

*Kris Morris*

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D12

OFFICE FOR MICRONESIAN STATUS NEGOTIATIONS  
WASHINGTON, D.C. 20240

May 16, 1984

MEMORANDUM

TO: Defense - OSD/ISA - D.Asst. Sec. James Kelly  
JCS - COMO Jack N. Darby  
State - EAP - Ambassador Wm. Brown  
Interior - TIA - Asst. Sec. Richard Montoya  
Justice - Asst. Secretary Robert Shanks  
Energy - Asst. Secretary James U. DeFrancis

FROM: OMSN - Fred M. Zeder

SUBJECT: Senate Hearing, May 24, 1984

The Senate Energy and Natural Resources Committee has scheduled its hearing on the Compact of Free Association for Thursday, May 24, 1984 at 10:00 am. The attached correspondence to the President from the Committee outlines the scope of the hearing. I will be the lead Administration witness and request that action addressees be present during the time we are presenting the Administration position on the Compact and responding to Senate questions.

I understand this will be the only Senate hearing on the Compact and, therefore, it is imperative that we present the Administration's views on the Compact to this forum in a positive and coordinated fashion. Following the Administration, the Committee will hear from Presidents Nakayama and Kabua, of the Federated States of Micronesia (FSM) and the Marshall Islands respectively, and then will turn to individuals and groups with interests in the Trust Territory.

The hearing will commence at 10:00 and I expect it to go on for most of the day. I hope you could plan to be present during the period allotted to the Administration. If you could arrange to have a staff member present for the remainder of the day to answer any further questions which may arise, I would appreciate it.

Attached is a copy of my proposed statement which is designed to cover all aspects of the Free Association relationship with the FSM and the Marshalls. Our discussions with Committee staff indicate that mine will be the only required statement but you can make a statement on behalf of your Department if you desire. I understand that the Committee will provide us with questions in advance and I will share them with you and your staff so we can develop responses prior to the hearing.

DOE, John Rudolph's files, box

Info:

Defense - Mr. P. Barringer  
LTC. D. Lane

State - C - Mr. Derwinski (Ms. Derse)  
EAP/PIA -Mr. Dols

Justice - Mr. H. Marcuse

Energy - Mr. D. Bevans

OMB - Mr. D. Allen

NSC - Mr. D. Laux

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WASHINGTON, D.C. 20510  
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# United States Senate

COMMITTEE ON  
ENERGY AND NATURAL RESOURCES  
WASHINGTON, D.C. 20510

May 2, 1984

The President  
The White House  
Washington, D.C. 20500

Dear Mr. President:

The Committee on Energy and Natural Resources has scheduled a hearing to consider S.J.Res. 286, a joint resolution to approve the "Compact of Free Association", and for other purposes. The hearing will be held on Thursday, May 24, 1984 at 10:00 a.m. in Room SD-366 of the Dirksen Senate Office Building. Please advise me of the names of the witnesses who will represent the Administration at this hearing.

Witnesses should furnish the Committee with 20 copies of their testimony by noon on May 23, and an additional 100 copies by 8:30 a.m. on the day of the hearing. If the witnesses have any questions regarding this request, they can contact either James P. Beirne, Counsel, or Becky Barbour, at 224-2564.

Sincerely,



James A. McClure  
Chairman

JAM:jbbs

**STATEMENT OF THE HONORABLE FRED M ZEDER II**  
**Ambassador and President Reagan's Personal Representative**  
**to conduct Negotiations on the Future Political Status**  
**of the Trust Territory of the Pacific Islands**

The negotiations between the Government of the United States and the peoples of the TTPI trace their origin to a first round of talks which commenced in Washington, D.C. on September 30, 1969. The overall question of the future status of the Trust Territory has been pending since the establishment of the trusteeship in 1947. Thus, the Compact of Free Association marks the culmination of a 37-year process through which the peoples of the TTPI have achieved ever-increasing levels of self-government and gradually begun to chart their own political destiny. This process has been consistent with United States objectives to establish stable democratic institutions in the TTPI and to carry out our obligation under the trusteeship to promote self-government for its peoples. The commitment of the United States to these objectives and our success in supporting their achievement is demonstrated in part by the fact that the final phases of the negotiations were conducted by representatives of the constitutional governments which have been established within the Trust Territory in recent years. Direct approval of the Compact by the peoples of the Federated States of Micronesia and the Republic of the Marshall Islands in United Nations-observed plebiscites and by their Governments in accordance with their constitutional processes further indicates the degree of democratic self-determination that the United States has fostered in fulfillment of our trusteeship obligations and along the lines of our own national traditions.

The conclusion of the negotiations and the Compact of Free Association also mark the culmination of the efforts of the Reagan Administration and every administration since 1969 to establish the legal and political basis for termination of the Trusteeship Agreement. Our goal is to accomplish this as soon as practicable after Congressional approval of the Compact.

This Administration has organized itself for the political status negotiations in the same fashion as its three predecessor Administrations. When the negotiations commenced during the first year of the Nixon Administration, the Department of the Interior, which since 1951 has had the responsibility for administration of civil government in the TTPI, took the lead role. This was a natural outgrowth of several then concurrent and preceding initiatives including the creation of the Congress of Micronesia in 1965 and Interior's assistance to that Congress and its commissions in their study of political status alternatives. In 1971, President Nixon instructed that negotiations would thenceforth be conducted by a special representative who would report to the President through the National Security Council. An interagency Office for Micronesian Status Negotiations was created and was staffed and supported by the Departments of State

and Defense, with Interior providing administrative support. Policy formulation for the negotiations and oversight was provided by a policy level committee of the NSC composed of the undersecretaries of the Departments of State, Defense and Interior and other departments whose organizational interests were affected. The President's Personal Representative, from the date of creation of that office to the present, derives his negotiating authority and limits from directives issued by the President personally on advice of the NSC and the Micronesia Interagency Group. This and previous administrations have found this organizational structure to be unusually flexible and durable, primarily due to its reliance on the active interest and involvement of several federal agencies.

The Compact of Free Association is, in the view of the Administration, fair and equitable to the peoples of the future freely associated states of the Marshall Islands and the Federated States of Micronesia and fully preserves United States interests in this area of the world. We further believe that this Compact:

- Reflects the aspirations and interests of the peoples of the Marshall Islands and the Federated States of Micronesia;
- Enhances the prospects for economic growth and self-sufficiency in the freely associated states;
- Insures the protection of U.S. strategic interests;
- Fulfills our obligations under the Trusteeship Agreement with the United Nations Security Council;
- Continues and builds upon long-lasting bonds of friendship and cooperation between the United States and the peoples of the Marshall Islands and the Federated States of Micronesia; and
- Contributes to the maintenance of a stable political and economic environment in the Pacific region.

As you are aware, the Compact of Free Association represents the second step in the negotiations with the peoples of the Trust Territory. The negotiations between the United States and the Northern Mariana Islands which commenced in 1972 culminated in the signing of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America on February 15, 1975. The Covenant was subsequently approved by the Northern Mariana Islands District Legislature and by the people of the Northern Mariana Islands. The United States Congress approved the Covenant by joint resolution, and it was enacted into law on March 24, 1976. Thereafter, the United States concurred, as was required in the Covenant, that The Constitution of the Northern Mariana Islands and the Covenant came into effect on January 9, 1978, though certain provisions of the Covenant will become fully operational only upon termination of the Trusteeship. Until the Trusteeship

Agreement is terminated, however, the Commonwealth of the Northern Mariana Islands remains a part of the Trust Territory of the Pacific Islands subject to the provisions of the Trusteeship Agreement, although administered by its own elected government separately from the rest of the Trust Territory. Upon termination of the Trusteeship United States sovereignty will extend to the Northern Mariana Islands.

The third and final step in the negotiations with the peoples of the Trust Territory will be the approval of an arrangement for the future political status of Palau, the remaining political jurisdiction of the Trust Territory. Representatives of Palau have participated in the political status negotiations with their colleagues from the Marshall Islands and the Federated States of Micronesia since 1969. On August 26, 1982, I signed the Compact of Free Association with Palau's chief negotiator, Ambassador Lazarus Salii. On February 10, 1983, in a United Nations-observed plebiscite, the people of Palau approved free association with the United States, as set forth in the Compact of Free Association by a margin of 62.1%. In that plebiscite, the people of Palau also voted on a referendum question which would have reconciled the provisions of Section 3 of Article II of the Palau constitution with certain of the defense and security provisions of the Compact. Reconciliation under the terms of the Palau constitution required approval of the question by not less than 75% of those voting, but this requirement was not met by the 52.3% approval margin on the referendum question. These results, and their interpretation by the Palau Supreme Court, have prevented the Government of Palau from approving the Compact in accordance with its constitutional processes.

The Administration is continuing its discussions with Palau and we have stated our willingness to continue to explore methods for the effective legal and political reconciliation of the Compact and the Palau Constitution as well as our traditional willingness to explore different future political status alternatives, including United States territorial status or independence on mutually acceptable terms. In the meantime, the Administration is requesting Congress to approve the Compact for the Marshall Islands and the Federated States of Micronesia now, in advance of completion of the Palau negotiations, in the same way it approved the Northern Mariana Islands Commonwealth Covenant in advance of completion of negotiations with the other Trust Territory districts. This will elevate all completed future political status agreements to the status of United States law and move us closer to our goal of termination of the Trusteeship Agreement.

The negotiations for the Compact of Free Association were begun following a 1971 American-Micronesian agreement to proceed with discussions based on four fundamental principles which were to define the bounds of the new relationship. In brief, the Compact envisions the termination by the United States of its role as Administering Authority over the TTPI. It recognizes that the freely associated state governments will enjoy authority

and responsibility over their internal and foreign affairs. This foreign affairs and domestic authority will be limited, however, by the United States' retention of full authority and responsibility for security and defense matters. The governments of the freely associated states will consult with the United States in the exercise of their foreign affairs authority and will refrain from actions which the United States determines to be incompatible with its security and defense authority. The United States will provide grant aid assistance and will continue to make available certain domestic services, such as weather forecasting, aviation safety and postal delivery. The United States and each of the freely associated states will have the power to terminate the political relationship unilaterally after a plebiscite similar to the one required for the approval for the association. In the case of termination before the fifteenth anniversary of the Compact's effective date, United States authority for defense and security matters and United States economic assistance will continue for their original fifteen year terms.

The issues addressed in the Compact can best be analyzed in light of the historical, political and legal setting in which the negotiations took place. In this analysis, I will also identify and discuss the development of United States negotiating objectives.

### The Strategic Trust

The Trust Territory of the Pacific Islands is the only remaining trusteeship of the eleven originally created by the United Nations. The TTPI is the only area to have been designated as a strategic trusteeship pursuant to Article 82 of the United Nations Charter. As administrator of a strategic trust, the United States is permitted great latitude in defense and security matters and is responsible to the Security Council rather than to the General Assembly, which exercised the United Nations authority over the other ten trusteeships.

The TTPI was established from the former Japanese-mandated islands by the Trusteeship Agreement, approved by the United Nations Security Council on April 2, 1947, and by the United States on July 18, 1947 (61 STAT. 397). The Trusteeship Agreement itself was formulated in furtherance of the principles expressed in the Atlantic Charter (1941), the Cairo Declaration (1943) and the United Nations Charter (1945). President Truman's acceptance, on the basis of specific Congressional authorization, of the Strategic Trusteeship Agreement constituted acceptance by the United States of the United Nations trusteeship system as the international legal regime for the disposition of areas detached from enemies of the World War II allies and of those areas formerly under League of Nations mandate. Consistent with United States' rejection of territorial aggrandizement as the result of war, the United States acknowledged that the designation of a nation as administering authority of a trusteeship precluded any claim of sovereignty over the trusteeship area. In the specific

case of the TTPI, special provision was made in the U.N. Charter and in the Trusteeship Agreement to ensure that the security interests of the United States in the islands, including the strategic U.S. military position which was established at the end of the conflict, would be preserved and safeguarded. In addition, the Trusteeship Agreement enabled the United States to apply its laws to the TTPI. These fundamental and controlling legal principles of trusteeship authority and administration are clearly established in the legislative history of the Trusteeship Agreement, the record of the foreign policy process leading to its approval, the records of the Congress and the President in the administration of the trusteeship and in numerous Federal judicial decisions interpreting the United Nations agreement.

The obligations of the United States Government, as Administering Authority for the TTPI, are set forth in the Trusteeship Agreement. In accordance with Articles 76(a) and 84 of the Charter, the Trusteeship Agreement recognizes that the Trust Territory has a role in the maintenance of international peace and security. To implement this goal, Article 5 of the Trusteeship Agreement allows the United States to establish military bases and to station armed forces within the territory. Additionally, the United States has the right, pursuant to Article 13 of the Trusteeship Agreement, to close off any part of the territory for security reasons. The United States, on a few occasions in the 1940's and 1950's, has exercised those rights. We now maintain control, pursuant also to lease and use agreements, over all air and sea movement into and out of Kwajalein Atoll in the Marshall Islands where test facilities for our Pacific missile range are situated.

The Trusteeship Agreement requires that the United States exercise its authority under the United Nations Charter and the Agreement in a manner consistent with the obligations assumed therein by the United States, and sets forth four major goals for the United States to pursue in the Trust Territory:

-- To foster the development of political institutions in the territory toward self-government or independence as may be appropriate to the particular circumstances of the Trust Territory and the freely expressed wishes of the people concerned;

-- To promote the economic advancement and self-sufficiency of the inhabitants;

-- To promote the social advancement of the inhabitants and, to this end, to protect their rights and fundamental freedoms; and

-- To promote their educational advancement.

The language of the Trusteeship Agreement thus indicates that the strategic trust was envisioned as a transitional system. The Trusteeship Agreement, in conjunction with the Charter, establishes as an objective of the Trusteeship arrangement self-

government or independence. Clearly, however, both the transitional process and its result must accommodate the other basic objectives and requirements of the Trusteeship, including international peace and security.

To this end, President Reagan, in his October 3, 1981 statement to the people of the Trust Territory, established that the United States intended to preserve a close association with them. He stated that our goal was to complete negotiation of the subsidiary agreements of the Compact of Free Association because his Administration had thoroughly reviewed the Compact and endorsed free association as its preferred future political status alternative. The President also committed his Administration to the termination of the trusteeship as soon as possible on the basis of an approved Compact of Free Association.

### The Trust Territory: Population, Geography, History

The Trust Territory of the Pacific Islands has an estimated population of about 136,500 people, scattered among 2,203 islands and islets in three major archipelagos: the Carolines, the Marshalls and the Marianas.

The use of the term "Micronesia", which has been generally used as synonymous with the area encompassed by the trusteeship, has prompted an assumption that a homogeneous Micronesian people exist. Throughout most of the period in which they were subject to colonial domination, the islands were administered separately by various nations, and the first political association of the various Trust Territory peoples occurred only in 1965 with the creation by the United States of the Congress of Micronesia. The islands of the Trust Territory are scattered over three million square miles of the North Pacific Ocean to the east of the Philippines and to the southwest of Hawaii, an area slightly larger than the continental United States. All these many small, individual islands and atolls constitute a land mass of only about 700 square miles. All the islands could easily fit into the Chesapeake Bay; yet the Carolines and Marshalls are scattered over an area greater than the distance from Seattle to Boston. The Marianas stretch northward over a distance equal to that from Atlanta to Chicago.

### Political Development in the TTPI

In spite of their relative isolation, the peoples of the Trust Territory have shared in the spirit of self-determination which has captured the imagination of the Pacific as well as the rest of the world. Nationalism became institutionalized in the Congress of Micronesia. Elected leaders from all parts of the Trust Territory joined in their own councils to discuss common problems and explore the concept of political unity. However, important factors of geography, history and culture posed the dilemma of how to reconcile this nationalism with the traditional

patterns of Pacific island identity which derive from one island rather than groups of islands." During this period the United States repeatedly stated its view in favor of political unity for reasons of administrative logic and increased capacity for self-government.

By 1977, after 30 years of administrative unity, a cohesive nationalism strong enough to unite the disparate island groupings had not developed. The United States recognized the desires of Palau, the Marshall Islands and the Federated States of Micronesia to determine their own future, as it had previously recognized the desire of the people of the Northern Marianas to join the United States in a commonwealth status separate from the other districts. The determination not to force unity on the peoples of the Trust Territory was the outgrowth of U.S. experience during more than a decade of negotiations. It was founded upon the awareness that conformity with the freely expressed wishes of the people concerned is the critical element in determining the post-trusteeship status of the territory. In accepting this conclusion, the United States balanced the need to respect the expressed will of the people against the unavoidable economic and social limitations that will be faced by tiny populations in a large world. The final political decision of Palau, the Marshall Islands and the Federated States of Micronesia to separate from one another came in a U.N.-observed constitutional vote on July 12, 1978. As a result, the Compact creates separate bilateral relationships between the United States and each of the individual freely associated states.

#### The Negotiations 1965-1969

After its creation in 1965, the Congress of Micronesia established the Future Political Status Commission which was designated to investigate and report on various potential future political arrangements. The Commission submitted two reports to the Congress of Micronesia: an interim report in 1968 and a final one in 1969. These reports canvassed the various status alternatives and recommended a self-governing Micronesia in free association with the United States. The report summarily dismissed association with Japan as being neither advantageous nor practical and recommended independence as an alternative only if free association with the United States should not be possible. The United States was thus confronted with the task of reconciling traditional United States views in favor of self-government for the Trust Territory with its firm conviction that the strategic importance of the area required the long term retention of United States defense and security authority in order to maintain international peace and security.

The Commission recognized as well the mutual benefit inherent in a close security relationship with the United States, and was willing to make such an arrangement an integral part of eventual status negotiations.

With the exception of the Northern Mariana Islands, the Micronesian leadership rejected the option of commonwealth or territorial status which was offered by the U.S. negotiators in 1969. While recognizing the opportunity for the enhanced standard of living that a commonwealth status would eventually bring, the Micronesian spokesmen stated their belief that the disadvantages were greater. Their report recognized that, as a United States territory, Micronesia would lose control of its own affairs and be subject to United States taxes, that the U.S. would have eminent domain authority and that Micronesians would have fewer opportunities to hold key positions in their government. Some felt that Americanization would diminish the prospect of preserving Micronesian cultures.

In April 1969, the Political Status Commission proposed the United States and Micronesia enter into a free association relationship based on the following principles:

1. That sovereignty in Micronesia resides in the people of Micronesia and their duly constituted government.
2. That the people of Micronesia possess the right of self-determination and may, therefore, choose independence or self-government in free association with any nation or organization of nations.
3. That the people of Micronesia have the right to adopt their own constitution and to amend, change or revoke any constitution or government plan at any time.
4. That free association should be in the form of a revocable compact, unilaterally terminable by either party.

The United States, increasingly desirous of replacing the trusteeship with a mutually agreed relationship, agreed to negotiate a form of "free association" with the Micronesians.

#### The Negotiations 1969-1976: The First Draft Compact

Following the first formal negotiating round in Washington, D.C. in September of 1969, the Micronesian negotiators rejected a U.S. offer of territorial status on the grounds that United States eminent domain authority and control over Micronesian internal affairs was unacceptable. Similarly, the Micronesian negotiators rejected a United States offer of commonwealth status during Round II in 1970. The members of the Micronesian negotiating team from the Northern Mariana Islands did not participate in these rejections. Finally, during Round III in 1971 at Hanna, Maui, negotiators agreed on a framework for free association which envisioned that the United States would retain foreign affairs and defense authority, Micronesia would be internally self-governing and that United States domestic laws would apply only upon Micronesian agreement.

During Round IV, held in 1972 in Koror, Palau, social, political and economic divisions among the islands surfaced. As early as 1951, the Northern Mariana Islands, geographically, politically and culturally so close to Guam, had publicly expressed its discontent with the "accident of history" which had joined them with the Carolines and Marshalls after the Spanish-American War. The Mariana Islands expressed their desire for a permanent relationship with the United States which had been a matter of public record since the end of World War II.

When it became clear that the Northern Mariana Islands did not wish to enter into the same kind of relationship with the United States as the rest of Micronesia, the United States agreed, in 1972, to enter into separate political status negotiations with the Northern Mariana Islands. These negotiations culminated in the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America which became P.L. 94-241 on March 24, 1976.

During this period, the United States continued to negotiate with the remaining Trust Territory districts of Palau, Yap, Truk, Ponape, Kosrae; and the Marshall Islands. In May of 1976, the Micronesian Joint Committee on Future Status and Ambassador F. Hayden Williams, representing the United States, initialed a draft compact which left only one major area for further resolution: the control of marine resources. The parties recognized Micronesia's great and legitimate interest in preserving and protecting its ocean resources for the full economic benefit of the people of Micronesia. They also recognized, however, that Law of the Sea matters had global significance and that the United States had worldwide interests which needed to be addressed.

Immediately after this initialing, a newly-reorganized Micronesian negotiating body, the Commission on Future Political Status and Transition (CFPST), was formed by the Congress of Micronesia and replaced the Joint Committee on Future Status.

The new Commission disavowed the initialed draft Compact, and from mid-1976 until late 1977 no negotiations took place due to the unresolved marine resources issue, effective Marshallese and Palauan non-participation in the CFPST, and the change in U.S. administrations.

#### The Negotiations 1977 - 1980

In an effort to resume the negotiations, the Carter Administration invited the leadership of the Congress of Micronesia and the speakers of each of the six district legislatures to a conference in Honolulu on May 18-21, 1977. During this conference, a structure for continuation of the negotiations was established and two important United States policy decisions were introduced.

First, the United States announced that it favored the immediate resumption of formal sustained negotiations having as their

goal the termination of the Trusteeship by 1981. In this connection, the United States specifically stated that any future status options, including independence, could be considered during the negotiations as the Micronesian people desired. Second, the United States, while steadfastly maintaining its belief that there was real value in retaining some form of unity among the districts of Micronesia, recognized that the Micronesians themselves would have to make the fundamental decision concerning representation in the negotiations.

The Marshall Islands and Palau had long questioned whether their long-range goals would be furthered by unity with the central Carolines. Since the time in 1965 when all of the Micronesians had first elected representatives to the Congress of Micronesia, elements in the Marshalls and Palau began to argue that while each enjoys a larger revenue base than central Caroline districts, the federal structure of the Congress of Micronesia could force them to divert their tax revenues into the more populous central districts. In March 1974, the Marshall Islands District Legislature, the Nitijela, adopted a resolution informing the United Nations that it was unwilling to be a part of greater United Micronesia upon termination of the Trusteeship Agreement and that the Marshalls intended to initiate separate negotiations with the United States. The Micronesian elections of November 1974 resulted in a victory for pro-separation elements in the Marshalls and Palau.

In July, 1977, agreement was reached on a U.S. proposal for a two-tiered framework for the negotiation. The first, or multilateral, tier was designed to focus on those aspects of the relationship with the United States common to all six districts. The second, or bilateral, tier would address any matters of a specific nature unique to each district. The districts of Kosrae, Yap, Ponape and Truk decided that the Congress of Micronesia, through the CFPST, should represent them in all aspects of the negotiations. Palau and the Marshall Islands, on the other hand, each specified representation in both tiers of the negotiations by their own locally formed political status commissions. It was also decided that the subject of the renewed negotiations would be free association.

The first round of renewed formal negotiations was held October 24-27, 1977, at Molokai, Hawaii and was followed by meetings in early 1978 of the heads of delegations in San Diego, California and in Hilo, Hawaii. All three of these sessions were conducted within the agreed two-tiered format.

The Molokai meeting focussed on unfinished business from previous negotiations. The 1976 draft Compact did not include provisions, as first proposed by the Micronesian political status commission in April 1969, for free association to be in the form of a revocable compact, terminable unilaterally at any time by either party. As mentioned earlier, the 1976 draft Compact was initialed without agreement on the issue of how the Micronesians

could be responsible for their foreign affairs relating to marine resources. However, on the issue of unity versus fragmentation, the political status commissions representing the Marshall Islands, Palau and the central Carolines issued a joint statement agreeing that there should be an all-Micronesian entity in the post-termination period.

Following the Molokai meeting, and a January, 1978 meeting, agreement was reached on eight basic principles of free association during a meeting at Hilo, Hawaii in April of 1978. The "Hilo Principles" represented important progress in that the U.S. and the Trust Territory delegations were able to identify and preserve their most essential interests. Micronesian capacity to conduct foreign affairs was recognized in the context of an obligation to consult with the United States and of a Micronesian agreement to refrain from actions which the United States found to be incompatible with its security and defense authority. The ability of any party to the Compact to terminate it unilaterally at any time was recognized with the proviso that United States defense and security authority and United States economic assistance would continue, unaffected, for their initial terms.

On July 12, 1978, a referendum was held on the proposed FSM Constitution. The Constitution was rejected in Palau and the Marshalls district, but ratified in the four central Caroline districts of Kosrae, Yap, Ponape and Truk. Constitutional elections were held on March 27, 1979 in the four central Caroline districts for the first Congress of the Federated States of Micronesia and resulted in a 14-member congress and the election of Tosiwo Nakayama as the first President. The new Congress began its first session on May 10, 1979.

The Marshall Islands approved its constitution in a referendum on March 1, 1979 and on May 1, 1979, inaugurated a parliamentary constitutional government headed by President Amata Kabua.

The Palau draft constitution was submitted to a U.N.-observed referendum on July 9, 1979, and was approved by 92% of those voting. Palau, however, was engaged in internal political debate and the Palau Legislature, believing the restrictive hazardous materials provisions of the draft Palau constitution to be incompatible with the Palauan Constitutional Convention's enabling act, which required conformity with the Hilo Principles, voided the results of the referendum. It then scheduled a second referendum for October 23, 1979, to consider an amended constitution, but that document was defeated. In April of 1980 the High Commissioner approved a Palau Public Law which provided a timetable for the installation of a government under the original constitution. Under the terms of this bill, the Palau Constitution took effect on January 1, 1981 with the inauguration of a new government headed by President Haruo I. Remeliik. The U.S. position, articulated on April 30, 1979, with respect to the draft Palau Constitution was that it contained incompatibilities with the

Hilo Principles and the draft Compact. The United States, however, stated that it was for the Palauans to decide whether and how to reconcile the constitution and the Hilo Principles of free association.

While progress was being made on the internal constitutions of Palau, the Marshall Islands and the Federated States of Micronesia, the status negotiators met to develop the draft Compact. On January 14, 1980, Ambassador Peter R. Rosenblatt, for the Government of the United States, and the representatives of the Government of the Marshall Islands initialed the Compact of Free Association. The Compact was re-initialed by the Governments of the United States and the Marshall Islands, due to mutually agreed changes which had been made, and initialed by the Government of the Federated States of Micronesia on October 31, 1980. The Government of Palau initialed the Compact on November 17, 1980.

#### The Negotiations - 1981 to Conclusion

Less than a month after the administration of President Reagan assumed office, it began a comprehensive review of policy toward the Trust Territory. This policy review sought to identify U.S. interests in Micronesia that had to be secured in any negotiations leading to termination of the Trusteeship Agreement, to determine whether U.S. interests were in fact served through termination of the Trusteeship Agreement, and to assess the adequacy of the documents, specifically the Compact of Free Association, which had been negotiated and initialed but not signed. In October of 1981, this Administration, at a major conference in Maui, Hawaii, announced its goal of trusteeship termination at the earliest possible date in favor of a mutually agreed relationship of free association with Palau, the Marshall Islands and the Federated States of Micronesia. The Administration also affirmed its support for the initialed Compact and its desire that the Compact be approved by the peoples and governments of Palau, the Marshall Islands and the Federated States of Micronesia and by the United States Congress upon completion of negotiation of the agreements subsidiary to the Compact.

Negotiations then resumed and certain revisions to the initialed Compact were made in order to accommodate the completion of the related agreements. The thirteen years of negotiations were concluded with the signature of the Compact and its related documents by the United States and the Marshall Islands on May 30, 1982; Palau on August 26, 1982; and the Federated States of Micronesia on October 1, 1982. Due to subsequent revisions and the conclusion of an additional subsidiary agreement, the United States and the Marshall Islands signed the Compact and all of its subsidiary agreements again on June 25, 1983.

## Objectives of the Negotiations

In order to meet the test of time, it is necessary for an instrument as important as the Compact of Free Association to fully meet the basic policy objectives of each of its signatories. The Administration believes that the negotiating process has accomplished just such a result in the American-Micronesian context.

### From the Micronesian Perspective -

During the negotiations the United States remained constant in its concern that Micronesian objectives including their cultural, human and economic needs be met in the overall context of a mutually acceptable agreement. We and the Micronesians believe this has been accomplished.

Briefly, for the freely associated states, the most important single element of the Compact is that it recognizes the sovereignty of their peoples and their right to self-determination and self-government. After World War II, the United States deliberately did not assert sovereignty over the Trust Territory and instead placed the territory in the U.N. trusteeship system, which contained an obligation to prepare the area for self-government or independence. Rejecting any aggrandizement, territorial or otherwise, as a result of the war, we stated that the interests of the inhabitants of Micronesia should be paramount. The Compact flows smoothly from this attitude of mutual respect and understanding. The freely associated states will have full authority to establish their own citizenships, implement and change their own constitutions, elect their own political and governmental leaders, and will exercise full rather than partial responsibility and authority in the management of their affairs - save only in defense and security matters.

A noteworthy element of free association will be the ability of the freely associated governments to conduct their own foreign relations. In exercising this foreign affairs authority, the freely associated state governments have agreed to consult with the United States and to refrain from those actions which, in our view, impinge on our defense and security responsibilities.

Another important Micronesian objective achieved in the Compact is that it assured a significant level of U.S. Government economic assistance to each of the freely associated governments for the first fifteen years of the relationship. Whatever the effectiveness of our past efforts to establish a free market economy and to foster economic development, it is incontestable that in the early years, the new freely associated states will require American assistance.

### From the United States Perspective -

Fifteen years ago, the U.S. entered into the political status negotiations with the following general goals:

-- To stimulate the development of long-term growth through the creation of a stable political framework in this vast area of the Central Pacific;

-- To terminate the Trusteeship and maintain the close and friendly relationships which have developed during the period of United States administration; and

-- To protect United States security interests in the area.

These goals have remained constant and, in the view of the Administration, have been achieved in the Compact negotiations.

#### Political Objectives:

In seeking to maintain a close and friendly relationship, the U.S. addressed the need to fashion a future relationship which met our needs and would be acceptable to the Micronesian people and one which would survive any potential political instability in the area. Free association as defined in the Compact fulfills these goals. It has been approved in U.N.-observed plebiscites and through the individual constitutional processes of the freely associated state governments. By choosing free association, the Micronesians have not foreclosed the option of modifying this status as conditions warrant. They could, for example, elect a closer and more permanent relationship with the U.S. or they could seek a more independent relationship.

A second political objective of the U.S. has been to ensure that the participation of the freely associated states in the international community occurs in a fashion not harmful to overall U.S. foreign policy and national security objectives. The Compact provides that the freely associated states, in the exercise of the foreign affairs capacity, will consult with the United States and will not take actions which, after consultation, the United States determines to be incompatible with its security requirements. This commitment by the Micronesians, which distinguishes them from the status of independent states, accomplishes this central U.S. political objective. Moreover, the free association relationship constitutes an overall political framework through which specific U.S. foreign policy objectives can be met.

We must also view the impact of the political status negotiations in the broader regional context to determine how they affect our regional political objectives. Concurrent with the political status negotiations, the U.S. relationship with the established as well as newly independent nations of the South Pacific has been undergoing a dramatic change. New nations such as Kiribati, Tuvalu, the Solomon Islands and Vanuatu have emerged in the last few years. Over the last six years, the U.S. has moved to increase its official representation in the newly emerging island nations and strengthen its long-established ties with

Australia, New Zealand, the Philippines and Singapore. The U.S. has increased its aid to the new nations and provided for greater U.S. participation in regional activities and organizations. The goodwill and friendship of the South Pacific states is important to U.S. policy objectives in the entire Pacific area. The continuation of the trusteeship has long been a political liability in our dealings with the South Pacific nations which favor its termination and will welcome the Micronesians as legitimate participants in the affairs of their region.

#### Economic Objectives -

Our basic objective as concerns economic assistance is to provide sufficient support to the freely associated states to enable them to continue to meet human needs and to provide for an increasing level of economic development. Our effort has been to design a U.S. assistance package which, through the use of declining annual levels of U.S. funding coordinated with national development plans, will create incentives for and support economic development which will reduce the need by the freely associated states for additional U.S. assistance after the first fifteen years of the relationship.

Before discussing the details of the assistance provisions of the Compact, let me briefly address the present economic situation of the Trust Territory. Unfortunately, the TTPI suffers from the classic problems of an underdeveloped area. Economic development is seriously handicapped by a lack of natural resources, by geographically disadvantaged and widely dispersed small islands, by a lack of an entrepreneurial activity, and a growing and very young population. Over the past 15 years, a very large and expensive government bureaucracy has developed. Almost ninety percent of the domestic economy of the future freely associated states is directly or indirectly dependent on U.S. assistance, largely to finance government salaries and expenses. Private sector initiatives have seldom succeeded in this atmosphere.

Federal domestic assistance programs, many of these unfortunately not responsive to the unique needs of the Trust Territory, were extended to the Trust Territory in increasing amounts during the late 1970's. Peaking in value in 1979 at more than \$30 million, the effect of these programs has been to exaggerate the dependence of the Micronesians on the United States to an unprecedented degree and to further depress an already almost non-existent productive economy and to remove incentives for free enterprise.

On the other hand, the U.S. has laid the framework for more rapid growth by providing an infrastructure of roads, airports, seaports, electrical systems, water and sewer systems through the Capital Improvement Program (CIP). This program will be fully funded if Congress acts favorably on the President's FY 1985 budget request. The total cost of this program to date has been

over \$200 million. These projects will provide the basic infrastructure necessary to attract outside capital which in turn will allow the people of the Freely Associated States to have opportunities for local economic growth.

The policy decisions which the United States took in the Compact negotiations with regard to economic assistance were based on our conclusions with respect to this past record and to the type of support -- cash grants rather than Federal programs -- as well as the level and term of such support. The following considerations were taken into account:

First, the rising expectations of the Micronesian peoples and the concomitant present underdevelopment;

Second, the inability of economic development to progress without significant outside assistance in the near term;

Third, the continued economic dependence on the United States is not in the U.S. interest since it has led and will lead to friction in the political relationship; and

Fourth, economic development is the only fair route to follow to eventually reduce the level of U.S. expenditures without in any way jeopardizing the ability of the Micronesian governments to meet local human needs.

In structuring the financial components of the Compact, the United States emphasized grant assistance to the freely associated states for governmental operations and economic development. The Compact requires that these funds be spent in conformity with the objectives of National Development Plans.

The Compact specifies the amounts set forth in the attached table (Appendix A).

Inflation adjustment is provided by the terms of the Compact and is limited to an annual ceiling of 7% or two-thirds of the U.S. Gross National Product Implicit Price Deflator, whichever is less in the year in question. The freely associated states will be required to allocate not less than 40% of their grant funds to economic development in accordance with the development plans which they will prepare and submit for U.S. concurrence. Finally, the U.S. will provide \$6 million annually for the special categories of maritime zone surveillance and enforcement (with a one-time \$2 million grant for start-up costs), scholarships in U.S.-accredited universities and medical referrals. The division of this funding among Palau, the Marshall Islands and the Federated States of Micronesia must be determined by them.

While the Compact, upon approval by Congress, will authorize the specified amounts of grant assistance, annual requests for appropriations will still have to be made to Congress. In addition, each freely associated state is required to report annually

to Congress on the use of its funds and the U.S. will have the authority to audit these uses.

The Compact provides for the extension of limited Federal programs to Micronesia at the levels equivalent to those available to the Trust Territory during the year prior to termination. The services and related programs of the following agencies have been included in the Compact:

- Weather Service;
- Federal Emergency Management Agency;
- Postal Service;
- Federal Aviation Administration; and
- Civil Aeronautics Board.

In addition, recognizing the Micronesians' need for assistance in health and education matters, we have offered limited assistance in these areas, restricted to programs which are vital and which are beyond the capability of the freely associated states to support from their own resources. Finally, the Compact provides that Congress may, from time to time, provide for the extension of additional Federal programs to Palau, the Marshall Islands or the Federated States of Micronesia, if they agree.

On balance, the economic assistance provisions of the Compact should insure the maintenance of financially viable governments, reduce annual U.S. expenditures in the area over time and provide impetus for economic development.

#### Security and Defense Objectives:

In the establishment of the trusteeship, the United Nations recognized the special United States role in this vast Pacific area in the maintenance of international peace and security. The importance we have placed on the defense aspects of the Trust Territory has not decreased over the years, and has been a central element in determining U.S. positions in the negotiations.

The Compact terms take full account of U.S. objectives. First, in order to protect U.S. strategic interests and requirements in the area U.S. must retain the ability to foreclose the area to the military forces of other nations. Second, the U.S. must be assured of the continued use of present military facilities in the Marshall Islands and have the ability to obtain other land areas in the islands should circumstances warrant. Finally, in order to carry out its foreign defense obligations, the United States needs to exercise full authority and responsibility for defense and security matters in or relating to the freely associated states.

The U.S. objective of strategic denial is fully and specifically recognized in the Compact and its related agreements. The

mutual security agreements between the United States and the freely associated states provide that the areas will be foreclosed to the military forces and for the military purposes of third nations unless otherwise mutually agreed with the United States. Further, the U.S. military is guaranteed freedom of movement in the lands, waters and airspace of the freely associated states, which also pledge that they will refrain from any action which the U.S. determines to be inconsistent with its defense and security authority.

While the Compact provides the U.S. with the overall authority to establish and use military areas and facilities in the freely associated states, the arrangements for specific use rights are set forth in related agreements. The U.S. has specific land use and operating rights requirements in the Marshall Islands. Arrangements for the continued use of the Kwajalein Missile Range facility in the Marshall Islands have been negotiated with that government. At this time, no defense sites are contemplated in the FSM, although we will continue for a few years to maintain a small Coast Guard Station on Yap. The land use arrangements, and the related agreements in which they are set out, will survive according to their own terms irrespective of the duration of the Compact of Free Association.

During the negotiations, the Trust Territory negotiating commissions expressed a major concern that the U.S. might abuse its plenary defense authority in a manner detrimental to their environments. These fears were based in large part on memories of the U.S. nuclear testing program conducted between 1946 and 1958 in the Marshall Islands. We agreed to satisfy this concern through a general undertaking in the Compact to protect the environment in freely associated states as if it were our own. To this end, the Compact provides for the continued application of U.S. environmental protection standards now in effect in the TTPI to U.S. governmental activities in the freely associated states until new procedures are mutually established. Further, the freely associated states will be treated as if they are part of the U.S. for the purposes of the National Environmental Policy Act. We do not believe that these environmental protections will diminish our overall defense authority for several reasons. First, the President may exempt any U.S. activity from the environmental provisions of the Compact if he finds that so doing would be in the paramount interest of the United States. Second, only the freely associated state governments, as distinguished from their citizens, may bring an action for judicial review of U.S. activities under applicable environmental laws. Under these provisions, the freely associated state governments will have no new nor different nor greater rights than are available to U.S. citizens under such laws. This Compact provision is also conditioned on the right of Congress to change or amend environmental laws in the future. Finally, the United States will be bound by only those environmental standards which the freely associated states apply to themselves.

## United States Objectives and the Compact of Free Association

The Administration believes that all of the United States objectives that I have outlined are realized in the Compact of Free Association and its related agreements. The fact that the Compact has been freely and carefully negotiated means that its terms are interdependent and reflect the ideas, suggestions and goals of the parties to the negotiations. The Administration believes that the Compact will create a relationship which will long survive precisely because it meets the central interests and objectives of the parties.

United States objectives would be ill-served by a political relationship that lasts only until the first opportunity to terminate. The Compact or any other relationship between the United States and the Marshall Islands and the Federated States of Micronesia must at all times be considered by each party to offer more advantages than disadvantages. Aside from adequate levels of U.S. grants and services, which cannot be matched from other sources, this requires minimization of political friction points in government-to-government relationships. The Compact places a heavy emphasis on consultation, and is designed to provide the U.S. and the freely associated states with opportunity to assess carefully the significance of any given issue in light of broader objectives, i.e., the maintenance of the political relationship which serves the essential interests of both sides. Once in effect, the Compact will institutionalize American-Micronesian links in several areas and these links will themselves bolster the longevity of the relationship.

The acceptance of the emerging freely associated states by the international and Pacific regional communities will have an important effect on the stability of the relationship and will serve U.S. foreign policy goals. Just as important, replacing the increasingly outdated Trusteeship arrangement with freely associated states enjoying full internal self-government and the capacity to manage their own foreign relations will improve the U.S. image in the region and in the world. The freely associated states will continue to work cooperatively with the state of Hawaii and with our Pacific territories of American Samoa and Guam and with the Commonwealth of the Northern Marianas and will establish close working relations with the independent island nations to their south, thereby helping to enlarge institutions heretofore limited to the South Pacific for benefit to all of the Pacific.