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United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JAN 18 1984

Honorable David A. Stockman
Director, Office of Management and Budget
Attention: Assistant Director
for Legislative Reference
Washington, D.C. 20503

Dear Mr. Stockman:

Enclosed is a proposed revision of the State Department's draft Presidential letter to the Congress, transmitting the Compact of Free Association for congressional approval.

Officials in the Department have dealt extensively with members of the House Committee on Interior and Insular Affairs, as well as the Senate Energy and Natural Resources Committee, on this issue. We have revised the proposed State Department letter to better focus on issues of concern to the members who will be considering the Compact in the hope that it will receive prompt, favorable consideration in the Congress.

The major changes include the following:

1. We have placed the President's expression of gratitude to the Congress at the beginning of the letter.
2. In the first paragraph, we have inserted a statement that we believe the Compact will protect essential U.S. interests.
3. Throughout the letter, we have inserted expressions of our confidence that the Compact will promote the development of stable economies in the region, a matter that is of great concern to the Congress.
4. We have redirected the draft's focus on the United Nations and the international acceptability of the document; such points can be made more effectively when the document is presented to the United Nations, not when dealing with the U.S. Congress.
5. We have also de-emphasized the issue of Palau's exclusion from the Compact. Because Palau will not be affected by the Compact, a short reference to the situation close to the end of the letter is adequate.
6. We have redrafted the final paragraph in a way that we believe is more consistent with the President's approach to similar matters.



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Moreover, although we recognize that Section 233 of the Compact requires federal audits of loans and grants made to the freely associated states, we note there are no standards to be applied to such audits, and no clear remedy on the part of the United States in the event the audit shows funds are misspent. We do not believe that this concern should be noted in the President's transmittal letter, but feel that it is important that the Administration be aware of its existence.

Sincerely,

Richard Montoya

DEPUTY ASSISTANT

SECRETARY

Enclosure

TO THE CONGRESS OF THE UNITED STATES

PROPOSED REDRAFT
TRANSMITTAL LETTER

Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

There is enclosed a draft Joint Resolution that would approve the "Compact of Free Association", the negotiated instrument setting forth the future political relationship between the United States and two political jurisdictions that are now part of the Trust Territory of the Pacific Islands. Since 1947, the islands of Micronesia have been administered by the United States under a Trusteeship Agreement with the United Nations Security Council. This Compact of Free Association with the governments of the Federated States of Micronesia and the Republic of the Marshall Islands would fulfill our commitment under that agreement to foster self-government, and would also provide continued protection of our fundamental strategic interests in the Pacific.

The full text of the Compact is a part of the draft Joint Resolution, which I recommend be introduced, referred to the appropriate committee for consideration, and enacted. I also request that the Congress note the agreements subsidiary to the Compact.

The Compact of Free Association was signed for the United States by my personal representative, Ambassador Fred M. Zeder, II, on October 1, 1982, with the Federated States of Micronesia, and on June 25, 1983, with the Republic of the Marshall Islands. It is the result of more than thirteen years of continuous and comprehensive negotiation between the United States and broadly representative groups of elected delegates from the island governments. The process has produced a great deal of interest and support among the general population in the Trust Territory. In 1983, plebiscites held on the document produced high voter participation and impressive majorities. During the long period of negotiations, the Congress, and particularly the committees with jurisdiction over the Trust Territory, have also monitored the progress of the negotiations. The many useful suggestions made over the years by members of both Houses have been appreciated and are reflected in the Compact.

The passage by Congress of the draft Joint Resolution approving the Compact of Free Association would constitute a landmark step in the process leading to the termination of the Trusteeship Agreement with the United Nations Security Council, which the United States entered into by Joint Resolution on July 18, 1947. Upon termination of the Trusteeship Agreement, another political jurisdiction of the Trust Territory of the Pacific Islands, the Northern Mariana Islands, will become a commonwealth of the United States pursuant to the terms of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, P.L. 94-241, 90 Stat. 263.

*will be Aug 26, 1982
to the P.O. of Hawaii*

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Under the Compact of Free Association, the Federated States of Micronesia and the Republic of the Marshall Islands would be fully self-governing; and the United States would recognize their competence to conduct their own foreign affairs, subject to the full authority and responsibility of the United States for all security and defense matters in, or relating to, the Federated States of Micronesia and the Marshall Islands. The area was recognized as a strategic trust territory after World War II, and the Compact would ~~continue to protect~~ strategic and defense ~~requirements~~ in the region. A fundamental aspect of the relationship of free association is the United States' commitment to defend the islands and to exercise full defense authority. Economic assistance geared to the creation of stable and prosperous economies in the islands is provided by the terms of the Compact for an initial period of fifteen years.

interests

All of the provisions of the Compact of Free Association and its related agreements have been carefully negotiated, were mutually agreed upon and have been approved in accordance with the constitutions of the Federated States of Micronesia and the Marshall Islands. I request that Congress note the agreements ~~subsidiary~~ to the Compact, which are also enclosed. While I do not seek enactment of these agreements, ~~I note their importance in elaborating many of the terms of the Compact.~~ Also enclosed is a section-by-section analysis to facilitate your consideration of the Compact's terms.

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The Compact is divided into four major titles. Title One ~~would~~ describe and regulate the general governmental relations between the United States and the freely associated states. It ~~would~~ recognize the self-governing status of the peoples of the Federated States of Micronesia and the Marshall Islands and the authority of their ~~duly elected~~ governments. The provisions in Title One concerning telecommunications, immigration, representation, environmental protection, and general legal matters prescribe terms generally ~~equivalent~~ to those already in effect during the trusteeship. Title One ~~would~~ make ~~inapplicable~~ to the freely associated states all United States laws, except those laws specifically made applicable by the Compact. ~~In addition, Title One contains a provision for the settlement of all claims arising out of the nuclear weapons testing program conducted by the United States in the Marshall Islands between 1946 and 1958.~~

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or which are generally applicable abroad.

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Title Two of the Compact ~~would~~ authorize the appropriation, for fifteen years, of direct grant assistance to each of the freely associated states and ~~would~~ authorize several federal agencies to continue to provide services and assistance. As in the case of the Northern Mariana Islands Covenant, the resolution approving the Compact constitutes a commitment and pledge of the full faith and credit of the United States for the appropriation and payment of the funding levels specified. Appropriations necessary to meet United States commitments during the first year of the Compact would be approximately \$297 million for the Federated States of Micronesia and the Marshall Islands. This amount contains the partial inflation adjustment specified by the Compact and several one-time special purpose payments including the creation of the Marshall Islands nuclear claims trust fund. Thereafter, the average annual Compact appropriation ~~is anticipated to be~~ *will approach* approximately \$115.4 million. This latter figure does not include the inflation adjustment, but does include estimates for the specified federal services.

Title Three of the Compact ~~would~~ recognize the continued full United States authority and responsibility for all security and defense matters relating to the

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while Title III is in force of the appropriate consultation

Federated States of Micronesia and the Marshall Islands. The United States pledges to defend and protect the Federated States of Micronesia and the Marshall Islands as the United States and its own citizens are defended. As a corollary, the freely associated states have agreed to refrain from any action which the United States unilaterally determines, to be incompatible with its security and defense authority and responsibility. In addition, access to the freely associated states by military forces of any third country would be denied, except as agreed to by the United States. ~~Subordinate~~ agreements referred to in Article II of Title Three provide for continued United States use, for thirty years, of the ~~civilian contractor-operated~~ Kwajalein Missile Range in the Marshall Islands. Such agreements ~~would~~ ^{will} also govern the status of United States forces in the area.

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Of special importance are the agreements, authorized by Compact section 354, which extend indefinitely the right of the United States to deny entry into the Federated States of Micronesia and the Marshall Islands to the military forces of other nations and the responsibility of the United States to defend the Federated States of Micronesia and the Marshall Islands from external threat to their freedom and territorial integrity. I assure the Congress that the United States defense and land use requirements were carefully considered throughout many years of negotiation, are critical to the maintenance of our strategic position in the Pacific, and are a vital component in our ability to guarantee the preservation of regional stability and peace.

contain

Title Four of the Compact describes the administrative aspects of the free association relationship including provisions for the approval and effective date of the Compact, its amendment, and the settlement of disputes not arising under Title Three. Title Four provides that the Compact, and therefore the free association relationship, may be terminated at any time by the United States or by the governments of the Federated States of Micronesia or the Marshall Islands, respectively. Should such termination occur before the end of the Compact's initial fifteen-year term, the economic assistance prescribed in Title Two ~~would~~ ^{will} continue with ~~only minor~~ modifications for the remainder of the period, as ~~would~~ ^{will} full United States security and defense authority.

~~In addition to the Republic of the Marshall Islands and the Federated States of Micronesia, the Compact of Free Association was negotiated with a third Trust Territory jurisdiction, the Republic of Palau. Sixty-two percent of the voters in Palau expressed their approval of the Compact in a plebiscite held on February 10, 1983. The Supreme Court of Palau, however, later held that seventy-five percent approval was required in order to reconcile certain provisions of the Palau constitution with the negotiated security and defense provisions of the Compact. The Republic of Palau, therefore, is not included in the draft Joint Resolution. The need for further political status discussions with Palau, however, should not delay the approval of the Compact for the Federated States of Micronesia and the Republic of the Marshall Islands, where the people and their governments have clearly and completely expressed their desire to proceed with the management of their own affairs in close association with the United States.~~

I urge the Senate and the House to take early, positive action to approve the Compact of Free Association. ~~The~~ ^{Terms} ~~of the Compact~~ ^{of the Compact} terms sustain our interests and reflect the desires for self-government of the people of the two jurisdictions within the Trust Territory. It demonstrates the close feeling of mutual respect that thirty years of American ~~presence and administration~~ in the islands has produced. The Compact

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of Free Association will provide a stable foundation for the continued development of prosperous democracies suited to the special needs and interests of the peoples of the region. It does so in a way that promotes our own national interests and historic concern for the peoples involved, and I, therefore, commend it to you.

Sincerely,

Ronald Reagan

Enclosures