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The Amended U.S. Compacts of Free Association with the Federated States of Micronesia and the Republic of the Marshall Islands: Less Free, More Compact

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THE AMENDED U.S. COMPACTS OF FREE ASSOCIATION WITH THE FEDERATED STATES OF MICRONESIA AND THE REPUBLIC OF THE MARSHALL ISLANDS: LESS FREE, MORE COMPACT?

Dr. Robert A. Underwood

INTRODUCTION

The 15-year funding authorization of the Compact of Free Association between the United States and the Republic of the Marshall Islands (RMI) and the Federated States of Micronesia (FSM) expired on September 30, 2001. Under the terms of the agreement, a two-year extension is automatically granted for negotiations. In July 2003, the Bush Administration presented their package to Congress for review and approval. The House Resources and International Relations Committees and the Senate Committee on Energy and Resources have held hearings on the package. In the House, the package has been introduced as HJ Resolution 63 and in the Senate it is S.J. Resolution 16.

On September 30, 2003 all funding will cease unless the package is finalized, signed by the President and approved in both the RMI and FSM in accordance with their own procedures. The U.S. team included both Departments of Interior and State participation and is headed by Al Short of the State Department. FSM Congress Speaker Peter Christian leads the FSM team and the RMI team is headed by Foreign Minister Gerald Zackios. Tentative agreements were signed earlier this year although both the FSM and RMI have since indicated that there were some differences between the packages presented to Congress and the ones they agreed to.

The major issue in the discussions for the U.S. is “accountability” over funds and the development of a new process. The main issue for the FSM and RMI has been the effort

to sustain funding and eligibility for certain programs. For Guam, the Commonwealth of the Northern Marianas (CNMI) and Hawaii, the renegotiations have provided the opportunity to raise the issue of “Compact impact” assistance due to the in-migration of citizens from the two freely associated states (FAS). The incentive to meet the September 30 deadline is enhanced by the anticipated benefits to these three American jurisdictions. Their respective Washington representatives and local governments are working to ensure the timely approval of the Compacts and new levels of assistance for themselves as well as their island neighbors.

The package features a new and stricter process of review and approval for the expenditure of Compact Funds, eligibility for fewer federal programs and perhaps less funding in the long run. The new procedures have led to concerns over the “infringement of FSM sovereignty” (Hezel 2003a, 2003b). The concerns produced a rejoinder by Interior Deputy Assistant Secretary for Insular Affairs David Cohen printed in *Pacific Magazine*. Cohen maintained that charges of “neo-colonialism” are unwarranted (Cohen 2003). Given the new requirements and the constricted access to federal programs, the revised Compacts of Free Association could be characterized as “less free and more compact.”

SECTORAL GRANTS AND COLLECTIVE ACCOUNTABILITY

The prelude to the negotiations was provided by General Accounting Office (GAO) reports in 2000 which referred to the need for “better accountability” in U.S. assistance as well as lack of “impact on economic development” those funds had in the FAS (GAO 2000a, 2000b). The reports drew Congressional and Executive attention to the issue of accountability and resulted in subsidiary accords referred to as the “Fiscal Procedures Agreements” (U.S. Congress, House Committee on International Relations 2003a).

In the division of Executive Branch labor for the FAS, State handles bilateral relationships and Interior handles the funding arrangements. The funds are dispersed via Interior which is also responsible for most direct funding of the territories. There is some

State-Interior overlap and occasional conflict, but in the search for accountability, it fell to Interior to devise a new system. Under the new provisions, Compact funds will be given out in six “sectoral grants.” They are for health, education, public infrastructure, environmental protection, private sector development and public sector capacity building. Cohen maintains, “special emphasis will be given to health and education” (U.S. Congress, House Committee on International Relations 2003a).

Termed “collective accountability” by Cohen (2003), the agreement establishes two bilateral committees, one for each FAS. The five person Joint Economic Management Committees (JEMCO) will have three members from the U.S. and two from the FSM or the RMI respectively. The JEMCO will meet annually to determine whether the “respective countries had complied with U.S. funding terms before the funds were released for the following year” (Hezel 2003b). Department of Interior staff will be hired and based in Hawaii to monitor expenditures, although Cohen maintains that the team “will make frequent monitoring visits to the FSM and RMI and will also review and analyze all of the plans and reports that will be submitted under the Compact” (2003).

Father Francis X. Hezel, Director of the Micronesian Seminar, understands the desire for accountability and observes that most Micronesian leaders support it. However, he says that some Micronesian leaders feel they have been demoted to the status of an “irresponsible teenager” (Hezel 2003a). Hezel argues that they won’t work in the long run because the process is not reflective of a real partnership and will cause resentment toward the U.S. in the end. The process should follow the Asian Development Bank model, which is more collaborative and is mediated by personnel based in the islands who are more coaches than overseers (Hezel 2003b).

The heads of the FSM and RMI teams supported the process to be managed by Interior in Congressional hearings. RMI Foreign Minister Zackios concluded his testimony before the House Resources Committee by fully supporting the Fiscal Procedures (U.S. Congress, House Committee on Resources 2003e). Senator Christian was even more effusive, stating that the FSM welcomes the new accountability and oversight

requirements. He even maintains that the FSM first proposed the notion of a “joint committee and that the JEMCO will provide a “mechanism for constructive, consultative and consistent dialogue that was missing in the past” (U.S. Congress, House Committee on Resources 2003a).

Congress, in particular the House International Relations Committee, had indicated its strong interest in this topic. In the mark up of the package, Jim Leach, Asian Pacific Subcommittee Chair, noted that the passage of time revealed deficiencies, “particularly concerning management of funds, planning and oversight.” Leach credits previous subcommittee chair, Doug Bereuter with the impetus to “completely redesign the way compact funds are used” (U.S. Congress, House Committee on International Relations 2003c). The International Relations Committee had been the primary force in requesting the several GAO reports on the implementation and value of the Compacts.

COMPACT FUNDS AND TRUST FUNDS

The entire Compact is not under renegotiation, only the funding provisions of Title II and some miscellaneous provisions. The original document in 1986 combined the FSM and RMI into one Compact of Free Association. The package before Congress now separates the original agreement into two and it may appear that the entire Compact has been renegotiated. For the FSM and the RMI, the funding provisions are the key to the whole matter. Their economic viability is at stake and it is the generosity of the assistance that distinguishes them from other small independent Pacific island nations.

The Compact, as amended (referred to as Compact II), provides for continued economic assistance from fiscal year 2004 through 2023. The bulk of assistance will be given in sectoral grants or Compact funds. The FSM will receive \$76.7 million and the RMI will receive \$30.5 million annually. A trust fund for each nation is established in the amount of \$16 million for the FSM and \$7 million for the RMI. Beginning in fiscal year 2007, the FSM Compact funds will decrease by \$800,000 annually and the amounts will be placed in the trust fund. For the RMI, this process begins in Fiscal year 2005 with annual

decreases of \$500,000 (U.S. Congress, House Committee on International Relations 2003d).

The trust fund concept is based upon an initial contribution by the FSM of \$30 million and \$25 million by the RMI to their own respective funds. The built-in “decrements” are supposed to result in a trust fund that will be an ongoing source of revenue that will take the place of Compact funds when the sectoral grants end in FY 2023. The initial experience with “step downs” in five-year increments during the first 15 years of the Compact I have officials in the FSM and RMI nervous about the approach, although the “decrements” in Compact II are gradual.

For the RMI and the FSM, the actual funding is the key to the Compacts. The American preoccupation with the “accountability” is understandable but of little concern to the negotiators who have spent little time discussing them in public or in their testimonies before Congress. They have raised serious concerns about the nature of the trust fund. Both Pacific nations maintain that the proposed trust fund, which are only partially adjusted for inflation (two-thirds of the implicit price deflator), will never reach the amounts necessary to substitute for the sectoral grants.

For the RMI, the number one pending issue before Congress is the “full inflation adjustment for Compact funds so that the grant assistance and compensation does not lose real value.” Zackios charges that the U.S. inflation policy is inconsistent with its stated commitment to “achieving economic advancement and budgetary self-reliance” (U.S. Congress, House Committee on Resources 2003e). The FSM emphasis is less on full inflation and, instead relies on fuller funding of Compact funds. Christian maintains that if an additional \$7 million is given in the FY 2004, many issues will be resolved. They also seek full inflation, but a more robust initial package is their main concern. Christian’s frustration is evident in his testimony when he charges that the U.S. assistance package was “the result of a political decision rather than being based on sound and responsible economic analysis” (U.S. Congress, House Committee on Resources 2003a).

The U.S. team has offered no specific defense of either the initial Compact Fund package or partial inflation adjustment plan before Congress. Privately, some negotiators have indicated that this is the top line provided within the Bush Administration and that the two-thirds inflation adjustment is the same that has been in practice from previous years. Holding the line on the inflation adjustment plan appears to be very important to the Administration. In its testimony before the House Resources Committee, the GAO acknowledges that the trust fund will not fully replace the expiring grant funds. Even at a 6% rate of return, the FSM fund will start being depleted as early as 2024 and the RMI in the year 2040 (U.S. Congress, House Committee on Resources 2003d). Christian warns that unless Congress deals with certain provisions of the Bush Administration's proposal, "these problems hold the potential to unravel the carefully-woven fabric of the Compact package" (U.S. Congress, House Committee on Resources 2003a).

CONTINUING ELIGIBILITY FOR FEDERAL PROGRAMS

The second major concern for the RMI and the FSM is continuing access to key programs extended in Compact I and continuing eligibility for certain education programs. Key amongst these are participation in FEMA Disaster programs, Pell Grants for postsecondary education, Head Start, special education, select K-12 programs and access to key economic programs. The decision on the ultimate fate of participation in these programs has been left up to Congress. Fortunately for the RMI and FSM, key leaders like Senator Daniel Akaka of Hawaii have strongly recommended FAS participation in on-going education and health programs (Akaka 2003).

The U.S. currently provides services apart from Compact Funds. These include assistance by the U.S. Weather Service, Federal Aviation Administration, and the Postal Service and, up to now, FEMA. Continuing disaster assistance is crucial in the Pacific, particularly for the FSM, parts of which are in the "typhoon belt." Christian notes that unless the Congress reinstates FEMA eligibility, the "statistical certainty" of storms and natural disasters will "irreparably damage the social and economic infrastructure upon which our nation's growth prospects rely" (U.S. Congress, House Committee on

Resources 2003a). FEMA reportedly wants to get out of the disaster-business entirely and the U.S. is instead offering a disaster trust fund, which both FAS countries know, could be wiped out with one major disaster event. The U.S. offered the services of the U.S. Agency for International Development, Office of Foreign Disaster Assistance.

The matter of eligibility for “domestic programs,” particularly in education is even more problematic. The U.S. House of Representatives has already moved to eliminate FAS participation in Head Start and special education. Moreover, Pell Grant eligibility is set to expire in 2004. The methodical elimination from participation in these programs have been linked to Compact Funding. Short has expended significant effort in explaining to Congress that it is Congress’ prerogative to extend eligibility and that the Bush Administration does not take the position that Compact Funds necessarily take the place of domestic programs (U.S. Congress, House Committee on Resources 2003e).

Both the RMI and FSM have emphasized continuing participation in Head Start, IDEA, Head Start, Bilingual, Vocational and some No Child Left Behind Act programs. The community colleges will close down in the two nations without the Pell Grants and the next generation of leaders will lack the resources to attend postsecondary education. Since the House has spoken on some of the programs, the FAS are relying on the Senate to ensure continuing eligibility for these programs. The House Resources Committee recently approved Pell Grants for the life of the Compact II and a “cash out” provision for the remaining programs.

There is also some concern expressed about the eligibility for some “compensatory economic programs” from the Department of Labor, Small Business Administration, Economic Development Administration and Rural Utilities Service. Both Zackios and Christian report that the U.S. team, without their knowledge, changed “shall be made available” to “authorized to be made available” in the so-called technical changes submitted to Congress. They are both requesting the restoration of the original language and mildly protesting the “downgrading” (U.S. Congress, House Committee on Resources 2003a, 2003e).

THE RIGHT TO FREELY MIGRATE AND RELATED COSTS

Perhaps the most valued “right” or “privilege” extended by the Compact is the right of citizens from the FAS to migrate to the United States and its territories. The official status of the migrants under U.S. law is “habitual residents.” They are not immigrants and they are not citizens. The original purpose of this free access was to provide the opportunity to seek educational opportunity and to be allowed to work with a minimum of interference. It is the most jealously guarded right of the Compacts and has been the source of some disagreements between the U.S. negotiators seeking to tighten up the process as a result of problems with the sale of passports and post September 11 security concerns.

The result has been an out migration of nearly 20,000 Micronesians, primarily to Guam, Hawaii and the CNMI. The numbers and the Congressional commitment to “cover the costs” of the affected areas which result from “any increased demands placed on educational and social services by immigrants from the Marshall Islands and the Federated States of Micronesia” have made Compact impact assistance a major issue in the Compact II negotiations for Guam and Hawaii (Levin 2003). The right of Micronesians to migrate freely and the effort to collect reimbursements from the federal government have been amongst the most discussed issues related to the Compacts.

FSM lead negotiator Christian has been strong in expressing the FSM’s disappointment over unilateral changes made in immigration procedures by the U.S. in the package presented to the U.S. Congress. Passports will now be required for entry into the U.S., a provision supported by all three countries. But the U.S. has insisted on developing a machine-readable passport scheme and has identified Compact Funds (without FSM concurrence) as the funding source. In addition, the FAS is given one year to develop a more effective immigrant screening system or face the possibility of withholding Compact Funds. Christian terms this “punitive provision” as “unnecessary and unjustified” (U.S. Congress, House Committee on Resources 2003a).

Short articulates the Bush Administration concerns as being related to homeland security matters, child adoption without immigrant visas, the sale of passports and the need to limit the Compact entry privileges of FAS naturalized citizens. He makes no mention of the unilateral decision to use Compact Funds or the punitive provisions (U.S. Congress, House Committee on Resources 2003c). The RMI has been relatively silent on the issue. The RMI has sold passports to foreign citizens in the past and the adoption of Marshallese children has been common.

Elected leaders from Guam, Hawaii and the CNMI have been anything but quiet about Compact Impact Assistance. The issue has become part of the internal political debate in Guam for several elections and has been garnering attention by CNMI and Hawaii officials in the past two years during the conduct of Compact II negotiations. In the past decade, Guam has received \$45 million in Compact impact assistance while Hawaii has received \$5 million and the CNMI has received less than \$2 million. Guam has been the most active in pursuing the issue and still maintains that an additional \$150 is owed Guam (Dumat-ol Daleno 2003 and U.S. Congress, House Committee on Resources 2003b). Guam officials met with both outgoing Clinton negotiators and the incoming Bush transition team to ensure that impact aid be part of the negotiation process.

Both Short and Cohen have responded by making an annual \$15million mandatory funding as a contribution to the affected U.S. jurisdictions to “mitigate the impact of migration” (U.S. Congress, House Committee on International Relations 2003a). This amount would be divided between the four authorized jurisdictions (includes American Samoa where almost no migrants have gone) on a pro-rata basis. Hawaii and Guam Congressional representatives have indicated that they will raise the amount to \$35 million annually and will attempt to make the migrants eligible for Medicaid and food stamps (DePledge 2003). Guam Delegate Madeline Bordallo has introduced a bill to authorize a debt swap plan between Guam’s debts to federal agencies and unpaid Compact impact assistance (Dumat-ol Daleno 2003). The bill has been opposed by the Bush Administration, but could be included in the final package approved by Congress. It was included the House Resources mark-up of the legislation on September 4, 2003.

Compact impact assistance has increased attention to Compact II and has generated important allies for the FAS in the Hawaii, Guam and American Samoa congressional delegations. The bilateral negotiations have taken on a three-tiered approach with the successful effort to tie Compact II to impact assistance. If the funding levels for U.S. jurisdictions reach higher levels, there may even be interest from mainland states. Sizeable communities of habitual residents already exist in California, Arkansas and Oregon.

Despite the increased political rhetoric on the impact of Micronesian migrants, the flow to Guam and the CNMI may actually be in decline. The ease of travel between Saipan, Guam and the FAS has allowed for a return home. Economic woes in the CNMI and Guam have reduced the need for unskilled jobs. For the FAS, the right to migrate is an important safety valve. Researchers working on a study by the Bureau of the Census and the Department of Interior note, “Far from being a ‘brain drain,’ emigration is an escape valve for excess bodies in the labor pool – that is, those who would be unemployable at home” (Levin 2003). This safety valve needs to be protected for the economic well being of the FAS. It will be protected as long as the surrounding U.S. jurisdictions are compensated for additional costs.

RMI CONTROVERSIES AND FSM ACCEPTANCE

The RMI and FSM have parallel approaches and interests in the successful completion of the Compact II package. For most of the issues pertaining to Compact Funds and eligibility for federal programs, the differences between the two nations were negligible. RMI and FSM were initially linked in the first Compact in 1986, but the complexities of nuclear testing claims and the use of Kwajalein have made the RMI –US negotiations take on greater complexity and more intense controversy.

The RMI and the U.S. have agreed to a long-term extension of the Military Use and Operating Rights Agreement (MUROA) for the use of missile defense site in Kwajalein

for 50 years from its expiration date in 2016. This will take the lease to 2066 with a U.S. option to extend it yet another 20 years. In return a new series of Kwajalein payments will begin in 2004 at \$15 million per year (currently, it is \$11.3) until 2014 when it increases to \$18 million. A current grant of \$1.9 million in Kwajalein impact money will continue and will be adjusted for inflation at the two-thirds rate specified for other Compact-related programs (U.S. Congress, House Committee on International Relations 2003d). Since the U.S. has the right to terminate the lease with a seven-year notice anytime after 2023, the RMI has proposed the establishment of a Kwajalein landowner trust fund capitalized at \$20 million. The case is being made directly to Congress by RMI negotiators. (Zackios, July 10, 2003) Even without the trust fund, the entire package could go over \$2 billion if all lease options to 2086 are exercised.

The Kwajalein landowners are unhappy with the entire arrangement. They have sought a separate negotiating presence in Washington D.C. without success. Under RMI law, land cannot be leased without the authorization of the landowners and this leaves the RMI Government with an agreement to lease land that they cannot fully control. A new Land Use Agreement (LUA) must be forged between the RMI and the Kwajalein landowners. Michael Kabua, the *Irooj* (traditional chief) for Kwajalein insists that the rent be \$19.1 million per year and that they are not interested in killing the Compact only delaying it (Johnson 2003). National elections will be held in November 2003 and the public reaction to the terms of the Compact II arrangements will be a campaign issue. Various scenarios are already being contemplated on how to handle the payments if an LUA is not arranged for on a timely basis.

The Kwajalein landowners joined with representatives of the four atolls affected by nuclear testing to protest their treatment in the Compact II package. The protest at the Marshall Islands Nitijela (parliament) is unusual for the peaceful and normally reticent Marshallese. The so-called “Buck Stops Here Rally” joined together unhappy landowners and “nuclear atoll” residents who were not given the opportunity to submit a “changed circumstances” petition within the Compact II framework (Rowa 2003). The atolls are allowed to submit a request for a new compensation package with new evidence. To date,

the changed circumstances petition has not been formally reviewed in Washington. In the last Congress, the Chairs and Ranking Members of the House and Senate Committees of jurisdiction did ask for the Administration's review of the petition.

In the FSM, there is no comparable controversy. There are discordant voices in the internal processes for approval. Three of the four state legislatures need to approve the Compact II package. It is anticipated that Chuuk State will reject the package. They have over 50% of the population but get less than 50% of the funding. The remaining states will likely support the new arrangement.

US INTERESTS, DEFENSE AND SECURITY MATTERS

U.S. strategic and defense interests in the Micronesian region are extensive, long-standing and under gird the entire Compact relationship. Originally, the region was the only "strategic" Trust Territory in the United Nations system. This allowed the U.S. to station military troops, carry out clandestine activities in Saipan and conduct nuclear testing in the Marshall Islands. For years, U.S. policy towards the region was guided by the need for favorable governments in the area and the possibility of military activities in the Northern Marianas and Palau.

The best defense for Compact II remains arguments about American defense interests in the region. They are the most compelling, they resonate well in Congress, remind policy makers about the origins of the relationship in World War II and facilitate the flow of funds like no reference to economic self-sufficiency or the friendship of the Micronesian people could ever do.

In Compact I, the key strategic concepts were "strategic denial" for the FSM and access to the Kwajalein for the RMI. Under strategic denial, the U.S. was able to deny third country access to the FAS and exercise a "defense veto." This was explained as reserving millions of square miles of Pacific Ocean for American interests. A GAO study released in 2002 concluded that the value of "strategic denial" was "overstated" and irrelevant in

today's environment, meaning the post-Cold War era. The only compelling U.S. defense or security interest is continued access to Kwajalein (GAO 2002).

The flurry of activity over Kwajalein in Compact II and the request for a potential extension of access until the year 2086 verifies the strong strategic value of Kwajalein. Its role in missile testing for anti-ballistic missile programs is essential. It is simply not replaceable. But recent statements by Defense officials have also indicated a renewed interest in the strategic value of the remainder of the region. The post September 11 environment concerns over homeland security and the transformation of U.S. military forces have created a new buzz about Micronesia, which is at variance with GAO's assessment.

In written testimony before the House Resources Committee in 2002, Peter Brooks, Deputy Assistant Secretary of Defense for Asian and Pacific Affairs at the time, outlined the strategic value of the region including the possibility of increasing military presence in the region. While most of this is to be housed in Guam, Brooks did indicate that the FAS could be considered as candidates for U.S. access, basing or operations (U.S. Congress, House Committee on Resources 2002). Current Deputy Assistant Secretary of Defense for Asian and Pacific Affairs Richard Lawless, in front of the International Relations Committee, provided a stronger hint when he declared that American military ability and flexibility "will depend on access, which the Compact provides" (U.S. Congress, House Committee on International Relations 2003b). In recent months, the island of Ulithi in Yap State, FSM has been discussed as a possible anchorage for prepositioned supply ships or even surface combatants.

Nearly all introductory or summary statements about the value of the Compacts will reference the beginning of the relationship in the battles of World War II or the strategic importance during the Cold War and the continuing strategic importance today. In front of the House Resources Committee, Short argued that the original Compact protected "U.S. security, maritime and commercial interests in the Pacific by assuming defense responsibilities for vast sea and air space of the Freely Associated States (FAS) including

Palau – and by ensuring access to important defense sites operated by the Department of Defense on Kwajalein Atoll in the Marshall Islands” (U.S. Congress, House Committee on Resources 2003c).

Chairman Jim Leach summarized the strong bonds well when he remarked at the mark up of the Compact on July 18, 2003; “It is my strong view that the interests of the peoples of the U.S. and these Pacific islands have been well-served by the Compact. Our former trust territories have emerged as sovereign democracies; America’s strategic interests in the Western Pacific have been protected; and the bonds of friendship forged during World War II have only strengthened with the passage of time” (U.S. Congress, House Committee on International Relations 2003c). There is a special relationship that will likely carry Compact II successfully through the Congressional maze and to the President’s desk. Beyond that, the special relationship must have strong strategic value for the United States to be sustained.

CONCLUSION

The last chapter for this particular set of negotiations is being written in Washington D.C., but not entirely. There is still avid discussion about Compact impact aid in Guam, Hawaii and the CNMI. There is still the process of approval that must occur in the sovereign entities of the FSM and the RMI. The RMI has experienced demonstrations at the Nitijela by Kwajalein landowners dissatisfied with the arrangement. In the FSM, three of the four state legislatures must first approve the document as well as the FSM Congress. It is expected that the Chuuk State Legislature will not approve the document since the Chuukese continue to feel frustrated about their share from Compact funds.

But the action remains in Washington D.C. where every “island hand” is being called upon to help the Micronesians one more time on a bipartisan basis. Congressional staffers are working feverishly to meet the deadline or perhaps get a continuing resolution that would provide funding at the new levels until the Compacts complete the process. The fate of the trust funds under this possibility remains unclear. The Hawaii and Guam

delegations are devoting significant energy in anticipation of immediate financial rewards for their respective districts. In order to ensure the economic viability of the FAS states, all must work quickly.

One of the old hands called upon to support the Compacts is Fred Zeder, the Reagan Administration's negotiator for the first Compact. In supporting the negotiated Compacts, Fred Zeder wrote that free association "is not some screwy scheme of commingled nationality or neocolonial entanglement" (Zeder 2003). This is not entirely true.

Nationality may not be commingled, but the funding of a large part of the national budgets is co-managed. There may not be "neocolonial" entangling, but there is an entanglement that clearly has no end in sight. The budgetary support provided by the Compact Funds is overwhelming, the strategic need for the region may be in the ascendancy and concerns over "accountability" have created new procedures that may lead to more efficiency, but also increased resentment.

Some observers see this as a form of "recolonization" and that steps are being taken to ensure continued U.S. involvement. This includes the creation of the Trust Fund and the acceptance of Micronesians into U.S. areas with a minimum of difficulty. But all of these are compromises and the product of negotiations in which the Micronesians themselves are avid participants. The fundamental issue remains. Is there an end in sight for specific Compacts of Free Association?

The ostensible aim of the creation of the trust fund and the level of economic assistance is to bring about true self-sufficiency. The U.S. is supposed to exit gracefully in 20 years as a result of the plans that are put in place today. After that, there will be no need for another Compact fund agreement. The main issue is whether economic self-sufficiency is really possible or do we continue to kick the can down the road for another generation to yet kick it some more. A twenty-year plan for an exit strategy seems like a very long time.

The reality is that the U.S. needs Micronesia and the Marshall Islands for strategic reasons. The human reality is that the Micronesian people are bound to the U.S. for historical and geographical reasons. They no longer reside in the Pacific Ocean that is an American lake. But the Micronesian Region remains a huge American lagoon with Guam and CNMI in the middle and Hawaii on the periphery. As a people and as governments, Micronesians remain as much a domestic as a foreign policy concern. Given these hybrid realities and real entanglements, economic self-sufficiency will remain elusive but not because the governments and economies failed.

It will be because the benchmarks for success themselves will continue to be entangled between American and Micronesian standards and expectations. Migration in both directions and thousands of new U.S. citizens with Micronesian faces will ensure that the entanglement, the assistance and the relationship will continue. There will be a Compact III. It will last at least as long as the Kwajalein lease option and that is a lot longer than 20 years.

The next group of negotiators are probably just finishing college or high school. Some will join the U.S. military and go back home and others will have attended a university in Guam or Hawaii. They will be meeting in Honolulu, Majuro, Pohnpei and Washington to discuss the “mistakes” of JEMCO and the “errors” of economic forecasting for the Trust Fund. They will correct them at that time. That Compact of Free Association will be more free, but it will still be more compact.

In the meantime, Washington policy makers will still grapple with the issues of adequate funding and accountability. Are the funding and the available programs sufficient to keep the FAS countries afloat for the next twenty years? Is the accountability system that will be managed by the Department of Interior stringent enough to keep Congress satisfied while not creating resentment in the islands? The Congress will not likely change the accountability system, but it will come up for discussion over the next few years if it creates serious blockages in the authorization and expenditure of Compact Funds. On the other hand, Congress must do something about the funding and access to federal

programs. Without adequate funding of the trust fund and access to federal programs, the countries will cease to function as viable governments. There will be widespread out migration and the pressures on Guam, the CNMI, Hawaii and the U.S. mainland will increase. The direct relationship between the Compact impact assistance issue and the adequacy of Compact funding will become apparent to everyone in Washington.

The fundamental question about U.S. interests in the region remains to be answered. Defense expressions of interest in the region continue to rise, but it is unclear whether this is the kind of discussion that is meant to bolster the value of Compact II or if in fact the islands are becoming more valuable from a strategic point of view. Kwajalein is certainly critical and Guam will become a forward hub for U.S. forces in the Asian Pacific Region. The role of the FAS countries in future strategic planning remains open and is largely dependent upon the overall state of security in relationship to Korea, China and Southeast Asia.

It would be tempting to say that the historical relationship will be sufficient to sustain a special relationship. The experience with the Philippines in the last decade demonstrates that friendship must have a broader purpose. There is a special relationship between the United States and the FAS states. There is an American obligation to help the two countries become economically viable and strong democracies. But that obligation must have additional advantages for the United States beyond a sense of history and goodwill.

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