

STANDING COMMITTEE REPORT NO. 13-120

RE: C.R. NO. 13-27/EA

SUBJECT: RATIFICATION OF AMENDED COMPACT

MAY 26, 2004

The Honorable Peter M. Christian
Speaker, Thirteenth Congress
Federated States of Micronesia
Third Regular Session, 2004

Dear Mr. Speaker:

Your Committee on External Affairs, to which was referred C.R. No. 13-27 entitled:

"A RESOLUTION TO RATIFY THE AMENDED COMPACT OF FREE ASSOCIATION BETWEEN THE FEDERATED STATES OF MICRONESIA AND THE UNITED STATES OF AMERICA.",

begs leave to report as follows:

The intent and purpose of the resolution are expressed in its title.

C.R. 13-47 was transmitted to Congress by Presidential Communication No. 13-14 on June 11, 2003. Your committee held hearings on the resolution on May 20, 2004. In attendance at the hearings were, among others, the Secretary of Foreign Affairs, representatives of a number of FSM Embassies and Consulates, and the Chairman of the Joint Committee on Negotiations. The United States Ambassador to the FSM was also present. In addition, your committee wrote to the Governors and Legislatures of each of the States inviting comments on the amended Compact. All testimony offered during the committee's hearing favored ratification of the amended Compact. Similarly, all written comments received from the State governments supported ratification. Copies of the communications from the States are attached to this report.

The original Compact of Free Association between the Federated States of Micronesia and the United States ("Compact I") was entered into in 1986. By its terms, Compact I, among other things, provided for financial assistance and other services to the FSM for a 15-year period. It also allowed for a further two-year period of assistance to permit negotiation of a new arrangement between the two nations.

In 1999, the FSM and the United States began negotiations aimed at amending the Compact. On May 14, 2003, the two nations signed an amended Compact of Free Association, subject to ratification by each signatory. As contemplated by the amended Compact, the Federated

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States of Micronesia and the United States also entered into a number of auxiliary agreements that supplement the terms of the amended Compact, provide further definition to its terms, and establish procedures for implementing its provisions.

The Congress of the United States, by adoption of House Joint Resolution 63, approved the Compact in November, 2003. The President of the United States, on December 17, 2003, signed H.J. Resolution 63 into law as Public Law 108-188. In the course of the U.S. approval process, certain modifications were made to the amended Compact as originally signed by the parties. Those modifications have been incorporated into the amended Compact that is currently before Congress for ratification.

The President of the Federated States of Micronesia determined that the FSM Constitution required that the amended Compact be ratified both by the FSM Congress and by at least three of the four States and, accordingly, transmitted the amended Compact to the legislatures of all five governments in May, 2003. The legislatures of all four of the States have now ratified the amended Compact. (Copies of the States' ratification resolutions are attached to this report.) If Congress adopts C.R. No. 13-27, the ratification process will be complete and implementation of the amended Compact will begin.

The amended Compact and the auxiliary agreements have been submitted to Congress for its review. Those documents speak for themselves and your committee will not repeat their terms here. Your committee notes that the amended Compact has been the subject of an extended and intense national debate. Its terms have been thoroughly analyzed and discussed, and its implications for our nation's economic future have been extensively studied. Now, after completion of this comprehensive evaluation of the amended Compact, the Legislatures of our States have unanimously acted in favor of ratification. Your committee acknowledges this action by the States as an indication of strong support for the amended Compact throughout the Federated States of Micronesia. Your committee submits that this favorable action by the States is particularly compelling because it follows such a thorough examination of the amended Compact.

It is the opinion of your committee that the amended Compact of Free

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Association presents our nation with the opportunity to achieve the economic independence that its citizens desire. It would provide the FSM with sector grant assistance for a period of 20 years, allowing the FSM time to build a self-sustaining economy. The amended Compact also establishes a trust, funded jointly by the FSM and the United States, to provide a valuable resource in support of our nation's economic independence beyond the end of the 20-year period. Further, the amended Compact offers to the FSM and its citizens other valuable services and rights that are enumerated in the amended Compact itself and in the auxiliary agreements.

Your committee recognizes the amended Compact as the charter for a new stage in the strong and friendly relationship between the Federated States of Micronesia. The committee is of the opinion that this agreement reflects the two nations' commitment to a common goal--- economic independence and security for the Federated States of Micronesia. The amended Compact is the product of long and sometimes-difficult negotiations with the United States. As is the case with all negotiated contracts, the amended Compact incorporates a number of compromises and is not perfect from the perspective of either party. The national debate on the amended Compact has identified respects in which the agreement could be improved to better serve the interests of the FSM, including a number of points raised by the States during their own review and approval processes. Attention is called specifically, to the concerns expressed by the Pohnpei State Legislature in its ratifying resolution. These issues and concerns must be addressed in the future. In this regard, your committee notes that the amended Compact is intended to be a "living document". It contains mechanisms and procedures for further discussions between the Federated States of Micronesia and the United States for the purpose of responding to changing needs and further refining the document. Taking comfort from the good will and strong support that the FSM has traditionally received from the United States, your committee believes that any currently outstanding issues can be resolved in a manner that is acceptable to the FSM.

After considering the comments submitted by hearing witnesses and the State governments, and after carefully reviewing the amended Compact and its implications for our nation, your committee is of the opinion that ratification is in the best interests of the Federated States of

