consult directly with the Secretary when necessary, the High Commissioner of the Trust Territory shall normally communicate with the Secretary of the Interior through the Director of the Office of Territories. The High Commissioner shall be responsible for all United States property in the Trust Territory which is required for the operation of the Government of the Trust Territory and to which the Department of the Interior has custodial title or which it may use under permit. The High Commissioner shall perform such other functions for the Department of the Interior in the Trust Territory as may be delegated to him by the Secretary.

(d) Initial contact by the Government of the Trust Territory with Federal agencies outside the Department of the Interior on other than routine matters shall be established through the Office of Territories of the Department of the Interior. Once the relationship has been established, direct contact between the Government of the Trust Territory and the Federal agencies concerned may be maintained and the Office of Territories kept informed of significant developments in the relationship. Federal agencies should be encouraged to extend their normal Federal services and assistance to the Trust Territory whenever practicable, and the Government of the Trust Territory should be reimbursed for services it performs for other Federal agencies.

(e) Communications of the Government of the Trust Territory with foreign governments and international bodies shall be cleared through the Department of the Interior for transmittal by the Department of

State, unless some other procedure is approved by the Secretary of the Interior.

(f) In exercising his authority the High Commissioner shall obtain prior Secretarial approval of any significant deviation from the budget justification presented to the Congress, any expenditures from local revenues beyond the amount estimated in the budget justification, and any significant transfer of funds between programs or between administration and construction funds.

Section 3. Legislative authority. The legislative authority of the Government of the Trust Territory shall be vested in the High Commissioner of the Trust Territory and shall be exercised and discharged under the supervision and direction of the Secretary. The High Commissioner shall obtain Secretarial approval of any proposed new law or regulation or any proposed amendment to an existing law or regulation, except in the event of an emergency in which case the law or regulation or amendment thereof may be promulgated by the High Commissioner but the Secretary's approval shall be obtained as soon thereafter as possible.

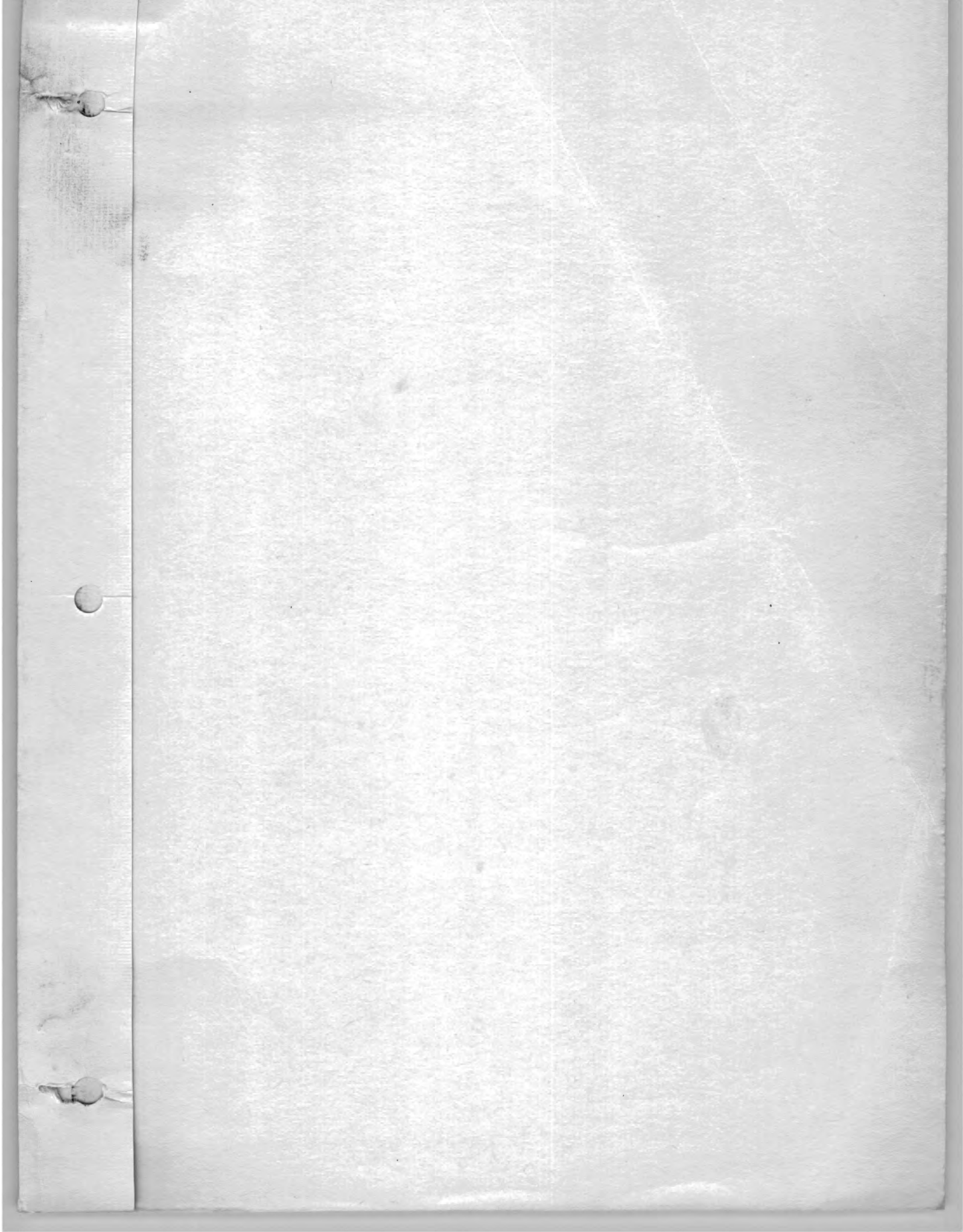
Section 4. Judicial authority. (a) The judicial authority of the Government of the Trust Territory shall be vested in a High Court for the Trust Territory of which the Secretary shall appoint the Chief Justice and the Associate Justice and such other courts as may be established pursuant to law. The judicial authority shall be independent of the executive and legislative powers. Budgetary requests for the territorial judiciary, with supporting justification, should be drawn up by

the Chief Justice of the Trust Territory and submitted for the approval of the Department of the Interior by the High Commissioner of the Trust Territory as a separate item in the annual budget for the Trust Territory. The High Commissioner should call the attention of the Department to any question which he may have regarding the budget for the judiciary. Regulations bearing on the organization or operation of the judiciary shall be submitted to the Secretary of the Interior for approval prior to issuance.

(b) The Solicitor of the Department of the Interior is authorized to exercise all the power of the Secretary of the Interior respecting decisions of the territorial judiciary.

Section 5. Prior orders. Department of the Interior Order No. 2658 of August 29, 1951, and Department of the Interior Order No. 2812 of April 6, 1956, insofar as it pertains to the Trust Territory, are hereby superseded.

Section 6. Existing laws. Existing laws, regulations, orders, appointments, or other acts in effect immediately prior to the effective date of this order shall remain in effect until they are superseded pursuant to the provisions of this order.



THE WHITE HOUSE
WASHINGTON

OFFICIAL USE ONLY

April 21, 1965

MEMORANDUM FOR HOLDERS OF NSAM NO. 243

SUBJECT: Survey Mission for the U. S. Trust Territory of
the Pacific Islands

The Survey Mission for the U. S. Trust Territory of the Pacific Islands, having completed its assignment and there being no continuing need therefor, is formally terminated effective immediately in accordance with the President's wish that all unnecessary interagency committees and task forces be terminated.

McGeorge Bundy
McGeorge Bundy

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April 21, 1965

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NSAM 243.

C. R. R.

THE WHITE HOUSE
WASHINGTON

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Distribution:

Sec State Rusk
Sec Defense McNamara
Sec Interior Udall
Sec HEW Celebrezze
High Commissioner of U. S. Trust
Territory of Pacific Islands
Peace Corps Dir., Shriver
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C. Johnson
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THE WHITE HOUSE

WASHINGTON

April 20, 1965

MEMORANDUM FOR THE DIRECTOR,
BUREAU OF THE BUDGET

In response to your memorandum of April 12, 1965, relating to interagency committees, the committees chaired out of this office have been looked at in light of the President's wish to eliminate unnecessary or obsolete interagency committees and task forces.

At the present time there are six interagency committees and task forces for which I am responsible. Four of these groups are either actively carrying out continuing assignments or have not yet completed their principal task. Two groups have finished their work and may now be terminated.

In view of the fact that all of these committees were established by National Security Action Memoranda and without any public announcement thereof, it would be the preferred procedure to terminate these two groups at this time by a simple notice to the holders of the NSAM's in question. A similar procedure would be used in the future for any additional groups to be closed out. Accordingly, I am now issuing notices to the holders of NSAM No. 68 and No. 243 that the groups established thereby are formally terminated.

McGeorge Bundy

McGeorge Bundy

NSAM

6

October 11, 1963

~~CONFIDENTIAL~~

MEMORANDUM FOR MR. O'DONNELL

SUBJECT: Pacific Trust Territories

I think it is becoming quite important for the President to spend half an hour with Secretary Udall, John Carver (Assistant Secretary of Interior) and Tony Solomon on the Trust Territory of the Pacific Islands. Solomon has recently returned from the Territory, where he and a team have completed a survey on the basis of which they have come up with proposals for implementation of the President's policy to bring the Territory into an association with the United States at the most opportune time.

✓ Solomon's report is now complete; and some of its conclusions have already been disclosed to the interested people in Congress. Mac Bundy and Larry O'Brien's office are abreast of this; but I think it is important that the President have an opportunity to hear the high points of Solomon's recommendations before we go very much further.

There is also the matter of a new high commissioner of the Territories, which is politically sensitive; and for this reason I suggest that Udall and Carver also be present.

Michael V. Forrestal

cc: Mr. Bundy ✓
Mr. Dungan
Mr. Desautels

DECLASSIFIED
E.O. 12356, Sec. 3.4(b)
White House Guidelines, Feb. 24, 1983
By OLL, NARA, Date 3-2-90

~~CONFIDENTIAL~~

7

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

20 September 1963

*Weekend reading
Family*

MEMORANDUM FOR MR. BUNDY

SUBJECT: Solomon's Mission to Islands of the Pacific Trust
Territories

Herewith a summary of Tony Solomon's report. If the President is doing any reflective reading this weekend, or while he is flying around next week, you might want to put it with his papers. I think it is worth reading and at some point we need to get a nod from the President.

Perhaps after he has looked at it, or in the event he doesn't have time to look at it, we might get Solomon a fifteen-minute appointment, possibly the week after next.

MV

Michael V. Forrestal

Encl.

DECLASSIFIED

E.O. 12356, Sec. 3.4(b)

White House Guidelines, Feb. 24, 1983

By *att*, NARA, Date *3-2-90*

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

~~CONFIDENTIAL~~

September 20, 1963

Dear Mr. President:

I am enclosing a thirty-odd page summary of the report of the recently completed U. S. Survey Mission to the Trust Territory of the Pacific Islands. Of special interest to you may be the following highlights:

1. The U. S. objective of establishing a permanent association with this area as a U. S. territory through a plebiscite with United Nations observers present, rather than giving it independence or continuing to administer it as a United Nations trusteeship, is definitely attainable. The Micronesian inhabitants recognize that they cannot stand alone and if compelled to choose between "independence" and "permanent affiliation with the United States" will vote accordingly.
2. The optimum timing in terms of Micronesian reactions would be early 1968. It should definitely be no later, but if pressure in the United Nations for an earlier plebiscite should become very strong, it could be held as early as 1966.
3. Major steps required in the interim to move simultaneously toward this objective and the longer run political, economic and social development of the inhabitants are:
 - a. Adopting a timetable starting with the formation of the Territorial Legislature in 1964 and leading to a plebiscite of self-determination in 1968 (possibly announcing it next Spring after the United Nations Visiting Mission returns from the Trust Territory).
 - b. Launching a \$46 million (or a minimum \$35 million) Capital Investment Program for the four year period from FY'65 through FY '68.

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By 40 NARA, Date 12-6-90

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- c. Aiding the Secretary of the Interior to discharge more effectively his administrative responsibility for the Trust Territory, and in this connection reaffirming his authority over the High Commissioner.
- d. Preparing the Congress, the American public and the Micronesian leaders to acceptance of this timetable and the possibility of such a territorial affiliation. This involves informal Congressional acceptance of the Mission's proposed compromise between the United Nations concept of full "self-government" and the traditional attitudes of the Congress toward the organization of territorial governments. The compromise also recognizes the present limitations on Micronesia's ability to govern itself.

The full report of the Mission will be submitted to you early in October.

Respectfully yours,

Anthony M. Solomon

Anthony M. Solomon
Chairman, U. S. Government
Survey Mission

The President
The White House
Washington

Encl.

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SUMMARY OF REPORT BY U. S. GOVERNMENT
SURVEY MISSION TO THE TRUST TERRITORY
OF THE PACIFIC ISLANDS

July-August 1963

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E.O. 12356, Sec. 3.4
NLJ 90-130
By ing NARA, Date 12-6-90

The Setting

1. The Trust Territory of the Pacific Islands--or Micronesia-- comprises the former Japanese mandated Caroline, Marshall and Mariana Islands. Scattered over an area as large as the mainland of the United States, those islands, with their 81,000 people, came under United States control first by conquest and then, in 1947, under a trusteeship agreement with the Security Council of the United Nations. With a variety of racial mixtures, languages and cultures, essentially a series of individual island communities rather than a unified society, a lack of human and natural resources, tremendously difficult communications and transportation, the area has presented very serious administrative and developmental problems to the United States. For a variety of reasons, in the almost twenty years of United States control, physical facilities have further deteriorated in many areas, the economy has remained relatively dormant and progress toward political and social development has been slow. As a result, criticism of the trusteeship arrangement has been growing in the United Nations.

2. In recognition of the problem, a National Security Council Task Force was established in 1962 (by NSAM No. 145) to consider what action might be taken to improve the situation and to provide policy and program advice to the Secretary of the Interior who is responsible for

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the administration of the Trust Territory. The Task Force, consisting of representatives of the Departments of the Interior, Defense, State and Health, Education, and Welfare and observers from the NSC and Bureau of the Budget, has considered and recommended several steps for greater aid to the area which are embodied legislation (H. R. 3198) now pending in the Congress. It also proposed the sending of a survey mission to the Trust Territory to conduct a more thorough study of the area's major problems.

3. The Mission's formal instructions from the President (through NASM No. 243 of May 9, 1963) were to survey the political, economic and social problems of the people of the Trust Territory and to make recommendations leading to the formulation of programs and policies for an accelerated rate of development so that the people may make an informed and free choice as to their future in accordance with United States responsibilities under the trusteeship agreement.

4. In addition to its formal instructions, the Mission was advised by the Task Force before departure that: (a) United States military and strategic interests require the continuing and permanent control of Micronesia, primarily to deny the area to other powers; (b) the United States probably has only five to seven years before United Nations' pressures compel the holding of a plebiscite leading to the termination of the trusteeship; and (c) therefore it has been determined that the primary United States objective is to get the people of Micronesia to vote for permanent affiliation with the United States in such a plebiscite.

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5. The other key factor in the Mission's considerations was the evidenced willingness of the Congress to appropriate such funds as it judges necessary to achieve both United States political objectives and the attainment of minimum educational and living standards by the inhabitants of Micronesia.

6. The Mission consisted of nine men, both Government and non-Government, selected by its chairman and serving for differing periods of time up to six weeks in the Trust Territory during July and August 1963.

Major Objectives and Considerations

1. Working within its broad frame of reference, the Mission's major findings relate to three key sets of questions that it attempted to answer:

- a. What are the elements to consider in the preparation for, organization, timing and favorable outcome of a plebiscite in Micronesia and how will this action affect the long-run problem that Micronesia, after affiliation, will pose for the United States?
- b. What should be the content and cost of the minimum capital investment and operating program needed to insure a favorable vote in the plebiscite, and what should be the content and cost of the maximum program that could be effectively mounted to develop the Trust Territory most rapidly?

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- c. What actions need to be taken to improve the relationships between the current Trust Territory government and Washington and to insure that it can implement any necessary political strategy and development program with reasonable efficiency and effectiveness.

2. The Mission's findings and recommendations on these three sets of questions correspond to Parts I, II and III of its report. Those recommendations sum up to an integrated master plan which, if accepted, would provide guidelines for Federal action through fiscal year 1968 to secure the objectives of:

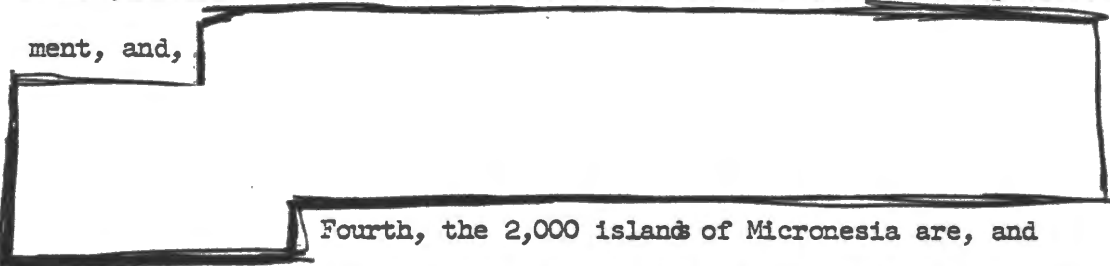
- a. Winning the plebiscite and making Micronesia a United States territory under circumstances which will: (1) satisfy the somewhat conflicting interests of the Micronesians, the United Nations and the United States along lines satisfactory to the Congress; (2) be appropriate to the present political and other capabilities of the Micronesians; and (3) provide sufficient flexibility in government structure to accommodate to whatever measure of local self-government the Congress might grant to Micronesia in later years.
- b. Achieving rapidly, minimum but satisfactory standards of living in Micronesia.
- c. Raising cash incomes through the development of the current, largely crop-gathering subsistence economy.

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3. There are, however, unique elements in the delicate problem of Micronesia and the attainment of our objectives that urgently require the agreement now of the President and the Congress as to the guidelines for United States action over the next few years. First, the United States will be moving counter to the anti-colonial movement that has just about completed sweeping the world and will be breaching its own policy since World War I of not acquiring new territorial possessions if it seeks to make Micronesia a United States territory. Second, of all eleven United Nations trusteeships, this will be the only one not to terminate in independence or merger with a contiguous country, but in a territorial affiliation with the administering power. Third, as the only "strategic trusteeship," the Security Council will have jurisdiction over the formal termination of the trusteeship agreement, and,

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Fourth, the 2,000 islands of Micronesia are, and will remain in the now foreseeable future, a deficit area to be subsidized by the United States. Fifth, granted that this subsidy can be justified as a "strategic rental," it will amount to about \$300 annually per Micronesian through 1968 and any reductions thereafter will require long-range programming along the lines of a master development plan as proposed in the Mission report. Finally, this hoped for long-range reduction in the level of subsidization and the implementation of the

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political strategy and capital investment programs through fiscal year 1968 require a modern and more efficient concept of overseas territorial administration than is evident in the prevailing approach of the quasi-colonial bureaucracy in the present Trust Territory government.

Part I. Political Development of Micronesia

1. The Washington policy, adopted last year, of having the Trust Territory affiliate permanently with the United States has not had an observable impact on the Trust Territory government. American and Micronesian officials in the area appear still to be thinking in terms of independence for Micronesia as an eventual, distant goal and there appears to have been little attempt to direct Micronesia toward thinking about eventual affiliation with the United States. In the absence of further action, the Mission believes that the momentum of previous attitudes and policies which did not involve the concept of affiliation will be hard to overcome.
2. It can be stated quite unequivocally that the masses of Micronesians are not only not concerned with the political future but also are not even aware of it as a question. They simply live in the present reality of the "American time" that has replaced the "Japanese time." The earlier German and Spanish times are dimly, if at all remembered.
3. The situation is not quite the same among the political elite. Political power among the Micronesians is in a triumvirate of the

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traditional clan chiefs, the educated younger bureaucracy working in the Trust Territory government and the small but powerful group of businessmen operating trading companies. These groups are aware that their political future is still to be resolved, but even they generally shy away from actively concerning themselves with it. The reason lies in their belief that: (a) they cannot stand alone now and that independence, even if they want it, is so far distant that meaningful consideration is not practical; (b) there has been no indication from the United States of an alternative to independence--they do not know that the United States may desire affiliation; and (c) even if affiliation were possible, the prospect creates feelings of uncertainty and insecurity that they would rather not face.

4. These insecurities arise from general ignorance as to what affiliation means and what it would do to their lives as they know them today. The more important of the traditional chiefs are especially concerned whether "coming under United States laws" would invalidate the present restrictions against non-Micronesians owning land and whether it would affect their complicated communal land-tenure systems on which their social organization and customs and the chiefs' powers are based. The merchant businessmen, even though they want more economic development, react against the prospect of a flood of American businessmen with whom they believe they cannot compete. The Micronesians in the government bureaucracy are less fearful of permanent affiliation

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but they also share in the general concern among the political elite that they don't want to be swamped by Americans and lose their status "as the Hawaiians did."

5. On the other hand, there is a sophisticated awareness among a goodly number of the Micronesian elite that their own interests are not best served by the United Nations trusteeship simply because, as a provisional non-permanent arrangement, it perpetuates the excessively dependent psychology and habits of a people who have been handed around among four major powers in the last 65 years. There also appears to be an unexpressed but fairly widespread and awakeable emotional feeling among these more sophisticated Micronesians that they want an "identity" and a permanence of status that is not compatible with the implied impermanence of the trusteeship.

6. Another disadvantage of the trusteeship is its protective and custodian nature, a carryover from the philosophy of the League of Nations mandates, which is not fully compatible with the more recent emphasis on modernization and more rapid development of peoples under trusteeship. Most policies which try to be both development-minded and protective do not seem to do a good job of either. However, a conflict between development objectives and protective attitudes characterizes the current administration of the Trust Territory. Although it has become fashionable for American officials connected with the Trust Territory to disclaim any desire to maintain an

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"anthropological zoo," in reality protective and custodial policies are very prevalent. This conflict within official thinking faithfully mirrors the dilemma of the Micronesians themselves. They desire urgent economic development, but want to retain, at the same time, restrictions on non-Micronesians immigrating, occupying land and starting businesses. The Mission believes that, if for no other reason than that of the impending plebiscite, the Micronesians need reassurances on the continuance of those restrictions but, at the same time, we are recommending certain modifications which will initiate long-run liberalization of those restrictions.

7. Another factor of importance affecting the plebiscite is the economic stagnation and deterioration of public facilities that has characterized the United States administration of the Trust Territory in contrast to that of the Japanese. The rapid growth under the Japanese was due not only to their large capital investment and subsidy program, but to Japanese government-directed colonization by Japanese and Okinawans. The fact that it was the Japanese rather than the Micronesians who supplied the labor for the then flourishing sugar cane and commercial fishing industries and who benefited most from the Japanese government's subsidization of the area does not alter the fact that per capita Micronesian incomes were almost three times as high before the war as they are now and that the Japanese

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constructed and maintained extensive public works in the area. For the outcome of the plebiscite to be favorable, the Mission believes there must be an effective capital investment program before the plebiscite to give the Micronesians a sense of progress to replace the deadly feeling of economic dormancy.

8. While more than 95 percent of the budget of the Trust Territory government is financed by the United States and the importance of those funds in influencing a favorable plebiscite result is obvious, the impact of United States funds has been lessened by: (a) considerable feeling among Micronesians bureaucrats that a large part (actually over \$2 million) is spent on high salaries for United States personnel in Micronesia; (b) numerous complaints about, and dissatisfactions with the competence of the Trust Territory government (one district congress advised the Mission that, despite area needs, they did not want more United States funds if they were not "properly administered by real experts who should be brought in"); and (c) some belief that United States aid results only from United Nations action and that Micronesia might not do as well as a United States territory.

9. The Trust Territory government gets good marks from the Micronesians, however, for its genuine fostering of democratic civil liberties and increasing the participation of Micronesians in various levels of local government (a territorial advisory council, six district

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legislatures and a multitude of municipal governments). However, Micronesia is still a long way in terms of experience and funds from being able to mount a viable local government. The very multiplicity of local governmental levels is beginning to cause problems, particularly at the municipal level where there is much dissatisfaction because of the realization that, in a large majority of cases, the "U. S. imposed" municipal taxes produce only enough revenue to pay salaries to municipal officials and councilmen for making decisions that the village elders previously made free as a public service. This is a clear case of too much government.

10. The great distances, cultural and linguistic barriers separating the six districts of Micronesia also have special implications for a plebiscite. The Mission found little consciousness among the people of the Trust Territory of themselves as "Micronesians" and no emotional nationalistic feelings. There are no traditions of unity but rather a history of individual island cultures. There is almost universal ignorance in each district as to who are the leaders, political or otherwise, of the other five districts, and there is little inclination to compromise on a district's special interest in favor of the Territory's advancement as a whole. This regional separatism is strengthened by the existence of separate district legislatures, and to date only minor progress has been made toward a centralized indigenous government. The district legislatures function reasonably well given the small revenues they can command, but they represent conservative bastions for

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the maintenance of traditional policies, and land and social customs. Within some districts, especially Yap and Ponape, there is the additional complication of the outlying island groupings resenting the domination of the islands nearer to the district centers. This situation requires the most carefully impartial handling by the United States in the period before the plebiscite and the avoidance in the plebiscite of questions of special interest to particular districts, such as "union with Guam" which is an issue in the Marianas. It also creates the need for the right mix of political compromises in the organization of the territorial legislature. (The Mission's report, in Part I, identifies for each district the particular issues, political groupings and key people of importance in that district.)

11. The Mission has no difficulty in concluding that there is little desire for independence in the Trust Territory. It would go so far as to say that even if a plebiscite were held today without preparation, the total vote for independence would probably be only from 2 to 5 percent. The Mission also concluded that there is no hard core of feeling against permanent affiliation with the United States but, as described earlier, an inchoate insecurity among a substantial number of the elite that can be allayed only through certain actions recommended below.

12. The Mission recommends that the plebiscite be held in 1967 or 1968 because:

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- a. Our timetable calls for creation of the true territory-wide legislature in the fall of 1964 and having its members serve out an initial three-year term before the plebiscite, during which the members from the different districts can develop more political experience working together than was possible in the present territory-wide advisory council.
- b. The maximum impact of the recommended capital investment program will not be felt until late 1967 on the one hand, nor will it be felt as strongly after 1968, since the Mission does not expect the development process in the private sector of the Micronesian economy to be strong enough to offset the anticipated cutback in the capital investment program after fiscal year 1968 (by which time the higher priority capital needs of education, public health and public works will have been met).
- c. The early definitive resolution of the political future of Micronesia as a United States territory will make it easier for the United States, if it so decides, to permit Japanese businessmen, technicians and fishing vessels into non-sensitive areas of the Trust Territory which would supply a very great stimulus to economic development at no cost to the United States and thereby permit reductions in the United States subsidization of the territory.

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If necessary, the plebiscite could be advanced to 1966 by compressing the schedule for the development of the legislature. It could be created by the spring of 1964 if the High Commissioner were instructed to do so. However, such an advance in the plebiscite timing would be at the expense of giving the legislature some necessary experience and allowing the capital investment program to have its full impact.

13. The questions offered in the plebiscite to the Micronesians should be confined to two in number with some such general wording as follows:

- (a) Are you in favor of becoming an independent nation?
- (b) Are you in favor of a permanent affiliation with the
United States of America?

There will be some nations in the United Nations which, sensing our objective, will claim that the plebiscite should be confined to the single option of independence since the basic idea of trusteeships is that they should terminate in independence. There may also be some nations which will claim that, in its 1967-68 state of development and dependence Micronesia cannot realistically choose independence and is therefore not being given real alternatives. To some extent, this latter argument could be nullified by including a third plebiscite option--namely, continuation for the time being of the status quo of the trusteeship with the United States as the administering power. From our viewpoint, this would reduce the vote for permanent affiliation from 95% of those voting to a substantially smaller percentage, although still a majority.

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14. The Mission recommends the following steps as part of the overall program to achieve our plebiscite objective and at the same time promote the longer run political development and general advancement of the Micronesians:

- a. A qualified American should be appointed in each of the six districts to develop and maintain continuous liaison with the various leaders of the three politically critical groups. His main job would be to develop, in a gradual way, interest among these people in his district in favor of permanent affiliation by supplying the information needed to eliminate their ignorance and allay their fears as to what the affiliation would entail, as well as its advantages. He could also administer useful adult education and United States and world information programs, as well as the local radio programming now handled by the district director of education. These six information officers, in whose recruitment United States Information Service should cooperate, would also have a regular political reporting function so acutely lacking at present, possibly in direct contact with the State Department.
 - b. Washington should facilitate the general development of Micronesian interest in, and loyalties to, the United States by various actions, three of which are:
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- (1) Sponsorship by the Department of State of Micronesian leader visits to the United States.
 - (2) Introduction in the school system of curriculum changes and patriotic rituals recommended in section of the Mission report on education.
 - (3) Increasing the number of college scholarships offered to Micronesians, a highly sensitive issue in the Trust Territory.
- c. The Community Action Program by the 60 Peace Corps Volunteers recommended in the Mission report should be begun because it is of critical importance to both the plebiscite attitudes and the overall advancement of the majority of Micronesians living on islands outside the district centers. The program as recommended (which excludes use of Peace Corps Volunteers as teachers in the school system) and the realities of Micronesian needs contain all the probabilities of a spectacular success for the Peace Corps.
- d. Preparations should be taken to offer Micronesian government employees and other wage earners two specific inducements to seek affiliation with the United States. First, Micronesian and United States personnel pay scales should be equalized. Since discrimination exists only in the professional and

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higher administrative echelons, the cost would not be excessive. Second, rather than introduce a retirement program for Micronesian government employees, the Social Security system should be extended at least to all wage and salary earners in Micronesia (90% of these are directly or indirectly government employees) with possible consideration of a more general inclusion at the time.

15. The final factor of importance to the outcome of the plebiscite will be the Micronesian leader's insistence on knowing the proposed organization of Micronesia's post-plebiscite territorial government. The Micronesian leaders are intelligent and in many cases quite sophisticated, and they have been led to expect eventual independence; their willingness to produce a large popular vote for permanent affiliation will depend on the measure of self-government to be given them within the structure of territorial affiliation. This will also be of critical importance in the United Nations since the trusteeship agreement requires "independence or self-government" as the terminal objective. On the other hand, consideration must be given to the need for continued adequate control by the United States and the traditional attitude of the Congress toward the organization of territorial government. Also, there are clear limitations on the present-day ability of the Micronesians to govern themselves.

As the practical solution of this many-pronged dilemma, the Mission recommends a government organization for the Territory of Micronesia

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that gives, on the one hand, a reasonable appearance of self-government through an elected Micronesian legislature and a Micronesian Chief Executive elected by the legislature, but on the other hand retains adequate control through the continuation of an appointed United States High Commissioner. (This arrangement is similar to that now operating in the administration of the Ryukyu Islands.) The powers of the High Commissioner could range from:

- (a) The minimum of being able to withhold all or any part of the United States funds going to the Micronesian government and the authority to declare martial law and assume all legislative and executive powers when the security of the United States so requires; to
- (b) the maximum additional of powers approving the election of the Chief Executive, vetoing all laws, confirming the Chief Executive's appointments of key department directors and dismissing the Chief Executive and dissolving the legislature at any time.

16. The Mission also recommends that, after the plebiscite, the Congress recognize the expressed desire of the people of Micronesia to affiliate by granting them the status of United States nationals but that action on an organic act be deferred until Congress judges that the development of the territory has sufficiently advanced, and the territorial legislature has had a chance to take action on the

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local customs and laws which now protect the lands and businesses of Micronesians. Once the people of Micronesia have expressed their desire to affiliate, it is highly advisable that they feel that the question of their political future has been definitely resolved by having the Congress grant them without delay the status of U. S. nationals even though there may be subsequently protracted debate in the Security Council over the termination of the trusteeship agreement. It is worth pointing out that the extension of the status of U. S. nationals is legally possible under the trusteeship agreement which permits the extension of all the administering authority's laws to the Trust Territory, and that this could be the first in a series of steps that could make the trusteeship agreement an academic issue, even if the Security Council were not willing to terminate the trusteeship agreement.

17. Looking beyond the plebiscite and the subsequent achievement of territorial status for Micronesia, what seems to be the possible long-run political future of the area? First and most essential consideration might be given to the union of the two territories of Micronesia and Guam which would produce (a) economies of overhead in regular governmental administration, transportation and other facilities, (b) a more economically viable area along with a new stimulus to its economic development, and (c) the more rapid modernization and Americanization of this United States frontier in the Pacific. Such a union would involve a very delicate problem of

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negotiation and would require consistent pressure. However, the payoff would be a substantial reduction in the need for appropriations as these deficit areas came to stand more and more on their own feet. (Part II of the Mission report includes recommendations for immediate action to develop the economic interrelationship between Guam and the Trust Territory.)

The even more distant problem of what ultimately, if anything, could or should be done with the unified territory of Guam and Micronesia is at present too much in the realm of clouded crystal ball gazing. Incorporation as a county into the State of Hawaii has been suggested in various places, and the Governor of Hawaii apparently feels that it is very much a possibility, but the Guamanian and Micronesian leaders' long-run political speculations definitely do not contemplate this degree of absorption and loss of political independence. Furthermore, the ultimate status of this territory may very well not be decided separately but as part of a general solution devised by the United States for all our remaining territories.

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Part II. The Capital Investment Program for Overall Development

1. Until fiscal years 1963 and 1964, when the Congress authorized an appropriation of \$17.5 million for the Trust Territory and appropriated \$15 million for each of those years, the level of United States appropriations for Micronesia had averaged slightly under \$7 million annually. Outside of new transportation facilities, few new capital investments were possible within this budget and those were achieved at the expense of an overall net capital disinvestment-- that is, by permitting the deterioration of buildings, machinery and public facilities. The running down and eventual destruction of much of the physical plant inherited from the Japanese and Navy administrations, which is amply evident in all the districts, has proved to be a very expensive "economy".

2. The decision by the United States to bring about the permanent affiliation of Micronesia requires the formulation of programs that will have both the maximum political impact in the plebiscite and will also advance the Micronesians in the long-run as rapidly as possible toward satisfactory living standards. A successful initiation of the economic development of the area is critical not only to the plebiscite and the living standards of the people who would become United States nationals but also to eventually relieving the United States of the financial burden of providing those living standards.

3. The bulk of the increased funds in fiscal years 1963 and 1964 is being used in a program just starting for the construction and operation

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of an expanded and accelerated elementary school system. In view of the remarkable degree to which educational opportunities are almost desperately wanted by all classes of Micronesians (including surprisingly the most traditional-minded clan chiefs) this priority of funds was exactly right by every criterion of United States objectives.

4. The Mission found, however, an unsatisfactory state of affairs in the Trust Territory government with respect to the development of the overall size and the components of an integrated capital investment and operating program (including the educational sector) that would meet Trust Territory needs in the framework of United States objectives. The High Commissioner himself believes that the \$57 million long-range capital program briefly presented by him to the House Interior Committee last year was not based on an adequate study of sectoral needs and priorities within those sectors to achieve the most favorable developmental and political impact.

5. The Mission members therefore proceeded within the short time available to identify the specific sectoral social and economic capital need and feasibilities in the survey of each of the six districts. Simultaneously, the Mission members surveyed the policies and administrative problems specific to each of the sectors and those that could probably arise in connection with an overall capital investment and development program. The Mission then worked out the overall priorities and their interrelationship and formulated the optimal program it judged

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to be a feasible and efficient maximum, given the differing district labor availabilities and other resources. This maximum program totals \$43 million of capital investment over the four fiscal years from 1965 through 1968 with annual operating costs ascending from \$14.5 million in 1965 to \$15.9 million in 1966, \$18.5 million in 1967 and \$20.2 million in 1968. The Mission also presents, at the other end of the scale, the minimum program it believes sufficient to achieve United States political and developmental objectives which involves somewhat inferior educational and other standards and slower economic development. The minimum program totals \$34 million of capital investment over the four-year period and somewhat lower operating costs than the maximum program.

6. To look at it in various perspectives, the maximum program is a small program, except in education, relative to the investment made by the Japanese government before World War II. The \$360 average per capita annual expenditure that it represents is not very meaningful in the Trust Territory with its 81,000 people scattered through a vast area, but it is closer to the small per capita expenditure of Britain and France in their Pacific colonies (under \$60) than it is to the high per capita expenditure (\$1,300) of small Denmark for the 23,000 inhabitants of Greenland. Also, in view of our political objectives, the program should be viewed in relation to the Micronesians' average per capita income of about \$80 per year-- the equivalent of \$36 in 1939 prices-- compared to the comparable 1939 Micronesian average of

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about \$100. Given the rate of increase in the population of Micronesia (about 3.5 percent annually) and the almost negligible impact of current technical assistance efforts, the economic development problem will not be solved except with some such capital investment program such as that presented in the report.

7. The sectoral breakdown of the optimal capital investment program from 1965 through 1968 includes:

Education	\$ 9.9 million	
Health	2.4	"
Political development	0.4	"
Public safety and judiciary	0.9	"
Economic Development Fund	5.0	"
Transportation	1.0	"
Communication and radio	2.7	"
Public Works	13.5	"
Equipment replacement	2.5	"
Housing assistance	1.2	"

The small percentage of the proposed program devoted to economic development projects— which would be administered through a recommended Economic Development Fund— is due to some extent to the anticipated response of private Micronesian and United States capital. However, it is primarily a reflection of the Trust Territory's very limited ability to use

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such funds effectively, given its meager production resources and tiny, dispersed markets. The limited prospects for the growth of the private economy dictate that for the foreseeable future this will continue to be a deficit area notwithstanding the development that will result from the proposed program. Prospects would be brighter, and the post-1968 need for subsidization reduced if Washington would be willing to cancel United States import duties on processed fish (a privilege enjoyed by American Samoa) and to eliminate, after the plebiscite, entry restrictions (except in the Kwajalein area) on Japanese businessmen, technicians and fishing vessels. And, in the still more distant future, although not now foreseeable, what looks like a "Micronesian Folly"—justifiable only for its strategic value—may very well develop into a viable economy based on American residents and tourists.

The large part of the capital investment program, and the even larger part of the annual operating program, devoted to education reflect the acute need and the critical importance of that program. But, given the limitations on the feasible rate of economic development, it also poses a dilemma. Modern education, particularly secondary education, will create a demoralizing unemployment problem as graduates refuse to return to their primitive outlying lands and to the extent that they are not aided to continue on to college. It is essential that the safety valve of legally unlimited (and possibly financially-aided) immigration

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to the United States be established. Fortunately, that would come to pass when the Micronesians are given United States national status, if not sooner.

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Part III. Administration in the Trust Territory

1. The Mission regrets to report that a major obstacle to the over-all development of the Trust Territory is the creaky functioning of the quasi-colonial bureaucracy in the Trust Territory government. Unqualified American officials with remarkably long periods of bureaucratic longevity, many from the days of Navy military government, are more the rule than the exception. There is a real and present danger that increased appropriations by the Congress will not be used with maximum effectiveness and that the Trust Territory Government cannot implement the programs needed in the area. Increased numbers of permanent personnel in the Trust Territory Government staff are assumed by too many department heads in too many cases to constitute the needed "expansion of programs".
2. The Mission believes that a new approach to territorial administration is required if the Executive and the Congress want results. This should be the conscious effort to utilize the services of other Federal agencies or to contract out the implementation of the new and expanded programs recommended in this report. Based on its survey the Mission is convinced that results will be quicker and the over-all and long-run costs of such a policy cheaper. For example, the Mission recommends that the recruitment of American teachers be provided for through a contract with the State of Hawaii, that the provision of American physicians be contracted for with "Medico", that a private consulting organization provide advisory services in connection with the

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administration of the proposed Economic Development Fund and that the Immigration and Naturalization Service take over immigration functions in the area.

There has been sufficient exploration by the Mission to be reasonably sure of the general flexibility, and in most cases the particular willingness, of the suggested agencies and contractors to undertake those functions. Contract supervision will pose its own set of problems for the Trust Territory government, but it can handle these problems more readily. To charge the Trust Territory government with the task of implementing with its own staff a relatively large and complicated program will not only involve many years' delay and much waste, but will saddle that government (and the United States) with the costs of permanently swollen bureaucracy necessarily recruited in many cases without full qualifications owing to the pressure of time. The need for many of these contractual services will disappear as certain programs are completed and others are increasingly staffed by qualified Micronesians.

3. The Trust Territory governmental organization of functional departments at headquarters in Saipan and in the six district administrations headed by district administrators is basically sound. However, there is a serious problem of communication between headquarters departments and their district counterparts partially arising from the over-centralization of authority in the High Commissioner's office. Essentially, the High Commissioner uses his department heads as staff officers, and

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they have no real operating authority delegated to them, nor are they permitted to deal directly with their district counterparts nor with the district administrators. Furthermore, it is alleged that the district administrators frequently alter professional technical policies and programs. The Mission believes that in the interests of better administration of both the pre-plebiscite "master plan" and the particular nature of the post-plebiscite territorial government, that the delegation of powers by the High Commissioner to his department heads be permanently clarified. The headquarters department directors should be given true line responsibility, beginning with Departments of Education, Health and Agriculture, and a management specialist should be sent to the Trust Territory to spell out the specific steps to accomplish this objective.

4. Budgeting in the Trust Territory government is simply a means of setting a ceiling on expenditures rather than a planning mechanism through which programs are developed and carried on effectively. There are numerous and serious deficiencies in both budget formulation and execution, and the accounting of expenditures. The Mission recommends various specific measures among which are requiring the full funding of construction projects starting in the FY 1965 budget and separate accounting for business-service operations including payment for such services as it receives.

5. Due to the long supply lines back to the United States and inadequate funds, the Mission found serious supply deficiencies (particularly in medical supplies and spare parts) at various points

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through the system. The Mission recommends certain funding and management actions.

6. Under United Nations pressure and our own response to it, the policy of replacing American officials with Micronesians has been pressed to the point of using poorly qualified Micronesians. The Mission has investigated various possible training programs to meet this problem and makes specific recommendations regarding training for public administrators, teachers and medical practitioners.

7. The Mission recommends in regard to American personnel that minimum professional qualifications be formulated, that the Department of Interior adopt a compulsory rotation program and that the directors of education, public health and engineering and construction be upgraded.

8. The ultimate objective should be a single personnel system where American and Micronesian officials in similar positions receive equal basic pay. In the interim and as a measure to reduce friction and encourage Micronesians to complete their full education, the Mission recommends the adoption of a new transitional schedule in the Micronesian pay scale for senior professional officials who meet every qualification requirement for comparable grades in the Federal Civil Service. Once a unified personnel system is established and the Social Security system is extended to Territorial employees, the new American employees entering after that date should have Territorial-employee status rather than Federal employee status, unless they are detailed from a Federal agency.

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9. The policy and administrative relationship between Washington, especially the Department of Interior, and the Trust Territory government must be sharply improved. There has been, on the part of Washington, both insufficient guidance as to new policies and program objectives and a lack of review in depth of the Trust Territory government's administrative implementation of them. A major reason seems to have been the tradition of treating the Trust Territory government somewhat as a sovereign foreign government. This is in the Mission's opinion an unnecessary and inadvisable interpretation of the administering power's role in the Trust Territory. One important example of these deficiencies is the lack of familiarity by many high officials in the Trust Territory with NASM 145 and the marked failure of that Presidential policy statement to have sufficient impact on Trust Territory government policy. To correct the general problem, the Mission recommends:

a. The Task Force created by NASM 145 should continue up through the plebiscite as a program and policy advisory group to the Secretary of the Interior. They should be involved in the adoption of a "master plan" of priority programs and periodic review in Washington of the progress of these programs as well as approving any later modifications.

b.. Annual visits of an evaluation team to the Trust Territory to ascertain by field inspections that the "master plan" is being implemented in accordance with the terms of reference approved by Washington. The team should serve the Secretary of the Interior,

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but the Task Force might aid the Secretary of the Interior in nominating the membership of the team, and should of course have full access to the report of the team for such action as it considers appropriate. If the team's annual visits were to coincide with the Trust Territory government's budget formulation, it would further insure the implementation of the "master plan" and would facilitate the more intensive budget examination by Interior that is needed.

c. The High Commissioner should be appointed by the Secretary of the Interior rather than the President partially because of certain legal anomalies involved in the position being filled through a Presidential appointment, but primarily to focus responsibility on the Secretary for the continuing guidance of the administration of the Trust Territory.

d. The Secretary of Interior should issue an order clarifying the exact powers delegated to the High Commissioner and those reserved to the Secretary in accordance with the draft appended to the Mission report.

File

Mr. Bundy:

Saloman will
(Friday)
be at tomorrow's staff
meeting to speak for
15 minutes

BKS

EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL SECURITY COUNCIL
WASHINGTON 25, D.C.

PSAM 243
8a

17 September 1963

MEMORANDUM FOR MR. BUNDY

SUBJECT: Pacific Trust Territories

Tony Solomon has just come back with his study group from the Islands of the Pacific Trust Territories. You will recall that he went out to make a Kaysen-type report which would hopefully form the basis for US policy and programs over the next few years. I think if we could find fifteen minutes at one of your staff meetings it would be useful to hear from him.

Friday or
Tuesday

I should also like to have him meet the President sometime next week after the President has had a chance to look at a summary of conclusions which Solomon's group has reached. I think it is important that the President be aware of these before Tony starts peddling them around town.

BKS
Lise
you
should



Michael V. Forrestal

cc
Mr. Anthony Solomon

July 29, 1963

MEMORANDUM FOR MR. BUNDY

Mac --

Attached is the text of Article 5 of the UN Trust Agreement covering the Trust Territory of the Pacific. The Trust Territory is a unique "strategic trust" and, as can be seen by the language of Article 5, can be fortified by us.

The political problem referred to by the Secretary of State is a double one -- (1) the problem of the opinion of other nations that may criticize us for introducing weapons of this kind into a territory that was rather recently forcibly demilitarized, and (2) the internal problem of the Trust Territory, where the inhabitants have already had a nasty introduction to nuclear weapons during the testing at Eniwetok and Bikini.


Charles E. Johnson

THE TRUSTEESHIP AGREEMENT FOR THE TRUST TERRITORY

Article 5. In discharging its obligations under Article 76a and Article 84 of the Charter, the administering authority shall ensure that the Trust Territory shall play its part, in accordance with the Charter of the United Nations, in the maintenance of international peace and security. To this end the administering authority shall be entitled:

1. To establish naval, military and air bases and to erect fortifications in the Trust Territory;

2. To station and employ armed forces in the Territory;
and

3. To make use of volunteer forces, facilities and assistance from the Trust Territory in carrying out the obligations towards the Security Council undertaken in this regard by the administering authority, as well as for the local defense and the maintenance of law and order within the Trust Territory.

OUTGOING TELEGRAM Department of State

INDICATE: ☐ COLLECT
☐ CHARGE TO

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NSAM - 5

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Origin

ACTION: Amembassy PARIS

PRIORITY 5542

MAY 23 4 35 PM '63

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Info

INFO: USUN, New York (by pouch)

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RMR

President has appointed Anthony M. Solomon to head U.S. Government Survey Mission to U.S. Trust Territory of Pacific Islands (TTPI) for purpose gathering information and making recommendations for greatly accelerated rate of political, economic, and social development. Announcement re Survey Mission likely this week and Mission expected depart for TTPI about July 1.

Former Harvard Professor Solomon visiting Paris May 30 and would like briefing on French experiences with economic development and social welfare programs French Pacific island areas with view his acquiring useful background for planning program for TTPI. Embassy requested make appointments with appropriate French experts this field for May 30 and arrange interpreting services for appointments with non-English-speaking officials. Please designate telegraphically officer in Embassy Solomon should call morning May 30 re implementation his schedule.

Department pouching background materials. END.

SCP-3

Pouched by DCT

BALL

Drafted by: IO:UNP:RVHennes/mg 5/21/63

Telegraphic transmission and classification approved by: IO - Woodruff Wallner

Clearances:
WE - Mr. Lohof
UNP - Mr. ~~Forrestal~~
Sisco

SPA - Mr. Cuthell
White House - Mr. Solomon (in draft)
Mr. Forrestal

S/S - Mr. Read

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Classification

DEPARTMENT OF STATE
EXECUTIVE SECRETARIAT

2905

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1. ~~Forrestal~~
2. ~~1. ~~Forrestal~~~~

5/22/63

Date

OK
Euler
5/23
(Moulton)
8/5 OK

Mr. McGeorge Bundy
The White House

The attached is for
White House clearance prior to
transmission.

~~ML~~
William H. Brubeck
Executive Secretary

Attachment:

Proposed cable to Amembassy PARIS.

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Classification

102

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Ambassy PARIS

INFO: USUN, New York (by pouch)

President has appointed Anthony M. Solomon to head U.S. Government Survey Mission to U.S. Trust Territory of Pacific Islands (TTPI) for purpose gathering information and making recommendations for greatly accelerated rate of political, economic, and social development. Announcement re Survey Mission likely this week and Mission expected depart for TTPI about July 1.

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SCP-3

IO:UNP:RVHermes/mg 5/21/63

IO - Woodruff Wallner

WE - Mr. Imhof
UNP - Mr. ~~IMHOF~~
Sisco

SPA - Mr. Cuthell
White House - Mr. Solomon (in draft)

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THE WHITE HOUSE
WASHINGTON

11

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May 9, 1963

NATIONAL SECURITY ACTION MEMORANDUM NO. 243

TO: The Secretary of State
The Secretary of Defense
The Secretary of Interior
The Secretary of Health, Education and Welfare
The High Commissioner of the U.S. Trust
Territory of the Pacific Islands
The Director of Peace Corps
The Administrator, Agency for International
Development
Governor of Guam

SUBJECT: Survey Mission for the U.S. Trust Territory
of the Pacific Islands

1. Much has been accomplished in the year since the issuance of NSAM No. 145 stating a new policy for the U.S. Trust Territory in the Pacific Islands and creating an Interdepartmental Task Force to put the new policy into effect. We are now at the point where an intensive effort to plan and carry out an expanded program is feasible and would be conducted under circumstances more favorable than those that have prevailed for a long period.
2. I have appointed Mr. Anthony M. Solomon to be a consultant to me and to head a U.S. Government Survey Mission to go to the Trust Territory in the near future to review the major political, economic and social problems facing the people of that Territory. The Mission will gather information and make recommendations needed in the formulation of U.S. policies and programs for a greatly accelerated rate of political, economic and social development in line

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THE WHITE HOUSE

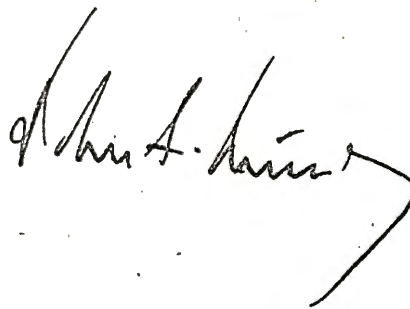
WASHINGTON

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with the obligations of the United States under the United Nations Trusteeship Agreement. In addition, it will gather information through which proposals and recommendations can be developed to prepare the people of the Trust Territory to exercise eventually their free and informed choice concerning their political future.

3. Mr. Solomon's team will be drawn from among the personnel of the responsible agencies, plus certain private individuals of outstanding qualifications who will be employed on a temporary basis.

4. I request all departments and agencies to render assistance to and cooperate with Mr. Solomon in complying with my instruction to him. This is particularly important with respect to, although not limited to, the provision of information, records, personnel and appropriate logistic, and other support where well-trained and qualified personnel or facilities are available. Mr. Solomon, or a representative of the White House staff, will be in touch directly with the departments principally concerned in this matter.



cc:

Mrs. Lincoln
Mr. Bundy
Mr. Forrestal
Mr. Solomon
Mr. Johnson
NSC Files

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(Despatched 5/10/63)

THE WHITE HOUSE
WASHINGTON

12

Honorable M. W. Goding
High Commissioner of the U.S. Trust
Territory of the Pacific Islands
Saipan
Mariana Islands

Honorable Manuel Flores Leon Guerrero
Governor of Guam
