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# COMPACTS OF FREE ASSOCIATION WITH THE MARSHALL ISLANDS, FEDERATED STATES OF MICRONESIA, AND PALAU

## JOINT OVERSIGHT HEARING

BEFORE THE

COMMITTEE ON RESOURCES

AND

SUBCOMMITTEE ON ASIA AND THE PACIFIC

OF THE

COMMITTEE ON INTERNATIONAL RELATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

SECOND SESSION

OCTOBER 1, 1998, WASHINGTON, DC

**Serial No. 105–117**

Printed for the use of the Committee on Resources and Subcommittee on Asia and the Pacific, Committee on International Relations

Available via the World Wide Web: http://www.access.gpo.gov/congress/house
or
Committee address: http://www.house.gov/resources

U.S. GOVERNMENT PRINTING OFFICE

51–943 ⇆ WASHINGTON : 1998

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# JOINT OVERSIGHT HEARING ON: COMPACTS OF FREE ASSOCIATION WITH THE MARSHALL ISLANDS, FEDERATED STATES OF MICRONESIA, AND PALAU

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**THURSDAY, OCTOBER 1, 1998**

HOUSE OF REPRESENTATIVES, COMMITTEE ON RESOURCES, AND SUBCOMMITTEE ON ASIA AND THE PACIFIC, COMMITTEE ON INTERNATIONAL RELATIONS, WASHINGTON, DC.

The Committees met, pursuant to notice, at 2 p.m., in room 1324, Longworth House Office Building, Hon. John J. Duncan, Jr. [acting chairman of the Committee on Resources] presiding.

Mr. DUNCAN. [presiding] The joint hearing will now come to order.

The Committee on Resources and the International Relations Subcommittee on Asia and the Pacific is meeting today to hear testimony on the Compacts of Free Association with the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

Under rule 4(g) of the Committee rules, any oral opening statements at hearings are limited to the chairman and the Ranking Minority Member. This will allow us to hear from our witnesses sooner and help members keep to their schedules. Therefore, if other members have statements, they can be included in the hearing record under unanimous consent. After my opening statement, I will recognize Chairman Bereuter for any statement he may have. I will then recognize the Ranking Minority Member of the Committee as well as the Subcommittee on Asia and the Pacific for any statement.

## STATEMENT OF HON. JOHN J. DUNCAN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. DUNCAN. Let me, first of all, commend Chairman Bereuter of the International Relations Subcommittee on Asia and the Pacific, and Chairman Don Young of the Committee on Resources for their continuing mutual oversight efforts which began during the last Congress with a similar joint hearing on the Compacts of Free Association with the Republic of the Marshall Islands, the Federated States of Micronesia,and the Republic of Palau. Our current free association relationship with these three separate sovereign republics is unprecedented in U.S. history, and warrants the continued review by the Congress.

In 1984, President Ronald Reagan proposed a new status for the trust territories of the Pacific through negotiated Compacts of Free Association. Congress then conducted over 30 hearings and the Reagan Administration responded to various concerns through implementation agreements which were ultimately required in the legislation approving the new status for the islands. The Congress approved free association relationships with these areas with the enactment of Public Laws 99–239, 99–658, and 101–219 in 1985, 1986, and 1989. As separate sovereign nations, these areas have their own nationality and citizenship, are members of the United Nations, and have full diplomatic relations based on the Vienna Convention on Diplomatic Relations.

Certain economic provisions of the compact with the Marshall Islands and the FSM are set to lapse at the end of 15 years. By law, the administration is to begin negotiations on those provisions next year. The 15-year lease of the U.S. missile testing facility at Kwajalein in the Marshall Islands is also up for renewal at the same time.

While not a perfect arrangement, the Compact of Free Association has served the United States interests well by providing the framework for transition from the United Nations trusteeship to separate national sovereignty for the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. The freely associated states have had their share of successes and failures as part of the growing pains of separate sovereigns. However, in many respects there has been better fiscal accountability by the free associated state governments under the compact than there was under the trusteeship bureaucracy. This seems to be underscored by the lack of Federal oversight of grants and programmatic assistance in the freely associated states. In 1989, Congress directed the Secretary of the Interior to station at least one person in the U.S. offices in the Marshalls, the FSM, and Palau. Apparently it is only recently that just one individual has been stationed in the islands for all three of the freely associated states.

This oversight hearing provides a chance for the Congress to evaluate the progress of the compacts toward realizing President Reagan's goal of an internationally recognized separate sovereign free association relationship based on decades of close friendship between the people of the former trust territory of the Pacific Islands. We have an opportunity today to meet with members of the Committees on Resources and International Relations to jointly review the policy embodied in the compact and subsidiary agreements.

I think we can be proud of the Compacts of Free Association, which contributed to a significant United States leadership initiative that moved relations with the concerned islands out from the shadows of cold war international politics and recognized the special bonds that had formed between our government and the peoples of the trust territory. Our experience since enactment of the compact vindicates the policy of President Reagan that self-government, based on the choices made by the people of the islands, would represent improvement and progress in our relations with the peoples of the former trust territory.

I again wish to thank Chairman Bereuter of the Subcommittee on Asia and the Pacific and his staff for their cooperation with this hearing. I also want to acknowledge the support and interest of Full Committee Chairmen Benjamin Gilman and Don Young regarding U.S. freely associated state matters, who have introduced House concurrent resolution 92, emphasizing U.S. interests in Micronesia. I look forward to joint efforts between our respective committees to ensure that the United States interest is protected as the U.S. consults with the free associated state governments regarding compact provisions. The views of the witnesses today from the administration and the three freely associated states will help the Congress in understanding the progress to date with the existing relationship, and provide a basis for review.

[The prepared statement of Mr. Duncan follows:]

STATEMENT OF HON. JOHN J. DUNCAN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Let me begin by commending the Chairman Bereuter of the International Relations Subcommittee on Asia and the Pacific and Chairman Don Young on the Committee on Resources for continuing mutual oversight efforts, which began last Congress with a similar joint hearing on the Compacts of Free Association with the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. These Micronesian islands were part of the United Nation's Trust Territory of the Pacific Islands which the United States administered after World War II as a strategic trusteeship. Our current free association relationship with these three separate sovereign republics is unprecedented in U.S. history and warrants the continuing review by the Congress.

In 1984, President Ronald Reagan proposed a new status for the trust territories of the Pacific through negotiated Compacts of Free Association. Many questions were raised about the new status concept of full self-government as a separate sovereign in free association. Congress conducted over 30 hearings and the Reagan Administration responded to various concerns through implementation agreements which were ultimately required in the legislation approving the new status for the islands.

The Congress approved free association relationships with these areas with the enactment of Public Laws 99-239, 99-658, and 101-219 in 1985, 1986 and 1989. As separate sovereign nations, these areas have their own nationality and citizenship, are members of the United Nations, and have full diplomatic relations based on the Vienna Convention on Diplomatic Relations. All three maintain embassies in Washington, DC, and similarly, the U.S. has embassies in the three freely associated states with either resident ambassadors, or in the case of Palau, a chargé, the with ambassador being accredited out of Manila, Philippines.

The U.S. and these islands each have entered into agreements through their respective Compacts, to provide certain rights of obligations to the other party. Most significantly, the U.S. has exclusive military rights and a legal defense veto over third party use of any of the land, ocean, or airspace of the islands (this oceanic exclusive economic zone comprises an area larger than the continental U.S.), as well as access and use of certain specified land, harbor, an airport facilities in various parts of the freely associated states, and the islands have free transit into the U.S. to work, study, or reside. The FAS also use U.S. currency and are synchronized with the U.S. postal system rates. The Compacts also provide for economic and programmatic assistance for the FAS are varying rates.

Compacts for the Marshall Islands and the Federated States of Micronesia began on respectively on October 24 and November 3, 1986 while Palau's Compact did not start until October 1, 1994. Certain economic provisions of the Compact with the Marshall Islands and the FSM are set to lapse at the end of 15 years and by law, the Administration is to begin negotiations on those provisions in 1999. The 15 year lease of the U.S. missile-testing facility at Kwajalein in the Marshall Islands is also up for renewal at the same time.

While not a perfect arrangement, the Compact of Free Association has served the United States interest well by providing the framework for transition from the United Nations trusteeship to separate national sovereignty for the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau. I also believe it is fair to say that these new associated republics are doing a better

job managing internal and external affairs than the Department of Interior was able to do as the trusteeship relationship became increasingly anachronistic in the 1970's and 1980's.

The freely associated states have had their share of successes and failures as part of the growing pains of separate sovereigns. However, in many respects there has been better fiscal accountability by the free associated state governments under the Compact than there was under the U.S. trusteeship bureaucracy. This seems to be underscored by the lack of Federal oversight of grants and programmatic assistance in the freely associated states. In 1989, Congress directed the Secretary of the Interior to station at least one person in the U.S. offices in the Marshalls, the FSM, and Palau. Apparently, it is only recently that just one individual has been stationed in the islands for all three of the freely associated states.

There is considerable interest in determining the progress of the islands toward economic self-sufficiency, one of the primary underlying objectives of the Compact. The U.S. has a vested interest in seeing the islands achieve economic self-sufficiency and adequate employment opportunities as the citizens of the freely associated states have the right to freely enter, reside, study, or work in the U.S. More people will leave the islands and live in the U.S. if the quality of life does not improve.

This oversight hearing provides a chance for the Congress to evaluate the progress of the Compacts toward realizing President Reagan's goal of an internationally recognized separate sovereign free association relationship based on decades of close friendship between the people of the former Trust Territory of the Pacific Islands. We have an opportunity today to with Members of the Committee's on Resources and the International Relations to jointly review the policy embodied in the Compact and subsidiary agreements which was intended by Congress to:

1. Preserve unique strategic partnerships with the Marshall Islands, Palau and the Federated States of Micronesia;
2. Establish relations under bilateral treaties and with full self-government for the islands based on U.S. fulfillment of its commitment to respect self-determination, rather than continuing non-self governing status under the United Nations trusteeship; and
3. Advance economic self-sufficiency through Federal grants, programmatic assistance, infrastructure development like the Babeldaob circumferential road, tax, trade, postal, telecommunications, and other areas of mutual cooperation; and
4. Complete trusteeship responsibilities including the long-term effects of the nuclear testing program in the Marshall Islands, prior service benefits, and infrastructure defects.

I think we can be proud of Compacts of Free Association, which contributed to a significant United States leadership initiative that moved relations with the concerned islands out from the shadows of Cold War international politics and recognized the special bonds that had formed between our government and the peoples of the trust territory. Our experience since enactment of the Compact vindicates the policy of President Reagan that self-government based on the choices made by the people of the islands would represent improvement and progress in our relations with the peoples of the former trust territory.

I want to thank Chairman Bereuter of the Subcommittee on Asia and the Pacific for his cooperation with this hearing. I also want to acknowledge the support of Full Committee Chairmen Benjamin Gilman and Don Young regarding freely associated state matters, who have jointly introduced House concurrent Resolution 92, emphasizing U.S. interests in Micronesia. I look forward to joint efforts between our respective committees to ensure that the United States interest is protected as the U.S. consults with the free associated state governments regarding the expiration in 2001 of those Compact provisions which were limited to fifteen years. The views of the witnesses today from the Administration and the three freely associated states will help the Congress in understanding the progress to date with the existing relationship and provide a basis for the future.

Mr. DUNCAN. I now will recognize the Ranking Minority Member, my good friend Mr. Faleomavaega, for any statement that he wishes to make at this point.

## STATEMENT OF HON. ENI F.H. FALEOMAVAEGA, A DELEGATE IN CONGRESS FROM AMERICAN SAMOA

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman. I commend you for calling this joint oversight hearing between the Resources Com-

mittee and the Committee on International Relations Subcommittee on Asia and the Pacific. I am a member of both committees and it is indeed a pleasure to participate in today's hearing focusing on a very timely subject in the Pacific, the Compacts of Free Association with the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau.

Mr. Chairman, I welcome to the distinguished panel of the administration witnesses to testify before our committees today. In particular, I would thank Assistant Secretary of State for East Asian and Pacific Affairs, Secretary Stanley Roth, for appearing before us. When Secretary Roth was with the House Foreign Affairs Committee, for years we worked closely on policy issues crucial to the Pacific region, resulting in the issuance of a committee report entitled Problems in Paradise. I know from personal experience, Mr. Chairman, that few individuals in Washington possess the knowledge, the skills and the depth of experience as Secretary Roth has in the affairs of the Pacific. As a matter of fact, Mr. Chairman, as far as to my knowledge, I believe Secretary Roth is probably the only Assistant Secretary of East Asian and Pacific Affairs who has ever had any understanding or real sense of appreciation and sensitivity to the problems of the Pacific region. I want to personally welcome Mr. Roth here in our committees.

I would also note and extend a very warm welcome to the second panel, the distinguished diplomats who have appeared to testify on behalf of the governments of the Marshalls, the Federated States of Micronesia, and Palau. I also welcome my good friend, Al Stayman, the director of the Office of Insular Affairs in the Department of the Interior.

Mr. Chairman, as part of the trust territory of the Pacific Islands, the islands in Micronesia were placed under the trusteeship of the United States after World War II. Under the United Nations trust agreement, it was the obligation of the United States to promote the development of the inhabitants of the trust territory toward self government or independence, as may be appropriate to the particular circumstances of the trust territory and its people and the freely expressed wishes of the people's concern.

Mr. Chairman, accepting the trusteeship was not an altruistic gesture on the part of the United States. Let's be quite plain about this. We were careful to use the region for military purposes and continue to do to this day. Nevertheless, substantial progress has been achieved in developing the island groups toward greater self governance. Today there is no longer a trust territory of the Pacific Islands.

The early 1980's brought compact agreements among the United States and the different island groups of the trust territory. In 1994, with the approval of Palau's Compact of Free Association, trusteeship came to an end.

Mr. Chairman, I want to especially note the tremendous contributions and keen foresight of the late Congressman Phil Burton, who participated during the negotiations process which culminated in our government's approval of the Compacts of Free Association with the FSM, the Marshalls and Palau. In fact, Mr. Chairman, to my personal knowledge, many of the social and educational programs that were provided for the three nations were due largely to

Congressman Burton's strong belief that these programs were critical to the social and economic advancements of these nations.

Mr. Chairman, as we near the end of the initial compact term in the year 2001 with the Republic of the Marshall Islands and the Federated States of Micronesia, it is an appropriate time to assess the state of affairs with these governments. Before we begin with our witnesses, I have a few observations.

I note first that the initial negotiations in the compacts, such as with the Marshall Islands, took over a decade and a half. Because of the complexity of the issues covered by these agreements, the time necessary for their negotiations, I strongly recommend, Mr. Chairman, that renegotiation of the contract begin as soon as possible rather than delaying matters until late next year.

In particular, Mr. Chairman, the administration should immediately enter into compact renegotiations, discussions with the Marshall Islands. This is warranted because of the unique nuclear legacy that exists between our nations, and the continuing security contributions to the United States that the Marshall Islands makes through Kwajalein Atoll. One of the greatest challenges confronting the Marshall Islands government is the need to address the lingering medical and environmental problems resulting from radioactive explosions caused by the U.S. nuclear testing program.

The legacy of our 67 nuclear weapons detonations has resulted in a nightmare of health problems for the Marshallese people. Including elevated rates of thyroid cancer, cervical cancer mortality rates 60 times the U.S. rate, breast cancer mortality rates five times greater than in the United States, and reproductive complications involving high rates of miscarriage and deformed babies that are stillborn.

Mr. Chairman, the same is also true for environmental contamination problems in the Marshalls. Temporary storage facilities are leaching radionuclides into the marine ecosystem around Enewetok and Bikini. Portions of at least four atolls remain off limits to human beings. Mr. Chairman, addressing the nuclear legacy left by the United States has exhausted the limited resources allocated to the Marshallese people and profoundly affect the ability of the Marshall Islands to achieve a greater sense of self sufficiency as envisioned in the compact.

Despite decades of U.S. Government involvement, Mr. Chairman, the Marshall Islands are no closer to caring for its radiation problems today than it was when the U.S. testing program began. We must never forget that the sacrifices of the Marshallese people significantly contributed to America's nuclear deterrence program, facilitating our victory in the cold war.

Mr. Chairman, even in the post cold war era, however, the Marshall Islands continues to be of strategic value to the United States, and will be for the next several decades because of the U.S. arms ballistic missile and anti-ballistic missile testing facilities at Kwajalein Atoll. Given the increasing danger posed by international terrorism and rogue nations such as North Korea, Libya, Iran and Iraq, it is good that both the administration and Congress have committed to accelerate national missile defense research and development programs. Kwajalein Atoll is one of only two U.S. strategic missile defense test sites authorized under the Anti-Bal-

listic Missile Treaty. Moreover, as a buffer between Hawaii and Asia, Kwajalein Atoll acts as a U.S. intermediary to potential political, economic, and military adversaries such as China and the Pacific region. Kwajalein Atoll also serves U.S. interests by providing a NASA tracking center and satellite launching sites.

Mr. Chairman, in calling for early compact renegotiations, I would further recommend that the discussions take place in the Pacific at the East-West Center in Hawaii. Since its formation in 1960 by an Act of Congress, the East-West Center has distinguished itself as the region's most respected institution for furthering U.S. relations with the nations of the Asia Pacific region. It is my understanding that the center would welcome the opportunity to host these important compact discussions. It provides an ideal forum, conveniently located for all parties concerned.

Concluding, Mr. Chairman, it is important that the compact renegotiations occur in an atmosphere of good faith, free of negativism and disrespect. I find it very disturbing, Mr. Chairman, that some representatives of the U.S. Government may not share this point of view and have gone out of their way to show lack of respect for our compact partners, even to the point of interfering with domestic political affairs such as in the Marshall Islands. Such behavior, if true, Mr. Chairman, is highly unprofessional and beneath the dignity of our relations with these nations, and they should be stopped.

Thank you, Mr. Chairman, for holding this hearing to provide members of both committees the opportunity to determine the status of the commonwealths of the freely associated states. America has never walked away from her allies in their times of need. As we enter this important period for compact negotiations, I am confident that our Nation will do what is right and fair for our friends throughout the island nations of Micronesia. I thank you, Mr. Chairman.

Mr. DUNCAN. Well, thank you. I mentioned in my opening statement and thanked a couple of times Chairman Bereuter because this is, as I mentioned, a joint hearing between our Committee and the subcommittee that he chairs, the International Relations Subcommittee on Asia and the Pacific. I would like to call on my good friend and one of the most respected members of this body, Chairman Bereuter, for any statement he wishes to make at this time.

Mr. BEREUTER. I thank you very much, Chairman Duncan. Thank you for your kind words.

Mr. FALEOMAVAEGA. Will the chairman yield? I would also like to ask unanimous consent if the statement of the gentleman from California, Mr. Miller, be made part of the record.

Mr. DUNCAN. We'll make that part of the record.

[The prepared statement of Mr. Miller follows:]

STATEMENT OF HON. GEORGE MILLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman. I'm pleased this hearing is being held today in order for us to look at how well the compacts of free association with the Republic of the Marshall Islands, Federated States of Micronesia, and Palau are working. I want to thank you for bending to the will of the Democratic members and permitting representatives of the Pacific nations to join us here today and testify as to their experiences with compact implementation. I understand the concern for time limitation and the de-

sire to focus on the administration, however, since these compacts are bilateral agreements, it makes sense to have all parties present.

This afternoon we will hear from the agencies responsible as to the various provisions of the compacts to determine if the intended goals are being met and promises kept on all sides. This hearing will help us prepare for negotiations next year with the Federated States of Micronesia and the Republic of the Marshall Islands on the economic provisions. The stated goal of Title II is "to assist the FAS in their efforts to advance the economic self-sufficiency of their peoples." This is a tall order and one that requires hard work, sacrifice, and flexibility by all the nations.

We have a very unique and close relationship with the freely associated states and their people. I believe we have a special responsibility to nurture and assist these developing governments in an area of the world where the U.S. has, at times, had a checkered history. Recently, the House passed a bill dealing with higher education which would have ended eligibility to certain education programs for FAS students attending college in the U.S. This language was put in by the Majority party on the Education and Workforce Committee because of their view that as foreign nations the FAS shouldn't have access to U.S. programs. I disagree with this notion and firmly believe that assisting FAS students in gaining access to U.S. universities will only enhance the likelihood of the mutually agreed goals of the compacts. As I believe all here are aware, we were able to have that language removed from the final product but it is a stark reminder of what we will be facing when renegotiations begin next fall.

I want to thank all of the witnesses for being here this afternoon—those that traveled a few blocks and those who traveled many time zones.

## STATEMENT OF HON. DOUG BEREUTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mr. BEREUTER. I just have a few words I would like to say preliminarily. First of all, one, I appreciate the opportunity to hold this joint hearing with the Resources Committee, Mr. Chairman. I think it is appropriate now that we examine the state of affairs with the Freely Associated States and peripherally I would say with the Northern Marianas, that opted for a commonwealth status.

When I was a junior Member of Congress, I served in this Committee room on the Interior Committee and on what was called the Insular Affairs Subcommittee. I have visited several parts of all four of our former trust territories in the Pacific, and followed with considerable attention what has happened in those areas since that time. I think as we examine these issues today, we ought to look at how well the objectives we attempted to achieve in negotiating the compacts with three of the four Pacific trust territories are working out. The assistance of course for the Marshalls and Micronesia, the Federated States of Micronesia, will last until 2001. Assistance to Palau, because of a later start will continue to 2009.

The annual grant funding for the Federated States of Micronesia started out in 1986 at $60 million. Although that figure has declined somewhat since 1991, other program funding has added approximately $50 million a year. The Republic of the Marshall Islands will over the 15-year length of the compact receive approximately a very generous $900 million. For its part, Palau is scheduled to receive $517 million through the compact from 1995 through 2009.

What will happen when the compact with the Marshalls and the FSM expire in 2001 I think will depend greatly on actions taken now in the next few years by both the United States and the Freely Associated States. I would think that our hearing today might attempt to draw attention to issues that will ensure that when 2001

arrives, we will be well prepared, and therefore, to look at this hearing at the purposes of the compacts themselves. We hope to learn if the early hopes in the U.S. and the Freely Associated States have been realized. We are interested in learning what issues we and our friends in the Freely Associated States need to address before the compacts expire.

For example, what programs do the compacts fund, and how are these programs administered? To what extent have payments under the compact promoted economic development, especially self-sufficiency? Also, what additional obligations arise from the compact? I know, for example, that the obligations to provide Pell Grants and other educational assistance to the Pacific Islands' students have come under close scrutiny in recent months. What other obligations are there, and what is the cost to the American taxpayer?

The gentleman from American Samoa mentioned the issue of nuclear waste. I must say I was very disturbed to learn in a visit to Taiwan that negotiations at some stage of sophistication were underway, at least exploration for Taiwan to ship its nuclear waste to one of the Freely Associated States, something that I thought was a very disturbing development, inconsistent with all of the suffering that the people in that region had been through.

I would also say very candidly that when I was in the Marshall Islands and in the Federated States of Micronesia and Palau and the Northern Marianas, at least in one or more of those locations, I saw endemic corruption that was very troublesome. I would hope that that corruption has been reduced, and hopefully eliminated. Certainly it was diverting a significant amount of the resources that ought to have gone to the people of the region from them. I think, candidly, we need to look at whether or not those corruption problems are healed or reduced. That is not a blanket condemnation because I saw great variation between and among the various Pacific trust territories at that time. I hope since they have taken on a responsibility for their own self governance, except for foreign policy and national security, that those problems have declined or been eliminated.

Mr. Chairman, I look forward to the testimony of our distinguished witnesses and the subsequent panel. I thank you.

Mr. DUNCAN. Thank you very much, Chairman Bereuter. Now I would like to call on for an opening statement my good friend Robert Underwood, who is the Congressman from Guam.

## STATEMENT OF HON. ROBERT A. UNDERWOOD, A DELEGATE IN CONGRESS FROM GUAM

Mr. UNDERWOOD. Thank you, Mr. Chairman. I too want to extend my congratulations to the chairman of the Subcommittee, Mr. Bereuter, and Chairman Young for holding this hearing. I also want to extend my own words of welcome to the first panel, especially Stanley Roth, who has been so instrumental in making the compacts go, as many of us who are familiar with these events fully recognize.

I have a statement that I would like entered into the record.

Mr. DUNCAN. Yes.

Mr. UNDERWOOD. Just to say a couple of comments. I just want to state that certainly of all the areas that are represented in the U.S. House, I think the place I represent is most directly affected by the nature of the compacts as well as the implementation of the compacts. I want to state for the record that the people of Guam certainly endorse the idea of continuing whatever kind of assistance can be given to the Freely Associated States in order to advance their economies, because not only is it good in the fulfillment of an obligation to the peoples of the former trust territories, but it also helps our own economic development on Guam as well. We are all tied together by various connections, cultural, historical, and of course geographical. We all maintain ties that far exceed and go beyond and sometimes have to go around existing ties that exist between the United States and these freely associated governments as separate entities.

The compacts are certainly interesting and provide for a different kind of set of international relations. Although these states are fully sovereign, I prefer to think of them as ongoing partnerships and very close partnerships between the United States and the Freely Associated States. We do have our share of problems of implementation of the compacts, which have had some negative effects on Guam, and certainly I am very happy for the opportunity to state some of those in my prepared remarks, as well as the process that we're entering into in order to state them to members of the administration, so that as they prepare for the negotiations with the Freely Associated States, that these concerns might be raised in one way or another.

The problems associated with the migration of large numbers of people to Guam have been stated repeatedly over and over, including an obligation by the Federal Government to help the government of Guam recover from some of those costs, financially as well as making sure that we have a full understanding of the meaning of the term habitual resident. I also want to stress my concern about the implementation of programs that are designed to help the Freely Associated States grow economically, but at some point in time as well, that they might have some not very happy circumstances in Guam, happy fallout on Guam.

One of the issues that the people on Guam continually raise is the issue of tuna transshipment and how in some of the compact states they require the tuna to be transshipped out of their own areas rather than being transshipped through Guam. Of course that has some negative effect on us.

I remain fully confident that we can work many of these problems out. I certainly hope that we will. I also look forward to hearing the comments about the continuing strategic value of these areas as we move from what was formerly the only strategic trusteeship under the U.N. system to the concept of strategic denial and to what we have today, which remains rather unclear to me. Thank you.

[The prepared statement of Mr. Underwood follows:]

STATEMENT OF HON. ROBERT A. UNDERWOOD, A DELEGATE IN CONGRESS FROM THE TERRITORY OF GUAM

Chairman Young and Chairman Bereuter:

I thank you and, the members of the Resources Committee and the International Relations Subcommittee on Asia and the Pacific for inviting the panels we have before us today. It is very prudent to begin a dialogue on the Compacts of Free Association in anticipation of renegotiations, and to discuss developments between American-FAS relations since the Compacts were originally agreed to in 1986.

More often than not, I find myself educating my colleagues and other Congressional staff not only about the FAS, but also about Guam's unique history and our unique relationship with the FAS. As former trust territories and currently as nations in free association, the Federated States of Micronesia, the Republic of the Marshall Islands and the Republic of Palau are involved in a mutually-beneficial relationship with the United States in areas such as defense, the economy and education. And as the closest American territory to the FAS, Guam is affected by this special relationship. I would like to take this opportunity to discuss some of Guam's concerns regarding the upcoming Compact renegotiations.

Like any dynamic relationship, Guam and the FAS agree on many aspects, but we also have issues of contention. As some of my colleagues may know, the FAS are great transhipment centers for fish products, most notably tuna. Guam also has the infrastructure and means for becoming such a center. However, due to restrictive regulations requiring fishing fleets who fish in FSM waters to transship only through the FSM, Guam's potential in this industry has been effectively stifled. I understand that it is within international law for the FSM to promulgate such restrictions, however, I see the renegotiation of the Compacts as an avenue for revisiting this issue.

The current economic crisis which began in Asia has already caused numerous lay-offs and business shut-downs on Guam. Our economy relies heavily on Asian tourists and without economic diversification, such as one which tuna transshipment can provide, the people of Guam will continue to suffer the whims of an economy dependent on a single industry.

Another issue I would like to raise is FAS migration into Guam. The Compacts allowed for the free migration of FAS citizens to the United States and its territories for the purpose of education and employment.

Because of Guam's proximity to the FAS, we have experienced a surge of FAS migration in recent years and house a great number of "habitual residents," the technical classification for these FAS citizens. Despite the Federal Government's limited reimbursement, Guam's social and welfare services are strained beyond capacity. Recently, the Immigration and Naturalization Service (INS) issued preliminary regulations governing and defining the classification of habitual residents. I believe the renegotiation of the Compacts will also be an advantageous platform to discuss FAS migration. While the original intent of the Compacts was to provide a manner by which FAS citizens could seek higher education and employment through migration, I believe Guam's experiences as a result of this regulation deserves greater inspection. I know that the people of Guam are very willing to work with the Administration and the FAS on this issue.

Guam's strategic location at the "spear head" in the Western Pacific, permits a dynamic responsibility as well as opportunity. During the Cold War, the United States was the guarantor of peace and stability within the region. This assertion is no less true today, except that the international security environment is more complex and perhaps more urgent. The U.S. military has a responsibility to protect and defend our interests in the Western Central Pacific, the gateway to Asia. But at the same time, we must be cognizant that entire civilizations reside in these strategic waters and we must respect and acknowledge their historical sacrifices and commitment to advance U.S. security.

With this in mind, I express Guam's support that the U.S. take into consideration the economic disadvantages that characterize the Pacific Islands. We have been a cornerstone for U.S. defense, and will continue to be, but there are concrete economic necessities which need Federal assistance, not as a handout but as hand up. I am hopeful that in the upcoming renegotiations, consideration of extending all necessary and appropriate Federal programs to stimulate and advance the economies of the FAS will be thought through carefully and judiciously.

Again, I thank the Chairmen for convening this hearing, and I thank the panelists for taking the time to educate us further on the impact of the Compacts since their inception. I hope my colleagues will use this opportunity to educate themselves on the importance of our special relations with the FAS, I know I will.

The Compacts are not perfect agreements, and there will be room for improvement. I am confident that we can look at the renegotiation of the Compacts not as the end of a few programs, but as the beginning of improved agreements which will carry our relationship to a higher level as we enter the new millennium.

Mr. FALEOMAVAEGA. Will the chairman yield?

Mr. DUNCAN. Thank you very much. Yes.

Mr. FALEOMAVAEGA. Mr. Chairman, I ask the Chair's indulgence in a unanimous request. The poor people have been sitting there for 100 hours. I would like to ask if it is possible that they can sit over here since we have a lot of space for members to come, if it's all right with the chairman.

Mr. DUNCAN. It's fine with me.

Mr. FALEOMAVAEGA. You can all come sit in the dais here, if you like or you can stand there. You can come right over here and sit down.

Mr. DUNCAN. All right, I would like to go ahead and introduce the first panel. The first panel consists of the Honorable Stanley Roth, who is Assistant Secretary for East Asian and Pacific Affairs of the U.S. State Department, the Honorable Kurt M. Campbell, Deputy Assistant Secretary of Defense for Asian and Pacific Affairs, and Mr. Allen P. Stayman, Director, Office of Insular Affairs of the U.S. Department of the Interior.

Let me remind the witnesses that under our Committee rules, they must limit their opening oral statements to 5 minutes. We generally proceed in the order the witnesses are listed on the call of the hearing. That means that Mr. Roth, you would go first, followed by Mr. Campbell, and then Mr. Stayman.

Mr. Roth, you may begin your statement.

**STATEMENT OF STANLEY ROTH, ASSISTANT SECRETARY FOR EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE**

Mr. ROTH. Thank you very much, Mr. Chairman. Let me also begin by commending the two committees for undertaking this hearing. It is so easy, with all the other big issues on the plate in the Asia Pacific region and with all the issues you have on the Interior Committee to put this one aside, particularly when we have not yet started the renegotiations. Taking the trouble to do this in advance speaks well for both committees.

Let me also thank Congressman Faleomavaega and Congressman Underwood for their particularly warm welcomes. I wish all my hearings began that way.

I will be brief, not only because of the 5 minute rule, but because many of the points I had intended to make were already made in the opening statements by the members of the two committees. What I tried to do in my statement was to lay out the broad framework, for the Compact renegotiation: where we started, where we are, where we are going. Many of the specific details and particularly the programmatic details are the responsibility of the Interior Department, which provides the Compact funding. So I suspect that most of the questions will go in that direction.

Let me start off with the big picture. First, where we started from has already been very well covered in the introductory remarks. We started off from a dual perspective. One, what were our legal and moral obligations under the trusteeship? One of our obligations was to provide for the self-determination of the peoples in the trust territory. That was a major issue in the 1980's. It's easy to forget now in the post cold war period that this was not then

an obscure issue, but in fact was a major issue. In the United Nations it had a high ideological profile. It was in a sense an anachronism from the Second World War. It was a big deal for us to fulfil our obligations, not only for the peoples of Micronesia, but for our international standing as well.

The second issue which has been mentioned briefly and will be discussed more by Dr. Campbell, is defense. In the cold war period again, there were huge defense issues at stake. We have forgotten some of those. Of course there was the one that Congressman Underwood mentioned: strategic denial. This means taking a vast stretch of the Pacific and maintaining the U.S. military control and ensuring that we could deny access to the ships of other countries. This was not a theoretical issue in the last decade. As you'll recall, the Russian navy was starting to make significant inroads in the Pacific, including in the South Pacific, in the 1980's. So there was very real concern at the time we were doing the Compact negotiation about Russian agreements with Island countries under the guise of fishing agreements, which could have given the Soviet Union direct access to the territorial waters of some of these countries. So obtaining strategic denial in Miconesian waters was a major plus for us.

Second, during the cold war, continued access to military bases in the Philippines was a major worry. As a contingency, we wanted to have a place to pull back to. That was one of the considerations with respect to the Palau Compact which has now dropped off the strategic map but was huge back in the 1980's.

Third, another consideration that's been mentioned that still applies is the vital strategic significance of Kwajalein. So you had all these defense interests, combined with our legal and moral interests from the trusteeship.

How has it all worked? Where are we now? I think the answer would have to be in some senses it's worked fabulously well. I think in terms of fulfilling our legal and moral obligations under the Compact, we have done a good job. The entities are now all fully up and running as independent states. They are well accredited internationally. There is great stability. In that sense, I think we have accomplished a lot of what we set out to do.

I think on the security side, the world has changed a lot more. I think that in fact with the cold war over and with Philippine bases no longer an issue, for one thing, that issue has dropped off. The question of strategic denial has changed a bit, but I would argue, and I think my Defense colleague will argue even more strongly, has not vanished. While there is no navy comparable to the Russian navy today in the Pacific, I would not want to stake my career that there will never be one. The ability to have strategic denial for such a large region has to be important as we think about the future and into the next century. So strategic denial, if not as urgent as during the cold war, is still a very real interest.

Of course Kwajalein does remain as important as ever because of the various missile programs that we have underway and the scarcity of facilities to test missiles. So we do have strategic interests.

Now how well have we done on our economic goals? I think here the picture is mixed. Frankly, as someone who had worked inten-

sively on the Compact at the time, I would have hoped we would be further along today in self-sufficiency for all the entities of Micronesia. The truth is we're not there yet. We can do a lot of fingerpointing and point out mistakes that have been made, whether it's by the Freely Associated States themselves or whether it's by us, and "us" I think would include both the executive branch and the Congress. But the reality is that there has been some progress. I recently returned to Pohnpei in the Federated States of Micronesia after almost 10 years absence, and I certainly saw significant signs of economic development. So we've made some progress, but they are not ready to go it alone.

The painful truth is, if the Congress and the Administration were to cutoff funding today or when we renegotiate, then in fact I think we would have a very hard time in these entities. There would be great depravation for the people in these entities, and that there would be a question as to whether we were being consistent with our historical relationship, indeed, our special relationship with these entities. So I think this is a factor that we do have to continue to look at.

There has been a great emphasis recently on reform, working with the Asain Development Bank. Since the light is on, I won't go into detail. In my statement, I've addressed our concerns about how some of the funds have been utilized. We have real concerns, but we are trying to address them. We think they can be addressed and we think there can be more progress.

In terms of where we go from here, first let me commend you, Mr. Chairman, for stating the issue accurately. A lot of people talk about renegotiating the Compact. That is not accurate. The Compact stands. There are certain provisions of the Compact which do have to be renegotiated after 15 years and the negotiations have to start after 13 years. Those are the provisions we're talking about today. We're not talking about a fundamental renegotiation of the Compact. We are in the late stages of trying to select a high level negotiator to undertake this effort for the U.S. Government, but I don't have a name for you today.

Finally, in my statement I close, Mr. Chairman, with some of the questions we're going to have to look at. We are going to have to work with both of your committees because the issues involve congressional actions. There are the questions concerning what type of funding we provide. How much, and under what terms? Do we continue to provide funds with the full faith and credit of the U.S. Government? Does it require annual appropriations? Do we continue to provide all Federal programs, some Federal programs, or no Federal programs, and, if so, on a reimbursable or non-reimbursable basis. For what duration do we provide funds? There are many questions. Frankly, we are not ready to answer them quite yet.

I think the first thing we have to do is get a negotiator and formulate our internal U.S. position. That has to be done in close cooperation with the Congress. I fully share the sentiment expressed by one of your colleagues, that we don't want this negotiation to last 15 years. If we don't start right now with close consultations with the Congress, we are going to repeat the mistakes of the past and have a long negotiation.

But you have my commitment today that we will work closely with the Congress to try to come up with an original package that is acceptable and doesn't have to be legislatively renegotiated over many painful years. Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Roth may be found at end of hearing.]

Mr. DUNCAN. Thank you, Mr. Roth.

Mr. Campbell?

**STATEMENT OF KURT M. CAMPBELL, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR ASIAN AND PACIFIC AFFAIRS**

Mr. CAMPBELL. Thank you very much, Mr. Chairman. Also in the interests of time, I would ask that my full statement be presented on the record.

I also would like to associate myself with the comments of Mr. Faleomavaega and Mr. Underwood concerning Stanley Roth. It is well recognized in the U.S. Government his leadership role he has played throughout the Pacific, and particularly on these issues. I think his framework that he has just presented gives us an outstanding way to proceed.

If I may, Mr. Chairman, let me just make four quick points. First, Mr. Chairman, I like very much the way you began your statement about talking about these islands, critical to our history and to our future. And to our present, how they are emerging from the shadow of the cold war. I think some of the things that we have to remind ourselves, that although that in fact is the case, that just because the cold war is over does not mean our security and our strategic interests go away. They simply changed. That is why it is so important for us as we go forward to be able to define, redefine our interests as we go forward.

The second issue, to Mr. Underwood's point, and again, also relating to Stanley Roth's questions about the security issues. I would prefer and I think you'll see in our report that we'll be producing early next year on what we think are the enduring security interests that we believe apply to the Freely Associated States, that rather than thinking about this strictly in a negative sense in terms of strategic denial, frankly we are beginning to think about our presence in Asia, particularly in the current context, in the positive sense. That U.S. presence currently in Asia, a region that is experiencing tremendous uncertainty, is the big C, is the big constant in the region, amongst a tremendous number of variables.

If I can, and I apologize to other friends who have heard this story before, I must give you a European analogy which I think has some relevance for the Asian Pacific region. In the 1980's, Secretary General of NATO, Lord Carrington, a fine British statesman, was sitting in a room listening to some senior British, German, Italian NATO partners criticizing the United States, saying you know, right, they are here in Europe. Of course they play an important role, but they are difficult to work with, they don't coordinate very well sometimes. Sometimes they can be clumsy. It's just very difficult. After listening for about 20 minutes, Lord Carrington said, "Ah, alas, they are the only Americans we have." That role is remarkably consistent in Asia today.

As we look around the region and we see tremendous uncertainty on the economic front, with the rise and fall of great nations, instability of the kind that we have already talked about on the Korean Peninsula, then one of the most important things to keep in mind is the U.S. presence. This constant will be critical, not just for this century, not just in the post cold war world, but in the next century as well.

I would be happy, Mr. Underwood, to elaborate on those themes as we go forward.

Then just to my friend Mr. Faleomavaega, on the whole question of Kwajalein, I like very much the way he amplified on the question of the important role the islands will play as we go forward in terms of theater missile defense testing. I think as you know, the recent missile test in North Korea has sent shock waves through the region. I think those shock waves are well understood in Washington. As we go forward, you are right to say that there are only two sites in the United States that really can be used both legally and operationally for the testing of complex theater missile defense systems. But in practice, there's really only one that is critical. I think you'll see us referring to this specifically as we go forward.

The last point I just want to underscore is that we will be working very closely in partnership with Stanley Roth, my friend and colleague, as we appoint a senior negotiator that will represent our government in these negotiations. We also believe that it is in the best interests of the United States and the Freely Associated States that we begin these discussions prudently and we conclude them as rapidly as possible. We think that is the best way for both of our peoples to proceed.

Again, let me just conclude by suggesting that the security interests of the United States still apply, and they will continue to apply into the future as we go forward.

Thank you very much.

[The prepared statement of Mr. Campbell may be found at end of hearing.]

Mr. DUNCAN. Thank you, Mr. Campbell.

Mr. Stayman?

**STATEMENT OF ALLEN P. STAYMAN, DIRECTOR, OFFICE OF INSULAR AFFAIRS, U.S. DEPARTMENT OF THE INTERIOR**

Mr. STAYMAN. Thank you, Mr. Chairman. I ask that my full statement be entered into the record. I will summarize.

Mr. DUNCAN. It will be so entered.

Mr. STAYMAN. On title II of the compact for which the Department of the Interior is responsible, is composed of three elements, financial assistance, program assistance, and tax and trade investment incentives. With respect to the financial assistance, the U.S. will provide nearly $3 billion over the 15-year life of the compacts. This financial assistance, which is mostly guaranteed, is provided with maximum flexibility to the Freely Associated States. Tables displaying the estimates of the value of the 15 years for this assistance is attached as an addendum.

With respect to the program assistance, under section 221, the United States agreed to provide the Freely Associated States with

services of the Weather Service, FEMA, the Postal Service, FAA. These services are also listed in the chart at the back. But in addition, section 224 of the compact provided that additional U.S. program assistance could be extended from time to time by Congress. This provision has been used extensively to establish over a dozen additional programs.

It is important to note that the compacts as originally negotiated anticipated that all domestic programs would be budgeted under section 221 and through the Department of the Interior. When Congress extended these additional programs, however, it did not direct that the additional programs be budgeted and administered through this unified approach, and would instead be administered by each separate agency. This has eased program administration, but it has at the same time made it difficult to track such programs.

The third element in title II, the tax and trade investment incentives, were designed to stimulate private sector development and complement the financial and program assistance. However, the tax-writing committees of the Congress eliminated this third and perhaps most important element of the compacts' economic development strategy. This fundamental policy change de-emphasized the private sector's role in economic development and undoubtedly weakened the potential of the policy.

A second point to be made in assessing title II of the compact is that the Freely Associated States did not have extensive economic planning experience. In 1993, the incoming administration responded to these problems with two initiatives. First, we began the annual bilateral economic consultations which were called for in the subsidiary agreements of the compact, but for the first 7 years had never been held. Second, we contracted with the Asian Development Bank to provide economic planning expertise to the FAS. These new elements in the economic development policy have been successful in enhancing FAS economic planning capabilities and decisionmaking.

Chairman Young in his letter of invitation stated his desire to focus on several specific issues. Let me briefly address those which I have not already touched on. First, exclusive economic zone enforcement. Under the compact, the United States provides funding for enforcement of laws regulating the exclusive economic zones. These enforcement funds are used to operate and maintain patrol boats that were donated to the FAS by the government of Australia. This combination of the United States and Australian aid has significantly enhanced the ability of the FAS to regulate fisheries.

Two, the migration of FAS citizens. Guam, the Northern Mariana Islands and Hawaii have all expressed concern about the numbers of FAS citizens in their jurisdictions and the burdens they have placed on the governments. Moreover, they believe they should be reimbursed, pursuant to the compact authorization. Guam, the destination of the majority of these migrants, is currently receiving $4.6 million annually to help compensate for this impact. Additionally, the Immigration and Naturalization Service is developing regulations that would limit habitual residents of

FAS citizens in United States territories. This should significantly reduce the burden of compact migration as well.

A third issue, the resettlement of certain Marshall Island atoll communities. The peoples of the four nuclear-affected atolls in the Marshall Islands are in very different circumstances. The peoples of Enewetak and Utrik have mostly returned to their islands. The people of Rongelap, who signed a resettlement agreement in 1996, are now able to return to Rongelap Island. Their restored airfield is now in use, and public facilities and homes are currently under construction.

A delegation representing the people of Bikini visited Secretary Babbitt this April seeking a guarantee from the U.S. Government that their atoll is safe for resettlement. The secretary responded that the department supported the September 1996 International Atomic Energy Agency Advisory Group Report on Radiological Conditions at Bikini. The IAEA found that Bikini Island was ready for permanent habitation as long as certain remedial measures were fully implemented, especially the application of fertilizer to the soil and the use of imported food. Should such remedial steps be implemented, radiation doses for people living on Bikini Island would be acceptable according to international standards, and their health would be protected against radiation exposure.

Four, construction of the Babeldaob Road in the Republic of Palau. The NEPA process is nearly complete and the final design of this road is complete. The Army Corps of Engineers has solicited price bids, and the price proposals are due on October 10, that is in just 10 days. We expect the bids will be very competitive due to the state of Asian Pacific economies. If there is a clearly superior bid, it may be possible to award the construction contract as soon as December.

Finally, compact renegotiation plans. This past July the Inter Agency Group on Freely Associated State Affairs began a process of outlining the IAG's renegotiation objectives. Interior is aware that the FSM and Marshall Island governments will continue to need some level of assistance after the years 2001 or 2003. The administration looks forward to continuing discussions with the Congress as the United States position for these negotiations is developed.

Thank you. I would be pleased to answer any questions.

[The material mentioned follows:]

**U.S. DEPARTMENT OF THE INTERIOR**
**OFFICE OF INSULAR AFFAIRS**
**COMPACT OF FREE ASSOCIATION**
**MARSHALL ISLANDS AND FEDERATED STATES OF MICRONESIA**
**Estimated Payments 1987 - 2001**
**$'S in 000$**

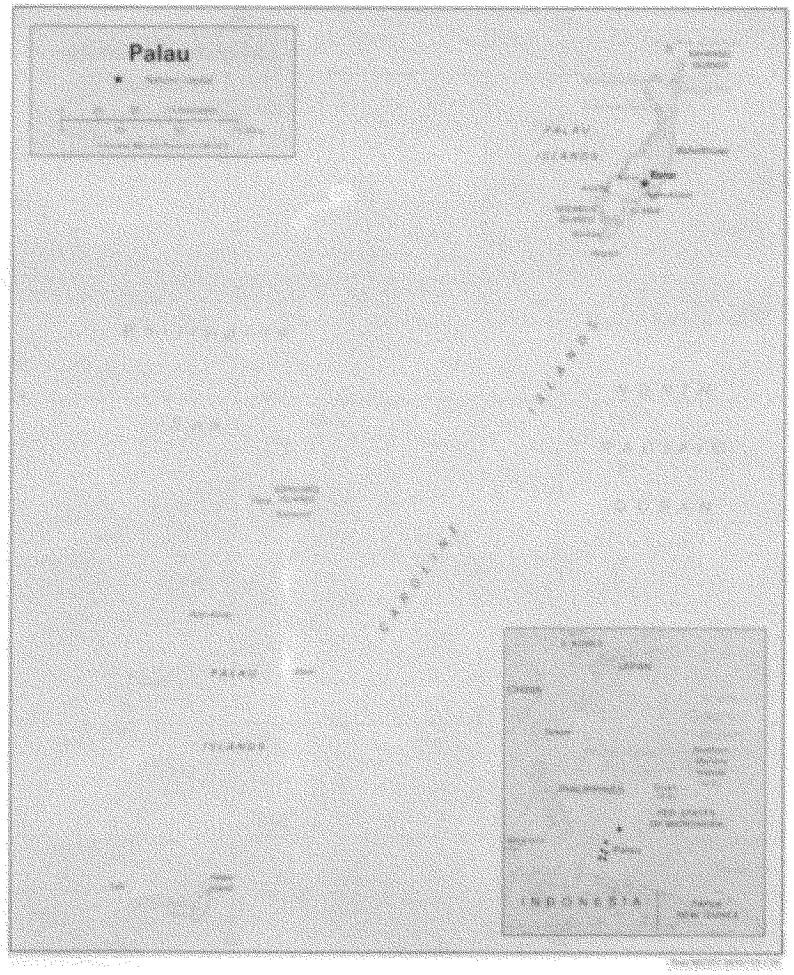
PL-99-239

| | | FY 1987 | FY 1988 | FY 1989 | FY 1990 | FY 1991 | FY 1992 | FY 1993 | FY 1994 | FY 1995 | FY 1996 | FY 1997 | FY 1998 | FY 1999 | FY 2000 | FY 2001 | TOTALS | FY 2002 | FY 2003 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Republic of Marshall Islands (RMI)** | | | | | | | | | | | | | | | | | | | |
| S.211 | Current | 18,600 | 15,660 | 15,660 | 15,660 | 15,660 | 13,260 | 13,260 | 8,125 | 5,825 | 4,700 | 5,460 | 5,460 | 5,460 | 5,460 | 5,460 | 151,710 | 10,114 | 10,114 |
| S.211 | Capital | 7,500 | 10,440 | 10,440 | 10,440 | 10,440 | 8,840 | 8,840 | 15,975 | 16,275 | 17,400 | 13,640 | 13,640 | 13,640 | 13,640 | 13,640 | 184,790 | 12,119 | 12,119 |
| S.217 | Inflation | 8,468 | 8,818 | 7,668 | 8,236 | 9,656 | 9,272 | 10,004 | 10,738 | 11,224 | 11,712 | 10,700 | 11,342 | 11,984 | 12,626 | 13,268 | 151,714 | 16,120 | 16,861 |
| S.213 | Kwajalein Impact | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 | 1,900 | 28,500 | 1,900 | 1,900 |
| S.214 | Energy Production | 0 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 28,000 | 1,867 | 1,867 |
| S.215 | Communications O&M | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 4,500 | 300 | 300 |
| S.215 | Communications Hardware | 3,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3,000 | 200 | 200 |
| S.111 | Tax & Trade Compensation | 0 | 8,000 | 0 | 4,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,000 | 0 | 0 |
| S.216 | Maritime Surveillance Med Ref Scholarshi | 2,387 | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 26,187 | 1,744 | 1,744 |
| | Subtotal | 40,135 | 44,818 | 39,868 | 44,236 | 41,656 | 37,272 | 38,004 | 38,738 | 39,224 | 39,712 | 35,700 | 36,342 | 36,984 | 37,626 | 38,268 | 588,381 | 44,564 | 45,308 |
| S.221 | Health & Ed. Block Grant | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 45,000 | 3,000 | 3,000 |
| | Enewetak Operations | 0 | 1,100 | 1,100 | 1,100 | 1,094 | 1,086 | 1,091 | 1,091 | 1,089 | 1,091 | 1,091 | 1,191 | 1,091 | 1,091 | 1,091 | 15,397 | 1,091 | 1,091 |
| | Rongelap Resettlement | 0 | 0 | 0 | 0 | 0 | 1,975 | 1,983 | 1,983 | 6,979 | 0 | 24,020 | 0 | 0 | 0 | 0 | 36,940 | 0 | 0 |
| | Ejelal | 5,000 | 2,500 | 2,500 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 10,000 | 0 | 0 |
| | Bikini Resettlement | 0 | 2,300 | 5,000 | 22,000 | 21,000 | 21,000 | 21,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 92,300 | 0 | 0 |
| | Section 177 (Nuclear Claims) | 150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 150,000 | 0 | 0 |
| | Other Construction | 0 | 400 | 1,000 | 2,000 | 1,989 | 0 | 0 | 1,000 | 499 | 0 | 0 | 0 | 0 | 0 | 0 | 6,888 | 0 | 0 |
| **TOTAL - RMI** | | **198,135** | **56,118** | **52,268** | **72,336** | **68,739** | **64,333** | **65,078** | **46,812** | **50,791** | **43,803** | **63,811** | **40,533** | **41,075** | **41,717** | **42,359** | **946,896** | **48,655** | **49,399** |
| **Federated States of Micronesia (FSM)** | | | | | | | | | | | | | | | | | | | |
| S.211 | Current | 42,000 | 36,000 | 36,000 | 36,000 | 36,000 | 30,600 | 30,600 | 30,600 | 30,600 | 30,600 | 24,000 | 24,000 | 24,000 | 24,000 | 24,000 | 459,000 | 30,600 | 30,600 |
| S.211 | Capital | 18,000 | 24,000 | 24,000 | 24,000 | 24,000 | 20,400 | 20,400 | 20,400 | 20,400 | 20,400 | 16,000 | 16,000 | 16,000 | 16,000 | 16,000 | 296,000 | 19,733 | 19,733 |
| S.217 | Inflation | 14,852 | 15,504 | 17,442 | 18,734 | 21,318 | 21,128 | 22,797 | 24,464 | 25,576 | 26,688 | 22,300 | 23,638 | 24,976 | 26,314 | 27,652 | 333,183 | 35,800 | 37,452 |
| S.214 | Energy Production | 0 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 | 42,000 | 2,800 | 2,800 |
| S.215 | Communications O&M | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 9,000 | 600 | 600 |
| S.215 | Communications Hardware | 6,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,000 | 400 | 400 |
| S.213 | Yap Impact | 160 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 160 | 11 | 11 |
| S.111 | Tax & Trade Compensation | 0 | 12,000 | 0 | 8,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 20,000 | 0 | 0 |
| S.216 | Maritime/Med. Ref./Scholarships | 4,335 | 3,668 | 3,668 | 3,668 | 3,668 | 3,668 | 3,668 | 3,668 | 3,668 | 3,668 | 3,669 | 3,669 | 3,669 | 3,669 | 3,668 | 55,691 | 3,713 | 3,713 |
| S.212 | Civic Action Teams | 0 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 14,000 | 933 | 933 |
| | Other Construction | 0 | 0 | 0 | 0 | 3,979 | 3,950 | 0 | 500 | 1,497 | 0 | 0 | 0 | 0 | 0 | 0 | 9,926 | 0 | 0 |
| | Subtotal, permanent (FSM) | 85,747 | 95,772 | 85,710 | 95,002 | 93,565 | 84,346 | 82,065 | 84,232 | 86,341 | 85,956 | 70,569 | 71,907 | 73,245 | 74,583 | 75,920 | 1,244,960 | 94,590 | 96,242 |
| S.221 | Health & Ed. Block Grant | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 105,000 | 7,000 | 7,000 |
| **TOTAL - FSM** | | **92,747** | **102,772** | **92,710** | **102,002** | **100,565** | **91,346** | **89,065** | **91,232** | **93,341** | **92,956** | **77,569** | **78,907** | **80,245** | **81,583** | **82,920** | **1,349,960** | **101,590** | **103,242** |
| **Federal Services*** | | 18,750 | 17,320 | 12,760 | 10,160 | 7,860 | 7,810 | 7,294 | 7,528 | 8,514 | 6,964 | 6,964 | 7,354 | 7,354 | 7,354 | 7,354 | 139,140 | 7,354 | 7,354 |
| **GRAND TOTAL, RMI & FSM** | | **309,632** | **174,208** | **157,738** | **184,498** | **176,964** | **163,489** | **161,437** | **144,572** | **150,646** | **143,723** | **148,344** | **126,794** | **128,674** | **130,654** | **132,633** | **2,436,006** | **157,600** | **159,995** |

U.S. DEPARTMENT OF THE INTERIOR
OFFICE OF INSULAR AFFAIRS
COMPACT OF FREE ASSOCIATION
REPUBLIC OF PALAU
Estimated Payments 1995 - 2009
$'S IN 000'S

| ACTIVITY (P.L. 99-658) | FY 1995 | FY 1996 | FY 1997 | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | TOTALS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sect. 211(a)* | 12,000 | 12,000 | 12,000 | 12,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 120,000 |
| Sect. 211(b)* | 28,000 | | | | | | | | | | | | | | | 28,000 |
| Sect. 211(c)* | 1,650 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 3,750 |
| Sect. 211(d) | 631 | 631 | 631 | 631 | 631 | 631 | 631 | 631 | 631 | 631 | 631 | 631 | 631 | 631 | 631 | 9,465 |
| Sect. 211(e) | 667 | | | | | | | | | | | | | | | 667 |
| Sect. 211(f) | 66,000 | | 4,000 | | | | | | | | | | | | | 70,000 a/ |
| Subtotal Sec. 211 | 108,948 | 12,781 | 16,781 | 12,781 | 7,781 | 7,781 | 7,781 | 7,781 | 7,781 | 7,781 | 6,781 | 6,781 | 6,781 | 6,781 | 6,781 | 231,882 |
| Sect. 212(b)* | 36,000 | | | | | | | | | | | | | | | 36,000 |
| Sect. 213 | 5,500 | | | | | | | | | | | | | | | 5,500 |
| Sect. 215** | 35,719 | 5,842 | 6,075 | 6,440 | 4,004 | 4,219 | 4,433 | 4,648 | 4,862 | 5,077 | 4,551 | 4,736 | 4,920 | 5,105 | 5,289 | 105,917 |
| SUBTOTAL | 186,167 | 18,623 | 22,856 | 19,221 | 11,785 | 12,000 | 12,214 | 12,429 | 12,643 | 12,858 | 11,332 | 11,517 | 11,701 | 11,886 | 12,070 | 379,299 |
| Sect. 221(b) | 6,300 | 4,900 | 3,500 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 38,700 |
| Sect. 212(a) | 53,000 | | 96,000 | | | | | | | | | | | | | 149,000 |
| DIRECT PAYMENTS | 245,467 | 23,523 | 26,356 | 21,221 | 13,785 | 14,000 | 14,214 | 14,429 | 14,643 | 14,858 | 13,332 | 13,517 | 13,701 | 13,886 | 14,070 | 566,999 |
| Federal Services | 1,340 | 0 | 0 | 0 | 0 | 0 | 0 | 2,390 | 2,540 | 2,690 | 2,840 | 2,990 | 3,140 | 3,290 | 3,440 | 24,660 |
| GRAND TOTAL, PALAU | 246,807 | 23,523 | 26,356 | 21,221 | 13,785 | 14,000 | 14,214 | 16,819 | 17,183 | 17,548 | 16,172 | 16,507 | 16,841 | 17,176 | 17,510 | 591,659 |

* SUBJECT TO INFLATION ADJUSTMENTS UNDER SECTION 215.
** CUMULATIVE INFLATION FACTOR ESTIMATED TO BE 3.0% AS OF FY 1998.
a/ PALAU MAY WITHDRAW $5 MILLION ANNUALLY FROM THE FUND IN YEARS 5 THROUGH 15.


Palau
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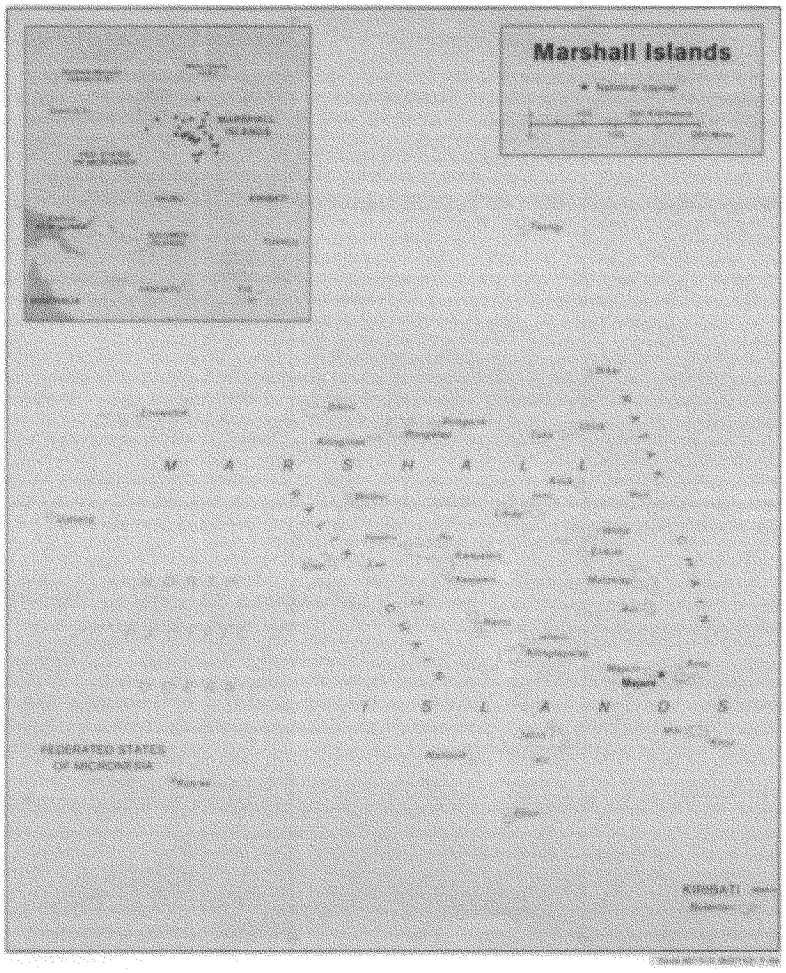
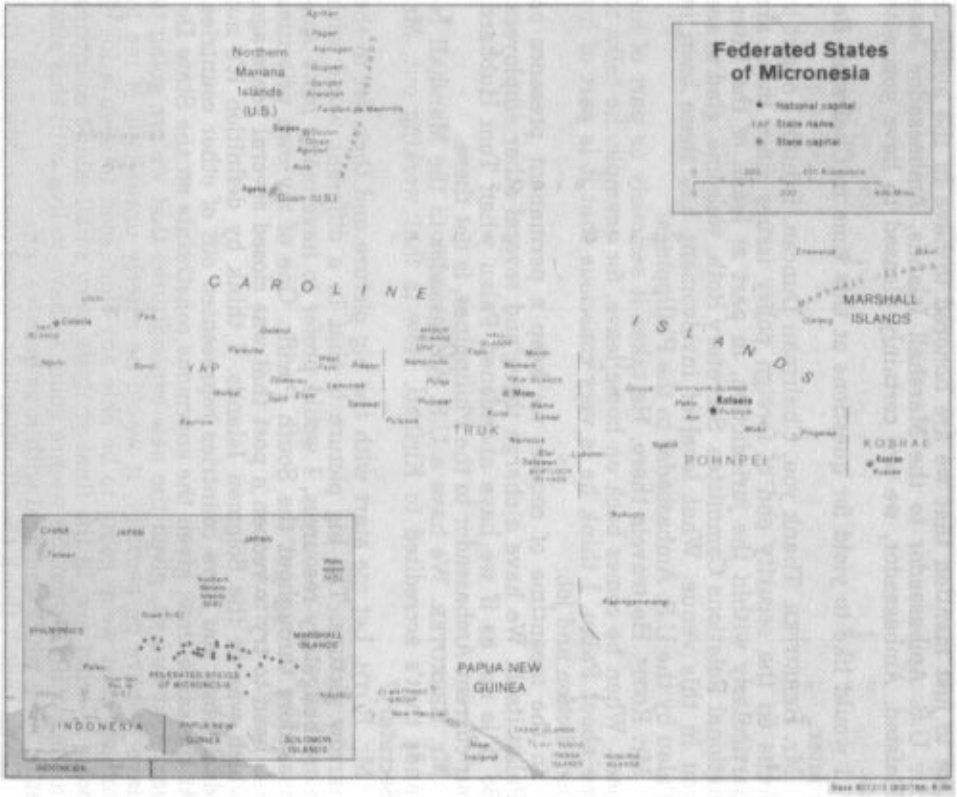

Marshall Islands
M A R S H A L L
I S L A N D S
FEDERATED STATES
OF MICRONESIA
KIRIBATI


Federated States of Micronesia
National capital
State capital
Northern Mariana Islands (U.S.)
Guam (U.S.)
C A R O L I N E
I S L A N D S
MARSHALL ISLANDS
YAP
TRUK
Moen
Kolonia
POHNPEI
KOSRAE
Lelu
PAPUA NEW GUINEA
CHINA
JAPAN
PHILIPPINES
MARSHALL ISLANDS
FEDERATED STATES OF MICRONESIA
INDONESIA
PAPUA NEW GUINEA
SOLOMON ISLANDS

Mr. DUNCAN. Thank you very much, Mr. Stayman. First, I would like to just mention that we are honored to have in the audience our U.S. Ambassador to the Marshall Islands, Ambassador Joan Plaisted. Ambassador, we are certainly pleased to have you with us.

I would like to yield for questions at this time to Chairman Bereuter.

Mr. BEREUTER. Thank you, Chairman Duncan. I think I ought to focus on the security end of foreign policy issues since those are particularly within the jurisdiction, in part at least, of the International Relations Committee. Secretary Roth, welcome, glad to see you in this venue. What level of involvement has there been in Palau by the U.S. Ambassador to the Philippines?

Mr. ROTH. He travels there. He takes it seriously as part of his beat. When he comes back on home leave, for example, he talks to me about Palau. I think he is very conscious that it is part of his jurisdiction and job.

In the meantime of course, we keep a permanent presence on Palau itself. We have a chargé there and several other employees. So it is not as if we have abandoned Palau when Tom Hubbard, our current Ambassador to the Philippines, is not there.

Mr. BEREUTER. We have a U.S. Ambassador to the Marshall Islands that's accredited to Kiribati. How is that working out, Mr. Secretary?

Mr. ROTH. Let me start with the big picture and then get to the narrow picture. The big picture is that in a different world with more budgetary resources, I would prefer to have many more Ambassadors throughout the South Pacific. One of my own priorities has been to try to reopen a post that was closed several years ago, which was in the Solomon Islands. I think by definition it's not ideal when you have countries represented out of other countries. At the same time, given the enormous constraints on the State Department budget, given the new expenditures that we are going to have to have on security, it would be utterly unrealistic of me to suggest that we're going to be able any time soon to open a lot of posts in what are, in the final analysis, very small island countries in the Pacific region. So we are going to have to live with this situation for a while and deal with it as best we can.

Given that, I think the situation has worked reasonably well. Obviously if you ask the people of Kiribati, would they prefer to have a full-time resident Ambassador, I am sure they would say yes. But in the meantime, we are not getting deluged with complaints about the current situation.

Mr. BEREUTER. Secretary Campbell, in the Compact with Palau, we have reserved the right to establish military bases there, I think in large part it reflected the fact we were pulling out of Subic Bay and Clark Air Force Base at the time. Has there been any discussions about that? Is there any likelihood in the near future that we will attempt to exercise that option?

Mr. CAMPBELL. Mr. Chairman, the assessment of our CINCPAC, Admiral Prueher, and most of our senior military command, and that's backed up by the civilian Department of Defense, is that we have all the permanent military facilities in Asia that we currently require, and that we are primarily placing our emphasis on in-

creasing access, increasing training with a host of countries and places in the Asian Pacific region. I think that is where we stand today.

Mr. BEREUTER. Thank you. Mr. Stayman and Secretary Roth, has the administration spoken out or does it have a policy with respect to the prospect that the Marshall Islands would propose as a part of its economic development to store nuclear waste on one of its atolls?

Mr. ROTH. Yes. This frankly is going right back to the negotiation on the Compact legislation itself more than 10 years ago. At that time there was concern that countries under financial pressure might seek financial arrangements to store garbage or nuclear waste or other toxic materials, thereby endangering their own environment. I think it's been the very clear intent of Congress, and it's supported by various Administrations since then, not to see this happen. We believe it was a mistake. We have opposed efforts by Taiwan to have nuclear waste disposal programs with North Korea. We have opposed that in the South Pacific as well.

Mr. BEREUTER. We may have to speak on that issue once more. Mr. Stayman, do you have anything to say on that subject?

Mr. STAYMAN. I don't really have anything to add except reiterate the strong opposition of the administration to such proposals.

Mr. BEREUTER. Mr. Stayman, thank you. I'm on my yellow light here, so I'll try to crowd in one more question. Since Palau, the Rock Islands have such a unique ecological system, truly unique in the world in some respects with flora and fauna, what if anything has Palau done to try to assure that its ecological system is protected? What role is there for the United States, if any, in the way of technical assistance that has been requested?

Mr. STAYMAN. To begin with, under the Compact itself Palau must agree to have essentially mirror environmental standards as the United States. We think that we are providing technical assistance, not just to the government, but to NGO's to develop their capability to establish such laws and regulations and enforce them.

With respect to the road in particular, that is probably going to be the single largest construction project that the U.S. has ever conducted in Micronesia. It's 150 millon——

Mr. BEREUTER. But the road doesn't affect the so-called Rock Island area directly, does it?

Mr. STAYMAN. It will affect reefs off Babeldaob, you're right, but not the Rock Islands. What they are doing in the Rock Islands is establishing marine reserves along models similar to that in the United States. They have I believe one in the Rock Islands. There is one at the north end in Kayangel, and under the road for the purpose of conservation areas. We expect them to establish two more. So at this point we are confident that they are very committed to protection of their unique environment.

Let me just add that they are very sensitive to the role that the Rock Islands and their reefs and their natural environment play in economic development. I don't think they are going to kill the goose that's going to lay the golden egg.

Mr. BEREUTER. Mr. Chairman, if you could just indulge me for one quick followup.

Have they requested World Heritage designation?

Mr. STAYMAN. I am not aware at this time.

Mr. BEREUTER. Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you.

Mr. Faleomavaega?

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

Secretary Roth, you had mentioned earlier that the thing good about the renegotiations process is that only certain provisions of the Compact are subject to renegotiations, so we're not starting from scratch again. I had recently discussed the matter of renegotiation with President Nena of the FSM. They are willing to abide by the current dating, which will not start until sometime next year.

However, in my recent meetings with President Kabua of the Marshall Islands, they are very concerned, Mr. Secretary. They feel that because of the sensitivities and problems unlike the FSM or Palau, they feel that it's really necessary that the negotiations with the Marshalls should commence at the earliest possible date. What is your position on that?

Mr. ROTH. I was a little bit surprised to hear that in your opening remarks because there is a provision of the Compact that takes into account the needs of the Marshalls. I'm referring to the "changed circumstances" provision, which we understand is being looked at very carefully. In other words, while the nuclear settlement provisions were supposed to be a final settlement, there was included in the legislation itself very specifically a safety net clause which said that if there are "changed circumstances," that a report can be submitted to the Administration and will be considered. So there is a means even in advance of Compact renegotiations to deal with issues relating to the nuclear ones. So one way or another, I think we can address the Marshallese concerns. I think we have an obligation to address the nuclear concerns. It is in law, but I think also we feel it as a matter of policy.

In terms of starting earlier, frankly by the time we get the negotiator appointed and get our own internal coordination amongst all the interested agencies of the U.S. Government, and I hope have some intensive consultations with the Hill, it is not going to be very much earlier than the 1999 date that is set in the legislation itself. If we can do a little bit better, we'll try to do so. But I am particularly concerned that we start off from a realistic base, which means that I think we have to do a very good job in consultations with the Congress, particularly these two committees on the House side before we sit down to engage in negotiations so we don't end up with a 15 year fiasco.

Mr. FALEOMAVAEGA. I think the concern that I raised on the question of renegotiation is the fact that it's not one shoe that fits all. The problems dealing with FSM is certainly not the same as the Marshalls. The fact that our nuclear presence in the Marshalls is a lot more apparent than we are with the FSM or Palau, for that matter, it seems that some of these issues are a lot more poignant and really needs to be addressed as soon as possible, in my humble opinion.

Mr. Stayman, you mentioned that Congress had eliminated the tax and trade investment provision in development of the compacts. Can you explain to the Committee why this was done? Is it because

of our fear that we don't want to allow these countries to negotiate with foreign countries that may not be in our national interest?

Mr. STAYMAN. I am hesitant to speak for the congressional tax writing committees this many years later, but as you know, I was working for the Senate at the time. My understanding was that generally the Treasury Department did not favor the use of these kinds of tax and trade provisions, which were essentially the same provisions available to the U.S. territories. As you know, since that time the Congress has gone forward and eliminated these programs for all U.S. territories.

So my understanding was that their very fundamental policy tendency was toward eliminating these special provisions in the tax and trade codes. They have gone ahead and eliminated such things as the possession's tax credit.

Mr. FALEOMAVAEGA. I am not an economist, but you know, on the one hand we're saying that these islanders be more self-sufficient economically. On the other hand, we cut the left hand by trying to promote trade investments and have some kind of an internal tax structure so that they can be more self-sufficient. This doesn't make any sense to me at all.

Mr. STAYMAN. In hindsight, I think most people would recognize that a de-emphasis on private sector incentives and an increasing of public sector subsidies is not going to help develop the private sector and get economic self sufficiency in any renegotiation. This is an area we hoped to work much more closely with Congress. This is one of the examples which Mr. Roth talked about that had their been better communication, this might not have happened, so that we can have a more appropriate balance between the private sector and the public sector.

Mr. FALEOMAVAEGA. Mr. Chairman, may I ask one more question?

Have you had a fellow by the name of Alex Copson come visit your office, Mr. Stayman? I want to see his face. This guy is going around selling the idea of a nuclear storage waste facility in any of the islands in the Pacific, a multi-billion dollar proposal with some Russian outfit and some admiral being involved in this issue. Then the next thing I hear now, there's a Taiwan outfit with Babcock and Wilcox. Is this an American company? They want to propose also a nuclear storage. I think the last time I heard, Mr. Copson was at Wake Island that he wanted to do this.

What is the latest development on this nuclear storage thing?

Mr. STAYMAN. We have heard a variety of proposals. I have not met Mr. Copson personally, but I have met others who are interested in some of these proposals. They have been made with respect to several islands. But generally our response is always the same. We are against it.

Mr. FALEOMAVAEGA. It's all right to store nuclear waste in these islands—it's not all right, but it is OK to transport nuclear waste between points, like the French and the Japanese are doing now. Is that considered a real guaranteed safe for a process? Mr. Campbell, maybe I could ask you. You are the defense expert here.

Mr. CAMPBELL. I'm sorry. I didn't really understand the question.

Mr. FALEOMAVAEGA. It's not OK to store nuclear waste material basically as a matter of policy. I support that. But it is perfectly

OK to transport nuclear waste on surface transportation, like what is happening now between Japan and France?

Mr. CAMPBELL. Let me try to answer just the security dimension. I'll let my friend from Interior answer the first part of that. Let me just say that when there are transfers by ship by their nuclear fuel for reactors or nuclear waste issues, this is one of the issues that the United States tracks and looks at very carefully. We do have security concerns associated with the movement of nuclear materials on the high seas. Yes, indeed.

Mr. FALEOMAVAEGA. No thought or danger that these ships are subject to any storms, that one day that they are going to end up just like we said in one to a million chances that the Valdez situation would not have ever happened, what had happened?

Mr. CAMPBELL. Again, if you asking do you think that the United States views these from a variety of perspectives with some concern, but from the perspective of a potential terrorist attack or some kind of major storm, I think the answer to that question is yes. These are not interactions that the U.S. Government is itself involved in. We have been in communication—I don't know of the communications with France, I do know of the communications with Japan. We consult with them and we have in the past on safety issues associated with this.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you.

Mr. Underwood?

Mr. UNDERWOOD. Thank you, Mr. Chairman. I would, spinning off of that statement on the environment made by Mr. Stayman that Palau tries to follow exactly the same or approximately the same environmental regulations that the U.S., I would like to note with some envy that they can catch and eat sea turtles and fruit ants. People in Guam can't.

[Laughter.]

I am particularly interested in the issue of strategic denial. One of the reasons that I raise that issue is because I want to know what is the emerging consensus on what is the new situation regarding the strategic environment in which Micronesia plays in not only the Asia Pacific situation, but even worldwide.

I know, Dr. Campbell, you mentioned that the United States, the constant is the big C in the area and that it adds a certain level of stability. You also mentioned that the United States desires to maintain a presence in the area. Could you describe and perhaps Secretary Roth would like to participate in this as well, what if any activities engaged in by the Freely Associated States would contribute to the erosion of the strategic situation or eroded in any way?

Mr. CAMPBELL. Let me begin and answer, and then ask Stanley to continue, Assistant Secretary Roth to continue if I can. On the first point about the concept of strategic denial, you will note that when the United States talks about the Asian Pacific region, by and large we try to talk about it as not a region in which sort of great power politics are afoot. We do not see a situation in Asia that is in any way relevant to the cold war world in which we were involved in a global strategic standoff or competition with the Soviet Union.

Our relations with major powers is complex. We believe that the best way both to engage major powers and to hedge against the possibility that things do not go in directions that are potentially in U.S. interests, is to maintain a presence. So our presence in the Asian Pacific region both acts as an ability to shape the environment with which we desire to live, and also it is a hedge in case things go badly.

When you ask about what steps that could be undertaken that could potentially undercut peace and stability in the region, again, I would turn that to the positive. Our goal by our presence in the region, our goal with our close association with the Freely Associated States is to shape an environment which prevents the emergence of threats or challenges to peace and stability in the Asian and Pacific region. We think that is the enduring rationale for U.S. strategic involvement, not only in the Pacific, but in the Asia and Pacific as a whole.

Mr. UNDERWOOD. But is there any kind of specific activity engaged in by the Freely Associated States which you are monitoring very carefully which may erode or may undercut some of this like fishing agreements or I don't know, maybe the nuclear waste storage or other issues aside from the environmental dimensions? That's what I am getting at.

Mr. CAMPBELL. Let me just say that we track a variety of developments in the region. We look at migration patterns. We look at fishing. We look at some of the things that Assistant Secretary Roth has talked about in terms of. We have heard about sort of groups traveling through the night with nuclear proposals in their suitcases. We try to track all of that. Again, I think the United States has fairly strong views on all of these issues.

Mr. ROTH. Let me just add that I think it is worth getting the perspective right. Strategic denial isn't something done to the Freely Associated States. It is not per se something we are doing to restrict their behavior. It is, in a sense, a benefit, since, as you know, under the Compact we are completely responsible for their defense and are obligated to defend them as if they were part of the U.S. So anything we do in terms of denying military access to other countries to this region, presumably it's for the same benefit of the Freely Associated States as it is to us. I am not aware that there has been a single instance where we have ever had to tell one of the Freely Associated States no, you can't do something because it will be bad for the strategic interests of the U.S. I don't believe we have exercised strategic denial.

Mr. CAMPBELL. That is perfectly said, what Assistant Secretary Roth has said. I know of no incident in which we have had to say no, those activities are contrary to the interests of the United States.

Mr. UNDERWOOD. Though in each and every instance in your experience, they have fully complied with the intent and purposes of the Compact in that regard?

Mr. ROTH. Yes.

Mr. CAMPBELL. I would agree with that.

Mr. UNDERWOOD. If I could just ask one brief question on EEZ because Mr. Stayman raised it. The United States has the obligation and takes on the obligation to help enforce the exclusive eco-

nomic zone. The irony for the people of Guam is that our country, of which Guam is a part, is enforcing this EEZ, particularly with regard to fishing agreements. Then the benefits, the potential benefits of some of those fishing agreements, i.e. transshipment through Guam, are being denied by one of the FAS states.

I am just wondering, is that going to be taken into consideration somewhere in the thinking about how we continue to implement these Compacts?

Mr. STAYMAN. Yes. I think that first off, they have these resources but we don't have direct U.S. program involvement in that surveillance. You know, in Guam you have the Coast Guard would provide that. What has happened here is we're simply giving them money to essentially run Australian boats. Nevertheless, your point about the impact of transshipment highlights the dilemma we have, that both Micronesia and Guam are looking to fisheries for development. It is in the interests of the FAS and FSM in particular to get as much of those benefits within their borders as they can. That in fact is the policy of the United States under our fisheries laws, to force as many operations within our borders as possible and maximize the economic benefit.

I would suggest that the way to start resolving this problem so that there is a balance between the interests of Guam and the interests of FAS in extracting the maximum amount of economic benefit is through a regional dialogue. Fisheries in the Pacific have generally been addressed most effectively through some kind of regional dialogue. As you may know, let's see in November, we expect to have many members of the Micronesian Chief Executives and the Pacific Basin Development Council gathered in Guam. I think this is the kind of issue that's going to be at the top of their agenda, is how do we take the Micronesian region and keep folks from competing over a very important resource like fisheries and try to strike a balance where the strengths of Guam will complement the strengths of the FSM and the RMI.

Mr. UNDERWOOD. I'm glad to hear then, I am glad to hear that there's appreciation of that in the administration because obviously much of the enforcement of the EEZ activities that the United States engages in actually come directly out of Guam. It seems a great irony to the people of Guam that our own government is not in a sense working against the interests of Guam, but perhaps not as mindful as they could be.

Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you, Mr. Underwood.

I did spend about a week in the Northern Mariana Islands a little over a year and a half ago, but I really am the new kid on the block here as far as these issues in the Pacific go. I was just asking Mr. Mantz here, I know we have programs with the State Department, the Interior Department, the Defense Department, and other agencies, and I was wondering what the total expenditures were from the Federal Government. But he says that he has just provided me with information that this Fiscal Year, we are spending $40,533,000 in the Marshall Islands, $78.9 million in the Federated States of Micronesia, and $21,221,000 in Palau. Do your all's figures agree with that? Is that basically accurate?

Mr. STAYMAN. Yes. Those are the numbers I believe off the addendum in my testimony. Those reflect the funds provided under the compacts. There may be other amounts, but not that significant, particularly you know—let me just go back. For the Freely Associated States, that fairly represents everything we are providing under the compacts. Again, there may be some small stuff not caught up in that. Let me just give an example which has recently been very important, that's Pell Grants. Pell Grants were extended outside of the compact. They obviously have a substantial value. But that is a payment made to individuals so that does not track here. If for example, someone happened to be a veteran, payments to individuals would not be reflected.

Mr. DUNCAN. So payments to individuals are not in those figures?

Mr. STAYMAN. Right.

Mr. DUNCAN. And yet I understand from the staff that your department projects an increase in these outlays at the end of the 15 year compact period. I also understand that as far back as 1947, we said it was a goal of the United States or we were committed to self sufficiency. Yet they tell me that particularly in the Marshall Islands, that per capita income is $1,600, factoring in compact payments, but only $200 to $600 without it. Is self-sufficiency a realistic goal? Are some of these people in areas becoming more dependent? Why the increase that you project?

Mr. STAYMAN. First, that issue, the increase in the last 2 years is a consequence of a provision of the compact itself which provides a separate formula for funding in what are essentially the two contingency years. We had a formula which covered the 15 year term. Then there is a 2-year contingency period if the negotiations should not be concluded. The formula for funding in those 2 years is tied to the average for the preceding 15 years, which was in fact a declining amount. So simply the provisions of the compact provide for a step-up in the last 2 years. That was the way it was negotiated.

Your more fundamental point about self sufficiency I think is an important one. I for one believe that complete self sufficiency is not a realistic goal. We have to recognize that these are small resource poor countries in very remote regions of the earth. There will either always be a need for some kind of outside subsidy, that doesn't necessarily mean a U.S. subsidy, and there will probably be a continuing pattern as we see throughout the region, of out-migration. There is simply not enough land or enough jobs to provide the opportunity for all of the people.

Having said that, one of the goals that I would like to establish in renegotiation is to the extent we can use U.S. money as efficiently as possible and achieve the maximum level of self sufficiency, we should do that. But we have to be cognizant of the fact that by emerging as independent nations, the Freely Associated States can now tap into other sources of funding and programmatic assistance. They have not been as aggressive as they could be in doing that. I mentioned briefly in my statement developing the linkages with ADB. I think it's important to recognize that the U.S. isn't the only provider of assistance.

Mr. DUNCAN. Let me ask you very quickly about a couple of other things. In some of the materials provided to me I saw that the re-

quirement for essential air service has ended and that the flights to the Marshall Islands have been reduced to two a week. I know that most of the people in these areas are heavily dependent on air travel. Is that going to be a problem or is there work being done to try to get more air service to these islands?

Mr. STAYMAN. Let me say it is not only going to be a problem, it is a problem. The two primary opportunities available for economic development are fisheries and tourism. It is hard to find tourists who are going to go to an area where there are only two flights a week. This is one of the areas of economic development that I think we should look at very carefully as we approach the renegotiations. Because if you believe that you have to maximize the benefits from fisheries and tourism, you really have to resolve this problem. It is already affecting our ability to deliver mail in a timely manner. Again, businesses don't like to be confronted with problems like that. It makes it extremely difficult to get outside investment.

Mr. DUNCAN. Mr. Campbell, let me ask you this about defense. We have been closing bases around the world. You stressed the strategic importance of some of these areas. What are our security obligations to them? You stated how valuable they were to us. What are our security obligations to these islands? Also, do you foresee a point at which we would need to build some type of military base or facility in the Pacific some place and use one of these areas?

Mr. CAMPBELL. Thank you, Mr. Chairman. I think Assistant Secretary Roth stated it very succinctly, and it's in my statement as well. Our security and defense commitment to the Freely Associated States is absolutely unique. It is deeper and more profound than we have made to any other alliance, including NATO. We protect and secure, we take steps to do so in the Freely Associated States as we would defend a piece of U.S. territory, continental U.S. territory. We believe that that is a fundamental commitment that will endure in our relationship as we go forward.

On the question of, as you can imagine, Mr. Chairman, the question of bases in Asia is a very sensitive topic. Chairman Bereuter has had a number of hearings on this. What we tried to do, given the fact that there are often difficulties and sensitivities associated with the creation of major permanent facilities in the Asia and Pacific region, and again, and we also suffer from the tyranny of distance and costs associated with the maintenance of these bases. We put more stake and influence emphasis now on patrols, on deployments, on temporary and short-term deployments than we do on permanent basing of facilities.

We have major military facilities, permanent major military facilities in Asia now in only two countries, in Japan and South Korea. However, we have increased substantially our training and our deployments throughout the Pacific and the Southeast Asian region over the last 4 or 5 years. I expect that will continue.

So to answer succinctly your question, I believe that our access and our training will continue and perhaps even increase in the immediate future. I can not state here that I foresee a period in the future where we will want permanent military facilities in the FAS. No, I can not.

Mr. ROTH. This is a big change from 15 years ago, when we were contemplating the possibility that we might want to do something. In fact, we were doing actions in several places, leasing land in Tinian negotiations, the whole Compact arrangement with Palau because we were worried about possibly losing access to the Philippines. So this is a major change in the situation.

Mr. DUNCAN. All right. Well, thank you very much, gentlemen. We want to move onto the second panel, but thank you very much for being with us. It's been a great honor and privilege to have you here.

We will call forward at this time panel No. 2. The second panel consists of the Honorable Asterio R. Takesy, executive director, Joint Committee on Compact Economic Negotiations of the Federated States of Micronesia. He is accompanied today by the FSM Ambassador to the United States, the Honorable Jesse Marehalau. The second panelist is the Honorable Phillip Muller, who is minister of Foreign Affairs and Trade, Republic of the Marshall Islands. He is accompanied today by the Marshall Islands minister of finance, Tony DeBrum. Also in the audience is RMI Ambassador to the United States, the Honorable Banny DeBrum. The third panelist will be the Honorable Hersey Kyota, Ambassador of the Republic of Palau, who is also accompanied by other Palau embassy officials in the audience.

Let me welcome all of the witnesses, and say to you that we are honored to have you here with us today. I will remind all of the witnesses that we do limit the witnesses to 5 minutes, the 5 minute opening statements. I will call on the witnesses as listed in the call of hearing. That means that the first witness will be the Honorable Asterio R. Takesy, who is the executive director of the Joint Committee on Compact Economic Negotiations.

Mr. Takesy?

**STATEMENT OF HON. ASTERIO R. TAKESY, EXECUTIVE DIRECTOR, JOINT COMMITTEE ON COMPACT ECONOMIC NEGOTIATIONS, FEDERATED STATES OF MICRONESIA, ACCOMPANIED BY JESSE MAREHALAU, FEDERATED STATES OF MICRONESIA AMBASSADOR TO THE UNITED STATES**

Mr. MAREHALAU. Mr. Chairman, my name is Jesse Marehalau, the FSM Ambassador to the United States.

Mr. DUNCAN. Are you going to give the statement?

Mr. MAREHALAU. He will. I am just introducing him, sir.

Mr. DUNCAN. Right. Oh, OK. Thank you very much.

Mr. MAREHALAU. I would like to introduce Mr. Takesy, former secretary of development and resources, former secretary of foreign affairs, and now currently serving as the executive director for the Joint Committee on Compact Economic Renegotiations, who will present our testimony.

Mr. DUNCAN. Well, thank you very much, Mr. Ambassador. Certainly we are pleased to have you here with us today.

Mr. TAKESY. Thank you, Mr. Chairman. First I want to thank you very much for holding this hearing to give us an avenue to relate to you what we have done under the compact. Mr. Chairman, my written statement is just a little over 5 minutes, so to adhere to your rules, I will summarize.

Mr. DUNCAN. That's fine. Go right ahead, if it runs slightly over.

Mr. TAKESY. Mr. Chairman, first I would like to thank you very much for the assistance that you have given us in the work on the Pell Grants, which are very, very essential to the well-being and for the education of our young people. We thank you very much for that.

Second, I want to bring to you as my president has been here earlier in the week, in the month rather, he was here to express to you, to the government, at the very highest level to underscore the value that we attach to the compact. It is an expression of collective interest, of mutual interests between our two countries. We certainly want to underscore that to you in these hearings.

The FSM views the success of the compact in other ways. The cornerstone of course of our relationship is in the security and defense areas. We have over the 10 years or so, have adhered very strictly and have carried out our responsibilities under the compact. For instance, at the United Nations, we have allied ourselves very closely with the United States in its voting on very critical issues at the United Nations such as on the Middle East, on Israel, and we have elected to abstain from joining organizations or conventions that the United States has viewed as contrary to its interests, and therefore our interests, such as the Nuclear Free Zone of the Pacific, and the Land Mines Treaty Convention.

Our annual meetings between our two countries on military affairs have had a very smooth holding. The presence of the CAT teams in Micronesia are very much appreciated, and a demonstration of the good will between our two countries. The meetings that we have had are of course done either in our country or in Honolulu. We appreciated this because it gives us an avenue to see firsthand the security setup and the world situation that we periodically receive from SINCPAC.

As you know, Mr. Chairman, there is an elaborate conflict resolution clauses under the compact. They were negotiated over long periods of time and very acrimonious at times. I personally was involved in that and I spent quite a number of weeks here in Washington, DC, in climates that are not very conducive to my thin blood from the Pacific. But not once have we resorted to these articles. The relationship we have carried out. Where we have some differences we were able to resolve them amicably without resorting to any conflict provision.

The defense arrangement under title III, Mr. Chairman, is something that we are very satisfied with and are fully committed to for our own interests as well as for the United States and security of the region. We are very happy to contribute to that. My president in his meeting with Assistant Secretary of Defense, Mr. Kramer, reiterated our offer for prepositioning of military forces in the lagoons of our waters.

I would like to address a point that was raised by my good friend from Guam, Congressman Underwood, on the fisheries issue because it has been a point of some contention between us. The point of the matter is, Mr. Chairman, it is one of the very few resources we have, and we have approached it in as responsible and as economic a manner as we can.

Let me just point out some statistics for this Committee so there is expected. The income that is generated in the territory of Guam as a consequence of the transshipment of fisheries that are generated not only from the FSM but from Marshalls and Palau, is some $240 million. Now, Mr. Chairman, what we receive in my country by way of fee for licensing these vessels, and they are fishing in our waters, not necessarily in Guam's water, is some $20 million. Now what we are doing is instituting arrangements to maximize and to increase the income from these resources. We would like to continue to work with our friends from Guam in seeing how best we can mutually together benefit from these resources.

Mr. Chairman, the important cornerstone of our relationship from our viewpoint is of course economic self-reliance. That is going to be sometime, Mr. Chairman, to come. As has been pointed out by previous speakers, we are a resource-poor country. We have tremendous constraints that must be overcome. We are very far from markets. We are geographically scattered and dispersed. We have great distances to cover, even within our own country. We have 1,800 miles across and most of our territories are under water.

The funding that we have gotten under the compact admittedly has not been put to the best use as one would expect, including us. But having reviewed what we have and seeing that what we started were not so well-thought-out, we have begun 3 years ago to take a re-look at things and reorient. So we have begun a restructuring and reform. I am happy to report, Mr. Chairman, that that exercise is well along its way. We hope to be able to accomplish that sometime next year.

As a matter of example, the state of Chuuk, as many of you know, was in very deep trouble in terms of deficits. Today it is paying its debt and there is no reason to expect that it can not continue. In fact, they have just appropriated additional funds last week. This money will be used to pay out its foreign debts as well as domestic, so that by June of next year, Chuuk will be in the black.

Mr. Chairman, the assistance that we are receiving in our restructuring is done by an independent group that is funded by the United States, Japan, and the Asian Development Bank. It is being administered by the bank. It is a two-pronged approach. That is to produce an environment for private sector growth, and at the same time, reduce costs and downsize the public sector. As you well know, it is the biggest employer in the country.

Now it is going to take some time for this exercise to produce some positive results, but presently we are encouraged by what has happened. More importantly, there is political will behind it. The people have warmed up to it and there is wide consultation among ourselves as to the wisdom and the suffering that we must undertake in order to produce some positive results.

As an example, we have actually downsized the public sector some 20 percent. We have laid off about 1,200 people from the payroll. We have reduced the wage by some 20 percent. We have also frozen increases, promotions, and we are attempting to privatize or corporatize many of our utilities and other services and activities by the government.

We are also attempting to improve our tax structure. Next month our Congress will tackle that. We have improved its administration. I am happy to report that there has been some marked increase in the revenue.

Mr. Chairman, the 15 years of funding under the compact is of great value to the FSM. But as I have stated earlier, it is not going to be enough for us to achieve the measure of self reliance that we had anticipated. In fact, there is relevance and reference in the compact itself, acknowledging that fact so that the renegotiations are built in, because we did not and could not envision that in 15 years we would achieve a level of self reliance or economic development that can generate total revenue for needed public services.

Mr. Chairman, let me summarize for you what we are doing to prepare for these negotiations. Last year this month, we organized a Joint Committee on Compact Economic Negotiations, consisting of members from across the nation, at state and national level, from executive and legislative. The chairman of this group is the Honorable Petrus Tun, who is our former vice president, the first vice president. It is served by a full-time secretariat that is headed by me. We are served by an attorney, economists, and other consultants on areas that are of concern in the next—in renegotiations.

Mr. Chairman, I would like to end by stating that some in your country have viewed the funding under the compact as foreign aid. Others have described it as rental for defense purposes. Some have labeled it other ways. But for us, we view this is as this the mutually beneficial relationship. This is the unique cornerstone for us. We view this as a partnership in development for self-reliance and security.

Mr. Chairman, I thank you very much for allowing me to appear before this Committee. We in the FSM welcome this dialogue. We would like to provide this Committee, including the administration, information that they may wish from us. We look forward to the renegotiation.

[The prepared statement of Mr. Takesy may be found at end of hearing.]

Mr. DUNCAN. Thank you very much, Mr. Takesy.

The next witness as listed in the call of the hearing is the Honorable Phillip Muller.

Mr. Muller?

**STATEMENT OF PHILLIP MULLER, MINISTER OF FOREIGN AFFAIRS AND TRADE, REPUBLIC OF THE MARSHALL ISLANDS; TONY DEBRUM, REPUBLIC OF THE MARSHALL ISLANDS AMBASSADOR TO THE UNITED STATES**

Mr. MULLER. Thank you, Mr. Chairman. Mr. Chairman, I wish to request that the full text of my statement be made a part of this proceeding.

Mr. DUNCAN. The full statement of all the witnesses will be placed in the record.

Mr. MULLER. Let me begin by stating that my government remains fully committed not only to preserve, but to strengthen our close friendship with the United States. At this time I would like

to discuss with the Committee three major points that are of great interest to the Marshall Islands.

First, the value the RMI places on our bilateral relationship. Second, U.S. Government concerns about fiscal management in the Marshall Islands. Third, difficulties the RMI is facing in implementing certain provisions in the compact.

The RMI provides tangible concrete commitments to support the United States military interests. We provide U.S. strategic denial rights over one million square miles of the Central Pacific. We extend this right to the U.S. in perpetuity. We provide land for new launch sites when requested. Our Marshallese citizens serve in every branch of the U.S. armed forces. In exchange, the U.S. provides generous levels of social and economic assistance to the RMI.

The point I want to stress here is that we can not examine the compact program by program or to dissect it into separate pieces. The compact has to be seen as a whole package of corresponding military, economic and social assistance. I find one particular passage in the Mutual Security Agreement, the subsidiary agreement of the compact, to reflect this principle particularly well. This passage reads as follows: "The Government of the United States and the Government of the Marshall Islands recognize that sustained economic advancement is a necessary contributing element to the mutual security goals expressed in this agreement."

I have attached resolution 67 to my written testimony, a resolution that Nitijela passed on February 5, 1998. This resolution serves as another example of the RMI's concrete commitment to its bilateral relationship with the United States. It expresses the importance the RMI government attributes to our strategic partnership. I was extremely pleased to see that these same elements and sentiments were reflected in the joint resolution introduced by the chairman of both committees holding this hearing, as well as our good friend, Congressman Faleomavaega.

We understand that some people in the U.S. Government have concerns about fiscal management in the RMI. We acknowledge that there have been a number of problems with our financial management and budget execution. We would like to put this discussion in context.

During the trusteeship, the Marshall Islands was deemed a secure area by the U.S. administrators. Until 1968, outsiders could not visit the Marshall Islands without first obtaining permission from the U.S. Navy. Until 1973, no foreign investment of any sort was allowed in the Marshall Islands. Most of the compact money we now receive goes to pay debts from loans that were necessary to create as well as to upgrade the economic infrastructure we inherited from the trust territory government.

After devoting our attention to infrastructure, we moved to economic development projects. Some of our efforts have worked, such as our ship registry program, the National Telecommunications Authority, and the Marshalls Energy Company. Still other projects were admittedly over ambitious or as we found out inappropriate for the Marshall Islands. In 12 years time, however, we can not be expected to achieve the economic development that U.S. strategic interests and trusteeship policies intentionally thwarted for decades.

As for financial management, we had to struggle to improve a system of accounting we inherited from the trusteeship that consisted primarily of pencils and papers. Because we had no system to properly audit expenditures, we could not effectively assure accountability. Consequently, some moneys in the compact were not used as effectively and efficiently as they could have been.

The Auditor General's office, together with Deloitte and Touche, has been working steadily over the years to improve our audit and reporting system. We are seeing improvement. For example, I am now happy to report that satisfactory arrangements have been made to complete the important Ebeye Hospital construction project.

Like the U.S., we also have concerns about aspects of the compact related to the implementation of programs. Problems have emerged when essential provisions, such as the Immigration and Labor Rights, are constrained and compromised by laws or regulations passed without considering the special rights that the compact provides to each of our nations.

Other provisions in the compact have never been implemented. Some programs are not provided because U.S. agencies lack proper understanding of their obligation to extend services we are eligible for. We also believe that loss of certain economic trade and tax provisions prevents both U.S. and Marshallese companies from opportunities to jointly expend our economic interests. After the Marshallese electorate overwhelmingly approved the compact, a number of economic incentives were unilaterally removed by Congress. Just yesterday the essential air services provision, an integral part of the compact, expired. This provision ensured an adequate level of air service between the Marshall Islands and the United States. This arrangement should continue.

Mr. Chairman, if you would bear with me, I think the most important part of my testimony I am going to provide at this time.

Mr. DUNCAN. Go ahead.

Mr. MULLER. This is on the section 177 agreement. Thank you. Section 177 of the compact has proven to be manifestly inadequate. Section 177 fails to recognize the full scope of radiation injury in the Marshall Islands. The United States conducted 67 nuclear tests, yet only people exposed to one of these tests, the Bravo shot, are considered "exposed" to radiation. As a result, only 174 people are defined as exposed and eligible to participate in a Department of Energy medical program.

The Nuclear Claims Tribunal lacks the funds to pay personal injury claims that are awarded. Because personal injury awards have depleted available funds for awards, the tribunal will have no funds for land damage awards.

There are also problems with the 177 health care program. Unlike other programs in the compact, there is no inflation adjustment. The program's ability to provide much needed medical care to four of our atoll populations is also hampered by over enrollment. Eligibility is a complex issue, however, because of land claims and limited health services care. We wish to study this issue and report back to Congress and the administration.

There is also a gross inequity in the way the U.S. Government deals with downwinders in the United States and people affected

by radiation in the Marshall Islands. The cumulative yield of the testing in the Marshall Islands is 100 times greater than the yield of the U.S. tests in Nevada. Yet the area in the United States considered exposed by radiation from the Nevada tests is four times as great as the legally defined exposed area in the Marshall Islands. American citizens also receive a one-time full award for their radiation injuries. Marshallese often die before they receive the majority of their award. I would like to ask your support, Mr. Chairman, in securing an immediate ex gratia payment consistent with the compact for the victims dying of radiation related illnesses.

Fortunately there is a provision in the compact that allows Congress to work within the purview of the existing bilateral framework to respond to shortcomings in U.S. efforts to address problems resulting from the U.S. nuclear weapons testing program. This provision, the changed circumstances provision, require that there be one, new and additional information, two, that additional information was not known during the negotiations of the compact, and three, that the new information renders section 177 manifesting inadequate.

We believe it is in the best interests of both nations to deal with problems in the existing framework of the compact. This issue can not wait for renegotiation because these are current obligations under the existing compact.

Finally, Mr. Chairman, I am confident that the upcoming negotiations with the United States of certain elements of the compact will provide the constructive process to reflect our shared commitment to the relationship. We hope these discussions will commence as soon as possible.

Thank you, Mr. Chairman. My colleague Mr. DeBrum and I will be prepared to answer any questions you may have. Thank you.

[The prepared statement of Mr. Muller may be found at end of hearing.]

Mr. DUNCAN. Thank you very much, Mr. Muller.

Our next witness will be Ambassador Kyota. Mr. Ambassador?

## STATEMENT OF HERSEY KYOTA, PALAU AMBASSADOR TO THE UNITED STATES

Ambassador KYOTA. Thank you, Mr. Chairman. Good afternoon to all the distinguished members of the Committee. It is indeed a pleasure and a privilege for me to testify today on behalf of our President Nakamura and the government of Palau.

Before I proceed, Mr. Chairman, I believe it is worth noting that today, October 1, 1998, the Republic of Palau celebrates the fourth anniversary of its Compact of Free Association with the United States. On this special day for Palau, it is only fitting and appropriate that I express our gratitude and appreciation to the Congress for passing the original compact legislation in 1986, and also a special gratitude and appreciation to former President Ronald Reagan, for signing the measure into law, which really set the stage for our independence. Also appreciation and gratitude is due to President Bill Clinton for signing the bill in 1994 to specifically put the Compact of Palau into effect. Of course the bottom line is

to thank the U.S. Congress for working so hard and patiently to make our dream a reality.

Mr. Chairman, the relationship that exists between our countries is the greatest gift to Palau, or any country for that matter. We are grateful, Mr. Chairman, not only for the many benefits extended to Palau in the Compact of Free Association, but even more so for the countless assistance that has been so generously provided to Palau for many, many years since the end of the war. Because of the assistance and the special relationship that exists, Palau considers itself as a member of the American family.

I would like to analyze that in a Palauan way. Based on our strong culture and traditional values, if one family offers help, generous help and assistance to another family, the normal thing for that beneficial family is to wrap itself to the circle of the providing family. That way, the family who benefited can reciprocate within its means necessary to nurture and foster the relationship.

In our relationship, Mr. Chairman, U.S. extended economic assistance to Palau in exchange for military land use rights, services of our people in the armed forces of the United States, and our continuing support to the United States in the United Nations, in other international organizations and forum. Mr. Chairman, I hope that explains why 4 years into our independence, our people still believe and consider Palau as a member of the American family.

Mr. Chairman, I must thank you and your colleagues for passing the Higher Education Act the other day which includes extension of FAS students eligibility for Pell Grant assistance until the year 2004. While I welcome and appreciate this extension, I am a bit disappointed as I fail to see the rationale for ending the eligibility of Palauan students in the year 2000, when in fact Palau would still have 5 years remaining in our compact economic assistance. I hope, Mr. Chairman, that the facts surrounding this issue will be carefully reviewed so that a fair and equal treatment may be extended to Palauan students for the duration of our compact economic assistance. I think, Mr. Chairman, a 15 year assistance in eligibility for Pell Grants is all we need and ask for today.

Of the compact, we are very grateful for this Committee and the Congress for assisting us to improve specifications and quality standards of our Babeldoab Compact Road. As you know, Mr. Chairman, the original road in the compact was of poor quality, way below standards. But because of members like yourself and others in the Congress who worked very hard for this compact road, Palau will be the proud owner of a much better, bigger, and high quality concrete asphalt road that will last for a long time.

Now to further ensure the quality and safety standards of the road, our government requests your government in funding a team of highly qualified professionals to oversee all aspects of the road construction on our behalf. We initially planned to fund this team, but due to unexpected and unfortunate collapse of the Koror Bridge in 1995, we don't have the means or the resources adequate enough to fund this team. We sincerely ask for your support in this request.

We ask also this Committee to assist in securing the necessary funding for the International Coral Reef Center in Palau. As you may know, this project is a tripartite undertaking as a result of

U.S.-Japan common agenda on global environmental issues. Palau was chosen as a site for the center. Under the memorandum of understanding signed between the three nations, each nation must bear a responsibility for this center. To date, Palau and Japan have fulfilled their obligation. Unfortunately the United States has not committed any funding or financial assistance toward this project. Mr. Chairman, I think this is a worthwhile project. We ask your assistance for this project.

We ask, Mr. Chairman, that also a representative from your government and our government meet sometime soon to review and reassess the importance and needs of certain Federal programs and assistance that have been phased out or terminated pursuant to the terms in the compact. As you, Federal programs have been the backbone of the success of our institutions in Palau. I would ask the representative to meet to assess this Federal program in order to determine whether they should continue or not.

Mr. Chairman, another very important issue which still remains unresolved is the U.S. Government financial obligation to the former trust territory prior service trust fund. The Congress, as you may be aware, appropriated initial funding of $8 million for this program, with a remaining balance of $19 million to be appropriated later. The U.S. Government has not fulfilled this obligation yet after numerous requests from the government of the former TPI. The program, as you can imagine, is experiencing problems in meeting regular payments to the beneficiaries. I understand, however, that some Members of Congress have indicated their willingness to fulfill this obligation over a period of several years. We welcome that, Mr. Chairman.

Mr. Chairman, I believe these requests are reasonable and well within the scope and boundaries of the compact. I ask that you take the lead in resolving or funding them. I thank you, Mr. Chairman, for inviting us to share our views on a number of important issues. Thank you.

[The prepared statement of Ambassador Kyota may be found at end of hearing.]

Mr. DUNCAN. Thank you very much, Mr. Ambassador, for your testimony. I want to thank all of the witnesses.

I want to turn now at this time to Chairman Bereuter for any comments or questions that he might have.

Mr. BEREUTER. Thank you, Chairman Duncan. Thank you very much, gentlemen, for your testimony. I have a couple of very specific questions which may surprise you a bit.

To the representatives of the Federated States of Micronesia. Tell me the age, the relative age of the hospital that exists on Pohnpei. What would be your guess?

Mr. TAKESY. Mr. Chairman, the hospital is approximately 15 years old.

Mr. BEREUTER. The question I would ask for any one of you who wishes to respond to this question, to what extent are capital facilities, buildings now being built with compact funds from the United States? Is this still ongoing and occasionally there will be a construction project for a specific building? Is this exclusively the decision of the Federated States or the Marshall Islands or Palau or is it a mandate?

Mr. TAKESY. Mr. Chairman, speaking for the Federated States, the compact calls for a 60–40 split in the funding in the current account and capital account.

Mr. BEREUTER. And who makes the decision about what buildings will be constructed? Is that a decision that you would make, for example, in the Federated States?

Mr. TAKESY. That is correct, sir. The choice of what buildings to build are actually decisions reserved to the states within the Federation and at the national capital where the capital complex is. It is in compliance with a development plan that we have developed and submitted to the U.S. for approval.

Mr. BEREUTER. Now when you were a trust territory, and that hospital was built for example, were the plans for that hospital prepared by a consultant, engineer, architect chosen by the Interior Department or by the Federated States, which didn't exist at that point?

Mr. TAKESY. They were done by the trust territories.

Mr. BEREUTER. I recall seeing a development plan for the Federated States that called for a very elaborate capital structure. I was concerned about what a large part of the resources you were going to be devoting potentially to that project. What happened? Does it exist today? What can you tell me?

Mr. TAKESY. I am happy to report that the capital was built under budget. Unfortunately the construction company that bid the project actually was a Korean company and I think they lost money on the deal, but the project has been completed and I am happy to report that it is being complimented by many people within the area as conducive to the environment and meeting the needs of the nation.

Mr. BEREUTER. Generally I am very discouraged with the way that construction projects and plans were let during the period when the Interior Department was in charge, because I felt that there were a variety of disreputable companies that were pursuing energy development projects in particular, which I thought were not very cost effective, and probably not a very good business deal. I was concerned when I saw the hospital of Pohnpei, for example, that had been designed almost as if the tropic environment did not exist. Relatively speaking, the Japanese and even before them the Germans, given the advance in building technology were building more tropically sensitive buildings than were being built and turned over to you. So that is one of the reasons I am raising this question.

If I could just ask a couple questions to representatives of the Marshall Islands. Chairman Duncan mentioned before what a large part of the per capita income seems to come from compact payments or government, and questions about what this does to the potential self-sufficiency of the Marshall Islands. I understand that increasingly people outside the Marshall Islands are moving there to do much of the private sector work. That would seem to have implications that the Marshall Islanders could be a minority in their own country. What would you say about that issue?

Mr. MULLER. Mr. Chairman, let me try to answer that in a couple of ways. First, I think it is important for us to make a distinction with the fundings that come under the compact to the Mar-

shall Islands because a number of those fundings are earmarked for payments for the use of lands that the military uses and also payments to victims of the nuclear testing program. I think sometimes there is a misconception that all that money comes to the government for its spending. Those moneys go to the individual families and persons to compensate——

Mr. BEREUTER. Yes. I do understand that. But tell me about the allegation that much of the private sector work today in the Marshall Islands is being conducted by non-islanders, non-Marshall islanders, and the result is that the private sector can not become competitive as long as government pays so much more than the private sector.

Mr. MULLER. Mr. Chairman, let me answer that question by saying that when our government came into existence, most of our training of the labor force was very minimal. At the beginning of the compact, we needed assistance from outside labor to assist in our development, economic development.

I am happy to say that we have been undergoing a number of programs to train and to retrain a lot of our young people to be able to get into the private sector programs and services. Still at the same time, we look to outside assistance, especially in specialized training to assist us, especially in construction and fisheries areas and technology. But there is a conscious effort on our part to provide as much training to allow for our people to get into the labor market.

Mr. BEREUTER. Mr. Chairman, if I could have unanimous consent for one more question, I would appreciate it.

I had the misfortune of visiting Ebadon in the Marshall Islands when I was there. It has, at that time it had at least the highest per capita per square mile, I should say the highest population per square mile in the Pacific. I was ashamed to see that area under the American flag at that time. I understand that families were attracted there, extended families because of the higher wages being paid at Kwajalein. But still the conditions there were so bad for the population that I was ashamed to see American flags over it. I hope that conditions are improved there now. If not, I would like your suggestions about what the United States Government's responsibilities are through the DOD, which is the major source of employment for at least the breadwinner on Ebi.

Mr. DEBRUM. Mr. Chairman, first let me say that we agree with Chairman Bereuter on his assessment that too many of the projects, construction in the past were designed by outside engineers not familiar with the needs and the climate conditions in our area. For that reason, many of the original infrastructure built by the trust territory had to be replaced by early compact funding.

On the specific question of Ebi, yes, Ebi has and continues to be a problem. Although we try our best to make sure that we alleviate the problems associated with housing, with sewer and water, and with power, there's still a limited availability of the basic power and water requirements. We are still trying to deal with a hospital construction project that went awry not too long ago. We are hopeful that we can complete that very soon.

Putting 15,000 to 18,000 people on 56 acres of land is extremely difficult to do and does cause problems, as the chairman described.

There are also problems associated with people being moved from the mid corridor and the military areas of Kwajalein onto Ebi with promises of housing, electrical and water supplies, for which the DOD was originally responsible, but have not committed money or services provide. We are trying to work with the military and with DOD to solve that problem now.

But under the new administration and government, we are also concentrating a great deal more money and more attention to Ebi to deal with this problem.

Mr. BEREUTER. Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you, Chairman Bereuter.

Mr. Faleomavaega?

Mr. FALEOMAVAEGA. Mr. Chairman, at this time I would like to defer to my friend from Guam.

Mr. DUNCAN. Mr. Underwood?

Mr. UNDERWOOD. Thank you, Mr. Chairman. I want to extend my warmest greetings to all my fellow Micronesians. Thank you very much for your testimony.

It's just a general question. I have one general question to ask all three governments. That is that there has been a great deal of discussion about the nature of compact assistance which is after all, primarily the basis for any renegotiation as what kind of assistance will be given. In general, as I understand it, it's been characterized, much of the assistance that has been given has been characterized as being ineffective because it was tied quite often to specific domestic U.S. type programs, and perhaps there is more interest in trying to give more general assistance or perhaps some kind of novel approach to any level of future assistance. Perhaps I would just like to hear some of your thoughts on that.

Maybe we'll start with the FSM.

Mr. TAKESY. Thank you. Congressman, as you well know, these Federal programs are of course conceived in the country for needs that are specific to an urban and very elaborate program. As you well know, in our areas, they vary even from the state centers to the rural areas. Dealing with these programs are very costly for us from an operational viewpoint, because it takes special expertise to even apply and to execute these programs and then account for them. So that is one side of it that we are finding difficult to live with. The standards are of course based on this country's standards, and they don't at times don't quite fit into our area.

But having said those specific problems, the impact of Federal programs on the well-being of the Federated States has been quite positive. On the whole, it has been positive. The area that I think can be improved is perhaps in the administration and streamlining of some of the regulations and administration of these programs.

Mr. UNDERWOOD. Thank you very much.

Mr. DeBrum?

Mr. DEBRUM. We see a continuation of U.S. programs such as FEMA, Farmers Home Administration, Rural Electrification, some of those projects to be very well worth it. The rate of success in these programs have been very high. In education, both secondary and post-secondary education provision of scholarships, we mentioned earlier Pell Grants and other U.S. grants, have been very

useful in bringing up the level of education to our country. We think that this will continue to help.

Of course we can not go back to some of the original provisions that were taken out by Congress because as you know, they have been taken out for the territories as well. But we need to sit down and figure out ways to attract American business to the islands. I think that a marriage of economic interests may be the best way to be self sufficient within the island.

Of course we have had increase from China and Korea and Japan about investment, but we believe that associating ourself with American business is probably the best way to self sufficiency.

Let me add just one more comment here. The entry provisions, immigration and labor provisions that I know that some of our colleagues from Guam are concerned about as well, have allowed for entry not only for education, but for labor as well to the United States. Some communities of people from the Marshalls in the Northwest and in Arkansas and Kansas and Oklahoma have been very successful. We have entered not for Medicare or for social welfare, but for jobs, and are providing, citizens are providing to the advancement of those communities in which they reside. But if they only send back 20 or 30 percent of their income to people at home, that is a major part of our income.

Mr. UNDERWOOD. Thank you.

Ambassador KYOTA. Thank you, Congressman. Since we are only beginning the fifth year of our compact, we are still awaiting a lot of programs in our area. But I would like to take this opportunity to report that beginning today, a number of Federal programs are going to phaseout in this fiscal year. They total up to like $6 million. As you know, that translates into many jobs and many essential services that would be lost for our people.

But if the renegotiation for our economic assistance is going to be held let's say next year, I'm sure we have lived more than 5 years, I'm sure we will be in a better position to give you some of the programs that we want them to continue. That's why in my oral statement I requested that representatives of the U.S. Government and our representative commence a meeting sometime next year to evaluate and to reassess the needs of those programs that are being phased out. I know that's not asking too much because it is in the provision of the compact that we will review those programs in order to determine whether they should continue or not. Thank you.

Mr. UNDERWOOD. Thank you. So next time I get in my office citizens from your area asking me to continue eligibility for certain programs, I will refer them back to you.

Mr. DUNCAN. All right. Thank you very much.

Mr. Faleomavaega?

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman. I want to again thank our distinguished guests here before the Committee and their fine testimonies.

I guess at the height of the cold war, by some assessment of the officials of our government, we have decided that approximately $2 billion was supposed to be the base in terms of the kind of economic assistance as it was part of the compact agreements that were made with the FSM as well as with the Marshalls and ulti-

mately also with Palau. I suspect also, gentlemen, that the question of assistance is going to be probably the soul of the negotiations that will be forthcoming in the coming months.

My question is, I make the presumption that the last or the projection of the first 15 year period, that the vast majority of this $2 billion has been primarily for purposes of infrastructure development and now I suspect that perhaps another important phase of these renegotiations. Do you suspect, gentlemen, that it's going to be less than $2 billion for the next 15 years or going to be more?

You know, I make an observation, every year we give $6 billion to Egypt and Israel to maintain stability in the Middle East. Now that may not be any relation to the situation that we have in Micronesia, but I can rest assured, gentlemen, that at the height of the cold war, Micronesia was very, very critical as far as the Department of Defense was concerned. In fact, the entire compact during the negotiation period, Tony, you know, and Asterio, was practically done by the Department of Defense.

I can also say as a matter of statement that the negotiations was very much an unequal on the basis that the people that you had to deal with were not exactly very friendly. If I would put it more nicely, to the extent that it was almost like take it or leave it. Thank God we had a Phil Burton there that had to constantly beat on the administration to tell them that these are human beings. These are not just some mechanical toys that you can play with. I still remember the classic statement that Henry Kissinger made concerning Micronesia. I'll repeat it again. "Well, hell, there's only 90,000 of them. Who cares?"

That was the kind of attitude that you had to deal with 15 years ago, when we talk about compact renegotiations. I sincerely hope, and I'm sorry that the administration is not here, that we will not have a repeat of that.

My question, gentlemen, I find it very strange that we are trying to promote economic self-sufficiency in these three entities, and at the same time, you are restricted to do certain things. My question is, would you have been better off if you were never involved with the United States in terms of where we are now? Could you have done it on your own? Go out and negotiate with other countries of the world and do your own thing without being colonized after 400 years? First it was the Spaniards, then it was the Japanese.

I mean the problem is, gentleman, is that many Members here in the Congress have no concept, no idea where you were and how you got to where you are now. It is a sad situation. I don't fault my colleagues. But that is the reality in fact that we deal with here in Washington. I wish every Member of Congress could understand and appreciate what the Micronesians have had to endure in the last 400 years. I am sad to say I would say probably—well, look at here. Again, I don't fault my colleagues. This is the reality that we deal with here in Washington.

My question, gentlemen, what is your best shot, give us your best shot in terms of how we should improve on the compact when renegotiate in the coming months? FSM?

I'll say one thing. I'm sorry. I didn't mean to interfere. You know, we have the same problems even in insular areas as you do right now. We talk about self sufficient the last 100 years, and we're still

not self sufficient. We export national football players now. I understand there are 1,000 Marshallese working for Tysons Chicken in Arkansas making more money there than they would if they were in the Marshalls. What's wrong with inviting the Micronesians to come and work here to be more self sufficient, make more money, and the export it back to the islands? Every other country in the world does that, with the exception maybe of our own country here. The Philippines, a classic example. Of the 500,000 Filipinos that work outside of the country, they bring in $8 billion plus in remittances. That has tremendously assisted that country to stay above water, if you will. We even have Samoans who work in the logging companies up in Montana. So I think it's possible.

My basic concern, and I want to ask my friends here from Micronesia, I have always advocated strongly that the salvation of our island people lies in the ocean. But I am sorry to say that we have not even gone near, we can't even get the Law of the Sea Treaty approved. We have some very serious problems with that. So I would like your suggestions on how this Committee, how the Congress could be helpful when you begin the renegotiation process.

Asterio? Jesse?

Mr. TAKESY. Thank you, Mr. Chairman. You have asked some very profound and difficult questions, so I hope you can bear with me. In the FSM, we view the compact as a critical component of our effort at building an economy that will be sustainable and one that will support our people, not only now but in the future. In point of fact, we have begun an exercise within the JCN itself to assess where we are in cooperation with the entire government, where we are economically, where we hope to be, and what it's going to take to get us there.

This means hard economic reviews and analysis. We are not done, Mr. Chairman. But I am happy to report that we are assisted, as I have stated earlier, by an independent team of economists funded by this country, Japan, and the Asian Development Bank. We hope to be able to come to produce a picture that can give our decisionmakers options——

Mr. FALEOMAVAEGA. Let me give you an example, Asterio. Look don't be so nice about this, Asterio. You are my brother. Look, these fishing countries take out in excess of $1 billion worth of tuna from our waters. What do we get in return? Pittance. I would say that if our own island countries could even gross at least maybe $300 to $400 million out of that $1 billion that is taken out. I am frustrated, Asterio, help me on this. We could get the ships. They even had the gall to say the Samoans didn't want to go fishing because they don't know how to go fishing. We are fishing now the Albacore and grossing $700 million a year, and we are just starting. You don't need to go into pursanders that cost $12 million. We can start small. I don't know. I am frustrated because the resources are there. But maybe I'm wrong, Asterio. Help me on that.

Mr. TAKESY. No. You are quite right. We have embarked on that. But unfortunately, we embarked with the government actually directly involved in it. We are correcting that. As Tony pointed out, there needs to be some adjustment to attract foreign investors from this country.

Under the treaty that allows for an organ fleet to fish in our zones, the entire fleet, the whole United States fleet is allowed to come in under the treaty. It's a very preferential treaty. Not only that, but as you well know, under the compact, we have a 10 percent duty free processed tuna coming into this country. To this day, we have not been able to take advantage of that. In looking back, we can only say that perhaps this is not an attractive area for such investors as Heinz and Starkist and Bumblebee. But the best way for us to get into the fishing business and to reap the most from it is to catch the fish ourselves.

Mr. FALEOMAVAEGA. You've got the market, Asterio. I have the largest tuna cannery operation now in the world on my island.

Mr. TAKESY. So we need to learn how to catch. It takes capital and it takes training, and it takes high tech to do it. As you well know, the pursanders are the most efficient, but unfortunately, they cost a lot of money to upgrade and to purchase. But we are getting there. We are beginning with long lining in accessing the high sashimi market in Japan.

Mr. FALEOMAVAEGA. Thank you, Asterio.

Tony?

Mr. DEBRUM. If I might, Mr. Chairman, we want to associate ourselves with Asterio's comments. We think tuna has a potential and we think that the way to do it would be for the United States to help us develop it, along with the other territories and the other island countries that live off of tuna.

But if we go onto the other areas, in tourism, for example, we have some of the best tourist destinations in the world. But those are hampered when, for example, Minister Muller mentioned earlier, when the essential air service terminated yesterday. We can not be sure to attract investment in the tourism business when we don't have control or we don't have any real idea what the future looks like in air travel. Air transport also plays into the tuna market. If we don't have freight service out of the Marshalls, there can be no sashimi market advantage taken.

Also, because of the lack of infrastructure, water and power, tourism begins to be a difficult area to enter. However, we can go into ecotourism. We can go into aspects of tourism that are good for the country, good for the environment, and affordable. But again, transport and support from investors and those people that know how to market and know how to handle tourist facilities is needed.

The United States mentioned earlier that they have embarked on a program to enlist ADB support for training and for business development in the Marshalls and for working to reduce the size of government. Mr. Chairman, as we have said before, we don't think governments can run business. But that works a little bit to the other way around also. We don't think business can run government. Sometimes we bring in experts in business from ADB who try to chop off services in government that are still essential. We can not continue to reduce government services in health and education in the Marshalls just in the interest of reducing the numbers to what ADB says those numbers ought to be.

Also expertise from ADB consists largely of international civil servants from such places as Sudan, Bangladesh, Sri Lanka, Paki-

stan. Although some of these people are highly trained, I have not been able to see projects from those countries or exported by those countries that have worked in the Marshalls. We think that our real future in economic development is with United States business. United States business can also talk to their Congressmen. We can't, except for occasions like this for which we are thankful.

I think the ideas to attract American business, keep them going in our area, and they are welcome, and we can do that very well. Thank you very much.

Mr. DUNCAN. Thank you very much, Mr. Faleomavaega. We have been joined by Ms. Christian-Green, and I would like to turn to her for any comments or questions at this time.

Ms. CHRISTIAN-GREEN. Thank you, Mr. Chairman. I would like to ask unanimous consent to enter for the record an opening statement.

Mr. DUNCAN. Yes, ma'am.

[The prepared statement of Ms. Christian-Green follows:]

STATEMENT OF HON. DONNA M. CHRISTIAN-GREEN, A DELEGATE IN CONGRESS FROM THE VIRGIN ISLANDS

I thank you Mr. Chairman for holding this hearing today. I want to welcome my colleagues from the International Relations Subcommittee on Asia & the Pacific, especially Chairman Buereuter and Ranking Democrat Berman. I might add that our own Resources Committee colleague and fellow Pacific Islander himself, the Honorable Eni Faleomaveaga is a member of the Asia & Pacific Subcommittee as well.

Mr. Chairman this is an important hearing today, if for no other reason than the fact that the Compacts we are discussing today are historic in their differences from the other relationships that the United States has with its other non-state entities. As a representative of one of these areas, our political status as a unincorporated territory is often determinative of much of our political and economic growth.

Because of our status, no U.S. citizen resident of an unincorporated territory or Commonwealth has the right to vote for President of the United States, even though the President can order our children to go to war to defend the nation. Also, because we do not have representation in the Senate, we are limited in our ability to prevent the application of various laws which because of size and other factors, would severely impact us negatively.

At the same time, we are prohibited in forming the kinds of international economic alliances which could possibly enhance our economic development. And for many of us, the opportunity for enhancing our status to statehood is viewed as not available, at this time.

In part because of the limitations of the various territorial statuses, the idea of a Compact of Free Association with the United States is at times viewed as appealing by many from the offshore areas. In some sense, the status of Free Association can be seen as a possible solution to the problems of full citizenship and sovereignty which I described in the current U.S. Territorial statuses.

And so I look forward to hearing from the witnesses today, so that I can learn how these Compacts have worked over the last fifteen years and where we are in the process of their renegotiation. I welcome the witnesses to that are here with us today, especially those from the Marshall Islands and the FSM who have traveled a very long way to get here. Thank you.

Ms. CHRISTIAN-GREEN. I want to begin by apologizing for not being here at the beginning of the testimony because I had gone to the White House for an event which went longer than I had anticipated. But I wanted to welcome our panel this afternoon. I know you came a long way, but it is very important that you are here this afternoon to give your testimony. I will be reviewing the record so that I don't miss anything. But I can already hear from your responses to some of the questions and from some of the questions actually that a lot of the areas of concern, a lot of the issues that we all have are very, very similar. It makes me wonder what

is the difference between being an unincorporated territory and have a compact with Free Associated States status.

But I would like to maybe, since I don't have a specific question, give you an opportunity—as a new member, I still need to be educated somewhat on the process that you are going through. Maybe there might be one particular issue that you have not had a chance to really focus on that you might want to bring out at this time that would help me also to understand the process of the negotiations that you are going through that you feel is of critical importance to each of the areas.

Mr. MULLER. Mr. Chairman, if I may start. I think as I mentioned in our statement, it is very important that we continue to address the legacy and the outstanding issues that surround the continued injuries that had been caused by the nuclear testing program of the U.S. I think to the Marshall Islands, that is one of the main points that we would like to see that it be fully addressed and that judged and fair compensation be finally brought to a successful conclusion.

Mr. DUNCAN. Let's go to Ambassador Kyota for his major problem or issue.

Ambassador KYOTA. Thank you, Mr. Chairman. I did not have an opportunity to answer to the Congressman from Samoa, questions about fisheries and some of the most important things. So if I may, I would like to respond to that before I——

Mr. DUNCAN. Sure.

Ambassador KYOTA. Right now we in relation to fishing, we have two active companies doing long line fishing in Palau. The Congress in Palau, the legislator there is now considering or evaluating whether to extend their fishing agreement or to stop them when they expire. They are looking into a new, another means of getting the most money out of the water. That is the sports fishing aspect, you know, like since Palau and the rest of the Micronesian islands are gaining popularity in tourism, becoming one of the world's tourist destinations, we'll get into the sports fishing. Although the money is not as big as the fishing company, but at least the money is given directly to the people rather than using this big fishing company which pollutes the water, pollutes the land, and the return is very small, is very small there.

Mr. DUNCAN. All right. Thank you. Let's go to Mr. Takesy.

Mr. TAKESY. Thank you very much, Mr. Chairman. Mr. Chairman, in our view, the one aspect of the compact that we thought was not emphasized enough and in hindsight we're seeing is that there is no attention to the private sector development aspect. In our view, this is where we should be going. In our review now, as advised by the team of economists and in our own evaluation, attention should be paid to this area.

In that connection, Mr. Chairman, the human resources to move the private sector needs to be trained, not only trained but specifically catered to the areas that have promise for potential, such as my colleagues have pointed out, tourism, fisheries, and agriculture for the FSM. This is where I thought——

Mr. DUNCAN. Thank you very much.

Ms. Christian-Green, anything else?

Ms. CHRISTIAN-GREEN. Thank you, Mr. Chair, for the opportunity to ask the questions. I really do find that a lot of the issues are very, very similar for all of us who have been in one status or another as territories to the United States. Thank you.

Mr. DUNCAN. Well, thank you very much. I think this has been a very valuable and informative hearing. I want to thank all of the witnesses for their testimony and the members for their questions. The members of the Committee on Resources and the Subcommittee on International Relations may have additional questions for the witnesses. We will ask you to respond to those in writing. The hearing period will be held open for these responses.

If there is no further business, the chairman again thanks the members of the Committee and the subcommittee and our witnesses, particularly those who traveled from Micronesia to participate. The joint hearing stands adjourned.

[Whereupon, at 4:30 p.m., the committees were adjourned, subject to the call of the Chairs.]

[Additional material submitted for the record follows.]

## BRIEFING PAPER—COMPACTS OF FREE ASSOCIATION

The Congress approved unprecedented free association relationships with these areas with the enactment of Public Laws 99-239 and 99-658 in 1985 and 1986. As separate sovereign nations, these areas have their own nationality and citizenship, are members of the United Nations, and have full diplomatic relations based on the Vienna Convention on Diplomatic Relations. All three maintain embassies in Washington, DC, and similarly, the U.S. has embassies in the three freely associated states with either resident ambassadors, or in the case of Palau, a chargé, with the ambassador being accredited out of Manila, Philippines.

The U.S. and these islands each have entered into agreements through their respective Compacts, to provide certain rights of obligations to the other party. Most significantly, the U.S. has exclusive military rights and a legal defense veto over third party use of any of the land, ocean, or airspace of the islands (this oceanic exclusive economic zone comprises an area larger than the continental U.S.), as well as access and use of certain specified land, harbor, airport facilities in various parts of the freely associated states, and the islands have free transit into the U.S. to work, study, or reside. The FAS also use U.S. currency and are synchronized with the U.S. postal system rates. The Compacts also provide for economic and programmatic assistance for the FAS at varying rates.

Compacts for the Marshall Islands and the Federated States of Micronesia began respectively on October 24 and November 3, 1986 while Palau's Compact did not start until October 1, 1994. Certain economic provisions of the Compact with the Marshall Islands and the FSM are set to lapse at the end of 15 years and by law, the Administration is to begin negotiations on those provisions in 1999. The 15 year lease of the U.S. missile-testing facility at Kwajalein in the Marshall Islands is also up for renewal at the same time.

The hearing will focus on the oversight of the Compacts of Free Association for the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau, with regards to government-to-government relations, including mutual cooperation on defense, exclusive economic zone enforcement, transit of residents, and Federal oversight in the islands of Federal grants and programmatic assistance. In addition, the hearing will focus on the progress of economic self-sufficiency in the freely associated states, radiological rehabilitation and resettlement of certain Marshall Island atoll communities, construction of the Babeldaob circumferential road in Palau, and Compact renegotiation plans.

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STATEMENT OF HON. STANLEY O. ROTH, ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS

Mr. Chairman, thank you for the invitation to discuss one of the United States' most unique relationships: our relationship with the Freely Associated States (FAS). Though poorly understood and often overlooked, U.S. ties to the three FAS (the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau) have a long history and are an important part of our posture in the Pacific. I personally devoted many years of my life to this issue in the mid 1980s, when, as Staff Director of the House Asia and Pacific Affairs Committee, I worked to get the Compacts of Free Association legislation through Congress. This process, as you know, Mr. Chairman, was long and arduous, in part because Congress had not been adequately consulted from the outset of negotiations. I thus welcome the opportunity to open a dialogue with Committee members on the state of U.S.-FAS relations and to consult with you regarding the upcoming renegotiation of certain provisions of our Compact with the FSM and the RMI.

My testimony today will be divided into two sections. First, I will give a brief overview of the Compacts of Free Association, laying out the parameters which guide these unique relationships. Second, I will reexamine what the United States had hoped to accomplish with these Compacts of Free Association and evaluate our success in meeting those goals.

### Compacts of Free Association

The Freely Associated States were formerly part of the Trust Territory of Pacific Islands (TTPI), a group of islands administered by the United States after 1947 under a U.N. Strategic Mandate. In 1969, the United States entered into discussion with representatives of the various islands on their future political status, a process which had different outcomes for the four island groupings in the Trust Territory.

The people of the Northern Mariana Islands opted for an association with the United States that made them U.S. citizens. In January 1978, the United States began administering the Northern Mariana Islands under provisions of the negotiated and Congressionally approved Commonwealth Covenant. On November 3, 1986, the Northern Mariana Islands became a Commonwealth in political union with the United States.

The FSM, RMI and Palau, on the other hand, chose to become sovereign nations in free association with the United States. On this date sixteen years ago (October 1, 1982), the United States and the FSM agreed to a Compact of Free Association, some provisions of which will expire fifteen years from the date of its entry into force. In June, 1983, we reached a similar agreement with the RMI. These Compacts were approved and enacted into law by Congress in January 1986, and endorsed by the U.N. later that year. Our Compact with the RMI thus officially went into effect on October 21; while that with the FSM started on November 3. The Republic of Palau opted for a longer 50-year Compact which did not go into effect until October 1, 1994 due to multiple delays in ratification in Palau.

**A Unique Relationship**

These Compacts established unique relationships between the United States and these former trust territories, elaborating bilateral arrangements unprecedented in the history of U.S. diplomatic relations. While each of the states is now sovereign and our dealings with the FAS are no longer internal but rather foreign policy matters, our relationship with the Freely Associated States differs from those with other nations in several fundamental ways: we provide the people of the FAS access to direct services of over forty U.S. Federal domestic programs and to U.S. Government funding at a per capita rate greater than any other foreign government; we take responsibility for the security and defense of each of the island states in return for denial of third-country access to the FAS for military purposes; and we give FAS citizens the right to work and live in the United States as nonimmigrant residents within the parameters laid out in the Compacts.

**Towards Renegotiation**

We are rapidly approaching the 12th anniversary of our 15 year provisions of our Compact with the FSM and the RMI, and so these elements of the agreement will soon be up for renegotiation. Under the terms of both Compacts, negotiations should open two years before the 15th anniversary in the fall of 2001, putting us just a year away from the start of this process. The Administration is fully cognizant of the significance of this upcoming exercise, and we are in the process of trying to identify the best negotiator for the job.

As we move towards the 1999 deadline, it is important that we reevaluate where we have come from and where we now stand with the FAS. The United States entered into Compacts of Free Association with these former trust territories for two basic reasons. First, as the administrator of the U.N. mandated Trust Territories, the United States was obligated, and I quote, "to promote the development of the inhabitants of the trust territory toward self-government or independence as may be appropriate to the particular circumstances of the trust territory and its peoples, and the freely expressed wishes of the peoples concerned." In accordance with these responsibilities, the United States moved the various island groupings toward self-governance, and having achieved statehood, the people of the FSM, RMI and Palau elected a relationship of free association with the United States.

Second, in the Cold War environment of the mid-1980s, the United States was keen to bolster its security posture in the Pacific. For much of the post-World War II period, the United States had had unrivaled influence in the Pacific. This position was challenged in the mid-80s as the Soviets undertook an aggressive campaign to increase their presence in the region, concluding a fishing agreement with Kiribati and opening diplomatic relations with Vanuatu. At the same time, consultations with the Filipinos had already begun to cast doubt on the future of U.S. bases at Subic, Clark and other facilities in the Philippines. For the first time in almost three decades, then, our supremacy in the Pacific appeared to be in jeopardy.

The Compacts with the FAS alleviated this problem in three ways. First, the principle of strategic denial elaborated in the agreements with each of the three FAS guaranteed the United States exclusive military access to these countries and their surrounding waterways. Second, our agreement with the RMI ensured continued access to the Kwajalein military facility. Third, our agreement with Palau included the right to develop a military base should the United States need an alternative to the Philippines. Combined, these three components of the Compacts served to safeguard our long-term military interests in the region.

As we move towards renegotiation, it is of course useful to reassess both our continued interests in, and obligations to, the FAS. First, on the strategic side. Geopolitics have changed significantly since the mid-1980s, as the Cold War is over and the Soviet threat is no more. Nonetheless, the FAS continue to be of strategic significance to the United States. The thousands of islands of which the FAS are composed cover vast stretches of ocean and sit astride vital sea lanes. The United States has a clear interest in keeping these sea lines of communication open.

Moreover, the FAS are located between U.S. positions in Hawaii and Guam. U.S. defense relationships in the Asia Pacific form an arc from South Korea and Japan, through Thailand, the Philippines and on to Australia. Guam is the forward military bridgehead on U.S. ground, from which we can leap, if necessary, not only to Asia and the Pacific but also on to the Persian Gulf—a point aptly demonstrated during the 1995 U.S. military action in support of U.N. sanctions on Iraq. To protect the forward presence in Guam and beyond, the United States has a strong interest in maintaining friendly governments and denying potentially hostile forces access to these sea lanes. While there is currently no direct threat to these vital waterways, we can not assume that this will remain the case.

As mentioned above, the RMI is also home to the U.S. Army Kwajalein Atoll (USAKA)/Kwajalein Missile Range (KMR). According to a DOD assessment, the USAKA/KMR is a "national asset," currently the only facility in the world with an arena suitable for full-scale testing of long-range missiles. The study also determined that Kwajalein is uniquely situated for intelligence gathering and provides important support for our space programs. We have, over time, invested upwards of $4 billion dollars in this facility, and relocating would be a difficult and costly proposal. Our lease of the Kwajalein base expires in 2001, though if we choose to renew, our Compact with RMI provides automatic renewal rights for an additional 15 years.

On the obligation side of the coin, our position is more complicated. The United States has clearly fulfilled its responsibility under the U.N. Mandate to prepare these territories for self-governance. The new states have become self-governing and responsible for their own foreign affairs. They have exchanged diplomatic representatives with other nations besides the United States and have become members of international organizations including the U.N., the IMF and the World Bank, as well as regional organizations like the South Pacific Forum, the Pacific Community and the Asian Development Bank.

Still, while our legal obligation to the FAS can be said to have been fulfilled, our moral obligation to the people on the ground is ongoing. In the original Compact legislation, the United States pledged to help each of the three FAS move toward economic self-sufficiency. However, despite generous financial assistance from the United States, progress toward attainment of economic self-sufficiency has been slow. Since our Compact with Palau will not be on the table in this round of negotiations, I will focus my remarks on the FSM and the RMI.

For years both the FSM and the RMI seemed hopelessly dependent on our provision of aid and services, unwilling and/or unable to undertake the reforms necessary to transform their economies. Recently, the Federated States of Micronesia has begun to make headway with economic reform, working with us, the IMF and the Asian Development Bank to restructure its economy, downsize the national government, and privatize many governmental functions.

In accordance with IMF recommendations, the FSM Government formulated a structural reform program which has been under implementation since 1995. Considerable progress has been made under the reform program in the past two years, including the recent National Government Restructuring, which downsized the public sector, and the new Foreign Investment Act, which streamlined the foreign investment approval process, devolved discretionary power to the States and created a more competitive environment for the attraction of foreign investment. Other new initiatives have included a reform of the tax code designed to increase customs revenue, and financial sector reform, such as liberalization of interest rates.

Even with these reforms, however, there is still much to be done. Private sector development of agriculture, fisheries and tourism is crucial for the FSM's future viability. Growth of the private sector will require a consistent regulatory framework, reform of the land-tenure system, continued simplification of foreign investment policy, and further reforms to the taxation system. At the same time, a comprehensive reform of the education system will be essential if Micronesians are to attain the knowledge base and skills training they need to move forward with reform. While the Micronesians are on the right economic path, their ability to carry through with such reforms might be undermined by termination of our economic assistance.

The RMI is not as far along the reform path as its neighbor. A swollen and inefficient public sector continues to swallow a substantial percentage of the budget;

debt-servicing requirements are greatly constraining fiscal policy; and high population growth rates, rising unemployment, and declining per capita income are placing serious strains on the nation's social services. The government, meanwhile, has exhausted its financial holdings and borrowing capacity and has not created a climate attractive to foreign investment. There is also controversy surrounding the RMI's management of funds established to provide compensation for claims related to the 1946-1958 U.S. Nuclear Testing Program, with critics contending that manipulation of the criteria by which claimants are determined eligible for programs supported by these funds has led to an unsustainable ballooning of the subscriber base. The Government of the RMI, moreover, has not released required annual audits on the Fund.

Having said all that, let me stress that not all is gloomy in the economic management of the RMI. The Marshallese have undertaken a Public Sector Reform program in conjunction with the ADS, and some progress has been made, including a 25 percent reduction in civil service staff since January 1996, termination of subsidies to Air Marshall Islands, and a public sector wage freeze. Other notable initiatives have included the tariff structure rationalization carried out in FY96 and the amalgamation of ministries which helped minimize redundancies and reduce the range of services provided by the government. Still, I think the record shows that it is not yet clear whether or not the RMI government is committed to genuine economic reform.

In short, Mr. Chairman, our provision of Federal aid and services has had only partial success in fostering economic self-sufficiency. The question is, having set the FAS on a path of economic reform, can we abandon them before their reforms are finished? Terminating most or all of our assistance programs would likely devastate these fragile economies, and historical ties compel us to consider the impact that severance of aid and/or services would have on the ground. That is not to say that we must continue to provide the FAS with more funding per capita than any other nation in the world; our obligation to U.S. taxpayers dictates that even historical bonds must be reexamined in light of changed global conditions and new fiscal realities.

As we move towards negotiations, then, Mr. Chairman, the Congress and the Administration must answer a number of tough questions. First, should the United States continue to provide financial assistance and/or government services to the FAS? If so, how much? For how long? And under what terms? Should aid continue to be provided with the full faith and credit of the U.S. Government? Or should aid be provided as an annual appropriation as it is with U.S. Government assistance to other countries? It goes without saying, Mr. Chairman, that any future provision of assistance must serve to help the FSM complete its reforms and compel the RMI to adopt and implement more wide-ranging reforms. Past policy failures must therefore be addressed if future aid is to improve economic performance.

Finally, Mr. Chairman, let me add one thought about our unique financial obligations to the RMI relating to nuclear claims. While the implementation agreement of the Compact with the RMI constituted the full settlement of all claims, past, present and future, related to nuclear testing, it does provide that the RMI may submit a request for additional compensation to the Congress under certain provisions. RMI representatives have said that additional atolls should be considered affected by the nuclear program, and that compensation for all the affected atolls should be increased. I understand that the Marshallese are hard at work preparing a case for additional compensation and we will of course give their materials full consideration in accordance with our legal obligations.

Before I conclude, Mr. Chairman, I would like to emphasize that I take my obligation to consult with Congress during this process seriously. I again thank you and the members of the Committee for the opportunity to discuss the Compacts of Free Association today. I look forward to getting your feedback this afternoon and to continuing this dialogue as we move towards negotiations next year.

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STATEMENT OF HON. KURT M. CAMPBELL, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR ASIAN AND PACIFIC AFFAIRS, INTERNATIONAL SECURITY AFFAIRS

The Department of Defense has a deep appreciation of the current significance and past history of our special relationship with the Freely Associated States; the Republic of the Marshall Islands, the Federated States of Micronesia, and Palau. We cannot, and should not, forget the price we paid in liberating these islands from Imperial Japan in World War II and the role some of the islands and peoples played in developing crucial U.S. defense programs in the 1950s and 1960s. Our relationship is founded upon the unique role of U.S. defense responsibilities to the sovereign

nations of the Freely Associated States under the terms of the Compact of Free Association.

The Compact and subsequent agreements obligate the United States to provide for the defense of the Freely Associated States in perpetuity, unless mutually agreed upon to terminate the arrangement. We are committed to provide security to these nations and their peoples "as the United States and its citizens are defended." This level of defense commitment goes beyond any other U.S. treaty or alliance. In return for this fundamental security guarantee and other DOD obligations, we retain the right for certain military uses and access, as well as the right to veto access to third countries.

In the absence of the Compact or the Security and Defense Relations Title of the Compact, the Mutual Security Agreement still provides for defense obligations, military access, and denial of military access by third countries. Although it may appear that the termination of the Compact would result in little change, it is clearly in the best interests of the U.S. to maintain the full range of military access and security engagement options the Compact provides. One of the most important aspects of the Compact is the foundation it provides for our day-to-day working relationship with the people of the Freely Associated States.

In preparation for the upcoming Compact renewal negotiations, the Department of Defense has conducted a study to determine our defense interests in the Freely Associated States for the post-2001 era. This study, which will be finalized in early 1999, has considered many issues of mutual concern, such as continued access, current and future threats, and roles the Freely Associated States may play in future scenarios.

The overriding defense interest in the negotiations will be continued use of the Kwajalein Missile Range and the facilities on Kwajalein Atoll. The requirements of our missile defense and space surveillance programs combined with the uniqueness of Kwajalein's location, infrastructure investment, and real world treaty restrictions, make this an issue of the highest priority.

Under the Military Use and Operating Rights Agreement, negotiated subsequent to the Compact, the United States retains the right to automatically extend the use of Kwajalein for an additional fifteen years to 2016. However, the Compact and use of Kwajalein are not that easily separated. While the agreements may be negotiated separately, proviso's of the Compact help provide the basis for the support of the Marshallese, who in turn provide not only much of the labor force, but also a positive local environment which is critical for continued success at Kwajalein.

If the goal of the Compact is to maintain a unique relationship with the Freely Associated States while helping them become financially self-sustaining democracies, then a renegotiated Compact, in some form, is in the best interests of the United States and the Freely Associated States. It will help the Freely Associated States continue to work toward their national goals, while serving our national defense interests.

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STATEMENT OF HON. ASTERIO R. TAKESY, EXECUTIVE DIRECTOR, JOINT COMMITTEE ON COMPACT ECONOMIC NEGOTIATIONS, GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA

Mr. Chairman:

The Government of the Federated States of Micronesia (FSM) is very grateful for the opportunity to appear before you today to discuss the Compact of Free Association and the upcoming renegotiation of certain of its provisions. We agree with the Committee Members that it is none too early to begin sharing with you our assessment of the Compact experience thus far, and our tentative views on what may lie ahead.

First, I should refer to the visit to Washington last month by our President, His Excellency Jacob Nena, who came with the intention of conveying to the United States Government personally, and at the highest possible levels, the strength of our people's ongoing commitment to the Compact relationship. Today I would like to concentrate on the points that he made in a very successful series of meetings with Administration officials and with Members of Congress. He also had the fortunate opportunity to discuss these matters at some length in a conversation with President Clinton.

The most important point that was stressed by President Nena, which I want to emphasize to you today, is the profound gratitude of the people and the Government of the FSM for the assistance that the United States has extended to us over many decades—throughout the forty years of the Trusteeship, and under the Compact. Those of us in the current generation of government in the FSM, along with our

people, have grown up and lived in an emerging country that remembers past colonial rule, but has known throughout our lives the faithful encouragement of the people and Government of the United States. We realize that from your perspective this is only a small part of your global concern, but we ask that you not overlook the appreciation felt by the FSM people for our good fortune in having the opportunity to model our political, social and economic development after the example of the greatest Nation in the world.

More particularly, the FSM remains grateful for the strong support given by the United States, from the very beginning of our Compact relationship, to the FSM's emergence into full sovereign statehood within the international community. This consistent support has played a significant role in what we believe to be the Compact's great success, and in the fact that the relationship of Free Association remains strong.

One indication of the strength of the relationship is that the FSM has steadfastly supported the positions advanced by the United States at the United Nations and elsewhere in the international community, even when our positions have occasionally placed us at odds with our developing country partners and some of our fellow Pacific Island countries. Another is that despite the presence within the Compact of elaborate dispute and claims resolution procedures, which were forged out of months of intense debate during the original Compact negotiations, there has not been a single instance when any difference of views between our governments could not be resolved through informal discussions. This is testimony to the dedication of all our respective officials who have worked under the Compact through the years, and to the fact that the guiding document is a sound expression of common interests.

We are keenly aware that strategic and security considerations are the cornerstone of our free association relationship with the United States. Thus, we have worked hard to give more than just lip service to the responsibilities we assumed in the Compact. The FSM has been strictly supportive of United States defense and security policy in the Region, such as, for example, by refraining from joining its neighboring island countries in the South Pacific Nuclear Free Zone Treaty (SPNFZ), and by refraining from signing the Convention against Land Mines. Our consistent support for the State of Israel, while motivated in part by internal considerations, has also been with an eye toward supporting U.S. policy in this important security area. Our regular direct contact with the Department of Defense through the annual meetings of the Joint Committee on Military Affairs has been a highly useful channel of communication. In addition, we regard the service of the Civic Action Teams as invaluable to our people at the community level and a constant reminder of our close relationships.

As you know, Mr. Chairman, the Compact as a whole has no termination date, and was envisioned to create a long-term relationship. However, Section 354 ofthe Compact says that the defense provisions are "binding ... for fifteen years ... and thereafter as mutually agreed. ..." This provides the opportunity during our renegotiations for any needed readjustment. For its part, the FSM remains satisfied with and committed to Title Three and to that end would like to remind the United States of the availability of locations within the FSM for Defense activities such as the propositioning of forward deployment supply ships (a matter that was reiterated by President Nena with Assistant Secretary Kramer at the Department of Defense during his Washington visit).

It is the FSM's view that despite the end of the Cold War the uncertainties in Asia necessitate a long-term U.S. security umbrella throughout the former Trusteeship area. It was the consensus view of the original Compact negotiators, and remains our view, that continued economic progress and stability within Micronesia serves that security interest.

The fifteen years of economic support provided in the Compact was never envisioned to produce full self-sufficiency within that time period, and in fact, the Compact reflects an awareness that some level of continuing assistance will be needed. While the FSM today still has a long way to go in terms of economic development, we feel that from the standpoint of due diligence, the progress made in the relatively brief time so far, together with our currently building momentum, justifies an appropriate level of continued economic assistance by the United States, beyond the first fifteen years.

Mr. Chairman, about five years ago, we in the FSM, as well as our friends in the United States and elsewhere, began to realize that the impressive improvements in infrastructure made possible by Compact funding were not being accompanied by the degree of economic growth we had hoped for. The long-term implications of this situation were quite ominous, and something obviously had to be done. With the help of the Asian Development Bank, the United States, Japan and other donors,

an FSM-wide economic self-analysis was commenced. National and State economic summit meetings were held to clarify and redefine our economic goals. Then, three years ago, the FSM began making serious and painful course-corrections to reform its governmental structure, downsize its governmental workforce and energize its private sector. The process, known as "structural adjustment," is well-advanced, but will be ongoing for some years to come. It includes efforts to improve efficiency and to develop our own indigenous statistical and planning capabilities, including our capability to evaluate and measure economic progress.

This is a two-pronged program that involves, on one hand, Government and Public Enterprise reforms, and on the other, Private Sector reforms. On the government side, we are reorganizing and downsizing our institutions and improving our tax structure, in order to move along the adjustment path to sustainable finances and rational service levels. On the private sector side, our reforms are designed to improve the economic environment for private sector growth, especially in those productive activities that earn dollars from abroad. This means, among other things, reducing the role of Government in productive activities, and restructuring our legal and regulatory environment to encourage private sector activity and investment, especially foreign investment.

It is still somewhat early to project results, but we are encouraged by tangible actions taken thus far that have been quite difficult, politically.

- We have restructured governments at the National and State levels.
- We have reduced the size of the Government workforce—in all we have so far eliminated over 1,200 positions, or almost 20 percent.
- We have frozen wage increases and even reduced the salaries of most government employees by some 10-20 percent.
- All of our public utilities and many other former government activities have been either commercialized or privatized.
- We have improved the structure of our tax system and have thus increased the share of Government revenues raised from domestic sources.

One State-specific example is worth noting. Many of you will be aware that our largest State—the State of Chuuk—faced a financial crisis of great magnitude starting in 1995. I will not burden you with the details of measures that have been taken, but I am happy to report that the crisis has been overcome. The arrears that Chuuk built up through domestic and offshore debts have been fully acknowledged and partially repaid. Based on current and credible projections, Chuuk's operating deficit will become a growing surplus and creditor debts will be paid in full by June of 1999.

Mr. Chairman, it is only natural that in approaching the question of the future of our free association with the United States we must take stock of the Compact experience during the first fifteen years. This includes the development of the world security picture and its outlook, but it also includes the need to account for how the Compact has worked from the standpoint of its developmental goals, and what changes might need to be made in the Compact arrangements.

To that end, for over a year now, the FSM, on its own initiative, has mounted a major undertaking to identify its reasonable and appropriate needs for ongoing United States assistance after the first fifteen years, taking into account the structural adjustment, the outlook for other sources of assistance and its internal capacity for revenue generation. This undertaking is being conducted by a representative body constituted by law, known as the Joint Committee on Compact Economic Negotiations, chaired by former FSM Vice President, Petrus Tun. The Committee is supported by a full-time Secretariat headed by myself as its Executive Director, with the assistance of development economists, an attorney, and other expert consultants as needed. We expect this endeavor to be completed prior to the opening of the renegotiations late next year.

Mr. Chairman, recalling my earlier remarks expressing appreciation for all that the United States has done, I would like to close by saying that the FSM does not approach the question of continued United States assistance as asking for "foreign aid," nor do we assert an entitlement, but rather, we respectfully suggest that such assistance, should it be forthcoming, will continue to be a key aspect of a unique and mutually beneficial partnership between our two nations—a Partnership in Development for Self-Reliance and Security.

I thank you once again for inviting us to appear today. We in the Federated States of Micronesia look forward to continuing our dialogue with the United States Government, including with the Congress of the United States, from this day forward.

STATEMENT OF HON. PHILLIP MULLER, RMI MINISTER OF FOREIGN AFFAIRS AND TRADE

Mr. Chairmen and Distinguished Members of the House Resources and International Affairs Committees:

It is an honor for me to appear before your Committees today on behalf of his Excellency Imata Kabua, President of the Republic of the Marshall Islands (RMI). Thank you for allowing me to share the perspective of the RMI Government at this important and welcome oversight hearing. I see this hearing as an opportunity to present and discuss challenges in the Compact before negotiations to extend certain of its provisions commence next year.

For the purposes of today's hearing, I will focus my remarks on three major points. First, I will discuss the value the RMI places on our bilateral relationship. Second, I will address some of the specific issues the U.S. Government has raised concerning fiscal administration in the RMI. Finally, I will identify some of the difficulties the RMI is experiencing with the existing Compact.

*The value the RMI places on the bilateral relationship*:

Let me begin by expressing that the Government of the Republic of the Marshall Islands remains fully committed to not merely preserving but to strengthening its close friendship with the United States. Having moved successfully from colonial status to full national sovereignty and self-government, the Republic of the Marshall Islands stands, by choice, as a friend and ally of the United States. We share commitments to world security, democracy, and disarmament. We have a friendship shaped by a shared history, and shared goals; a relationship characterized by transparency, and cooperation; a successful relationship which has allowed for the decolonization of the Marshall Islands, and a special, close and continued relationship which extends indefinitely under the Compact of Free Association.

The Compact of Free Association and its subsidiary agreements embody the strategic alliance that evolved during the Trusteeship and continues in perpetuity in accordance with the Compact. These mutual security arrangements include the U.S. Army Missile Range at Kwajalein Atoll which the Marshall Islands is proud to host. As the site specifically named in the Anti-Ballistic Missile Treaty for the U.S. Government to test its missile defense systems, Kwajalein Atoll helps provide security to the United States, the Marshall Islands, the Pacific region, and the world. On several occasions, the RMI Government has accommodated Department of Defense requests to utilize additional islands for its programs. We believe the present arrangement is in the best interest of both our nations, and contributes to our shared commitments to world security. Furthermore, the Marshall Islands provides a permanent buffer zone between the United States and potential threats from Asia, and extends U.S. military access to approximately 1 million square miles of the Pacific Ocean where no other foreign military can enter.

The strategic nature of our partnership continues to be of tremendous mutual importance to our nations. I was extremely pleased to see these same sentiments reflected in the Joint Resolution introduced by the Chairmen of both committees holding this hearing, as well as our good friend, Congressman Faleomavaega. The Marshall Islands appreciates these expressions and hopes that the resolution will continue to move forward. I am also pleased to inform the Committees that the Nitijela passed its own resolution on February 5, 1998, conveying the RMI Government's commitment to its bilateral relationship with the United States. The text of the Nitijela resolution, which recognizes the importance of continued friendly relations and the maintenance of long-term military alliance and strategic partnership, is attached as a supplement to my statement.

In recognition of the strategic partnership between the RMI and the United States, the Mutual Security Agreement signed by our governments reflects the understanding that economic assistance to the Marshall Islands is not foreign aid, but an integral aspect of creating the stability necessary to augment our mutual defense goals, provided in exchange for important strategic denial and defense rights that the U.S. enjoys in the Marshall Islands. The words "mutual" and "security" are meant to reflect how each of our countries benefit from our relationship; the United States secured its defense interests and the Marshall Islands secured its economic and social interests, thereby creating a mutually beneficial alliance based on four decades of Trusteeship. Relations between military and economic security is a recognition of the conditions required to promote international peace and prosperity. This principle is expressly stated in the Mutual Security Agreement:

> "The Government of the United States and the Government of the Marshall Islands recognize that sustained economic advancement is a necessary contributing element to the mutual security goals expressed in this agreement." (Agree-

ment Between the Government of the United States and the Republic of the Marshall Islands Regarding Mutual Security Concluded Pursuant to Section 321 and 323 of the Compact of Free Association.)

In this respect, I would like to extend my sincere gratitude to the Members and Administration representatives who argued that the Pell Grant, an economic and social program consistent with the strategic nature of our friendship, is an integral component of the overall U.S. interest in the Marshall Islands. Our youth who are pursuing their higher education, as well as Marshallese serving in all branches of the U.S. armed forces, will enhance the economic and strategic goals embodied in the Compact. No country receiving conventional foreign aid has a relationship with the U.S. including the special legal, military, political, economic and social mutual undertakings that exist between our governments by treaty and law. That is why the RMI is not a foreign assistance recipient.

We look forward to continuing to strengthen our friendship, and therefore, are confident that the upcoming negotiation with the U.S. of certain elements of the Compact will provide a constructive process to reflect our shared commitment to the relationship. We are likewise confident that in due course the U.S. will select a person of integrity to lead the U.S. team. This will give us confidence that both sides are committed to ensuring that our relationship continues to work in the best interest of both our nations.

*U.S. Government concerns about fiscal management in the RMI*:

We understand that some people in the U.S. Government have concerns about fiscal management in the RMI. We acknowledge that there have been a number of problems with our financial management and budget execution. I would like to put some of our financial faltering into perspective, however.

During the Trusteeship, the Marshall Islands was deemed a secure area by the U.S. Administrators. Until 1968, outsiders could not visit the Marshall Islands without first obtaining permission from the U.S. Navy. Until 1973, no foreign investment of any sort was allowed in the Marshall Islands. The public works department was established to create government jobs for Marshallese people as a means to distribute U.S. money. Most of the Compact money we now receive goes to pay debts from loans that were necessary to upgrade the dilapidated infrastructure we inherited from the Trust Territory Government. I raise these points only to note that although we have made mistakes—some of our investments were admittedly overambitious, some were questionable, and still others were sound—we have made a bona fide effort to develop our economy. In 12 years time, however, we cannot achieve the economic development that U.S. strategic interests intentionally thwarted for decades during the Trusteeship.

In retrospect, we acknowledge that monies were not used as effectively and efficiently as they could have been. For the most part, our infrastructure has been built, but the costs have been higher than they should have been. Unfortunately, we did not effectively enforce financial reporting from individuals and companies who expended funds. In the case of the Ebeye Hospital, we have made arrangements with the ADB to help recoup funding to complete the project sponsored by the U.S. Government. ADB has responded positively to our request for assistance. I think it will be in both our nations' best interest to build accountability mechanisms into the next phase of Compact assistance.

Despite our growing pains, the RMI Government is committed to meet the challenges necessary in order to install rigid systems of financial management and to operate within our financial means. We are undertaking democratic institutions building to improve deficiencies in the financial system that we inherited.

Concern has also been expressed about the over-enrollment of the 177 Health Care Program. We made the mistake of not requiring eligibility criteria for enrollment in the program. As a result, everyone with land claims to those atolls, and not just those requiring medical attention as a result of the testing program, enrolled in the program. This is a mistake that my government acknowledges. In response, my Ministry has drafted eligibility criteria for the Cabinet to consider. We are working with the 4 atoll leadership to help them understand the absolute necessity of getting enrollment in this program under control and in accordance with the original intent of the Compact. I expect the eligibility criteria to be established in the near future.

I would also like to point out that the RMI Constitution provides for an independent Auditor General to audit all public accounts. The Auditor General's Office has hired an internationally recognized auditor, Deloitte & Touche, to conduct annual audits in the RMI. The very fact that we know what our budget management problems are demonstrates that the audits ensure accountability. Over the years, the Auditor General's Office has been introducing progressively more of the sophisti-

cated financial systems necessary to properly manage accounts. Please keep in mind that the RMI inherited a financial management system from the Trust Territory that consisted primarily of pencils and papers. We are doing our best, however, to create first-class financial management systems in the Marshall Islands.

In recognition of the fiscal management problems we have had, the RMI Government has committed itself to a vigorous reform program. I would like to briefly describe some of our fiscal reform measures. Many of these reforms have been painful both in political and practical terms as they affect the lives of all Marshallese people: The RMI Government worked closely with the Asian Development Bank (ADB) to develop a Public Sector Reform Program (PSRP). With a $12 million loan from the ADB, the Reform Program is downsizing our public sector which became overinflated during the Trusteeship. We have determined, however, that we will not allow our downsizing efforts to compromise the RMI's Constitutional mandate to provide essential health care and education services to the population; We have launched a Private Sector Investment Program (PSIP) that aims to develop strategies in each of the sectors which make best use of the country's resources within the overall fiscal and budgetary constraints; A Private Sector Unit has been established to formulate and implement a strategy and a program for the privatization of state-owned enterprises and service departments. The Private Sector Unit is also tasked to create a competition and regulatory policy framework to ensure that the eventual privatization of those state-owned enterprises having monopolies in their sectors, such as the national airline and the public utilities, do not unfairly infringe on the public good; Our Foreign Investment Advisory Service (FIAS) has prepared draft legislation for the Government to consider ways to promote a comprehensive investment program; An Office of the Economic Policy Advisory Services & Statistics provides the budget framework based on macroeconomic factors facing the country which can be addressed through fiscal policy; and the RMI has adopted a set of principles that requires that the recurrent and capital budgets are closely integrated and visibly linked to national and sector development goals and objectives.

I would also like to point out that the RMI Government has reduced government expenditure from over $105 million in fiscal year 1995 to a projected $75 million in fiscal year 1999. The reduction in expenditure has been achieved by a curtailment of capital spending, by a 27 percent decline in established civil service posts, by a reduction in government subsidies (especially by the national air carrier), by a lowering of wages of elected of finials and civil servants in both real and monetary terms, and cuts in the operating costs of line ministries (including the elimination of 4 ministries). At the same time, we are providing training to the individuals whose public jobs have been terminated so they can become productive members of the private sector.

*Difficulties in the existing Compact*:

Like the U.S., we also have concerns with the existing Compact which we would like to bring to your attention. These problems exist primarily with the economic development incentives and Section 177 of the Compact. Because of the complex nature of the Compact, it is often difficult to interpret its intent. When attempts are made to deny special rights or privileges specified in the Compact we often face problems in our implementation of the Compact's provisions. Problems have emerged when essential provisions in the Compact, such as the immigration and labor rights, are constrained and compromised by misinterpretations of the Compact's intent. Our relationship cannot be categorized like other countries when it is unique.

With regard to the aspects of the Compact intended to stimulate economic development in the Marshall Islands, there are certain provisions in the Compact that were never implemented. For example, we would have liked to take advantage of the National Health Service Corps in Section 105(k) or the technical assistance envisioned in 105(1). For the programs available on a reimbursable basis, we do not have the cash flow assumed to pay for the services up front.

The RMI Government also demonstrated that it lost key economic benefits under Section 111(d) of the Compact. The RMI lost these benefits when the U.S. made unilateral changes to the Compact that the Marshallese electorate decidedly approved. We thank Congress for recognizing the economic loss as a result of the U.S. removal of the economic incentives. Yet, we have only received 1/10th of the amount for which we established a U.S. commitment under Section 111(d). We ask that you revisit the loss of economic benefits with us, Mr. Chairmen.

We are also concerned about the limited nature of the Essential Air Services Agreement in the Compact. On September 30th of this year, the Essential Air Services provision of the Compact will expire. This provision, which ensures that U.S. air carriers provide flights adequate to promote economic development, is vital to

every aspect of our efforts to promote economic development. It is my hope that the Administration and Congress will work with us on this matter and that your Committees, Mr. Chairmen, can support the Essential Air Service provision that is a vital component of the path to economic self-sufficiency that both of our nations envision for the Marshall Islands.

The other major area of RMI concern about the Compact is Section 177, the section which defines U.S. responsibility for and efforts to address the consequences of the nuclear testing program. Like people throughout the world, the Marshallese found great relief and assurance in the end of the Cold War. We, in the Marshall Islands, like the United States, played an important role in helping the United States actualize its national, and global defense goals and in protecting the world from the threats of nuclear war.

Although we share in the relief that the Cold War has ended, our countries together bore a disproportionate amount of the burden and suffering in reaching this goal. People in the Marshall Islands continue to die and suffer from the debilitating health effects of radiation exposure. The expense and breadth of radiation illnesses experienced in the Marshall Islands has overburdened our health care system and depleted scare economic resources. As you will see from the attached statement of the Chairman of the Nuclear Claims Tribunal, Oscar deBrum, the funding for the Nuclear Claims Tribunal is inadequate to cover even the personal injury claims brought before the Tribunal. It troubles me to report that the Tribunal's Chairman has had to make emergency allocations of just a few hundred dollars to radiation victims dying in the hospital and the families of the awardees to provide a contribution to the costs of death ceremonies.

The Tribunal has not awarded a single environmental claim despite the fact that the Compact intended for the Tribunal to distribute both personal injury and land damage claims. Although the Tribunal has not yet adjudicated the land damage claims, it is clear from evidence presented that loss of use for the affected atolls and the cost of remediation to restore the atolls to U.S. cleanup standards is substantial.

As for the 177 Health Care Program, there is no inflation adjustment although inflation adjustments exist for almost every program in the Compact. Because of rising health care costs and inflation, even if we substantially reduce our eligibility, which I promise we will do, the 1998 value of the $2 million amount envisioned during Compact renegotiations amounts to approximately $90O,000 a year. This is grossly inadequate to provide for the expensive care of this uniquely exposed population needs. The program is further hampered by the great expense of transporting and housing tertiary patients off-island due to a lack of medical facilities and trained personnel in the islands. It is also expensive to maintain health care facilities at multiple, scattered locations. Furthermore, we are forced to employ outsiders to assist with health care delivery as 42 years after the end of the testing period there still is not a single Marshallese trained in radiation science or radiation medicine.

While we are proud of our strategic partnership with the United States, it saddens us that Marshallese citizens who suffer from radiological illnesses are not compensated in one, full payment the way U.S. radiation victims are. Because I was one of the RMI's Compact negotiators, I know we were led to believe that awardees would receive a one-time payment for their radiological illnesses and that market earnings would lead to annual increases of the fund of 15 to 18 percent. Furthermore, we were told that the interest from the fund alone would be adequate to make our awards and that the fund would remain untouched so it could serve as an intergenerational fund to provide long-term financial stability. None of these assumptions have proven to be true. This inequity of the awards process leads to great suffering and discomfort in the Marshall Islands.

As you are aware, the Marshall Islands agreed to put to one side the nuclear-related claims it presented to U.S. Federal courts while we determine the effectiveness and adequacy of the programs and allocations in Section 177 addressing the adverse consequences of the testing program. In our 12th year of the Compact and Section 177 claims, it disturbs me to report to you, Mr. Chairmen, that Section 177 of the Compact is inadequate to the point of becoming dysfunctional. While the U.S. Federal courts accepted our decision to put these claims before the RMI Nuclear Claims Tribunal, that decision was based on the presumption of adequacy of the remedy. That presumption is now being seriously undermined, and called into question.

In addition to the inadequacy of funds for the Nuclear Claims Tribunal, the Compact fails to provide adequate health services to populations affected by radiation and it fails to recognize the full scope of radiation injury. The United States conducted 67 atomic and thermonuclear tests in the air, on the land, and in the seas surrounding our islands. Seventeen of these tests were in the megaton range far exceeding the size of the bomb the U.S. dropped on Hiroshima. Yet, the Compact defi-

nition of exposure, which determines which populations are eligible for medical care, is based on exposure to just 1 of the 67 tests conducted, the "Bravo" test. What about the radiation effects of the other 66 tests? What about the cumulative radiation effects of all 67 tests? As a result of this extremely narrow definition of radiation exposure, only 174 people in the nation are legally eligible in Section 103(h)(1) to participate in a U.S. provided radiological health care program. Furthermore, only 4 atolls covering 22,500 square miles, including the two ground zero test sites, are legally defined as affected by radiation. In comparison, I find it interesting that the United States considers the Nevada land area affected by radiation to extend over 3 million square miles despite the fact that the total tonnage detonated in the Marshall Islands was almost 100 times greater than the total yield of weapons tested in Nevada.

Fortunately, there is a provision in Section 177 of the Compact, the changed circumstances provision, that allows Congress to work within the purview of the existing bilateral framework to address shortcomings of the U.S. programs designed to address the problems resulting from radiation exposure. We believe that it is in the best interest of both our nations to deal with problems in the existing Compact framework. This issue cannot wait for renegotiation of the second Compact. People are dying now. People are suffering now. Medical expenses are beyond our means. We lack the medical care and the money to finance their awards.

Thanks in great part to the Committee on Resources' efforts to see that Department of Energy documents relating to the U.S. Nuclear Weapons Testing Program in the Marshall Islands were declassified and released to the RMI, we now know that the extent of damage caused by the nuclear testing is much greater and much broader than either the U.S. or Marshallese negotiators of the Compact understood at the time. Based on this new information, we are compelled to act, and the Compact provides the framework for taking action. I would like to ask you, Mr. Chairmen, to convene hearings on the changed circumstances after you receive our petition. Changed circumstances hearings would provide us an opportunity to present our findings to you, and hopefully, to lay out a pathway for providing medical care and assistance to all of those people who have truly suffered as a result of our shared strategic interests.

I would like to ask your support, Mr. Chairmen, in securing an immediate ex gratia payment for the victims dying of radiation-related illnesses for which there are no means to pay for. The Compact allows for ex gratia payments under Section 1O5(c)(2). We request your assistance in convincing the Appropriations Committee of the importance of this allocation which the Compact provides for.

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STATEMENT OF HIS EXCELLENCY HERSEY KYOTA, AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY, PALAU AMBASSADOR TO THE UNITED STATES OF AMERICA

Mr. Chairman and distinguished members of the Committee on Resources and the Committee on International Relations Subcommittee on Asia and the Pacific, it is indeed an honor and privilege for me to testify, on behalf of President Nakamura and the government of the Republic of Palau, before this joint committee. Thank you, Mr. Chairman for the opportunity.

As manner of introduction and background information, allow me Mr. Chairman to briefly explain for the record the relationship and camaraderie that first began during World War II between Palau and the United States. I believe that such camaraderie between our people encouraged and paved the way in the establishment of our countries current relationship. Because of its location, Palau quickly became one of the most important areas in the Pacific for strategic purposes during and after the war, for that matter. As a result, some of the fiercest battles in the Pacific during the war took place in our islands. Thousands of Americans, Japanese and native Palauans lost their lives in those battlefields. Palau, undoubtedly played a major role in the U.S. victory in the Pacific during World War II. Immediately after the war, the United States established its administration under the Department of the Navy. In 1946, the United Nations formally placed Palau and the rest of the Micronesia Islands under the U.N. Trusteeship Council directly under the administering authority of the United States. Palau and the rest of the islands of Micronesia became known as the Trust Territory of the Pacific Islands. For many years preceding independence, Palau was administered by the Department of the Interior. During that time, the Government of the United States established self government, provided Palauan people with education and health care programs, and nurtured democratic institutions, which guarantee human rights, protect freedom of speech, and preserve the rule of law in Palau. Although independent, Palau will always remain a member of the *American family by virtue of its long friendly tie and its*

*present special relationship under the Compact of Free Association between our two countries.*

Before I continue, Mr. Chairman, I believe it is worth noting that today, October 1, 1998 is the fourth anniversary of the Republic of Palau's independence in free association with the United States of America. As you know, the original Compact legislation for the three Freely Associated State governments was passed by the U.S. Congress in 1986. On behalf of the people of Palau, I would like to gratefully acknowledge former President Ronald Reagan, whose beliefs in freedom for all mankind and whose vision of sovereignty for islands of the Pacific Trust Territory led him to sign the compact legislation into law, thus setting the stage for Palau's independence. We are also grateful to President William Jefferson Clinton for signing into law an enabling legislation passed by the Congress in 1994 putting into force the specific Compact of Free Association between Palau and the United States, which came into effect on October 1, 1994. October First is now our Independence Day and a national holiday in Palau. As we begin our fifth year of independence under the Compact agreement, Palauans everywhere proudly celebrate this day and the special relationship that exists between our two nations. The feeling of respect and admiration on the part of the Palauan people toward this great nation and its people for giving us our independence will continue throughout the term of this special relationship and beyond.

This special relationship, as embodied in the Compact of Free Association, extends to Palau the privilege of military and defense protection of the most powerful nation in the free world. As a mutual partner and member of the *American family,* Palauan citizens may voluntarily serve in the Armed Forces of the United States. The Republic of Palau receives the benefit of a variety of Federal grants and program assistance, particularly in the fields of education and health care. Our citizens also enjoy the freedom of migration and unrestricted access to the United States and its territories. At the same time, Palau enjoys complete independence and sovereignty. These benefits and freedom given to Palau are not entirely free. Under the Compact, as you know, the United States provides these benefits and economic assistance in exchange for military land use rights.

Mr. Chairman and members of this joint committee, while minor disputes and questions exist with regards to interpretations of certain terms and provisions of the compact, I am happy to report that the relationship that exists between our governments is functioning effectively and efficiently. These disputes should not, in anyway, interfere or affect the normal government to government relations between our two republics. In fact disputes and minor disagreements are regarded as a normal aspect of a healthy, working relationship. As long as lines of communication and continuing dialogue remain open and sincere, I am confident that all issues can be resolved pursuant to the provisions of the Compact, and, indeed, this oversight hearing serves as an important step in this process.

Mr. Chairman, during this fiscal year which begins today, our government will lose approximately six million dollars in U.S. Federal programs and grant assistance, due to the compact five-year phase out schedule requirement. In addition, the compact operation fund that Palau receives annually for the first fifteen years is drastically reduced from twelve million dollars to seven million dollars, a five million dollars reduction. This loss of Federal programs and reduction in operation fund, totaling eleven million dollars, translates to loss of many jobs and valuable services to our people. While the effect of these reductions was anticipated, the reality as to how much they would affect our budget was not fully comprehended until the Olbiil Era Kelulau (Palau National Congress) began its 1999 fiscal year appropriation process this past summer. Mr. Chairman, eleven million dollars may represent a tiny fraction of the U.S. budget, but in Palau, it represents over twenty percent (20%) of our total annual budget. This will not only hinder our ability to deliver essential services to our people, but more importantly, it will also affect our economy.

U.S. Federal grants and program assistance had helped many Palauans of all ages. These Federal grants and programs have been the backbone behind the success of our education, health care and social institutions. Although, some of these Federal grants and program assistance have been terminated or phased out pursuant to the terms of the Compact, other Compact provisions stipulate that Palau may request for continuation of various grants and program assistance and the United States may consider the request. I ask this Committee to consider this, as our request for your representatives and ours to revisit those sections of the compact dealing with Federal grants and program assistance in order to discuss and assess the need for continuation.

Mr. Chairman, one of the most important Federal grants that has truly helped many Palauan citizens is the Pell Grant. Without this grant, hundreds and hun-

dreds of Palauan students graduating from high schools would not have been able to attend colleges and universities in the United States, regardless of their academic standing. I understand that the House and the Senate conferees were able to agree on compromised language on H.R. 6 to extend the termination of freely associated states students Pell Grant eligibility from the year 2001 to 2004. I want to take this opportunity, Mr. Chairman, to extend my appreciation and gratitude to your colleagues in the House of Representatives and the Senate who expressed strong support for our students' eligibility, and to especially thank you for your direct and persistent involvement in addressing our request.

Allow me, then, Mr. Chairman to point out one minor fact that may have been overlooked during your specific deliberation on the FAS Pell Grant eligibility provision in H.R. 6. While it is certainly the prerogative of the Congress to legislate on any issue it sees fair and appropriate, I feel that Palauan students are being short changed by terminating Pell Grant eligibility for all three freely associated states at the same time. Palau, as I mentioned at the outset, is celebrating its fourth anniversary today. We are ten years away from 2009, the year in which our compact economic assistance terminates. The Compacts for the Federated States of Micronesia and the Republic of the Marshall Islands, however will terminate in the year 2001, giving their students full eligibility during and possibly beyond the terms of their first fifteen years of their Compacts. As a matter of policy, I strongly believe that the Congress should be consistent and fair in its treatment to the freely associated states. Mr. Chairman, to end or sunset the Pell Grant eligibility for all three FAS in the year 2004 would not be fair for Palauan students. Palauan students should remain eligible for Pell Grant assistance until the termination of our compact economic assistance in year 2009 and three years thereafter to be equitably fair. After all, section 124 of Palau's compact stipulates that the United States will extend similar benefits and treatment extended to FSM and RMI to Palau. While this may have been simply an oversight, Mr. Chairman, I respectfully request your Committee to look into this matter in a fair and equitable manner.

As an island nation, Palau is surrounded by a vast ocean. Our exclusive economic zone extends to two hundred miles from our shores and traditional baselines. With limited technology and government resources, it is extremely difficult to patrol our waters; as a result, a variety of ocean resources, particularly tuna stock and other highly migratory species, are harvested in our waters by poachers often using illegal fishing methods. We certainly need assistance in this area. Without consented efforts and mutual cooperation among the freely associated states and other Pacific islands and, certainly the assistance of the United States, we will not realize the full economic benefit of our ocean resources. In this connection, I request this Committee and the Congress to assist us in this endeavor.

Palauan culture is greatly influenced by the ever-present interaction between our people and the surrounding sea. As you know, Palau's Coral Reefs are blessed with perhaps the richest diversity of marine life in the entire world. And now, as a newly independent nations seeking long-term economic stability, we look to our coral reefs as the resources which can attract and sustain our emerging tourism industry. The establishment of the Palau International Coral Reef Center could provide immeasurable support for our efforts to rehabilitate, maintain and conserve Palau fragile reef system and serve as an ideal research base for the preservation of other reef systems the world over. This project is a tri-partite undertaking by the United States, Japan and Palau which was advanced within the framework of the Japan-U.S. common agenda. Both Japan and the United States have been focusing on the preservation of coral reefs since 1994 as part of their cooperation for addressing global environmental problems. Through a services of tri-partite discussions, we have developed a Basic Design Study in which the Republic of Palau has agreed to make available land for the site and to clear it in preparation for construction. Recalling the many years of Compact negotiations with respect to land issues, I know you can appreciate the significance of Palau gesture to provide this land at no cost to the Center. Under the proposed plan, the Government of Japan will begin construction of the Center during the first half of next year. As for the United States role in supporting the Center, we have yet to see any significant commitment of funding to ensure the successful startup of the Center operations. In discussions on technical cooperation held in April of this year, U.S. delegation members pointed to the Federal Funds and programs committed to the Republic of Palau during the fifteen year life-span of the Compact of Free Association. I wish to make one point very clear. The Palau international Coral Reef Research and Conservation Center was not part of Compact negotiations and, as a project arising from the bilateral cooperation between Japan and the U.S. under the Common Agenda, should not be funded with existing Compact funds. Reasonably, additional funds should be made available for this project whether under the Compact or otherwise.

Mr. Chairman, I would like to commend you for your strong support for House Congressional Resolution 131 which encourages the Administration to identify opportunities to take substantive actions to advance the exploration of the ocean and the appropriate use of ocean resources and for your endorsement of the Coral Reef Conservation Act. Palau also views that June 11, 1998, Executive Order on Coral Reef Protection as a further indications of the U.S. Government's commitment to international cooperation on the protection of coral reef species and the implementation of appropriate strategies and actions to promote conservation and sustainable use of coral reef resources worldwide.

Our record of discussion of June 7, 1996 on Palau Coral Reef Project, signed by then Chargé d'affaires, Mr. Richard Watkins, indicates that the United States considers the proposed Center to be thought of as an integral part of the larger International Coral Reef Initiative. The recent Executive Order specifically calls for expanded collaboration with other International Coral Reef Initiative Partners to implement through its framework for Action. We would like to suggest that technical cooperation in the form of startup support for the initial five years of operation of the Palau International Coral Reef Center would be the one most significant gesture that the United States could make in the area of global coral reef protection. Whether under the Coral Reef Conservation Act or through existing Federal programs under the Department of State, Department of Interior, Department of Commerce, and the Agency for International Development, we urge the United States to seek available means for supporting the Palau International Coral Reef Center Project as a truly tri-partite endeavor. In this regard, Palau stands ready to assist in advancing the ideas of the Japan-United States common agenda.

The largest single and certainly the most important project ever to be built in Palau, in terms of funding, magnitude, development and economic value, is the Babeldaob Compact Road. This project, as you know, is financed by the Government of the United States as part of the economic assistance package under the Compact of Free Association between Palau and the United States. The U.S. Army Corps of Engineers is charged with the responsibility to manage and oversee the construction of the road project, on behalf of the United States Government. The Palau Presidential Task Force on Babeldaob Road and the U.S. Army Corps of Engineers, have had many meetings in the last three years to discuss essentially all aspects of the road project. As a result, most of the preliminary work relating to plans and designs, surveys, land easements, environmental assessment study and environmental impact statement are completed. The actual ground breaking for the project is scheduled to commence at the end of this year or very early next year.

Palau Government had planned to play an active role during the actual construction of the project, as announced by President Nakamura on several occasions during the initial discussions of the project. To demonstrate his seriousness and desire to be part of the "team" and to really engage in all aspects of the road project, President Nakamura created a task force, which was responsible to oversee all aspects of the project, including minimizing impact and damage to the environment. The plan was for the Government of Palau to unilaterally fund the task force with sufficient budget to hire and employ professionals in the fields of engineering, environment and others to assist the task force in their task. Due to the unexpected collapse of the Koror-Babeldaob Bridge in the late 1995, much of Palau's financial resources were directed to the bridge relief effort, leaving virtually no funding for this much desired professional team of experts to oversee the construction of the Babeldaob Road Project. Having no other options, the President submitted an application to the Department of the Interior requesting for technical assistance, in the form of grants, to fund the professional U.S. under the Common Agenda, should not be funded with existing to oversee all aspects of the road project and report to the Government of Palau. This team will represent the Government of Palau to ensure (1) that contractors meet design specifications and work quality standards; (2) that the environmental impact statement and requirements are complied with to minimize damages to the environment; and (3) that the interests of the Government of Palau are addressed and considered. Palau's request for technical assistance from the Department of the Interior amounts to $525,000.00. I believe this is a reasonable request and, with the blessings of this Committee, I would like to ask the Department of the Interior to approve our application in an expeditious manner.

Needless to say, Mr. Chairman the completion of this important project will play a major role in shaping our development, economic opportunity and self sufficiency and prosperity to our young nation. The island of Babeldaob, often referred to as the "Big island," has great potential for development in the areas of agriculture, poultry, aquaculture, cattle ranches and tourism among others.

The last thing I wish to report to you today, but certainly not of least importance, is the status of our Compact Trust Fund. As you may recall, in 1994 and 1995 Palau

received the sum of sixty six million dollars and four million dollars, respectively as trust fund. These funds are part of our economic package under the Compact of Free Association with the United States. Under the terms of the compact, investment of these funds is restricted to U.S. securities and financial instruments and should be invested for at least five years before the Government of Palau can withdraw any interest from the principle investment. Mr. Chairman and members of the Committee, I am happy to report to you that the investment of our trust fund is doing exeptionally well. In just five years time, our investment has grown to a sizable sum. We have been very fortunate in the sense that our investment firms and money managers have not suffered any major financial setbacks, thanks to healthy economic conditions of the United States. Our Government can now withdraw funds from the investment to supplement our budget shortfall, however, we are mindful of the fact that Palau, unlike FSM and RMI, is not eligible for FEMA and other Federal relief programs, thus the leadership is reluctant to exercise that option. Unless it is absolutely essential, particularly in time of major disaster or emergency, the general feeling among the leaders in Palau is to leave the fund untouched for another five years.

Mr. Chairman, these matters and issues I bring to your attention today are certainly within your grasp to address, consider and resolve expeditiously and fairly. While minor disputes and differences exist, I am confident that this Congress and this Administration, like Palau, will focus on positive accomplishments that we have achieved in just four short years of our special relationship. The Government of Palau realizes the importance of maintaining open dialogue and lines of communication on a regular basis, and welcomes oversight hearings such as this one, and Congressional or inter agency meetings in the future. Again, Mr. Chairman, on behalf of Palau President Kuniwo Nakamura and the people of Palau, I thank you for this opportunity to appear and testify before you and your distinguished colleagues.

# NUCLEAR CLAIMS TRIBUNAL

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Honorable Don Young
Chairman, House Committee on Resources
Washington, D.C. 20515

Honorable Doug Bereuter
Chairman, House Committee on International Relations Subcommittee
on Asia and the Pacific
Washington, D.C. 20515

Dear Chairmen:

This is to provide information for your hearing on October 1, 1998 regarding the Marshall Islands.

During the period from June 30, 1946 to August 18, 1958, the United States conducted 67 nuclear tests in the Marshall Islands. The most powerful of these was the "Bravo" shot, a 15 megaton device detonated on March 1, 1954, at Bikini Atoll. That test alone was equivalent to 1,000 Hiroshima bombs. While the Bravo test is the best known, many people do not realize that at least 17 other tests in the Marshall Islands were in the megaton range and the total yield of the 67 test was more than 108 megatons, the equivalent of more than 7,000 Hiroshima bombs. By comparison, the 87 atmospheric nuclear tests were conducted at the Nevada Test Site during the periods specified under the Downwinders Act had a total yield of approximately 1.1 megatons, about one hundredth of the total yield in the Marshall Islands tests.

These tests forced the resettlement of islanders who lived on the test sites, and many of whom still await cleanup and resettlement of their home islands, some of which were vaporized by the nuclear weapons testing. Islanders from across the Marshall Islands complained of elevated levels of disease associated with radiation exposure. These injuries led to the filing of class action lawsuits on their behalf. In 1983, when the Compact of Free Association was negotiated, the U.S. was facing potential liability for claims of damages of some five billion dollars. Under the terms of the Section 177 Agreement, claims by Marshall Islands citizens and nationals were to be pursued through the Marshall Islands Nuclear Claims Tribunal, with initial funding of $150 million. However, in agreeing to allow the Section 177 process to go forward, the U.S. courts specifically contemplated that if the process resulted in unfair compensation, resort back to the U.S. courts was possible. (See *Juda v. U.S.*, 13 Cl. Ct. 667 at 7, affirmed by *People of Enewetak v. U.S.*, 864 F.2d 134, at 137).

The structure of the Settlement provided for annual payments of $18 million from the $150 million, to be distributed among the peoples of Bikini, Enewetak, Rongelap and Utrik in differing amounts for loss or damage to property and person, the government of the Republic of the Marshall Islands for health care programs related to the testing program and a radiological survey, and the Nuclear Claims Tribunal for its operations and payment of awards. While the dribbling out of payments over time ($270 million over the 15 year Compact period) gave the appearance of a more generous level of compensation, the basic settlement of $150 million was for an amount that many regard as substantially less than just.

A key element of the Section 177 Agreement (the subsidiary agreement between the U.S. and Marshall Islands to implement the basic settlement contained in Section 177 of the Compact of Free Association) was the provision that the Marshall Islands establish a Claims Tribunal to "render final determination upon all claims past, present and future, of the Government, citizens and nationals of the Marshall Islands which are based on, arise out of, or are in any way related to the Nuclear Testing Program." In 1988 the Tribunal was so established, although it was not until 1991 that the Tribunal made its first award for personal injury. As of mid September, the Tribunal had made 1574 awards for personal injury for a total of $65,508,500, of which only $33,346,945 has been paid to claimants. To date no awards have been made for loss or damage to property.

The difference between the amount awarded and amount paid is a result of the structure for the funding for awards (annual distributions from the Fund of $2.25 million the first three years and $3.25 million thereafter). Because of this structure both the 177 Agreement and the Marshall Islands authorizing legislation (the Marshall Islands Nuclear Claims Tribunal Act 1987) provided that awards may be made on a pro rata basis. In making its awards, even though there were adequate funds to fully pay those first awards in 1991, the Tribunal chose to take a conservative approach to attempt to balance interests of current awardees with those of future recipients, so that in the event that total awards over the life of the Tribunal exceeded the $45.75 million provided for the 12 year Compact period, those claimants receiving awards at the end of the period would treated equitably compared to those receiving awards in 1991. When awards were made in 1991, the recipients received 20% of their awards. Subsequently annual pro rata payments were made annually as follows: 5% in 1991, 8% in 1993, 10% in 1994, and 5% in 1995. For each new award made after October 1991, an initial payment was made in the amount of the accumulated percentage received by previous awardees.

By March 1996, the Tribunal had awarded more compensation than the $45.75 million provided to it under the Section 177 Agreement for payment of awards during the 15-year period of the Compact. Recipients who had received awards up until October of that year had received 55% of their awards.

Due to the depletion of the reserve of unexpended annual funds built up during the early years, the Tribunal was forced to depart from its policy of making initial payments at the cumulative rate received by previous awardees, as there simply was not enough money pay out at that level. As a result, beginning of October of 1996, the Tribunal began making initial payments of 25% of each new award. The Tribunal policy in regard to annual payments has evolved to the

point where now differential levels of annual payments are provided - - with a lower rate being paid to those who received awards before October of 1996 than those awarded after that time and who have thus been paid a lower percentage of their awards.

As a result, a recipient who received an award in 1991 would today have received only 59% of their total award, while new recipients will receive only 25% of their award as an initial payment. Additionally, a second group of those who received initial payments of 25% in the past and qualified for an annual payment have now received 30% of their total award.

The injustice this system of payment has become evident only with time. Recipients are denied the full enjoyment of their awards under the annual payment system because the value of the award has decreased as time passes without full payment. But more unjust is the fact that more and more awardees will be denied full payment of their awards because they have passed away. The first nuclear test in the Marshalls was in 1946. Those who were alive at that point in time, even if just born, and suffered from radiation related disease or damage to property are passing away with greater and greater frequency, whether from radiation-related illness or just old age. Of the 1574 recipients of Tribunal awards, 525 are now deceased. The fact that one third of those who received awards for nuclear test related claims to date will never receive full compensation speaks for itself.

Apart from these structural inadequacies, there are concerns over the integrity of the negotiation process. Article VIII of the Section 177 Agreement states:

> The Government of the United States has concluded that: (a) The Northern Marshall Islands Radiological Survey and related environmental studies conducted by the Government of the United States represent the best effort of that Government accurately to evaluate and describe radiological conditions in the Marshall Islands

Contrary to what was said for many years by the Atomic Energy Commission, the Department of Energy, and various U.S. officials including those involved in the negotiations leading to the signing of the Section 177 Agreement in 1983, there is now ample evidence to show that all of the islands and atolls of the Marshall Islands were contaminated to various degrees by radiation from the testing program.

For example, a January 1955 report from the U.S. Atomic Energy Commission (AEC) entitled Radioactive Debris From Operation Castle, Islands of the Mid-Pacific was made available to the Republic for the first time in 1995. That report, which had remained in a classified status for 40 years, includes tables listing radiation fallout doses as measured for 27 Marshall Islands atolls for each of the six tests conducted in that 1954 series. The cumulative doses contained in that report were apparently not of great concern at the time, except for Rongelap, Ailinginae and Utirik. However, radiation protection standards established just three years later should have raised concern for most of the other atolls. In 1957, the U.S. National Bureau of Standards published an addendum to its report #59 for the National Council on Radiation Protection (NCRP) in which a new public limit of 0.5 rem (500 mrem) per year was established for maximum

permissible exposure. Two years later, in 1959, the International Commission on Radiological Protection set a maximum general public limit of 0.17 rem (170 mrem) per year (ICRP Publication 2). [It should be noted that in 1990 the ICRP reduced the general public limit to 1 mSv (100 mrem) per year (ICRP Publication 60).]

The cumulative doses contained in the 1955 AEC report for the Castle series are external only and do not combine internal doses as current radiation protection standards now require. Also, for various reasons discussed in the report (at pages 44, 47-48, and 53-54), the external values given are, in general, underestimations. It should also be noted that the monitoring was conducted over only a 12-week period, not an entire year. Obviously, unmeasured radioactive debris continued to fall out, albeit in decreasing amounts, during the weeks and months following the conclusion of the series.

Notwithstanding the underestimations involved, the exposure levels in that report show that 10 of the 22 populated atolls listed exceeded the NCRP 1957 maximum limit of 500 mrem over the period of an entire year for the general public and an additional 10 populated atolls exceeded the ICRP 1959 general public limit of 170 mrem for a whole year.

Because such information was not available to those negotiating the settlement on behalf of the Marshall Islands, the U.S. assertion that the 1978 survey represented its "best effort" to describe conditions in the Marshall Islands must be disregarded. The U.S. had an obligation to disclose this information and failed to do so. The effect this will have on the settlement remains to be seen.

Article IX of the Section 177 Agreement specifically deals with "Changed Circumstances" and provides that if the extent of loss or damage to property and person resulting from the nuclear testing program is discovered after the effective date of that Agreement and if those injuries render the settlement "manifestly inadequate," then the Government of the Marshall Islands may request that the Government of the United States provide for such injuries by submitting such a request to the Congress of the United States for its consideration. The fact that the exposure levels sustained by people living on nearly every atoll in the Marshall Islands in 1954 exceeded U.S. and international maximum permissible levels established shortly thereafter, coupled with the failure of the U.S. to disclose such exposure levels, may well satisfy the requirements of Article IX for changed circumstances.

The Nuclear Claims Tribunal is appreciative of the opportunity to bring these matters to your attention. Hopefully you will this discussion of issues helpful. Please feel free to contact us with any questions you may have regarding Tribunal matters.

Very truly yours,

Oscar deBrum
Chairman, Nuclear Claims Tribunal

NITIJELA OF THE MARSHALL ISLANDS

19TH CONSTITUTIONAL REGULAR SESSION, 1998, RESOLUTION NO. 67

A RESOLUTION

To express and convey the deep sense of appreciation and recognition of the continued friendly relations between the Republic of the Marshall Islands and the United States.

WHEREAS, on November 3, 1986, President Reagan issued Proclamation 5564, implementing a Compact of Free Association between the United States and the newly formed governments of Pacific island areas which had been administered by the United States since 1947 under a United Nations trusteeship; and

WHEREAS, the Compact of Free Association was approved by the United States Congress with overwhelming bipartisan support on January 14, 1986, under terms set forth in the Compact of Free Association Act of 1985; and

WHEREAS, in addition to providing the multilateral framework for friendly political relations with the new Pacific island nations, the Compact of Free Association established, on a bilateral basis, a long-term military alliance and permanent strategic partnership between the Republic of the Marshall Islands and the United States; and

WHEREAS, for 50 years the United States has played a unique and indispensable role in maintaining international peace and security in the Marshall Islands, essential to the feasibility and

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1 ultimate success of the United States led strategy of nuclear
2 deterrence during the Cold War era, as well as the United States
3 Strategic Defense Initiative which contributed significantly to the
4 end of the nuclear arms race;

5 WHEREAS, the people of the Marshall Islands and the United
6 States have a close and mutually beneficial relationship which
7 evolved from liberation and military occupation at the end of World
8 War II to the United States administration under the United Nations
9 trusteeship from 1947 to 1986 and which is now maintained on a
10 government-to-government basis under the Compact of Free
11 Association; and

12 WHEREAS, this relationship was forged through a process of
13 self-determination and democratization which reflects the common
14 values and cross-cultural respect that the people of the United
15 States and the people of the Marshall Islands have developed since
16 the middle of the last century when the American missionaries first
17 came to the Marshall Islands; and

18 WHEREAS, the people of the United States and its allies paid
19 a high price, including great loss of life and injuries in the
20 heroic battles for Kwajalein and Roi-Namur, to liberate the
21 Marshall Islands during World War II, and

22 WHEREAS, the people of the Marshall Islands suffered great
23 injury and hardship due to the exposure of individuals to nuclear

1 test radiation and the radiological contamination of the Marshall
2 Islands; and
3 WHEREAS, in recognition of the unique role of the Republic of
4 the Marshall Islands in supporting the United States during the
5 Cold War and the hardships suffered as a result of the nuclear
6 testing program, the 104th U.S. Congress provided additional
7 assistance, pursuant to the Compact of Free Association Act of
8 1985, to meet the special needs of the people of the Marshall
9 Islands arising from the nuclear testing program, including funding
10 for radiological monitoring, island rehabilitation, and community
11 resettlement programs; and
12 WHEREAS, within the framework of the settlement of all legal
13 claims under Section 177 of the Compact of Free Association Act of
14 1985, the U.S. Congress continues to monitor and evaluate measures
15 being taken to implement programs authorized to promote the
16 recovery, resettlement, health, and safety of individuals and
17 communities affected by the nuclear testing program in the Marshall
18 Islands; and
19 WHEREAS, the special relationship between our nations and our
20 peoples is a bond that has grown strong as a result of our shared
21 history and common struggle to promote international peace and
22 security and to secure liberty for future generations; and
23 WHEREAS, the Republic of the Marshall Islands continues to

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1 play an important strategic role in the preservation of global
2 peace; now therefore,
3 BE IT RESOLVED by the people of the Republic of the Marshall
4 Islands through their Nitijela in its 19th Constitutional Regular
5 Session, 1998, that the people and the Nitijela;
6 (1) recognize the value of continued friendly relations
7 between the Republic of the Marshall Islands and the United
8 States;
9 (2) intend to maintain, through appropriate mutually
10 agreed political and economic measures, the long-term military
11 alliance and strategic partnership defined by the Compact of Free
12 Association as a primary element of bilateral relations between the
13 Republic of the Marshall Islands and the United States in the
14 future;
15 (3) recognize the importance of ongoing measures to
16 address, in accordance with the legal settlement set forth in
17 Section 177 of the Compact of Free Association of 1985, the impact
18 on the Marshall Islands of the nuclear testing program; and
19 (4) intend, through its oversight responsibility and the
20 exercise of constitutional authority regarding negotiation and
21 approval of bilateral agreements with respect to those provisions
22 of the Compact of Free Association which expire in 2001, to
23 exercise vigilance in preserving the interests of both countries to

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ensure that the friendship between the Republic of the Marshall Islands and the United States is sustained as mutually agreed pursuant to their respective constitutional processes.

Certificate

I hereby certify:

(1) that the above Nitijela Resolution No.67 has been adopted by the Nitijela of the Marshall Islands on the 5th day of February, 1998; and

(2) that I am satisfied that Nitijela Resolution No. 67 has been adopted in accordance with the Constitution of the Marshall Islands and the Rules of the Nitijela.

I hereby place my signature before the Clerk of the Nitijela this 5th day of February, 1998.

ATTEST:

Kessai Note, Speaker
Nitijela of the Marshall Islands

Joe Riklon, Clerk
Nitijela of the Marshall Islands

**EMBASSY OF THE REPUBLIC OF THE MARSHALL ISLANDS**
2433 Massachusetts Avenue, N.W.,
Washington, D.C. 20008
Tel. # (202) 234-5414
Fax # (202) 232-3236

October 22, 1998

The Honorable Don Young
Chairman
Committee on Resources
1324 Longworth House Office Building
Washington, D.C. 20515

Dear Chairman Young:

As you are aware, following the recent hearing on the FAS, we were asked to respond to the status of the Marshall Islands participation in the 1949 Geneva Conventions on Humanitarian Law in Armed Conflicts. This is to advise that, pursuant to S. 331 (a) of the Compact (attached), the Marshall Islands delegated to the United States the exclusive power to deal with these Conventions on its behalf. In short, it would be a specific violation of the Compact for the Marshall Islands to ratify the same. In this respect, I attach a letter dated October 4, 1980, from Ms. Ginger Lew from the Department of State which identifies the 21 treaties which the Marshall Islands so agreed to covered by S. 331 (a), with the subject treaties consisting of i. through l. of the same. The delegation so provided under S. 331 (a) is another concrete manifestation of the truly unique relationship between the Freely Associated States and the United States, of which the Republic of the Marshall Islands is justly proud.

I hope the above is responsive. Please advise me if you have any questions.

Very truly yours,

Banny de Brum
Ambassador

Attachments

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|---|---|
| To Amb. DeBrum | From Manny Mansur |
| Co. Leo Mr. Berreuter | Co. Questions. Can |
| Dept. Longbeck prepare | Phone # letter responding |
| Fax # for the record w/in | Fax # 10 Days? Thx. Manny |

**Question Submitted for the Record**
**by Mr. Berreuter**

**Question for the Marshall Islands Representative**

The 1949 Geneva Convention on Humanitarian Law in Armed Conflicts are the most widely ratified international treaties in the world, but the Marshall Islands are not signatories. Is there a reason for this?

DEPARTMENT OF STATE
WASHINGTON, D.C. 20520

October 4, 1980
Kona

Honorable Andon Amaraich
Secretary for Foreign Affairs
Government of the Federated States
of Micronesia
Ponape, Eastern Caroline Islands

Dear Mr. Secretary:

During the October 3, 1980 multilateral discussions conducted at Kona, Hawaii the Government of the United States offered to provide the Governments of the Federated States of Micronesia, Palau, and the Marshall Islands a list of Defense and International Security Treaties covered by Article III, Section 331 (a) of the Draft Compact of Free Association.

Attached hereto is the above-mentioned list.

Sincerely,

Ginger Lew
Deputy Assistant Secretary of
East Asian and Pacific Affairs

Enclosure

cc: James T. Stovall, Esquire

U.S. Defense and Security Treaties Applicable under the Compact of Free Association

a. Agreed minute to the Treaty of Mutual Cooperation and Security initialed, January 19, 1960.

b. Agreement relating to the Location and Operation of a Temporary Japanese Downrange Station on Kwajalein Island pursuant to an exchange of notes at Tokyo, March 27, 1974, as modified and extended May 20, 1977.

c. Korean Mutual Defense Treaty, signed October 1, 1953.

d. Philippines Mutual Defense Treaty, signed August 1951, as amended.

e. Treaty with the USSR on the Limitation of Anti-ballistic Missle Systems, signed May 26, 1972.

f. Interim agreement on certain measures with respect to the Limitation of Strategic Offensive Arms with Protocol, signed May 26, 1972.

g. Basic principles of Negotiations of the Further Limitation of Strategic Offensive Arms, signed June 21, 1973.

h. Protocol of the Prohibition of the use in War of Asphyxiating, Poisonous or other Gases, and of Bacteriological Methods of Warfare, dated June 17, 1925.

i. Geneva Convention for the Amelioration of the Condition of the Wounded and Sick Armed Forces in the Field, dated August 12, 1949.

j. Geneva Convention for the Amelioration of the Condition of the Wounded, Sick and Shipwrecked Members of the Armed Forces at Sea, dated August 12, 1949.

k. Geneva Convention relative to the Treatment of Prisoners of War, dated August 12, 1949.

l. Geneva Convention relative to the Protection of Civilian Persons in the Time of War, dated August 12, 1949.

m. Security Treaty between Australia, New Zealand, and the United States, signed September 1, 1951.

n. Treaty of Peace with Japan, signed September 8, 1951.

o. The Antartic Treaty, signed December, 1959.

p. Treaty banning Nuclear Weapon Tests in the Atmosphere, in Outer Space, and Under Water of August 5, 1963.

q. Treaty on principles governing the activities of states in the Exploration and Use of Outer Space, including the Moon and Other Celestral Bodies of January 27, 1967.

r. Agreement on the Rescue of Astronauts, and the Return of Objects Launched into Outer Space of April 22, 1968.

s. Treaty on the Non-prolifeteation of Nuclear Weapons of July 1, 1968.

t. Treaty on the Prohibition of the Emplacement of Nuclear Weapoons and Other Weapons of Mass Destruction on the Seabed and the Ocean Floor and in the Subsoil Thereof of February 11, 1971.

u. Convention on the Prohibition of the Development, Producti... and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction of April 10, 1972.

Article II

Defense Facilities and Operating Rights

Section 321

(a) Specific arrangements for the establishment and use by the Government of the United States of military areas and facilities in the Marshall Islands or the Federated States of Micronesia are set forth in separate agreements which shall come into effect simultaneously with this Compact.

(b) If, in the exercise of its authority and responsibility under this Title, the Government of the United States requires the use of areas within the Marshall Islands or the Federated States of Micronesia in addition to those for which specific arrangements are concluded pursuant to Section 321(a), it may request the Government concerned to satisfy those requirements through leases or other arrangements. The Government of the Marshall Islands or the Federated States of Micronesia shall sympathetically consider any such request and shall establish suitable procedures to discuss it with and provide a prompt response to the Government of the United States.

Defense and national security. Real property.

(c) The Government of the United States recognizes and respects the scarcity and special importance of land in the Marshall Islands and the Federated States of Micronesia. In making any requests pursuant to Section 321(b), the Government of the United States shall follow the policy of requesting the minimum area necessary to accomplish the required security and defense purpose, of requesting only the minimum interest in real property necessary to support such purpose, and of requesting first to satisfy its requirement through public real property, where available, rather than through private real property.

Section 322

The Government of the United States shall provide and maintain fixed and floating aids to navigation in the Marshall Islands and the Federated States of Micronesia at least to the extent necessary for the exercise of its authority and responsibility under this Title.

Section 323

The military operating rights of the Government of the United States and the legal status and contractual arrangements of the United States Armed Forces, their members, and associated civilians, while present in the Marshall Islands or the Federated States of Micronesia, are set forth in separate agreements which shall come into effect simultaneously with this Compact.

Article III

Defense Treaties and International Security Agreements

Section 331

Subject to the terms of this Compact and its related agreements, the Government of the United States, exclusively, shall assume and enjoy, as to the Marshall Islands and the Federated States of Micronesia, all obligations, responsibilities, rights and benefits of:

(a) Any defense treaty or other international security agreement applied by the Government of the United States as Administering Authority of the Trust Territory of the Pacific Islands as of the day preceding the effective date of this Compact.

(b) Any defense treaty or other international security agreement to which the Government of the United States is or may become a party which it determines to be applicable in the Marshall Islands and the Federated States of Micronesia. Such a determination by the Government of the United States shall be preceded by appropriate consultation with the Government of the Marshall Islands or the Federated States of Micronesia.



Article IV

Service in Armed Forces of the United States

Section 341

Any person entitled to the privileges set forth in Section 141 shall be eligible to volunteer for service in the Armed Forces of the United States, but shall not be subject to involuntary induction into military service of the United States so long as such person does not establish habitual residence in the United States, its territories or possessions.

Section 342

The Government of the United States shall have enrolled, at any one time, at least two qualified students, one each from the Marshall Islands and the Federated States of Micronesia, as may be nominated by their respective Governments, in each of:

(a) The United States Coast Guard Academy pursuant to 14 U.S.C. 195.

(b) The United States Merchant Marine Academy pursuant to 46 U.S.C. 1295b(b)(6), provided that the provisions of 46 U.S.C. 1295b(b)(6)(C) shall not apply to the enrollment of students pursuant to Section 342(b) of this Compact.

Article V

General Provisions

Section 351

(a) The Government of the United States and the Government of the Marshall Islands or the Federated States of Micronesia shall establish two Joint Committees empowered to consider disputes under the implementation of this Title and its related agreements.

(b) The membership of each Joint Committee shall comprise selected senior officials of each of the two participating Governments. The senior United States military commander in the Pacific area shall be the senior United States member of each Joint Committee. For the meetings of each Joint Committee, each of the two participating Governments may designate additional or alternate representatives as appropriate for the subject matter under consideration.

(c) Unless otherwise mutually agreed, each Joint Committee shall meet semi-annually at a time and place to be designated, after appropriate consultation, by the Government of the United States. A Joint Committee also shall meet promptly upon request of either of its members. Upon notification by the Government of the United States, the Joint Committees so notified shall meet promptly in a combined session to consider matters within the jurisdiction of more