



## Asia-Pacific Center for Security Studies



**SPECIAL ASSESSMENT**

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### **The Asia-Pacific and the United States 2004–2005**

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# **The Freely Associated States and the United States 2004–2005: Holding Firm**

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## **KEY FINDINGS**

- The contribution of the Freely Associated States—the Federated States of Micronesia, Republic of the Marshall Islands, and the Republic of Palau—to the U.S. security posture has been underappreciated. This reflects a lack of understanding of the importance of this relationship for the FAS and the United States. The U.S. has its strongest defense commitment with the FAS, and citizens of the FAS serve in the U.S. military.
- The FAS are some of the staunchest supporters of United States in the international arena. They are part of the “Coalition of the Willing,” and their record of voting with the U.S. in the United Nations is near-perfect. The U.S. should not take such support for granted, however.
- FAS support for U.S. policy held firm in 2004, despite some tension in the FSM and RMI over the implementation of “Compact II,” which establishes new guidelines for U.S. financial contributions.
- Of particular concern for the RMI is the status of Kwajalein Atoll, used by the U.S. military to conduct missile defense tests. While both governments support the extension of U.S. use, Kwajalein landowners argue that the financial compensation is inadequate.
- There has been concern in the FAS that the U.S. would limit immigration in the aftermath of the September 11 attacks. However, the U.S. desires only to increase oversight of the immigration process with instruments like machine-readable passports.
- Although Palau’s Compact relationship is not up for review until 2009, it is likely that 2005 will see Palau’s immigration procedures become synchronized with the other FAS.

## INTRODUCTION

In assessing the reactions of states in Oceania to U.S. security policy, focus is most often placed on the South Pacific. Even there, the island states are generally ignored as Australia and New Zealand dominate the discussions. This overlooks the contribution of the island states, especially the Freely Associated States (FAS, also referred to as the Compact States) of the North Pacific. The Federated States of Micronesia (FSM), Republic of the Marshall Islands (RMI), and the Republic of Palau have all too often had their contribution to the U.S. global security architecture minimized, ignored, and even ridiculed. In one notable recent instance, the announcement that Palau had joined the “Coalition Of The Willing” in the war on Iraq was greeted with derision in the popular media, which questioned whether Palau could contribute anything more than “coconuts,” in at least one instance.

Such portrayals underscore the lack of understanding in most of the mainstream media of the history and culture of these island states, as well as the importance of the relationship between the FAS and the United States. The two sides are bound by a Compact of Free Association, which grants the United States certain defense-related prerogatives in exchange for guaranteed U.S. financial assistance. Unfortunately, even in 2004, after 15 years of the Compact relationship and the preceding 40 or so years in a trust relationship, many in the United States still have a shallow understanding and appreciation of the FAS. In terms of defense, the U.S. has no stronger legal obligation than it has with the FAS. Title Three, Article 1 of each Compact of Free Association establishes the U.S. “obligation to defend the Marshall Islands and the Federated States of Micronesia and their peoples from attack or threats thereof *as the United States and its citizens are defended*” (emphasis added). Furthermore, this arrangement should not be viewed as one-sided, nor should the FAS contribution be seen simply as symbolic.

While there are some differences of foreign policy between the FAS and the United States, as well as disagreements on bilateral issues, a more steadfast group of U.S. allies cannot be found. U.N. voting records put the FAS in total consensus with the United States. While there are also differences between each FAS and their specific relationships with the United States, this analysis focuses on the uniformities and will only occasionally highlight individual issues.

## DEVELOPMENT OF THE FREE ASSOCIATION ARRANGEMENT

The free association arrangement between the U.S. and these three states stems from the dissolution of the Strategic Trusteeship the U.S. held over much of Micronesia after World War II. The Trust Territory of the Pacific Islands (TTPI) included what would eventually become the three FAS, as well as the Commonwealth of the Northern Mariana Islands (CNMI). The TTPI was the only one of the U.N. Trusts to be designated as a *strategic* trusteeship, giving the administering authority (the United States) the ability to use areas for military purposes (most importantly, the testing of nuclear weapons, but other areas were used for training). From the 1970s onward, efforts were put in motion that would give the TTPI independence, but one that would also maintain U.S. military interests in the area. The idea of free association, a relationship developed by New

Zealand with the Cook Islands and Niue, became an attractive alternative to both the U.S. and the entities of the TTPI. It essentially gave a nation full control for its internal affairs and some foreign policy, while the larger state maintained responsibility for defense. The FAS have nearly full foreign policy freedom. They are U.N. members and issue their own passports and two of them—Palau and the Marshalls—even have full diplomatic relations with Taiwan. Though the U.S. has the right of strategic denial—denial of other countries’ access to the FAS—and a “defense veto,” it has never formally used the latter. (In the case of states in free association with New Zealand, they generally have even more independence in foreign policy affairs, but the citizens of the Cook Islands and Niue carry New Zealand passports and the states are not U.N. members).

In the discussions to dissolve the trust, the U.S. assumption that the TTPI would remain and negotiate as a single unit was quickly proven wrong. The TTPI was a colonial construction; there was little sense of unity among the entire territory. Even during its administration, the TTPI was divided into districts, and it was clear that some of those districts were more valuable to the United States than others. Most notably, the CNMI was the most westernized of the districts. The island of Saipan was the headquarters for the TTPI administrators and was even used as a training ground for Nationalist Chinese troops by the CIA. Culturally, the people considered themselves distinct from the rest of the TTPI and they announced they would enter into separate negotiations with the United States on the conditions for terminating the trusteeship. At this point, the rest of the Trust shattered, with the Marshall Islands and Palau also announcing they would be negotiating separately with the United States. This left the remaining islands (Pohnpei, Kosrae, Chuuk, and Yap) to negotiate as one unit, the FSM.

The CNMI entered into commonwealth association with the United States in 1975. The FSM, Marshalls, and Palau all held separate plebiscites to choose between incorporation with the U.S., complete independence, or free association. The RMI and FSM formally entered into free association with the United States in 1986. Palau’s acceptance of the Compact was delayed due to discordance between the Compact (and U.S. defense rights and obligations) and an anti-nuclear clause in the Palauan constitution. Multiple plebiscites and legal challenges were made until the Compact was finally accepted in 1994. (The story of Palau’s approval of the Compact contains a great deal of intrigue. The first two Presidents of Palau died during the struggle over the Compact, the first by assassination—still unsolved—the second by suicide under suspicious circumstances.) In addition to political independence and a security arrangement, the Compact also designated U.S. financial subsidies to the FAS. While the Compact relationship exists in perpetuity (it can be broken by mutual consent), the financial arrangements of the Compact ran for fifteen years (the total contribution for the fifteen years was a combined \$2.5 billion for the RMI and FSM and \$1 billion for Palau). Though the financial articles of the Compact officially ended in 2001, a two-year negotiation window was part of the agreement, allowing for “Compact II” to be approved in 2003. Compact II is a twenty-year agreement on the financial assistance sections, with part of the funding going into a “trust fund” that will replace direct U.S. contributions at the end of twenty years. There are greater accountability and oversight measures in Compact II than had been in the previous arrangement. More specifically, rather than “block grants” of funds being released, Compact II funds will be targeted to specific areas (health, education, private sector development, public sector capacity building, environment, and

public infrastructure) with oversight by a Joint Economic Management Committee (JEMCO) chaired by the United States. The JEMCO is made up of five members, with three from the U.S. and two from the respective FAS. The first JEMCO meetings for the FSM and U.S. were fairly contentious, as the U.S. contingent made clear they would not be very flexible as Compact II moved forward. (By contrast, the RMI used a subtle difference of wording in its Compact for all decisions to be made by “consensus” to avoid this friction at its meeting with the U.S.). Finally, clarifications on immigration issues were established in Compact II, which will be discussed in the next section.

## **COMPACT II AND U.S. SECURITY INTERESTS/CONCERNS**

The Compact arrangement gives the U.S. the right of strategic denial to each of the FAS. This includes the option to close off areas for military purposes. Also, while officially separate from (but psychologically and politically connected to) the Compact, the U.S. maintains its use of Kwajalein Atoll in the RMI for missile tests. The importance of Kwajalein Atoll for the United States should not be underestimated. Kwajalein’s lagoon is the splashdown point for ballistic missiles being test-fired from California, and the atoll is now also the site for development of missile defense systems. While other areas of the FAS have potential benefit for the U.S. defense posture, primarily either as stationing options or training areas, Kwajalein serves a current and apparent role in the U.S. defense structure. The current agreement extends to 2016, and while the U.S. and RMI governments are intent on renewing the lease until 2066, the RMI government has encountered difficulties in its negotiations with Kwajalein landowners, which puts long-term U.S. use of the atoll in doubt. Regardless of any official agreement between the U.S. and RMI governments, an agreement that does not have the support of Kwajalein landowners is probably untenable. Even a single canoe in Kwajalein lagoon could disrupt U.S. tests, and so it is in both governments’ interests to have the landowners accept the agreement.

When the negotiations for Compact II began in 2001, the United States had intended, among other things, to discuss issues of immigration with the FAS. Under the Compact, citizens of the FAS have the right of visa-free entry into the United States. Many FAS citizens have taken advantage of this benefit to settle in the United States. With the increase in these populations (notably in Hawaii and Guam), there was a perception that these individuals were an economic burden to the public welfare system. The reality of this is debatable, but the perception had enough political resonance for the negotiations on Compact II to include “impact funds” to Hawaii and Guam. This was mostly seen by the U.S. as a sideline issue to the renegotiation.

The September 11 attacks changed the U.S. intention to discuss immigration issues into a veritable necessity. Although there was some concern that these negotiations would limit the right of FAS citizens to settle in the United States, the U.S. stated time and again that this was not the case. The primary focus for the United States was more stringent oversight of the immigration process, specifically, requiring machine-readable passports, though there were also issues regarding naturalization and the status of adopted FAS infants. In some previous instances, travel from the FAS to the United States had actually occurred without any passport at all.

These measures are being implemented for the FSM and RMI. The U.S. did try to include Palau (which is not due to review its Compact arrangement until 2009) in these negotiations for uniformity, but strong resistance by the Palauan government put those talks on hold. Apart from the concerns over limitation of immigration rights, Palau felt some sections of the U.S. proposals (mostly to do with naturalization and adoption issues) did not apply to Palau. These sections are likely to be modified or even excised, but there is little doubt that when negotiations do restart, Palau's immigration procedures will be brought in line with the other FAS.

## FAS CONTRIBUTION TO THE GLOBAL WAR ON TERROR

The announcement that Palau had joined the Coalition of the Willing met with condescension, if not outright derision. One writer counted Palau's contribution as little more than "scuba diving and coconuts" (an image used prominently in Michael Moore's "Fahrenheit 9/11") but noted that there would be no military support because Palau did not have a military. The statement is true in fact, but misses the significant point that citizens of the FAS serve in the U.S. military. This slight against Palau was felt by all of the FAS. Palau's President Tommy Remengasau noted that there are currently 200 Palauans serving in the U.S. armed forces, and FSM Ambassador to the United States Jesse Marehalau said there were some 400 to 600 FSM citizens serving actively. The U.S. Embassy in the FSM estimates over 1,000 of the FSM's 133,000 citizens serve in the U.S. military).

Certainly, the cost in lives for FAS citizens in the U.S. military is very real. In June 2003, Hilario Bermanis II of Pohnpei, an Army Specialist with the 82nd Airborne, lost both legs and his left arm in a rocket-propelled grenade attack in Baghdad. He earned a Bronze Star and Purple Heart, and was visited by President George W. Bush and First Lady Laura Bush, and also received U.S. citizenship. September 2004 saw the first Palauan and FSM casualty in the war in Iraq. Support for the U.S. remains very high, however, these casualties have brought some questions to the fore. Former FSM President John Haglelgam has recently asked in newspaper editorials whether FSM citizens should be encouraged to join the U.S. military, especially now. Haglelgam argues that while U.S. citizens join the military out of a sense of honor and duty, FSM citizens join for the financial benefits and travel opportunities. This argument denigrates the contributions of FAS citizens who join the U.S. military, and in any case does not seem so far to be gaining ground in the region. There were a record number of recruits from Palau and the RMI in 2004.

Wider areas of cooperation for mutual security are also being seen. In 2004, the RMI and U.S. signed an agreement allowing for the mutual boarding of ships for inspection. The three FAS already patrol their adjoining Exclusive Economic Zones cooperatively to deal with illegal fishing and other illicit activity. The U.S. has also made a region-wide commitment to help island states deal with money-laundering operations. Palau and the RMI in particular have had to deal with this issue, though both now have legislation which, if implemented effectively, would do a great deal to increase oversight of their banking industries.

**CONCLUSIONS: U.S.-FAS RELATIONS IN 2005**

**T**he FAS remain some of the staunchest U.S. supporters in the international arena, a fact that is unlikely to change in 2005. Kwajalein Atoll in the RMI is a key part of the U.S. defense architecture. The FAS are members of the Coalition of the Willing and their voting record in the U.N. perfectly coincides with that of the U.S. FAS citizens serve proudly in the U.S. military and some have been injured and even sacrificed their lives in combat. There can be little doubt that FAS contribution to U.S. security is meaningful and should be valued, something the U.S. has frequently not done well. The international support received from the FAS governments should also not be taken for granted. There are certainly some points of contention between each of the FAS and the United States. As we enter 2005, FSM and RMI concern over the greater oversight in Compact II could increase friction between these nations and the U.S. The RMI also has to deal with the issue of Kwajalein and the dispute with the atoll's landowners. Palau will not formally enter into review of its Compact until 2009, but issues such as immigration will no doubt be put up for negotiation sooner due to U.S. concerns. It is likely that 2005 will see the harmonization of immigration requirements for all the FAS to the United States. More importantly in the wider scheme, the fact that Palau will be observing how Compact II goes for the FSM and RMI will be something the U.S. must keep in mind as it prepares its own negotiation strategy.

The views expressed in this publication are those of the author(s) and do not necessarily reflect the official policy or position of APCSS, U.S. Pacific Command, the U.S. Department of Defense, or the U.S. Government.

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