

Withdrawal/Redaction Sheet

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. briefing paper	Biographical Data of the Puerto Rican Independence Party Delegation Meeting with thwe Puerto Rico Interagency Working Group [partial] (1 page)	nd	b(6)

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Michael Schmidt
OA/Box Number: 7344

FOLDER TITLE:

Territories

2013-0968-S

sb62

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

~~CC RESUME~~ TESTIMONY

PHOTOCOPY
PRESERVATION

DATE: 5/3/95
TO: CAROL RASCO
MARSHA HALE
THROUGH: JEREMY BEN-AMI
FROM: MIKE SCHMIDT

RE: INSULAR AFFAIRS WORKING GROUP-DOMESTIC POLICY COUNCIL.

As you know, the Department of the Interior has eliminated the Assistant Secretary position for Territorial and International Affairs and is in the process of establishing an inter-agency council to handle the affairs of United States territories in its place.

Before the group is convened, the Department of Interior wants to make sure that you have no objections to getting the group started. Attached, you will find a sample draft letter that the Department of the Interior Congressional and Intergovernmental Affairs Office would like to send out with your approval.

The purpose of this working group, known as the "Insular Affairs Working Group of the Domestic Policy Council", will be to provide coordination and oversight with respect to the establishment and implementation of policies pertaining to Guam, the Commonwealth of the Northern Marianas Islands, American Samoa and the U.S. Virgin Islands. The group shall make such recommendations as it deems appropriate to the President concerning policies affecting the insular areas and concerning the implementation of such policies. According to the Department of the Interior, the existence and work of the group shall not diminish nor enlarge the statutory authority of any federal agency, nor prevent direct consultations between the governments of the insular areas and any federal agency.

Jeff Frow
Commerce

**SAMPLE DRAFT
INVITATION TO PARTICIPATE
INSULAR AFFAIRS WORKING GROUP**

Cabinet Member

Dear Mr./Ms. Secretary:

I am writing to inform you of, and seek your cooperation and participation in a new Insular Affairs Working Group of the Domestic Policy Council ("Group"). It's purpose will be to provide coordination and oversight with respect to the establishment and implementation of policies pertaining to Guam, the Commonwealth of the Northern Marianas Islands, American Samoa and the U.S. Virgin Islands (hereinafter "insular areas"). The Group shall make such recommendations as it deems appropriate to the President concerning policies affecting the insular areas and consult as it deems appropriate with departments and agencies concerning the implementation of such policies. The existence and work of the Group shall not diminish nor enlarge the statutory authority of any federal agency, nor prevent direct consultations between the governments of the insular areas and any federal agency.

To this end, I will convene and chair the initial session of the Group for officials at the Assistant Secretary and Assistant Administrator level who have responsibility for policy issues that significantly affect the insular areas. Most future meetings can be attended by working level officials appropriate to the agenda items which arise, except when significant issues require the attendance of Group members at the Assistant Secretary and Assistant Administrator level.

The agenda for the initial meeting will include an overview of the insular areas; discussion of current insular issues which require interagency coordination; an explanation of the role of the Group; and discussion of how the work of the Group can be organized and supported by working level sub-groups.

I urge you to join in this effort, and ask that you designate the Assistant Secretaries in your Department who you would like us to include in the initial meeting of the Group. Please contact Ferdinand G. Aranza of my office at 208-4709 with this information by May 8, 1995. I am scheduling the first meeting on May 17, 1995 at 3 p.m. in my office.

You are, of course, welcome at anytime to join us. Thank you for your help in this important effort.

Sincerely,



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240

Memorandum

To: Insular Affairs Working Group
of the Domestic Policy Council

From: Danny Aranza, Deputy Director *D. Aranza*
Office of Insular Affairs
Department of the Interior

Subject: State of the Islands Report and Membership Roster

Date: September 14, 1995

Please find attached the latest copy of Interior's State of the Islands Report, which provides an annual overview of each insular area's major political issues, current economic situation and condition of basic infrastructure. Also included are tables and statistics on insular government revenue and spending, Federal funding, population, employment and economic indicators, active capital improvement projects and technical assistance grants. We hope that the report will serve as a resource to you on territorial matters.

In addition, we are also attaching a roster of the current membership of the Insular Affairs Working Group. The roster was derived from information provided in response to Secretary Babbitt's letter of July 14, 1995, which requested Working Group points of contact at each agency.

While there are no meetings of the full Working Group planned for the immediate future, selected members may be contacted to address insular issues of particular interest to their respective agencies.

DOMESTIC POLICY COUNCIL
INSULAR AFFAIRS WORKING GROUP

DOMESTIC POLICY COUNCIL

Mr. Mike Schmidt
Senior Policy Advisor
Domestic Policy Council
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500
Phone: (202) 456-5567
Fax: (202) 456-7028

DEPARTMENT OF THE INTERIOR

Bruce Babbitt
Secretary of the Interior
Department of the Interior
1849 C Street, N.W.
Washington, D.C. 20240
Phone: (202) 208-7351

Allen P. Stayman
Director, Office of Insular Affairs
Department of the Interior
1849 C Street, N.W.
Washington, D.C. 20240
Phone: (202) 208-4736
Fax: (202) 219-1989

Ferdinand Danny Aranza
Deputy Director, Office of Insular Affairs
Department of the Interior
1849 C Street, N.W.
Washington, D.C. 20240
Phone: (202) 208-4709
Fax: (202) 219-1989

OFFICE OF MANAGEMENT AND BUDGET

Ms. Chantale Wong
Senior Advisor to the Director
Office of Management and Budget
Washington, D.C. 20503
Phone: (202) 395-9180
Fax: (202) 395-3174

DEPARTMENT OF JUSTICE

Mr. Seth P. Waxman
Associate Deputy Attorney General
Department of Justice
Room 4208
10th and Constitution, N.W.
Washington, D.C. 20530
Phone: (202) 514-4560
Fax: (202) 514-9368

Ms. Beth Wilkinson
Special Assistant
Department of Justice
Room 4208
10th and Constitution, N.W.
Washington, D.C. 20530
Phone: (202) 514-4560
Fax: (202) 514-9368

DEPARTMENT OF DEFENSE

Dr. Kurt M. Campbell
Deputy Assistant Secretary of Defense (ISA)
Asian and Pacific Affairs
Room 4C-839, Pentagon
Washington, D.C. 20301-2400
Phone: (703) 695-6386
Fax: (703) 695-8222

Mr. Phil Barringer
Director, Foreign Military Rights Affairs
Office of the Assistant Secretary of Defense
International Security Affairs
Washington, D.C. 20301
Phone: (703) 695-6386
Fax: (703) 695-8224

DEPARTMENT OF STATE

Ms. Elinor G. Constable
Assistant Secretary for Oceans &
International Environmental and Scientific Affairs
Department of State
Room 7831
2201 C Street, N.W.
Washington, D.C. 20520
Phone: (202) 647-1554
Fax: (202) 647-0217

Ms. Jamison Borek
Deputy Legal Adviser
Office of Legal Adviser
Department of State
2201 C Street, N.W. Room 6423
Washington, D.C. 20520
Phone: (202) 647-7942
Fax: (202) 647-1037

DEPARTMENT OF COMMERCE

Ms. Nancy Linn Patton
Deputy Assistant Secretary
Asia and Pacific International Economic Policy
Department of Commerce
Room 3203
14th and Constitution, N.W.
Washington, D.C. 20230
Phone: (202) 482-5251
Fax: (202) 482-4760

DEPARTMENT OF TREASURY

Mr. Daniel Sichel
Deputy Assistant Secretary for Economic Policy
Department of Treasury
Washington, D.C. 20220
Phone: (202) 622-0563
Fax: (202) 622-2633

DEPARTMENT OF ENERGY

Mr. Robert M. Alcock
Deputy Assistant Secretary for Intergovernmental Affairs
Department of Energy
C-I30
1000 Independence Avenue, S.W.
Washington, D.C. 20585
Phone: (202) 586-6670
Fax: (202) 586-0143

DEPARTMENT OF LABOR

Mr. Andrew Samet
Associate Deputy Under Secretary
Bureau of International Affairs (ILAB)
Room S-2235
200 Constitution Avenue, N.W.
Washington, D.C. 20210
Phone: (202) 219-6043
Fax: (202) 219-5980

Ms. Marcia Eugenio
International Program Specialist
Division of Immigration Policy and Research
Bureau of International Labor Affairs (ILAB)
Room S-5325
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210
Phone: (202) 219-9098
Fax: (202) 219-5071

DEPARTMENT OF VETERANS AFFAIRS

Ms. Kathy Elena Jurado (002)
Assistant Secretary for Public and Intergovernmental Affairs
Department of Veterans Affairs
810 Vermont Avenue, N.W.
Washington, 20240
Phone: (202) 273-5750
Fax: (202) 273-5717

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. John Monahan
Director of Intergovernmental Affairs
Office of the Secretary
Department of Health and Human Services
Washington, D.C. 20201
Phone: (202) 690-6060
Fax: (202) 690-5672

DEPARTMENT OF TRANSPORTATION

Mr. Patrick Murphy
Deputy Assistant Secretary for Aviation and International
Affairs, X-2
Room 10232
U.S. Department of Transportation
400 7th Street, S.W.
Washington, D.C. 20590
Phone: (202) 366-4551
Fax: (202) 493-2005

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Ms. Choco Meza
Deputy Assistant Secretary for Intergovernmental Relations
Department of Housing and Urban Development
451 7th Street, S.W., Suite 10140
Washington, D.C. 20410
Phone: (202) 708-0030
Fax: (202) 708-3707

DEPARTMENT OF EDUCATION

Mr. Mario G. Moreno
Assistant Secretary
Office of Intergovernmental and Interagency Affairs
U.S. Department of Education
Room, 6461
600 Independence Avenue, S.W.
Washington, D.C. 20202
Phone: (202) 401-0404
Fax: (202) 401-8607

ENVIRONMENTAL PROTECTION AGENCY

Mr. Gary Guzy
Deputy General Counsel
Environmental Protection Agency
MC 2310
401 M Street, N.W. 537 WT
Washington, D.C. 20460
Phone: (202) 260-8040
Fax: (202) 260-8046

GENERAL SERVICES ADMINISTRATION

Mr. Eric Dods
White House Liaison
General Services Administration
#6124
18th & F Street, N.W.
Washington, D.C. 20405
Phone: (202) 501-0945
Fax: (202) 208-5430

FEDERAL EMERGENCY MANAGEMENT AGENCY

Mr. Richard W. Krimm
Associate Director
Response and Recovery
Federal Emergency Management Agency
Washington, D.C. 20472
Phone: (202) 646-20472
Fax: (202) 646-4060

Mr. Richard S. Shivar
Deputy Director for the Office of Policy and Assessment
Federal Emergency Management Agency
Room 832
500 C Street, S.W.
Washington, D.C. 20472
Phone: (202) 646-3610
Fax: (202) 646-4215

FEDERAL MARITIME COMMISSION

Mr. Robert D. Bourgoin
General Counsel
Federal Maritime Commission
800 North Capitol Street, N.W., Room 1018
Washington, D.C. 20573
Phone: (202) 523-5740
Fax: (202) 523-5738

THE WHITE HOUSE

WASHINGTON

July 18, 1995

*Please
Send
Mike.*

MEMORANDUM FOR JEREMY D. BEN-AMI
Deputy Assistant to the President
for Domestic Policy
Domestic Policy Council

FROM: MARCIA L. HALE
Assistant to the President and
Director of Intergovernmental Affairs
JEFFREY L. FARROW
Senior Advisor to the Department
of Commerce for Puerto Rico

SUBJECT: August 3 Meeting

We have scheduled a meeting of the Interagency Working Group on Puerto Rico for 10 a.m., August 3rd in the Indian Treaty Room of the Old Executive Office Building.

The primary purpose will be to meet with the members of Puerto Rico's Legislative Assembly who head the Puerto Rican Independence Party, Senator Ruben Berrios Martinez and Representative David Noriega.

Please have your participation confirmed with the Interagency Group staff at 482-0037.

Excerpts from a statement that the party's vice president made to the United Nations decolonization committee a few days ago which should be of particular interest appear on the following page.

(EXCERPTS)

**TESTIMONY OF FERNANDO MARTIN
VICE PRESIDENT OF THE PUERTO RICAN INDEPENDENCE PARTY
BEFORE THE UNITED NATIONS DECOLONIZATION COMMITTEE
ON JULY 13, 1995**

...In November 1993, the colonial government, which advocates annexation, held an electoral consultation in Puerto Rico on the preference of political status...That consultation...had no significance both in terms of international and U.S. laws...

...the Office of the U.S. President announced at the beginning of 1994 that it will constitute a special Interagency Committee to, among other things, recommend a course of action to the U.S. Government in terms of Puerto Rico in the light of the results of the 1993 consultation...this Committee has started its deliberations and would have met with all the principal political parties by the beginning of next month when the Puerto Rican Independence Party will appear...

...The House Committee with jurisdiction over Puerto Rico has announced that it will hold hearings beginning in September...with the purpose of introducing legislation in response to the results of the consultation... This could represent an opportunity to reactivate the process for Congress to deliberate on the political future of Puerto Rico, as well as...stimulate the Interagency Committee to take concrete positions on the subject since it is very likely that the House Committee will ask the White House to testify at the hearings.

###

STATEMENT BY
THE HON. DAVID NORIEGA
MINORITY LEADER-PIP
PUERTO RICO HOUSE OF REPRESENTATIVES
AND
CANDIDATE FOR GOVERNOR OF PUERTO RICO
BEFORE
THE PUERTO RICO INTER-AGENCY WORKING GROUP

August 3, 1995
Washington, D.C.

Jeffrey Farrow and Marcia Hale, Co-Chairs

Ladies and Gentlemen of the Inter-Agency Working Group:

I appear before you today as the Puerto Rican Independence Party Minority Leader in the Puerto Rico House of Representatives and as my Party's Candidate for Governor of Puerto Rico in next year's general elections. Former Senator Fernando Martin, Vice-President of my Party, is here on behalf of our Party's President, Senator Ruben Berrios, who could not be here today. Also with me is attorney Manuel Rodriguez-Orellana, former Electoral Commissioner and my Party's Secretary for Relations with the United States, as well as our candidate for Resident Commissioner.

While Mr. Martin and Mr. Rodriguez-Orellana will be addressing the problems which Puerto Rico's unnatural relationship with the United States create for both of our nations from a broader perspective, I wish to bring to your attention two specific problem areas which require a quicker response from a policy point of view: the U.S. Navy's insistence on establishing a radar surveillance system in Lajas, Puerto Rico, and the need to revise the U.S. shipping laws and restrictions which apply to Puerto Rico.

The Relocatable Over-the-Horizon Radar (ROTHER):

The U.S. Navy has made public its plan --better still, its obstinacy-- to establish a surveillance radar system, the ROTHER, in one of Puerto Rico's most fertile agricultural valleys in the municipality of Lajas. According to Navy officials, there is no other place on the face of the earth where such a radar could conceivably be established.

Such absolutes are immediately suspect. However, when absolutes are followed by superlatives which allege that God designed the Lajas Valley for the ROTHER, common sense immediately leads any reasonable person to believe they are false.

As an independentista I support my Party's position calling for the complete demilitarization of Puerto Rico. Short of that, however, the arguments in favor of the ROTHER system --after giving them the benefit of the doubt-- are far outweighed by the arguments against its establishment. Our position against the ROTHER system therefore has the backing of a broad spectrum of Puerto Ricans, including members of the other two political parties, civic and religious leaders and environmentalist organizations.

The controversy over the total acreage which the ROTHER system would purportedly occupy is ultimately irrelevant. Whether the ROTHER system would take less than 1,000 acres as the Navy contends, or whether it would occupy over 5,000 acres as I believe most likely, makes little difference in an island 100 miles long and 35 miles wide. Already most of the best arable land has been taken over by military installations. The taking of even one additional square mile of the best land for agriculture in a country where two-thirds of the population fall consistently below the federally established poverty level is immoral.

The objectionable nature of such an enterprise is further compounded by the uncertainty as to the damages to people, cattle, and vegetation which the ROTHER could create. Puerto Rico is not a laboratory for experimentation and Puerto Ricans are not guinea

pigs. Puerto Rico is a nation and Puerto Ricans are human beings willing to defend their dignity through all forms of civic struggles, including civil disobedience if necessary.

However, we believe that rational discourse can prevail. For this reason we are here today. We ask that an alternative site, preferably outside of our national boundaries, be established. We believe that there are other ways in which Puerto Rico can help in the fight against drug-traffic by gaining control over immigration and customs. We are willing to sit down, on behalf of all Puerto Ricans, to begin serious discussions that would give the government of Puerto Rico a more active role in the fight against drugs.

But if God made the Lajas Valley, it was only for the safe and aesthetic enjoyment of the people --not for a radar system.

Shipping Laws:

On the matter of the U.S. coastwise shipping laws, I would bring to your attention the urgent need to revise them to exclude Puerto Rico from their application.

Again, as an independentista, I favor the application of no federal laws to Puerto Rico. However, several important business organizations beyond my Party have met with me to discuss their interest to secure Puerto Rico's exemption from the application of such laws. Among these are the Puerto Rico Manufacturers Association, the Puerto Rico Chamber of Commerce, and the Bankers Association.

We estimate that Puerto Rican consumers are paying over \$500

million every year in excess of what they would have to pay if Puerto Rico were exempted from the application of U.S. shipping laws. In an island where agriculture is constantly threatened by consistently high unemployment and dependence --not to mention ROTHR's and other military installations which take up so much of our best land-- and where we import most of what we consume and export most of what we produce, the need to reduce the cost of shipping goods is of the highest priority.

I would remind you that the high costs that accrue to Puerto Rico affect U.S. taxpayers who consume products imported from Puerto Rico and who, in turn, must pay the taxes needed to support the social programs upon which Puerto Ricans depend --both in Puerto Rico and in the States when they flee the Island in search for jobs which our depressed economy cannot provide.

Furthermore, you should bear in mind that the Jones Act fleet requires a direct subsidy from the U.S. Congress which costs the American economy a great deal of money. Congress, I believe, is ready to begin to cut appropriations in this area. If this happens, as I think probable, Puerto Rico's situation would worsen.

First, Sea-Land Services and American President Lines, two major ocean carriers, have already announced that if Congress did not grant new subsidy authority, they would reflag their vessels to another country's flag. This means that most new vessels brought on line by the major carriers will have to be foreign-flagged in order to compete, and the Jones Act fleet will be a dwindling number of older and less competitive vessels. This, in turn means, worse and

more expensive shipping to Puerto Rican consumers and the corresponding increment in costs to the U.S. taxpayers mentioned above.

Second, it is my understanding that the Clinton Administration and Congress have already agreed to eliminate the Interstate Commerce Commission (ICC). HR 1436, the House bill terminating the ICC also has a provision that would eliminate all rate regulation in the off-shore trades. If this happens, Puerto Rico could find itself subject to the monopolistic impact of the Jones Act without any rate regulation. This means that deregulation makes no sense without the elimination of the shipping laws' application to us.

I therefore renew my request before you for a complete and objective study, leading to the revision and total elimination of U.S. coastwise shipping laws application to Puerto Rico. My office in the House of Representatives, Senator Berrios' office in the Puerto Rico Senate, and indeed the Puerto Rican Independence Party are willing to cooperate in such an endeavor. While this is an issue that arises out of the broader colonial problem which afflicts both your country and mine, we need not wait to solve the larger problem. We can begin here and now.

Withdrawal/Redaction Marker

Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. briefing paper	Biographical Data of the Puerto Rican Independence Party Delegation Meeting with thwe Puerto Rico Interagency Working Group [partial] (1 page)	nd	b(6)

COLLECTION:

Clinton Presidential Records
Domestic Policy Council
Michael Schmidt
OA/Box Number: 7344

FOLDER TITLE:

Territories

2013-0968-S

sb62

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
- P3 Release would violate a Federal statute [(a)(3) of the PRA]
- P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
- P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
- P6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).

RR. Document will be reviewed upon request.

Freedom of Information Act - [5 U.S.C. 552(b)]

- b(1) National security classified information [(b)(1) of the FOIA]
- b(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
- b(3) Release would violate a Federal statute [(b)(3) of the FOIA]
- b(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
- b(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
- b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
- b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
- b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

BIOGRAPHICAL DATA OF THE
PUERTO RICAN INDEPENDENCE PARTY DELEGATION
MEETING WITH
THE PUERTO RICO INTERAGENCY WORKING GROUP

NORIEGA-RODRIGUEZ, David. Born in San Juan, Puerto Rico, (b)(6)
(b)(6) B.A. University of Puerto Rico 1966. LL.B. University of Puerto Rico School of Law 1969. Student leader and President of the General Student Council of the University of Puerto Rico during his college years. Director, Migrant Workers Division of Puerto Rico Legal Services. Attorney in private practice. Electoral Commissioner for the PIP in Puerto Rico's Elections Commission. Minority Leader (PIP), Puerto Rico House of Representatives, elected for the first time in 1984, twice re-elected, every time with more votes than any other Member of the House of Representatives. Candidate for Governor of Puerto Rico in the 1996 general elections.

MARTIN-GARCIA, Fernando. Born in San Juan, Puerto Rico, (b)(6)
(b)(6) B.A. University of Puerto Rico 1969. J.D. and M.P.P. (Joint Degrees) Harvard University Law School and John F. Kennedy School of Government 1974. Professor of Law, University of Puerto Rico School of Law, since 1975. Minority Leader (PIP), Senate of Puerto Rico 1989-1993. Vice-President and Secretary of International Relations, Puerto Rican Independence Party. Candidate for Senator from San Juan in the 1996 general elections.

RODRIGUEZ-ORELLANA, Manuel. Born in Rio Piedras, Puerto Rico, (b)(6)
(b)(6) B.A. The Johns Hopkins University 1970. M.A. Brown University 1972. J.D. Boston College Law School 1975. LL.M. Harvard University Law School 1983. Puerto Rico Legal Services, Director of the Consumer Law Division. Professor of Law, Northeastern University School of Law in Boston, Massachusetts. Electoral Commissioner for the PIP in Puerto Rico's Elections Commission. Attorney in private practice. Secretary in Charge of Relations with the United States, Puerto Rican Independence Party. Candidate for Resident Commissioner of Puerto Rico in the 1996 general elections.

STATEMENT of
Vice-President of the Puerto Rican Independence Party,
Fernando Martín, before the Inter Agency Working Group
on Puerto Rico.
August 3, 1995

An Agenda Not for the Future But for Tomorrow

We are here today, on behalf of the Puerto Rican Independence Party, to present our views regarding the policy of the Government of the United States towards the future of Puerto Rico in light of the results of the plebiscite of November 1993. For the first time after the demise of the Cold War, in this new era of heightened awareness of national identities, economic globalization and renewal of commitment to democratic values, the United States is faced with the challenge of responding to the aspirations of the People of Puerto Rico. This response must be prompt and it must be consistent with both the rights of the People of Puerto Rico and the obligations of the United States.

The plebiscite of 1993 took place in response to the failure of a Congressional initiative that had attempted - between 1989 and 1991 - to enact legislation which would have authorized a federally sponsored plebiscite in Puerto Rico in which the different status alternatives would have been defined by Congress. This initiative failed, in our judgement, principally because Congress was reluctant to appear endorsing even the possibility of statehood

particularly at a moment when a statehood victory appeared to be the probable result. Those who in Congress opposed the legislation argued that it should be the Puerto Ricans who should take the initiative and that only then should the Congress express its position concerning the results.

In 1992 a pro statehood government was elected in Puerto Rico and it proceeded to hold a plebiscite in November of 1993 whose results are now before you. Statehood was defeated, and a re-defined Commonwealth obtained a plurality in favor of a non-colonial relationship, and I quote from the ballot language "enshrined in a bilateral pact", that is to say, outside the Territorial Clause of the U.S. Constitution. If the vote for Independence is added, a majority of the Puerto Ricans rejected statehood and favored some form of separate sovereignty. The existing Commonwealth status, subject to the Territorial Clause, was not even placed on the ballot by the Popular Democratic Party.

This Working Group has been charged by the President of the United States with making recommendations with regards to policy towards Puerto Rico in light of these results. The discharge of this responsibility is not only important, it is urgent, both for Puerto Rico and for the United States.

The plebiscite results present the United States Government, this

Administration, with the historical and political equivalent of the "last clear chance" doctrine. In this case, the last clear chance of establishing a non colonial relationship between Puerto Rico and the United States, a relationship of equality between two nations with distinct identities and based on separate sovereignties. For such a relationship, retaining economic and other institutional bonds of genuine association, there is majority support in Puerto Rico today. From our own perspective as "independentistas", needless to say, we see such a development not as the achievement of our objective but as a step towards complete Independence.

If this unique moment of opportunity is not recognized and seized both decisively and rapidly by the United States Government, its inaction will embroil both our nations in a needless, embarrassing and acrimonious debate concerning the hopeless question of statehood for Puerto Rico. A confrontation that statehood can never win because, in addition to other obvious obstacles, as Senator Christopher Dodd diplomatically stated only last week, statehood would in effect require "consensus" in Puerto Rico, not merely a "narrow majority". The probabilities for achieving consensus in Puerto Rico regarding statehood are only slightly less than that of snow falling in San Juan. One has the lingering feeling that Senator Dodd is perfectly aware of the odds.

However, if the Administration and the Congress choose not to act upon the plebiscite results, that is to say , if the choice of the United States is not to take no for an answer as regards statehood, and to reject a majority request for a relationship based on sovereignty, then they will surely be inviting a statehood request in the near future, albeit by a "narrow majority".

We believe that such a course would not only be an irresponsible one for the United States to take in view of its own interests but also a cruel hoax on the People of Puerto Rico that would only serve to perpetuate political subordination and promote unrest and uncertainty in Puerto Rico. Not to take advantage of this last clear chance can only have sadistic consequences for Puerto Rico and masochistic ones for the United States. It would also, of course, make a mockery out of any semblance of respect on the part of the United States for the will of the People of Puerto Rico when the essence of its expression is its determination to have a separate political development on the basis of a non colonial relationship which recognizes Puerto Rico as a nation in its own right.

Governor Roselló has already stated that since the Government of the United States is not going to respond affirmatively to the plebiscite results he will hold a second plebiscite in 1998 in order to obtain the statehood majority that, by logical inference, the United States must be eagerly awaiting. Inaction

will thus induce more Puerto Ricans into believing that the way out of colonialism is through statehood. More Puerto Ricans, but as Senator Dodd correctly implies, never enough.

It is imperative therefore that action be taken. Although it is evident that Congress will play a critical role it is equally evident that a Presidential initiative in this matter is essential. Such an initiative must be both procedural and substantive. From the substantive point of view the President must take this opportunity to interpret the plebiscite results not only as indicating a decision on the part of the People of Puerto Rico to opt for separate political development, outside the Territorial Clause, but also as evidencing the impossibility of the statehood option. The Administration should indeed take no for an answer. Senator Dodd's statement provides the perfect answer to the follow-up question of what if the statehooders should win tomorrow? This is the last clear chance to minimize future damages by declaring the door to statehood closed before it was even knocked on. Surely there should be no worries about Congressional support for such a position, particularly while the rejection of statehood by a majority in the plebiscite is still the operative political precedent.

The combination of a Presidential commitment to a new relationship based on separate sovereignty - which although generous in economic terms would

always be less expensive than statehood and at the same time more propitious for economic development in Puerto Rico - together with the recognition that the conditions for statehood both in the United States and in Puerto Rico could never realistically be achieved, will dramatically alter the balance of political preferences in Puerto Rico and almost instantly create an overwhelming majority in support of the United States proposal. Support for Independence will undoubtedly also grow but the majority of those who are now statehooders will seek refuge in the new relationship rather than in the always present alternative of full Independence.

Seizing the moment therefore has as much to do with proclaiming that the winning option has the full support of the President as with mercifully laying to rest, pursuant to the will of the People of Puerto Rico, the always illusory alternative of statehood.

As part of this solemn substantive policy pronouncement - for which one can envision unanimous and enthusiastic international support, particularly from Latin America and the Caribbean - a procedural framework must be proposed to negotiate and draft the concrete proposals that will be put before the Congress. An institutional mechanism must be created with the participation of key Congressional leaders, White House representatives and delegates from the

Puerto Rican political parties with a precise timetable for proposing legislation to the Congress.

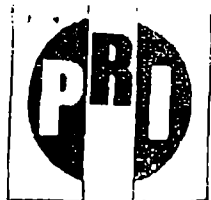
The critical element of course would be the Presidential proclamation of policy since it would be designed to create what in effect would be a fait accompli. It must be accompanied by the necessary assurances of continuity that will minimize uncertainty and promote optimism among Puerto Ricans and within the investment community. The proposal must be seen as the end of uncertainty and as a superior basis for stability and economic development in Puerto Rico.

This scenario that we have described, which is after all not only politically desirable but also the most politically rational and practical, cannot wait. This is not an agenda for the future, it is the agenda for tomorrow. It must be put in motion so that Congress can begin its consideration as early as possible in order that the process, although perhaps not fully concluded, will have become politically irreversible by the time of the 1996 elections.

Only such a timetable can faithfully discharge the obligation of the United States to heed the will of the People of Puerto Rico as expressed in the plebiscite. To postpone action beyond this timetable would be to belittle and trivialize the plebiscite results as well as the obligation of President Clinton to

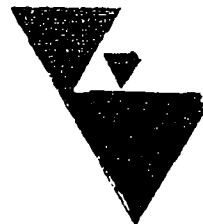
reconcile the will of the Puerto Rican people with his responsibilities as President of the United States.

This Working Group has an enormous responsibility. Its greatest challenge is to resist temptation. The temptation to allow short term considerations to obscure the importance of its task. The temptation to avoid friction by remaining immobile. The temptation not to make waves. We believe you are duty bound to make those recommendations to the President that best serve the long term interests of the United States and that will serve to right a historic wrong. We are confident that for the benefit of both our nations, you will rise to the challenge.



CONFERENCIA PERMANENTE DE PARTIDOS
POLITICOS DE AMERICA LATINA Y EL CARIBE

coppal



XVIII REUNION PLENARIA
11 AL 13 DE OCTUBRE DE 1994
HUATULCO, OAXACA

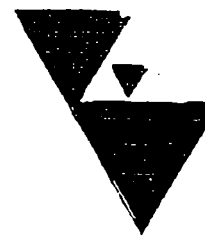
RESOLUCION DE LA COPPPAL SOBRE PUERTO RICO

- Por cuanto: En la consulta plebiscitaria del 14 de noviembre de 1993 la mayoría absoluta del electorado puertorriqueño se expresó en contra de la anexión de Puerto Rico a los Estados Unidos como estado federado
- Por cuanto: Dicha mayoría está a su vez compuesta por los que favorecieron la independencia, y por una pluralidad que obtuvo el mayor número del total de los votos emitidos y que favoreció la propuesta de que la relación con los Estados Unidos debe fundarse en un pacto bilateral y no colonial entre el Pueblo de Puerto Rico y el Pueblo de los Estados Unidos que no sujete a Puerto Rico a la autoridad unilateral del Congreso de los Estados Unidos.
- Por cuanto: El Presidente y el Congreso de los Estados Unidos han proclamado en repetidas ocasiones su disposición de acatar la voluntad del pueblo de Puerto Rico en cuanto a su futuro político.
- Por cuanto: El Presidente de los Estados Unidos ha constituido un Comité Interagencial sobre Puerto Rico, adscrito a su oficina propia, con el propósito de elaborar las propuestas al Congreso que habrán de constituir la respuesta del Gobierno de los Estados Unidos al resultado de la consulta plebiscitaria del 14 de noviembre de 1993.
- Por cuanto: La Conferencia Permanente de Partidos Políticos de América Latina y el Caribe (COPPPAL), compuesta por 48 partidos democráticos, ha favorecido desde su fundación la independencia de Puerto Rico y apoya por consiguiente aquellas medidas que adelanten su descolonización.
- Por cuanto: Como señalara el Presidente electo de México, Ernesto Zedillo Ponce de León, en carta reciente al Presidente del Partido Independentista Puertorriqueño, Senador Rubén Berrios, recogiendo el sentir de la Patria Grande Latinoamericana: "La perseverancia del pueblo de Puerto Rico en el sostenimiento de una lengua, cultura, historia y tradiciones comunes con la de todos los hispanoamericanos, es un ejemplo para todos nosotros".



CONFERENCIA PERMANENTE DE PARTIDOS
POLITICOS DE AMERICA LATINA Y EL CARIBE

coppopal



XVIII REUNION PLENARIA

11 AL 13 DE OCTUBRE DE 1994

HUATULCO, OAXACA

Por cuanto: En la presente coyuntura histórica, política y económica de América Latina y el Caribe se hace imperativo que la comunidad latinoamericana y caribeña se solidarice con los reclamos descolonizadores del pueblo de Puerto Rico.

Por tanto: La COPPPAL, reunida en Oaxaca, México en sesión Plenaria en ocasión de la celebración de sus quince años de fundada, hoy, 13 de octubre de 1994

RESUELVE

Primero: Reiterar su apoyo al derecho inalienable del Pueblo de Puerto Rico a su independencia al igual que expresar su endoso a aquellas medidas descolonizadoras que vayan acercando a Puerto Rico al logro de su plena soberanía

Segundo: En este contexto, urgir al Presidente y al Congreso de los Estados Unidos que respondan al reclamo resultante de la consulta plebiscitaria del 14 de noviembre de 1993 accediendo a una relación fundada en un pacto bilateral entre iguales libre de toda dependencia colonial.

Tercero: Autorizar al Presidente del Partido Independentista Puertorriqueño y también Vicepresidente de la COPPPAL, Senador Rubén Berríos a que lleve a cabo aquellas gestiones que estime pertinentes, en representación de la COPPPAL, para promover los objetivos de esta resolución, incluyendo solicitar reunirse con el Presidente de los Estados Unidos y el liderazgo Congressional a esos fines.

**PERMANENT CONFERENCE OF LATIN AMERICA AND
CARIBBEAN POLITICAL PARTIES (COPPPAL)**

**PLENARY MEETING XVIII
OCTOBER 11 - 13, 1994
HUATULCO, OAXACA**

COPPPAL'S RESOLUTION ON PUERTO RICO

- Whereas: In the November 14, 1993 plebiscite the absolute majority of the Puerto Rican electorate voted against Puerto Rico joining the United States as a state of the union.
- Whereas: Such majority is constituted by those who favored independence, and by a plurality that obtained the majority of the total votes casted and that favored the proposal for a bilateral non-colonial compact between the people of Puerto Rico and the people of the United States that will not subject Puerto Rico to the unilateral authority of the U.S. Congress.
- Whereas: The President and the U.S. Congress has proclaimed in many occasions their disposition to respect the wishes of the people of Puerto Rico in terms of its political future.
- Whereas: The President of the U.S. has established an Inter-agency Working Group on Puerto Rico, as part of his office, with the purpose of elaborating the proposals that will constitute the response of the U.S. Government to the November 14, 1993 plebiscite to be presented to Congress.
- Whereas: COPPPAL, composed of 48 democratic parties, since its creation has favored the independence of Puerto Rico and supports, therefore, those measurements that move forward its decolonization.
- Whereas: As the newly elected Mexican President, Ernesto Zedillo Ponce de Leon, said in a recent letter to the President of the Puerto Rico Independence Party, Senator Ruben Berrios, which summarizes very well what the larger Latinoamerican Nation believes: "The perseverance of the people of Puerto Rico in maintaining a language, a culture, a history and common traditions with that of all the people of Latin America, is an example for all of us."

Whereas: In the present historical, political and economic circumstances in Latin America and the Caribbean it becomes necessary to have the Latin America and Caribbean communities stand in solidarity with the decolonizing claims of the people of Puerto Rico.

Whereas: COPPPAL met in Oaxaca, Mexico in a Plenary Session to celebrate 15 years of being established, today, October 13, 1994

RESOLVES

First: Reiterate its support for the rights of the Puerto Rican people to be independent as well as its support for those measurements that will decolonize and move Puerto Rico forward to achieve its total sovereignty.

Second: In this context, we ask the President and the Congress of the United States to respond to the November 14, 1994 plebiscite agreeing to a relationship based on a bilateral compact of association among equals free of any colonial dependency.

Third: Authorize the President of the Puerto Rico Independence Party and Vice-President of COPPPAL, Senator Ruben Berrios, to carry out all the steps he deems pertinent, on behalf of COPPPAL, to promote the objectives of this resolution, including requesting a meeting with the President of the United States and the appropriate Congressional leadership.

'96 election campaigning begins early



ANDREW VIGLUCCI
Commentary editor

Last week was a mini-campaign week in Puerto Rico with politicians giving us peeks at what they could be hammering away at for next year's elections.

Popular Democratic Party President Héctor Luis Acevedo was the most revealing of the group when on two occasions he laid out attacks against Gov. Rosselló, whom Acevedo will try to dethrone come November 1996.

On Monday, he pronounced a request to Rosselló for the governor to make peace with labor union leaders and, thus, avoid a clash with them that could lead to a general strike. "It is not too late," Acevedo said. "Rosselló can still head off the general strike and all the other divisive activities the unions are planning. In protest by meeting with them and trying to talk out the differences."

If Rosselló actually did that and was successful, the most disappointed person in Puerto Rico might well be Héctor Luis Acevedo, deprived of an issue that would be certain to take labor votes away from his chief opponent.

The next day at PDP ceremonies celebrating Constitution Day, principal orator Acevedo heaped criticism on Rosselló for not standing by the results of the 1993 plebiscite, won by commonwealth supporters.

"The harm he [Rosselló] is doing through his reckless challenge of the plebiscite mandate is inestimable," Acevedo told the large crowd gathered in Carolina.

Rosselló struck back with a cozy, pre-Commonwealth Day luncheon hosted in Boston by Sen. Edward Kennedy, who was, until practically the day before, a PDP lion. Kennedy apparently sealed his fate with the PDP when he favorably compared Rosselló with Luis Muñoz Marín.

Then, Rosselló, who has been building bridges to official Washington, paraded representatives from both the national Republican and Democratic Parties before a Bayamón throng observing Barbosa Day. It was the first time the Democratic Party had sent anybody to the annual statehood celebration.

The maneuvering spilled over into two other well-trod-upon areas: how many votes are needed to validate a plebiscite winner and the John Kennedy-George Bush memos on how the executive branch should treat Puerto Rico.

It was a week of optimistic speeches,

urgent charges, frenzied warnings, campaign-type pep talks, but you could look yourself dizzy searching for something substantial enough to hang a hat on.

Behind the scenes, there are pressures from both the PDP and the NPP on the White House Interagency Task Force that was formed to deal with the results of the 1993 plebiscite, won by commonwealth over statehood by 68 percent to 48.

The PDP wants the task force to produce recommendations, or even prospective legislation, that would endorse their victory and, to some extent, fulfill some of the ballot promises people voted on.

So far, Clinton and task force spokespersons have talked mainly about more jobs. The PDP plebiscite ballot said a vote for commonwealth was, among other things, a mandate for

■ a bilateral pact that cannot be altered except by mutual consent

■ fiscal autonomy for Puerto Rico

■ Puerto Rican Olympic Committee and the island's own representation in international sports.

■ Immediate reformulation of Section 936

■ Extension of Supplementary Security Insurance (SSI) to Puerto Rico

■ Full nutrition assistance, equal to states.

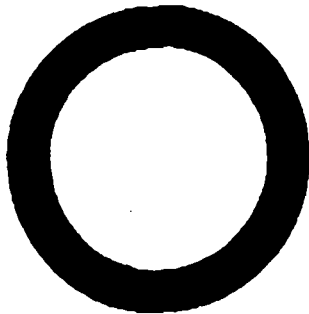
■ Full development of cultural identity

Rosselló and his chief of staff, Alvaro Cifuentes, contend that the U.S. Justice Department has already ruled out the legality of bilateral mutual consent aspects, and 936, SSI and nutrition assistance are in the hands of the New Republicans.

Rosselló said last week he wants the task force "to specifically and directly answer each of the points submitted by the PDP in the plebiscite. There's a formula the PDP says they would make come true. The task force would perform a great service if honestly and openly they answer each point."

He wants it because he thinks the task force can't do it to the satisfaction of Acevedo and the PDP.

These are the Political Status definitions according to the parties that promote them.



STATEHOOD - 46.3%

A vote for Statehood is a mandate to demand Puerto Rico's admission as a state of the Union.

Statehood:

- It is a non-colonial status with full political dignity
- It will allow us to have the same rights, benefits and responsibilities as the 50 states
- It is permanent union guaranteed and the opportunity for economic and political progress
- It is the permanent guarantee of all the rights given by the Constitution of the United States of America - including the preservation of our culture
- It is the permanent guarantee of American citizenship, our two languages, hymns and flags
- It is the full participation in all federal programs
- It is the right to vote for the President of the United State and to elect no less than six Puerto Rican representatives and two senators to Congress
- In the exercise of our rights as American citizens, we will negotiate the terms of said admission, which will be submitted to the people of Puerto Rico for their ratification

WON



COMMONWEALTH - 48.6%

A vote for the Commonwealth is a mandate in favor of:

- Guaranteeing our progress and security as well as that of our children within a status of full political dignity, based on the permanent union between Puerto Rico and the United States, embodied in a bilateral pact that cannot be altered except by mutual agreement

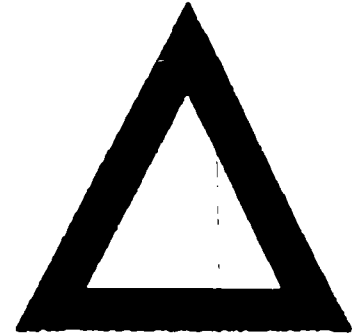
The Commonwealth guarantees:

- Irrevocable U.S. citizenship
- Common market, common currency and common defense with the United States;
- Fiscal autonomy for Puerto Rico;
- Puerto Rican Olympic Committee and our own international sports representation;
- Full development of our cultural identity under Commonwealth we are Puerto Rican first

We will develop Commonwealth throughout specific proposals to be brought before the U.S. Congress. We will propose at once:

- Reformulating Section 936, ensuring the creation of more and better jobs;
- Extend the Supplementary Security Insurance (SSI) to Puerto Rico;
- Obtain Nutritional Assistance Program allocations equal to those received by the states;
- Protect other products of our agriculture, in addition to coffee

Any additional change will be submitted to the Puerto Rican people beforehand for its approval



INDEPENDENCE - 4.4%

Independence is the right of our people to govern themselves in their own land; it is the enjoyment of all powers and attributes of sovereignty.

In the exercise of this inalienable right which cannot be renounced, Puerto Rico will be ruled by a Constitution which establishes a democratic government, protects human rights and affirms our nationality and language.

Independence will give Puerto Rico the necessary powers to achieve more development and prosperity, including the powers to protect and stimulate our industry, agriculture and commerce, control immigration, and negotiate international agreements to expand markets and promote investments from other countries.

A Treaty of Friendship and Cooperation with the United States and a process of transition toward independence in accordance with legislation already approved by the U.S. House of Representatives and the competent committees of the U.S. Senate, will provide for: the continuation of acquired Social Security, veterans and other benefits

Puerto Rican citizenship and U.S. citizenship for those who want to retain it; the right to use our own currency or the U.S. dollar; free access to U.S. markets; tax incentives for North American investment; federal aid in an amount equal to that received at present for at least a decade; and the eventual demilitarization of the country.

If you do not favor any of the definitions, you have the right to express your disagreement by depositing a blank ballot in the ballot box.



STATE ELECTIONS COMMISSION

Cifuentes exit may prove a prudent political move

Washington may hold more potential than S.J.

BEHIND THE NEWS

By JORGE LUIS MEDINA
Of The STAFF

July 31, 1995

Now, consider Cifuentes and his track record.

He worked hard to get Rosselló to La Fortaleza in 1992, a campaign so successful it blew the Popular Democratic Party out of the water, giving the NPP not only La Fortaleza but most of the municipalities and the Senate and the House as well.

Cifuentes was not deeply involved in the 1993 plebiscite, which came during a no-holds-barred internal struggle that pitted the NPP mayors against Cifuentes and often times against the governor himself. His involvement in the 1994 constitutional referendum was even less. And the NPP lost both events badly.

Those two defeats must have raised the value of Cifuentes' stock immensely, along with his meteoric rise in Washington, D.C. politics. He not only engineered Rosselló's ascent as the island's top Democrat in the eyes of Clinton and the Democratic leadership, but quite adroitly managed to whittle away the PDP's influence in Washington and to block its leadership's access to the corridors of power.

But if he's so good, why this move? It would stand to reason that if Cifuentes were a crackerjack Washington power broker, Rosselló would call him home to help in a campaign that, make no mistake, is going to be a tough one. No incumbent finds it easy to win re-election coming out of two straight defeats.

But Rosselló is doing just the opposite; he's sending his most trusted lieutenant away from home field just when the campaign is about to start. Why? Washington voters don't vote in Puerto Rico, do they?

The fact that Cifuentes had a lot to do with the NPP's inroads in Washington and the governor is permanently stationing him there would suggest that the fate of Rosselló's local campaign is closely tied up with the results of the NPP's Washington strategy. And that would make sending Cifuentes to Washington a most prudent move.

There are two things in Washington that have populares and statehooders alike worried: The Bush memo and the results of the 1993 status plebiscite.

It should be noted that, while the NPP was involved in

Operation Kennedy early last week, PDP President Héctor Luis Acevedo slipped through the cracks and wrangled a meeting with Clinton. So what if he was accompanied by 20 other mayors; the important thing is that he got the president to say he would consider action on the Bush memo.

What would happen if Clinton decides to revoke the Bush memo and, say, draft another one granting the island parity in federal social programs and protection for local agriculture and Section 934? It is within his powers to do so, and if he does, the NPP would have more than a tough row to hoe. It would have an impossible task before it, and its campaign would collapse.

What would happen if the president decided to accept the commonwealth formula drafted by the populares for the 1993 plebiscite? It may be unconstitutional, but if it is, it would take the courts to decide it. And in the meantime, the PDP would have the equivalent of a political atom bomb to blow the statehooders to kingdom come.

So it would be safe to guess that a lot of red lights are blinking in the NPP's think tank. Because it would seem that Washington is voting in our 1996 elections after all. And that would explain Rosselló and Cifuentes' move.

As a private citizen, Cifuentes will continue talking for the Rosselló administration in Washington, but privately, and completely disconnected from the actual administration, because he will no longer be a public official. And you can bet the farm he will do his damndest to keep the Bush memo alive and the commonwealth formula unaccepted.

Working for the Clinton campaign, he will have added influence and will be able to concentrate on blocking the PDP's effort to re-establish itself as the island's major force in Washington.

After all, Rosselló's campaign does not hinge on Resident Commissioner Carlos Romero Barceló winning the chairmanship of the local Democratic Party chapter. If he does, that's icing on the cake. But if he doesn't, Rosselló is still top Democrat, and Washington Cifuentes' town.

And the long-range strategy to bring statehood before the millennium may continue unimpeded.

The Interagency Working Group on Puerto Rico

July 27, 1995

NOTE FOR JEREMY BEN-AMI

FROM: JEFF FARROW

The Puerto Rico Independence Party now plans to be represented at the Interagency Group's August 3rd meeting by its vice president, Fernando Martin Garcia; Representative David Noriega; and Manuel Rodriguez Orellana.

Excerpts from recent published interviews with Noriega and Rodriguez (the latter alluding to our meeting) are attached.



EXCERPTS FROM EL NUEVO DIA ARTICLE
JUNE 22, 1995

PUERTO RICO COMPETITIVENESS

[Independence Party Gubernatorial Candidate Rep. David Noriega's ideas to make Puerto Rico's economy more competitive]

...To make Puerto Rico's economy competitive, we have to start by acknowledging that the main reason for Puerto Rico's economy not being competitive is political, not economic. Because of its colonial condition, Puerto Rico does not control its own economy and does not have a voice in international negotiations...

...If we want competitiveness, why is not demanded that Puerto Rico be excluded from the Jones Act [requirement to use U.S. vessels for shipping to and from the U.S.] which costs the islands between \$300 to \$500 million per year?

...If we want competitiveness, why is not the food assistance program revised to make sure that every person who can work gets trained for a job, and gets that job?...

Do you want competitiveness? Then improve the Government which is today a burden for the excellence in the production of goods and services. The Comptroller estimated that around \$1.5 billion per year is wasted or stolen. The Government says there is no money, but last year it created 16,000 new government jobs on the eve of a referendum...

If the issue is competitiveness, I suggest that Puerto Rico requests that all Federal funds be in the form of block grants and that we set as an objective to use them for making jobs an incentive, producing and strengthening the infrastructure.

To reach competitiveness it is more important that industries have access to water rather than changes to labor laws...

###

EXCERPTS FROM EL NUEVO DIA
JULY 10, 1995

TO DEFEND PUERTO RICO'S INTERESTS IN U.S. CONGRESS

...[According to Manuel Rodriguez Orellana, Resident Commissioner candidate for the Puerto Rico Independence Party] Congress has started to cut Federal funds without providing Puerto Rico with the power to substitute the islands' dependency on those funds.

"If we had freedom in terms of the Jones Act [requirement to use U.S. vessels for shipping to and from the U.S.], everything we import we could get cheaper." Rodriguez Orellana mentioned as an example.

"The United States made Puerto Rico part of the North American Free Trade Agreement without us being able to negotiate any of the terms," Rodriguez Orellana said.

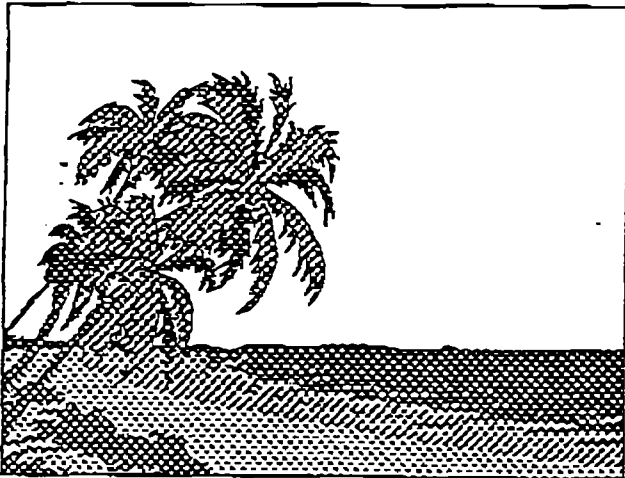
Rodriguez Orellana said that the PPD [commonwealth party] and the PNP [statehood party] [have] entered a status of immobilization [on the fundamental status issue].

Rodriguez Orellana said that it is necessary to achieve consensus among the three [status movements] [on] the status process.

But he asserted that neither the PPD nor the PNP are exercising their leadership to achieve this consensus, and said that is why he is running for Congress to have the terms of the discussion established there. He also said that each status movement needs to defend its position before the White House Interagency Working Group [on Puerto Rico] for the [Congressional] hearings that will be held both in Washington and Puerto Rico.

###

OTIA FAX



Territorial and International
Affairs

U.S. Department of the Interior
1849 C St. N.W.
Washington, DC 20240

Phone: (202) 208-4822

Fax : (202) 208-3390

Number of pages (including cover sheet): 9
Message sent to fax Number: 456-7028

To: Mike Schmitt
Agency: Domestic Policy Council
Telephone number:

Message from: DANNY ARNOLD
Telephone number: 208-4709

REMARKS:

Per my voice mail to you.

**BRIEFING PAPER FOR THE SECRETARY:
INSULAR AFFAIRS WORKING GROUP OF THE DOMESTIC POLICY COUNCIL**

ACTION-FORCING EVENT: Congress recently approved the creation of the Working Group as part of the Department's REGO II initiative that eliminated the Office of the Assistant Secretary for Territorial and International Affairs and reorganized territorial functions under the Assistant Secretary for Policy, Management and Budget.

HISTORY: The Department has historically been responsible for the administration of federal policies in U.S. territories because of its jurisdiction over vast amounts of federal land. This is not the case with the island territories in the Pacific and the Caribbean, where the Navy originally controlled the land. Furthermore, federal policies and programs in the islands are increasingly administered by agencies outside of the Department -- e.g. defense, tax, trade, immigration, labor, justice and environment. Thus, although the Secretary retains legal authority for "general administrative supervision" of the island territories, actual program responsibilities are vested more directly with other federal agencies. The proliferation of these programs has made it difficult for the Department to coordinate federal policies affecting insular areas.

BACKGROUND: In the previous Congress, Senator Bennett Johnston and Congressman Ron de Lugo both introduced legislation to create an interagency council to address this problem. At your confirmation hearings, you indicated support for the concept but also asked for time to create the council administratively. After months of consultation by Assistant Secretary Turner and notwithstanding support from the Senate and the governors, however, certain House staff and territorial delegates opposed creation of a council because of concerns that OTIA would use the Council to expand its powers and become the "gatekeeper" for insular issues. White House staff, on the other hand, indicated continued support for the concept, but expressed a strong preference not to form the council through an executive order. Instead, it was suggested that an insular affairs working group under the Domestic Policy Council be formed by Secretarial invitation to Cabinet departments.

OBJECTIVES OF MEETING: You have three objectives for the meeting: (1) obtain agency commitment to name a policy-level point of contact who can coordinate insular issues at their agency and ensure that appropriate agency representatives participate in subsequent task groups; (2) obtain agency commitment to provide their input in an "insular budget call" letter that the Department plans to send by the end of June; (3) obtain agency commitment to

attend an annual policy-level meeting in February to consider input from the territorial governors on priority issues for the coming year.

ATTACHMENTS:

- o Agenda**
- o Talking Points**
- o Overview Chart**
- o Background Documents**

**AGENDA FOR THE FIRST MEETING
INSULAR AFFAIRS WORKING GROUP OF THE DOMESTIC POLICY COUNCIL**

June 20, 1995, 11 a.m.
Secretary's Conference Room, Room 5160
Department of the Interior
1849 C Street, N.W.
Washington, D.C.

- I. PURPOSE OF THE WORKING GROUP [Secretary Babbitt]**
 - A. Context of Territorial/ U.S. Relations**
 - B. Background Surrounding Creation of Working Group**
- II. FUNCTIONS OF THE WORKING GROUP [Assistant Secretary Cohen]**
 - A. Cross-Cutting, Interagency Issues**
 - B. Information Sharing**
- III. INSULAR AREAS and INTERAGENCY TASK GROUPS [Deputy Assistant Secretary Stayman]**
 - A. Overview of Insular Areas**
 - B. Creation of Task Groups**
- IV. WRAP UP [Secretary Babbitt]**
 - A. Policy Point of Contact**
 - B. Budget Call Letter**
 - C. Annual Meeting**

**TALKING POINTS FOR THE SECRETARY
INSULAR AFFAIRS WORKING GROUP OF THE DOMESTIC POLICY COUNCIL**

I. PURPOSE OF WORKING GROUP [Secretary Babbitt]

A. Relationship Needs Updating. For over a hundred years, DOI has handled territories for the federal government. Made sense because most territorial lands were under Interior's jurisdiction. Made less sense when U.S. acquired American Samoa, the Northern Mariana Islands, Guam and the Virgin Islands:

1. **No Land Jurisdiction.** Interior did not control island lands. All the islands were originally under U.S. Navy administration.
2. **Federal Programs With Other Agencies.** Also, most federal programs in the islands are with other agencies -- e.g. defense, tax, trade, immigration, labor, justice and the environment.
3. **Islands Ignored.** These islands are tiny and thousands of miles away -- some closer to Asia. Also, islanders don't vote for President and don't have voting Congressmen. It's easy for their issues to fall through the cracks.

B. Need For Enhanced Interagency Coordination. Clear need to improve the process. Needed to move policy coordination from Interior (not in the best position to deal with most cross-cutting, multi-agency issues) to a policy-level, interagency group directly under White House.

1. **Congressional Proposals.** When first came to office, Congress had legislation to create an Insular Interagency Council in the White House. At confirmation hearings, told Congress I agreed, but it would be better done administratively.
2. **White House Action.** I approached the President about this and he told me that the quickest and best way to do this was to create a policy-level Working Group of the Domestic Policy Council. So that's what I've done, and that's why you're here.

C. Benefits of the Working Group. There are a lot of benefits to creating the Working Group. Here are three:

1. **Coordinated Administration Policy.** Instead of a mish-mash of ad hoc, agency-specific policies that are applied indiscriminately and inconsistently to these small island territories, the Group can help the Administration formulate coherent and thoughtful policies that make sense for the islands.

2. **Sharing Information.** Your own agencies will benefit from the sharing of information about insular policies by the Group.

3. **Insular Participation.** Through an annual meeting early in the year, Interior and the insular governments can provide input to the Group regarding policy and program priorities for the upcoming year.

IV. WRAP-UP: Purpose of Group will be to coordinate an Administration position on insular issues where several agencies are involved. To implement this goal, will be sending a follow-up letter requesting a written designation of a policy-level point of contact in your agencies. By end of month, will also be sending your agencies a "budget call" letter requesting information about the impact of your budget on the insular areas. FinallyI will convene an annual meeting sometime in January or February for us to meet to set priorities for the coming year.

**TALKING POINTS FOR THE ASSISTANT SECRETARY
INSULAR AFFAIRS WORKING GROUP OF THE DOMESTIC POLICY COUNCIL**

II. FUNCTIONS OF WORKING GROUP [Bonnie Cohen]

A. Group Deals With Interagency Issues. It should be emphasized that the existence of the Working Group shall not diminish, enlarge nor change the existing jurisdiction of any agency.

1. Single Agency Issues. Where an issue implicates only one agency's program, that agency shall continue to be solely responsible for implementing such program.

o **Example:** Minimum wage policies will solely remain the Department of Labor's. Immigration policies will solely remain INS's. Tax policies will solely remain Treasury's.

2. Multi-Agency Issues. It is only where an insular area issue implicates more than one agency's jurisdiction that the Working Group will serve as the forum to coordinate federal policy and, if necessary, advise the President.

o **Example.** For example, in the CNMI there is currently a problem with foreign contract workers that implicates numerous issues which require interagency coordination. Following departments and bureaus involved: Justice (Civil Rights, FBI, INS, US Attorney, US Marshall); Labor (Wage & Hour, OSHA, Solicitors); Treasury (ATF, Customs, Secret Service). Each agency remains responsible for its own program, but it will need to coordinate with other agencies on a comprehensive approach to resolving the overall problem. See chart in your briefing binders for other issues that require interagency coordination.

3. Big Picture Approach. This will require each Group member to look beyond their narrow agency interests toward a big picture orientation. Each Group member should take a more careful account of each island's unique circumstances and, where appropriate, be more flexible and coordinated in the application of federal policies.

B. Sharing Information. As a major part of this coordination function, members of the Working Group will be expected to compile and share information generated by their respective agencies that relate to the insular areas.

1. **Budget Formulation.** This will be especially crucial in formulating annual budgets for programs affecting the insular areas -- members will be expected to communicate to the Working Group trends or developments in their particular agency budgets that affect the insular areas, to discuss options and to develop consistent positions within the Administration.

- o **Heavy Reliance On Federal Dollars.** From a budgetary standpoint, neglect or inattention to insular issues would be disastrous. In comparison to the budgets of state governments, the budgets of the insular governments are heavily reliant on federal dollars. American Samoa, for example, had a fiscal year 1991 budget of about \$100 million. Roughly \$60 million or 60% of that budget came from the Department of the Interior and other federal agencies. Thus, federal decisions on budgetary priorities made here in Washington have a disproportionately significant impact on the U.S. insular areas.

- o **Example - Construction Projects.** For example, it would make no sense for Interior to cut its budget for insular construction projects on the basis that construction funds are available from numerous other agencies, when those other agencies are themselves planning to cut or eliminate their construction budgets for the insular areas.

2. **Reports To Congress.** Sharing statistical information will also be helpful in compiling various reports that Congress requests regarding the insular areas. For example, Congress wants the Secretary of the Interior to submit a "State of the Islands Report" each year. The report provides a statistical snapshot of each island in a variety of economic and social areas: population, employment, revenue, inflation, hotel occupancy, etc. The information contained in the report will be important in coordinating various federal policies and programs and evaluating their success in the insular areas.

QUICK REFERENCE

U.S. INSULAR AREAS

INSULAR AREA	STATUS/ CITIZENSHIP	HISTORY	LOCATION	POPULATION (1990 Census)	TOTAL BUDGET (Other Federal) (OTIA)	ECONOMY
U.S. Virgin Islands	U.S. insular area unincorporated organized/ U.S. citizens	Denmark/France U.S.-1917 (sale)	3 major islands volcanic origin Caribbean Sea 1,000 miles SE of Miami	112,000	\$550 m \$ 93.3 m \$ 36.2 m	• Tourism • Manufacturing (rum, oil refining, watches, drugs)
American Samoa	U.S. insular area unincorporated unorganized/ U.S. nationals	UK/German to U.S.-1899 (Treaty of Berlin)	5 islands volcanic origin 2,300 SW of Hawaii	47,000	\$ 99.3 m \$ 29.3 m \$ 27.6 m	• Tuna canning
Guam	U.S. insular area unincorporated organized/ U.S. citizens	Spain to U.S. in 1898 (Treaty of Paris)	Largest/most southern island of Mariana Archipelago 1,500 miles E of Manila	133,000	\$630.6 m \$ 73 m \$ 64.6 m	• Tourism • U.S. military
Commonwealth of the Northern Mariana Islands	U.S. insular area unincorporated <i>commonwealth (ex- TTPI district)/</i> U.S. citizens	Spain to Germany- 1899 Germany to Japan- 1920 Japan to U.N.-1945 to U.S. 1986	300 mile archipelago 14 islands 3,300 miles W/SW from Hawaii	43,000* (25,000 are aliens)	\$203.8 m \$ 18 m \$ 28.4 m	• Tourism • Garments

*Estimated at up to 60,000 in early 1990's

THE WHITE HOUSE
OFFICE OF DOMESTIC POLICY

CAROL H. RASCO
Assistant to the President for Domestic Policy

JUL 15 1995

To: Mike S.

Draft response for POTUS
and forward to CHR by: _____

Draft response for CHR by: _____

Please reply directly to the writer
(copy to CHR) by: _____

Please advise by: _____

Let's discuss: _____

For your information: ☒ _____

Reply using form code: _____

File: _____

Send copy to (original to CHR): _____

Schedule ? : ☐ Accept ☐ Pending ☐ Regret

Designee to attend: _____

Remarks: _____

CHR - Do you want a thank
you drafted?
Yes DUE DATE
6/15/95

PHOTOCOPY
PRESERVATION

DR ADAM FLEMING
624-9555

CARLOS A. ROMERO-BARCELÓ
PUERTO RICO



☐ WASHINGTON OFFICE
428 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-5401
(202) 225-2615

☐ DISTRICT OFFICES
P.O. BOX 4751
OLD SAN JUAN, PR 00902-4751
(809) 723-6333

☐ P.O. BOX 946
PONCE, PR 00733-0946
(809) 841-3300

Congress of the United States
House of Representatives
Washington, DC 20515-5401

COMMITTEES:
ECONOMIC AND EDUCATIONAL
OPPORTUNITIES

SUBCOMMITTEES:
EARLY CHILDHOOD, YOUTH AND
FAMILIES
WORKFORCE PROTECTIONS

RESOURCES

SUBCOMMITTEES:
NATIONAL PARKS, FORESTS
AND LANDS
NATIVE AMERICAN AND
INSULAR AFFAIRS

June 1, 1995

Hon. Carol H. Rasco
Assistant to the President for Domestic Policy
1600 Pennsylvania Ave., N.W.
Washington D.C. 20500

Dear Ms. Rasco:

Attached for your information is a copy of a letter that I have sent to the President concerning imminent legislation which could have very positive implications for the Nation and its territories.

The letter, and the accompanying attachments, describe changes that if adopted, would achieve substantial savings for the federal government while fostering sensible and efficient economic development in the insular areas.

I am confident that you will find this bold initiative very interesting. Please call me if you have any questions or suggestions. I look forward to your support. Thank you for your attention to this matter.

Sincerely,

Carlos Romero Barceló

Attachments

CARLOS A. ROMERO-BARCELO
PUERTO RICO

WASHINGTON OFFICE.

☐ 428 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-5401
(202) 225-2615

DISTRICT OFFICES:

☐ P.O. BOX 4751
OLD SAN JUAN, PR 00902-4751
(809) 723-6333

☐ P.O. BOX 946
PONCE, PR 00733-0946
(809) 841-3300



Congress of the United States
House of Representatives
Washington, DC 20515-5401

COMMITTEES:
ECONOMIC AND EDUCATIONAL
OPPORTUNITIES

SUBCOMMITTEES
EARLY CHILDHOOD, YOUTH AND
FAMILIES
WORKFORCE PROTECTIONS

RESOURCES

SUBCOMMITTEES:
NATIONAL PARKS, FORESTS
AND LANDS
NATIVE AMERICAN AND
INSULAR AFFAIRS

May 31, 1995

COPY

Hon. William J. Clinton
The White House
Washington, D.C. 20500

Dear Mr. President:

As you continue to make difficult choices and critical decisions during the ongoing budget reconciliation process, I urge you to consider supporting a plan being formulated by Congressman Don Young, Chairman of the House Resources Committee. The bill, which will be introduced this summer as the Territorial Fiscal Equity Act (TFEA), should have very positive implications not only for the over four million American citizens living in the U.S. territories but for the federal treasury as well.

In brief, TFEA would represent net savings of about \$4 billion in the next seven years while opening doors of economic opportunity for the citizens living in the territories. Other estimates indicate savings will be as high as \$9 billion. The thrust of the bill is to offer gradual economic parity in all federal programs in exchange for equal responsibilities through federal taxation. The aim is to fully integrate into the national economy those territorial economies that choose to do so. Such integration would result in the applicability of critical federal programs in the insular areas -- programs which help working and low-income individuals and families, such as the Earned Income Tax Credit and SSI and which would increase purchasing power and demand for goods and services, thereby promoting creation of jobs and stimulating economic opportunity and growth.

Moreover, TFEA would phase-out in an orderly way the costly and inefficient Possessions Tax Credit (Section 936 of the Internal Revenue Code). Sec. 936 has cost American taxpayers over \$70 billion during the last twenty years and its costs will exceed an additional \$20 billion in the next five years. TFEA would substitute the costly dependence and corporate welfare of Sec. 936 and take Puerto Rico and territories out from the foreign investment area status and bring the island territories within the domestic investment area, which will stimulate greater interest to invest in areas which until now have been considered as foreign. Special empowerment zones and a self-sustainable enterprise fund which will truly help with job creation and economic growth in the territories will be included as additional stimulus. I have attached a short summary of TFEA and some talking points pertaining to Puerto Rico which will provide you with further information on this issue.

Hon. William J. Clinton
May 31, 1995

Page 2

You have indicated that economic growth cannot take place without economic justice. This is precisely what TFEA offers. A careful review will show you that this bold initiative is in the best interest of the Nation and the territories; at least as far as Puerto Rico is concerned, where I have no doubt that the change would be very positive for Puerto Rico's economic growth and development. I cannot speak for the other territories, since I am not well enough acquainted with their situation. You must also keep in mind that the changes offered by Congressman Young's Bill are not forced upon the territories, but are merely offered to be accepted or rejected. What could be fairer?

The current socio-economic framework applicable to the territories is indefensible and unfair. Thus, I respectfully conclude with a thought that you have so eloquently used many times before "I cannot support the status quo, neither can you". I fully support Congressman Young's efforts to change the status quo and I will work tirelessly in forging a bipartisan coalition in support of TFEA.

Thank you for your attention to this matter. I hope that your Administration will seriously consider the merits of economic parity for the territories and the positive budgetary implications that TFEA has to offer. I look forward to your support.

With warm regards,

A handwritten signature in cursive script, appearing to read "Carlos".

Carlos Romero Barceló

Attachments

Talking Points with regard to Puerto Rico

• ***Puerto Rico***

- Part of the United States for almost 100 years
- 3.7 million American citizens who value and cherish their citizenship

• ***Current economic trends***

- Widening economic gap (1/3 of the Nation's average per capita income)
- Stagnant economy
- Costly dependence (Sec. 936 corporate tax expenditures)
- Brain drain/mainland migration (over 40,000 people leaving annually)
- Continued chronic unemployment (about 14%, although it is at a 20-year low)
- Declining quality of life
- Losing ground in comparison with the States & even with many areas in the hemisphere
- Growing population & growth trend in poverty rates

• ***Economic relationship predicated on a Reverse Robin Hood theory resulting in***

- Lack of participation in critical federal programs
- Outrageous tax giveaways for multi-million corporations (\$70 billion in the last 20 years) & excessive taxation of the working and middle classes
- Lack of opportunities for working families, the middle class, the poor and the elderly
- Lack of adequate local resources for basic health and human services

• ***Economic "model" that***

- Puts Puerto Rico as a "foreign" investment area
- Discourages venture and risk capital
- Suppresses research & development funding and investments
- Maintains illogical socio-economic policies detrimental to the Island
- Forgoes over \$4.2 billion in annual federal funds
- Constrains personal credit/loans and small business development opportunities
- Perpetuates anti-competitive and inefficient practices in the banking sector
- Requires a mini-bureaucracy within IRS to oversee Sec. 936 activities
- Encourages local and federal tax gimmicks & loopholes
- Gives Sec. 936 companies unfair subsidies that States cannot match
- Encourages "run-away" plants from the mainland

• ***What Puerto Rico offers***

- Abundant skilled and highly trained workforce

- Low manufacturing wages (1/2 of mainland wages)
- Good infrastructure
- Strategic location with key transportation networks to growing markets
- Maritime and air transportation hubs
- Favorable year-round climate
- Stable political environment
- Good schools and universities
- U.S. laws and currency
- Access to National markets

• *New times, beginning of new journey for Puerto Rico*

- Congress and the electorate demand fiscal prudence
- Equal benefits require equal responsibilities, even limited benefits require responsibility
- Federal transfers cannot be taken for granted (over \$9 billion per year + tax credits)

• *Favorable timing for economic parity for Puerto Rico, Congress may offer Puerto Rico:*

- Parity in federal programs in exchange for full federal taxation
- Infrastructure capital grants
- Phase-out of Sec. 936
- Transitional special empowerment zone status
- Enterprise Fund to foster private capital and investments

• *Economic parity means:*

- Opportunities for growth
- Sensible fiscal policy
- Participation in critical federal programs
- Equal responsibilities
- Good business for both: the Nation and Puerto Rico
- Net savings for the Treasury (over \$5 billion/5 yrs. \$9 billion/7 yrs.)
- A spur of economic activity
- Stability and growth for the American citizens of P.R.
- Enhanced purchasing power creating more local and mainland jobs
- Equitable distribution of resources
- Clear and stable business environment for corporations and investors

• *Section 936 companies will not leave because*

- Their tremendous investment in human capital
- Skilled & productive workforce
- Almost \$5 billion in physical plant and equipment
- Over \$11 billion in net profits every year
- Puerto Rico's favorable business climate
- Reasonable federal incentives during transition years

- Adequate local economic development incentives

- ***Political implications***

- The Nation cannot afford to relegate 3.7 million citizens into an economic "ghetto"
- In 1993, 95% of the Island's voters opted for permanent union and parity in federal programs, the territory is not "going to go away"
- Economic parity is status neutral and compatible with current Commonwealth/territorial status, even if the Island remains a territory for an additional century, its fiscal well-being is in the best interest of the Nation (economically & politically)

DRAFT

The U.S. Territorial Fiscal Equity Act A Summary

The U.S. Territorial Fiscal Equity Act (TFEA) is a bill which attempts to address critical fiscal issues affecting the Nation and its territories. TFEA also tackles socio-economic problems in the territories which have been neglected and will continue to be neglected unless structural reform and changes take place.

TFEA responds to the Resources Committee's prerogative to take action on these issues as outlined earlier this year upon the adoption of an oversight agenda for the 104th Congress. The territories -- American Samoa, Guam, the Northern Mariana Islands, Puerto Rico and the U.S. Virgin Islands -- have been recipients of a broad array of some 300 federal assistance programs at a current cost in excess of \$10 billion annually, but without the parallel responsibilities of federal taxation. In addition, the territories, primarily Puerto Rico, receive in excess of \$4 billion annually in cover-overs of excise taxes, custom duties, income taxes, and possessions tax credits (Sec. 936 of the I.R.C.).

Through the TFEA, the aim is to condition future territorial federal assistance and appropriate increases upon the payment of federal income taxes by the citizens living in those areas. In essence, TFEA would do the following:

Address the serious imbalance in revenues and assistance in the federal-territorial relationship giving particular attention to the necessity to balance the budget.

Phase-out in an orderly transition period the costly and inefficient Possessions Tax Credit (Sec. 936) which has cost American taxpayers over \$70 billion in the last 20 years. Sec. 936, a program created in the 1930's, has outlived its usefulness and has been transformed into a costly dependence scheme detrimental for citizens who reside in Puerto Rico, for taxpayers in Puerto Rico and in the 50 states. If left unchanged, Sec. 936 will cost an additional \$19.5 billion in the next five years.

Phase-out all cover-overs and tax rebates currently going to the territories.

Phase-in federal income taxes.

In exchange for:

Gradual parity in critical federal programs which are currently inapplicable or arbitrarily capped in the insular areas. Full participation in the Earned Income Tax Credit program and the Supplemental Security Income program should elevate the standard of living for the working poor and elderly citizens living in the territories. Other programs, as

modified by the 104th Congress, will allow the territories to implement or continue with local plans reforming health care and welfare services by providing uniform rules/flexibility with the appropriate accompanying resources.

Special empowerment zone designations which will foster economic development in a cost effective way. The empowerment zones will facilitate the orderly elimination of Sec. 936 by putting in place appropriate cost-effective incentives for businesses to locate operations in the territories where most needed in terms of unemployment.

The creation of an Enterprise Fund for the Possessions, modeled after successful Congressionally sponsored entities that have fostered private capital investment in Eastern Europe and other areas. The purpose of the Fund is to advance private-led economic development in each territory through measures which include loans, grants, equity investments, technical support, guarantees, insurance and other activities consistent with the Fund's mission. The Funds will be self-sustaining after an initial one-time contribution from Congress.

These measures will not only put the American territories on the road to economic growth, but will also translate into a net revenue for the U.S. Treasury of approximately \$4 billion or more in the next seven years. Please refer to the attached Revenue & Cost Estimates.

The net savings are without a doubt an attractive part of TFEA. However, structural changes contained in TFEA go beyond mere savings as they are designed to reverse current alarming socio-economic trends in many of the territories. For example:

Over four million American citizens reside in the territories. They have been experiencing a widening economic gap between themselves and the citizens in the mainland United States.

There have been prolonged migration flows of citizens from the territories to the mainland seeking economic opportunities, jobs and a better quality of life.

Many insular areas have experienced persistent economic stagnation and chronic unemployment.

The territories' growing population will require consistent economic growth and opportunities which the current fiscal relationship does not provide for or hinders.

TFEA offers the territories a sensible and fair opportunity for eventual "economic parity". The legislation makes optional the important changes herein described and they would not take effect unless the territories decide to pursue the goals of TFEA. Territories opting to take full advantage of TFEA would have to certify to the President that they want to do so. The notion of taxing the territories has ample constitutional precedent and is consistent with the current political relationships between the territories and Washington. TFEA does not deal with political status considerations.

To conclude, TFEA's adoption would achieve the following goals:

- ** make Puerto Rico and other territories part of our national domestic investment area
- ** promote private sector-led economic development
- ** reduce dependence in the territories upon federal fiscal and tax policies which tend to create economic disincentives to full and equal participation of the territories in the U.S. economy
- ** allow greater diversification of the market economic system and expand private enterprise opportunities for U.S. citizens and American-owned businesses in these areas
- ** promote U.S. private investment and international joint ventures in the possessions
- ** encourage recovery and expansion of small businesses, tourism, the agriculture sector and other economic sectors in the territories
- ** provide incentives to large, medium and small U.S. companies to participate in private sector-led economic development in the territories, including those companies which have invested there in the past in order to take advantage of experimental federal tax credit programs whose benefits have been outweighed by market-distortive effects and a federal budget impact no longer bearing a rational relationship to the developmental purpose of such tax credit programs
- ** reduction or elimination of unnecessary tax credits will provide funds for construction and development of necessary infrastructure, which is essential to stimulate further investment in Puerto Rico.

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, DC 20515-5401

PUBLIC DOCUMENT

OFFICIAL BUSINESS

RECEIVED

95 MAY 3 11:17

WHITE HOUSE MAIL
ROOM 43 OEOB

Carlos Romero Barcelo
M.C.

Hon. Carol Rasco
Assistant to the President for Domestic Policy
1600 Pennsylvania Ave., N.W.
Washington D.C. 20500

