

STANDING COMMITTEE REPORT NO. 15-89

RE: C.R. NO. 15-89/EXTERNAL AFFAIRS

SUBJECT: RATIFYING THE AGREEMENT BETWEEN THE FEDERATED STATES OF MICRONESIA AND THE PEOPLE'S REPUBLIC OF CHINA FOR THE ECONOMIC AND TECHNICAL COOPERATION GRANT AID IN THE AMOUNT OF 20,000,000.00 RMB TO BE USED FOR PROJECTS AGREED UPON BY BOTH GOVERNMENTS.

FEBRUARY 20, 2008

The Honorable Isaac V. Figir
Speaker, Fifteenth Congress
Federated States of Micronesia
Third Regular Session, 2008

Dear Mr. Speaker:

Your Committee on External Affairs, to which was referred C.R. No. 15-89, entitled:

"RATIFYING THE AGREEMENT BETWEEN THE FEDERATED STATES OF MICRONESIA AND THE PEOPLE'S REPUBLIC OF CHINA FOR THE ECONOMIC AND TECHNICAL COOPERATION GRANT AID IN THE AMOUNT OF 20,000,000.00 RMB TO BE USED FOR PROJECTS AGREED UPON BY BOTH GOVERNMENTS.",

begs leave to report as follows:

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

There is nothing more important in the FSM than unity. The willingness of the four states to live and function together is a precious thing that must be cherished and cannot be taken for granted. It is incumbent upon this Congress to foster by any means this feeling of unity, which is the basis of this nation. The corollary to this effort is that Congress must discourage any instances that may put stress and strain on that feeling of unity. In particular Congress whenever possible should strive to minimize differences among the states, always aiming for harmony.

That harmony has however been strained severely by recent well-meaning grants from foreign donors. Your committee first of all wishes to express its heartfelt gratitude to all of our donors. Their generous assistance to the country is truly appreciated. We cannot thank enough the generosity of those donors.

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However, our constitution and laws impose certain restrictions on how we should process and divide among the different governments of the FSM this generous help. In our constitution, it is stated that unless the recipients are specified the grant proceeds must be divided equally. It is therefore preferable, in order to avoid contention, that foreign aid be specific as to use and recipient.

It is the practice of the donor in this case - China-to leave it to the discretion of the recipient to divide the proceeds in whatever way it chooses to. Therein lies our problem: the basic incompatibility of our constitutional mandate and the way our donor packages its aid. There have been attempts to institute some changes in the way the aid has been packaged; however, your committee is mindful that it is truly up to a donor to devise the terms and conditions of a grant.

This situation had led to intense arguments within Congress and between Congress and the Executive branch over the division of the proceeds of aid from China. This has happened under the previous administration, and has happened again under this administration. Too much hard feeling and too many arguments have been poured into the discussion. Your committee cannot help but feel that, somehow, balancing the grants and the stress on unity, the grants may not really be worth it.

We have in front of us a grant of RMB 20,000,000 or approximately USD 2.7 million, with the stated purpose of funding projects to be agreed upon between the FSM and China. On February 18, your committee had a meeting with Secretary of Foreign Affairs Lorin Robert, who informed your committee that at this point in time the President has no projects in mind yet for the grant. It may well be used for the high school in Kosrae or for a transportation project in Southern Namoneas. The point is that nobody knows at the present time, and nobody can ascertain who in the FSM government will determine those uses of the funds provided by this grant.

Your committee is concerned that this grant may therefore set off another round of bruising arguments in Congress, and

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between Congress and the Executive on the uses of funds. Certain delegations may have felt slighted by the apportionment of the previous grants and will strongly clamor for the uses of these funds. There is also no pre-determination of which states will benefit, by way of projects situated there, from these funds. All in all, your committee sees only discord in the future if we accept this grant.

Maybe the Executive could once again consult with the donor to modify the terms of the grant. But in any event, faced with the prospect of straining further the federation or poisoning the relationship with the Executive, your committee feels that the rational response is to reject the grant. Sometime money is not everything. This is said in spite of the critical financial situation of our nation. It bears repeating: unity is more important.

Your Committee recommends that resolution C.R. No. 15-89 be filed.

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Respectfully submitted,

/s/ Paliknoa K. Welly
Paliknoa K. Welly, chairman

/s/ Tiwiter Aritos
Tiwiter Aritos, vice chairman

Isaac V. Figir, member

/s/ Roosevelt D. Kansou
Roosevelt D. Kansou, member

/s/ Dion G. Neth
Dion G. Neth, member

Resio S. Moses, member

Setiro Paul, member