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FOREIGN RELATIONS

Kwajalein Atoll Is the Key U.S. Defense Interest in Two Micronesian Nations

G A O

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Abbreviations

ABM	Anti-Ballistic Missile
CAT	Civic Action Team
DOD	Department of Defense
FSM	Federated States of Micronesia
ICBM	Intercontinental Ballistic Missile
NATO	North Atlantic Treaty Organization
RMI	Republic of the Marshall Islands
SMDC	Space and Missile Defense Command

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United States General Accounting Office
Washington, D.C. 20548

January 22, 2002

The Honorable James V. Hansen
Chairman
Committee on Resources
House of Representatives

The Honorable Tom Lantos
Ranking Minority Member
Committee on International Relations
House of Representatives

The Honorable James A. Leach
Chairman, Subcommittee on East Asia and the Pacific
Committee on International Relations
House of Representatives

The Honorable Doug Bereuter
House of Representatives

In 1986, the U.S. government entered into separate international agreements—known collectively as the Compact of Free Association—with the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI). The Compact provided for the continuation of a defense arrangement that has connected the United States and these Pacific islands since the end of World War II. The Compact obligates the United States to defend these island nations against attack, while providing the United States with continued access to the Kwajalein Atoll in the RMI, which is used for missile testing and space tracking activities. Additional rights were retained by the United States under the Compact—the ability to deny access to the islands by third-party militaries and block actions by the island governments that are incompatible with U.S. defense authority and responsibilities. These rights reflected Cold War concerns, such as Soviet influence in the Pacific, that existed at the time the Compact negotiations took place. Certain defense and economic assistance provisions of the

Compact are due to expire in 2001.[1] Ongoing negotiations to renew these expiring provisions provide the United States with the opportunity to reexamine its defense and security interests in the region in light of the end of the Cold War and the current use of Kwajalein Atoll in the RMI as a test site for missile defense.

In June 2001, we briefed your staffs on defense and security issues related to the Compact and the ongoing negotiations taking place between the United States and the FSM and the RMI. Specifically, we reported on (1) whether and how the United States has exercised its defense rights and fulfilled its defense responsibilities under the Compact, (2) current U.S. defense and security interests in the FSM and the RMI, and (3) the defense and security issues that are being addressed in ongoing Compact negotiations. This report summarizes the content of our briefing.

To address these issues, we reviewed the Compact's defense provisions as well as the related defense agreements.[2] We also discussed the use of Compact-related defense provisions, as well as U.S. defense and security interests in the Pacific, with officials from the Departments of State and Defense and U.S. intelligence agencies. Our most recent communication with both departments occurred in October 2001 and our discussion of the current U.S. defense interests in the FSM and the RMI takes into account the Department of Defense's (DOD) most recent strategy and planning document, the September 2001 Quadrennial Defense Review. In addition, we reviewed other strategy documents from DOD and public statements made by DOD and State officials related to the Compact and Asia Pacific security issues. We also reviewed public negotiating documents and discussed ongoing negotiations with Department of State officials and officials from the FSM and the RMI. Finally, we conducted additional audit work in response to questions raised during our June 2001 briefing and incorporated this information into the background and other relevant

[1] If renewal negotiations are under way but not completed in 2001, the expiring defense and economic assistance provisions can remain in effect during a 2-year negotiating window that begins in 2001 and ends in 2003. Regarding economic assistance, total U.S. Compact assistance, which includes direct economic assistance, program assistance, and federal services, to the two countries for fiscal years 1987 through 2001, was estimated to be at least $2.6 billion ($1.7 billion for the FSM and $890 million for the RMI).

[2] The defense-related agreements that accompany the Compact include the military use and operating rights agreements, the mutual security agreements, and the Status of Forces Agreement.

sections of this report (see app. I for a detailed discussion of our scope and methodology, including a summary of this additional work).

Results in Brief

The United States has exercised only one of the four primary defense provisions contained in the Compact of Free Association and related agreements. This provision grants the United States the right to use portions of the Kwajalein Atoll in the RMI, from which the United States regularly conducts intercontinental ballistic missile tests, missile defense tests, and space tracking operations. In contrast, the United States has never exercised its defense rights nor been required to fulfill its defense responsibilities under the other three primary Compact-related defense provisions. According to U.S. officials, since the Compact was implemented, the United States has never (1) had to defend either the FSM or the RMI against an attack or the threat of an attack, (2) exercised its right to deny access to the islands by foreign militaries or for military purposes, or (3) vetoed an action by either government because the action was incompatible with the U.S. responsibility and authority for security and defense matters.

Continued access to U.S. facilities on the Kwajalein Atoll is the compelling U.S. defense or security interest in the FSM and the RMI that U.S. government officials have identified. According to DOD, Kwajalein remains an important national asset that would be costly and difficult to replace. From a broader defense and security perspective, the FSM and the RMI currently play no role in U.S. strategy in the Asia Pacific region, and DOD describes these islands as U.S. defense obligations, not U.S. defense assets. Statements by policymakers that indicate the United States has a right to deny military access to the islands and a vast area of the Pacific Ocean—a widely cited U.S. interest—overstate the breadth of this right, which only covers the individual islands and their 12-mile territorial waters. Similarly, frequent references by U.S. officials to the FSM and the RMI and their proximity to critical commercial and military transit routes overstate the countries' importance to Pacific transit because the most important sea lines run north of this area, not through it.

The ongoing Compact negotiations between the United States, the FSM, and the RMI are following a course that would preserve the existing defense and security relationship between the United States and each of these countries. All parties have agreed in principle to renew the expiring defense provisions of the Compact. If the defense provisions of the Compact are not renewed by 2003, the one primary Compact-related

provision that will not continue under a separate agreement is the U.S. right to veto an action by the island governments that the United States determines to be incompatible with its responsibility and authority for security and defense matters. The U.S. obligation to defend the islands and the U.S. right to deny military access to other nations, on the other hand, continue indefinitely through a related agreement. In addition, access to Kwajalein has been secured through 2016, also through a related agreement.[3] Finally, according to Department of State officials, agreement on continued U.S. economic assistance is important for the renewal of the Compact's defense provisions, and would provide a positive context for the exercise of U.S. defense rights and facilitate the advancement of U.S. interests.

We provided a draft of this report to DOD, the Department of State, and the Department of the Interior, as well as the governments of the FSM and the RMI, for comment. The Departments of State and the Interior chose not to provide comments on the report. DOD, as well as the FSM and RMI governments, responded that defense rights, such as strategic denial, granted to the United States under the Compact are important. DOD and the FSM government stated that the region has not lost strategic importance for U.S. interests. In its comments, the RMI government stressed its strategic significance and historic contribution to the United States as a site of nuclear tests. The RMI government also expressed the view that we had not properly characterized the relationship between the United States and the United Nations (U.N.) Trust Territory of the Pacific Islands at the time of Compact negotiations. Where we agreed that additional information was appropriate, we made minor changes to the report.

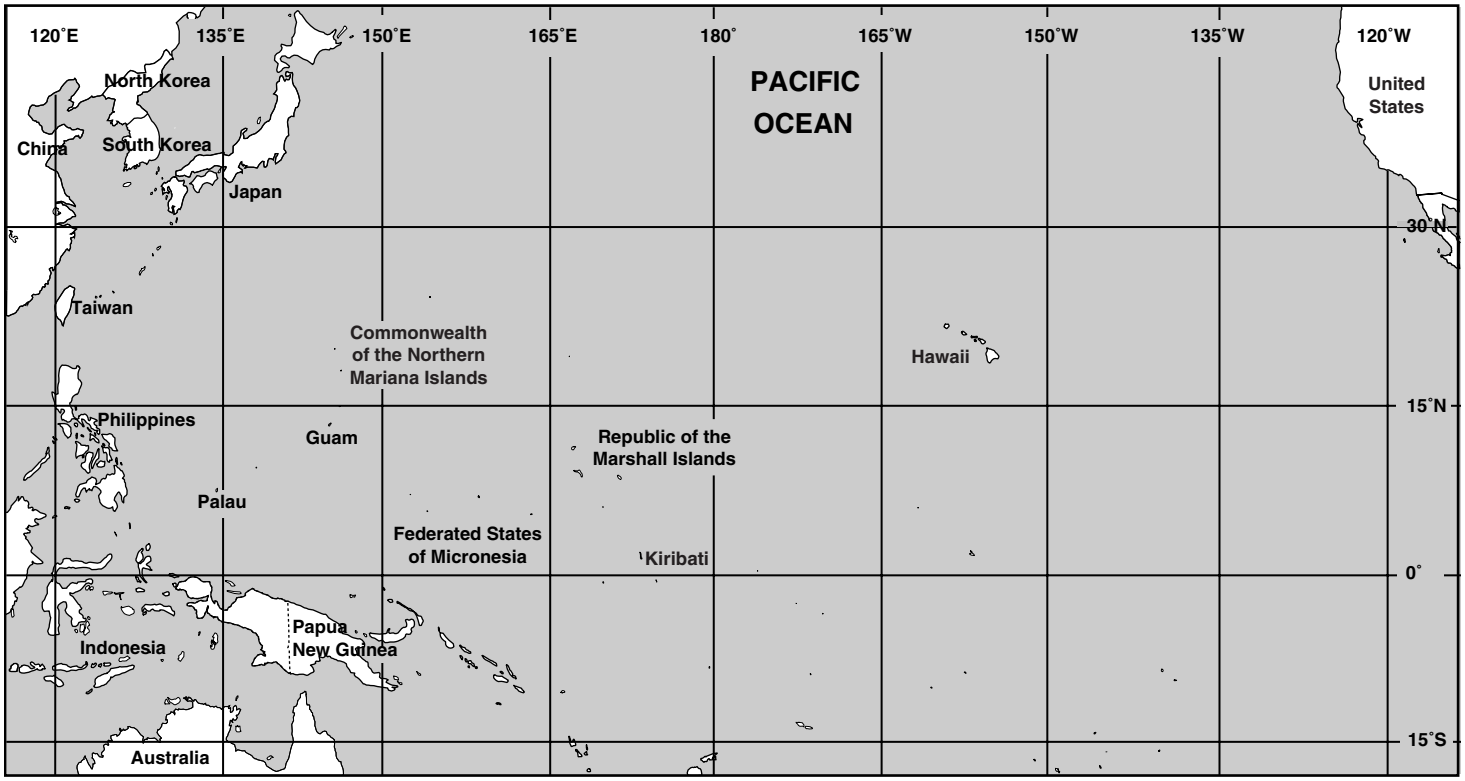
Background

Located just north of the equator in the Pacific Ocean are the two island nations of the FSM and the RMI. The FSM is a grouping of 607 small islands in the western Pacific that lie about 2,500 miles southwest of Hawaii (see fig. 1). The FSM has a total land area of about 270 square miles and is comprised of four states—Chuuk, Pohnpei, Yap, and Kosrae—with an estimated total 2000 population of 107,000, according to FSM officials. The RMI is made up of more than 1,200 islands, islets, and atolls, with a total land area of about 70 square miles. The Marshall Islands are located in the

[3] In September 1999, the United States exercised its right to unilaterally extend the agreement that grants access to the atoll until 2016.

central Pacific about equidistant from Hawaii, Australia, and Japan. The Marshall Islands had a 1999 total population of 50,840, according to the RMI census.

Figure 1: Location of the Federated States of Micronesia and the Republic of the Marshall Islands



During the Second World War, the United States engaged in a Pacific campaign that liberated the islands of Micronesia from Japanese control. To administer these islands, the United Nations created the Trust Territory of the Pacific Islands in 1947. The United States entered into the trusteeship with the U.N. Security Council and became the administering authority of the four current states of the FSM, as well as the Marshall Islands, Palau, and the Northern Mariana Islands. The U.N. trusteeship agreement made the United States financially and administratively responsible for the region. In addition, the agreement, which designated this Trust Territory as a strategic trusteeship, granted the United States the ability to establish military bases, station armed forces, and close off any

area of the Trust Territory for security reasons. During Senate consideration of this agreement, Secretary of State George C. Marshall, General Dwight D. Eisenhower, and Admiral Chester A. Nimitz, among others, remarked that the agreement gave the United States the complete and exclusive military control over the islands that was necessary to deny other militaries access to the islands and prevent their use as a springboard for aggression against the United States.

In 1986, the United States entered into the Compact of Free Association with the FSM and the RMI. Through this Compact, the two Pacific Island nations became Freely Associated States and were no longer subject to U.S. administration under the U.N. Trust Territory of the Pacific Islands. The Compact, which consists of separate international agreements with each country, was intended to achieve three principal goals: (1) secure self-government for each country; [4] (2) assist the FSM and the RMI in their efforts to advance economic development and self-sufficiency; [5] and (3) ensure certain national security rights for the FSM, the RMI, and the United States.

The defense and security relationships between the United States and the FSM and the RMI are governed by Title Three of the Compact of Free Association and three Compact-related agreements—the Status of Forces Agreement,[6] the Military Use and Operating Rights Agreement, and the

[4] The first goal has been met. The FSM and the RMI are independent nations and members of international organizations such as the United Nations. However, both countries maintain a special relationship with the United States through the Compact, and citizens of both nations are able to live and work in the United States with few restrictions.

[5] The second objective of the Compact, promoting economic development and self-sufficiency (a term that is not defined in the Compact), was to be accomplished primarily through direct financial payments to the FSM and the RMI. Between 1986 and 1998, the United States provided about $1.6 billion in direct economic assistance to the FSM ($1.08 billion) and the RMI ($510 million) for general government operations, capital expenditures, and specific sectors, such as energy, communications, maritime surveillance, health, and education. In 2000, we reported that both nations had made some progress in achieving economic self-sufficiency but remain heavily financially dependent on the United States. See *Foreign Assistance: U.S. Funds to Two Micronesian Nations Had Little Impact on Economic Development* (GAO/NSIAD-00-216, Sept. 22, 2000). By including program assistance and federal services in economic assistance totals, total Compact assistance for fiscal years 1987 through 2001 is estimated to be at least $2.6 billion—$1.7 billion for the FSM and $890 million for the RMI.

[6] The Status of Forces Agreement provides parameters for the activities of U.S. personnel and equipment in the FSM and the RMI.

Mutual Security Agreement. The provisions of Title Three expire in 2001, but they can remain in effect during a 2-year negotiating window that ends in 2003.[7] If Title Three is not renewed by 2003, the Mutual Security Agreement enters into force and preserves key aspects of the defense and security relationship between these countries.

There are four primary U.S. defense rights and responsibilities contained in Title Three of the Compact and the Military Use and Operating Rights Agreement between the United States and the RMI (see app. II for a listing of other defense provisions contained in Title Three of the Compact that are due to expire in 2001):

- Title Three obligates the United States to defend the FSM and the RMI against an attack or the threat of attack in the same way it would defend itself and its own citizens. According to officials at DOD, this defense guarantee is stronger than the U.S. commitment to defend its North Atlantic Treaty Organization (NATO) allies from outside aggression.[8] If no agreement is reached with the FSM and the RMI on extending Title Three's defense provisions, the United States retains a lesser, albeit

[7] The military use and operating rights agreements with both countries also expire in 2001; although as previously noted, in September 1999, the United States exercised its option to unilaterally extend its agreement with the RMI for an additional 15 years. This same agreement with the FSM must be extended by mutual agreement. The Status of Forces Agreement remains in effect as long as Title Three or the Military Use and Operating Rights Agreement or the Mutual Security Agreement remains in effect, whichever is longer. Thereafter the Status of Forces Agreement remains in force until terminated by a signatory government.

[8] DOD has indicated that defense commitment contained in the Compact is unique for two reasons: (1) it requires the United States to defend the FSM and the RMI in the event of a threat of an attack and (2) it obligates the United States to defend the territory and people of the FSM and the RMI "as the United States and its citizens are defended." In contrast to the Compact's defense guarantee, the Article V defense commitment contained in the 1949 North Atlantic Treaty (NATO) states that each member of the alliance will take "such action as its deems necessary, including the use of armed force" in the event an armed attack on a member state takes place. This represents a lesser obligation.

significant, obligation to defend the islands through its mutual security agreements with each country.[9]

- Title Three provides the United States with the right of "strategic denial," the ability to prevent access to the islands and their territorial waters by the military personnel of other countries or the use of the islands for military purposes. This right does not expire with Title Three, because the mutual security agreements between the United States and the FSM and the RMI contain this right.

- Title Three also grants the United States a "defense veto" over actions by the governments of the FSM or the RMI that the United States determines are incompatible with its authority and responsibility for security and defense matters in these countries. Unlike the U.S. obligation to defend the islands and the right of strategic denial, the U.S. defense veto will expire in 2001 unless Title Three of the Compact is extended (or 2003 if negotiations are ongoing for an additional 2 years).

- Finally, through the Military Use and Operating Rights Agreement with the RMI, the United States secured continued access to military facilities on Kwajalein Atoll.[10]

At the time the Compact was negotiated (1969-1986), the United States was concerned about the use of the FSM and the RMI as springboards for aggression against the United States, as they were in World War II, and the Cold War incarnation of this threat—the Soviet Union. Australia, New

[9] DOD also stated that under the mutual security agreements with the FSM and the RMI the United States undertakes an obligation that is similar to the one it assumes with regard to its other Pacific allies—Australia, Japan, the Philippines, and South Korea. In these agreements, the United States recognizes that an attack on the other country would constitute a threat and danger to the United States and would act to meet this threat. However, once again, the U.S. commitment to the FSM and the RMI is stronger because it covers threats of attacks as well as actual attacks. The other difference between these obligations is that in the case of Australia, Japan, the Philippines, and South Korea, the commitment to come to one another's defense is mutual, while in the case of the FSM and the RMI this obligation solely rests with the United States.

[10] A similar agreement with the FSM provided the U.S. Coast Guard with access to sites on Yap Island until 1992. The Coast Guard, which used these sites as part of its LORAN (Long Range Aid to Navigation) network, left Yap in 1987. Originally the Coast Guard had planned to use the Yap site until 1990, but the 1,000-foot-tall radio tower on the island was condemned. Instead of rebuilding on Yap, the Coast Guard decided to move the station to Guam.

Zealand, and the United States practiced a coordinated Pacific-wide policy of strategic denial. This policy was successful in preventing the Soviet Union from establishing a diplomatic mission in the Pacific islands until 1990, when it did so in Papua New Guinea, and limited Soviet efforts to establish economic ties and enter into commercial fishing agreements.[11] The United States and its allies blocked these diplomatic and economic efforts by the Soviet Union out of concern that closer relations with Pacific island governments could eventually lead to Soviet political involvement in and military access to the region.

However, since the Cold War ended, the security environment in the Asia Pacific region has changed. The coordinated Pacific-wide policy of strategic denial ended with the dissolution of the Soviet Union; and the United States does not exhibit the same degree of concern about the influence of other foreign governments in the Pacific islands today. For example, China has seven embassies in Pacific Island countries,[12] conducted $168 million worth of bilateral trade with the South Pacific in 1999, reportedly provided millions of dollars in economic assistance, and built a civilian space launch tracking facility in Kiribati—an island nation southeast of the FSM and the RMI. Taiwan also has a presence in some Pacific Island nations through diplomatic and economic ties and annual port visits by navy cadets. However, while China and Taiwan may have made greater diplomatic and economic inroads into the Pacific than the Soviet Union did, they lack the military power projection capabilities that defined the Soviet threat. The former Soviet Union was considered an expansionist superpower with a large "blue water," or ocean-going, navy that was oriented toward the Pacific and capable of threatening the United States and its allies. In contrast, China, for instance, is currently considered to be a regional military power without a developed blue water naval capability or power projection capabilities that extend out far beyond its coastal waters.

[11] The Soviet Union entered into a commercial fishing agreement with Kiribati in 1985. The agreement did not include shore access by either Soviet trawlers or aircraft. A 1987 agreement with Vanuatu did provide periodic shore access, but the Soviet Union terminated this agreement after only 1 year. It was not until the Soviet Union entered into a fishing agreement with Papua New Guinea in 1990 that it acquired both shore access and the right to station trawlers in a country's waters.

[12] One of these embassies is located in the FSM. The other six are located in Papua New Guinea, Samoa, Tonga, Fiji, Vanuatu, and Kiribati.

The United States Has Maintained a Presence at Kwajalein Atoll but Has Not Exercised the Compact's Other Principal Defense Rights

While the United States has maintained facilities on Kwajalein Atoll for military use, it has not exercised its other primary defense rights nor has it been required to fulfill its responsibilities contained in the Compact: (1) it has not had to defend the FSM and the RMI from an attack or the threat of an attack; (2) it has not invoked its right to deny access to the islands by foreign militaries or for military purposes; and (3) it has never had to veto an action by either the FSM or the RMI because the action was incompatible with the U.S. responsibility and authority for defense and security matters. As a result, these provisions remain untested.

Kwajalein Rights Exercised

The United States has made extensive use of its access rights on Kwajalein Atoll in the RMI, which it secured through the Military Use and Operating Rights Agreement with that country (see fig. 2). The United States regularly conducts intercontinental ballistic missile (ICBM) tests, missile defense tests, and space tracking operations from facilities on the atoll that are under the authority of the U.S. Army (see fig. 3). Several ICBM tests are held annually. Regarding missile defense testing activity, a seventh national missile defense test was held in December 2001. Finally, equipment on the atoll is used for space-related activities such as observing space objects and tracking foreign launches (see app. III for more detailed information on U.S. operations and facilities on Kwajalein Atoll).

Figure 2: The Islands of Kwajalein (foreground) and Ebeye in the Kwajalein Atoll, RMI

Source: U.S. Army Space and Missile Defense Command Web site.

Figure 3: Test Launch of Ground-Based Interceptor for the Missile Defense Program, Kwajalein Atoll, RMI

Source: U.S. Army Kwajalein Atoll Command briefing.

No Other Provisions Invoked

According to DOD officials, the United States has never had to defend the FSM or the RMI.[13] DOD and Department of State officials have also stated that the United States has never invoked its right of strategic denial or utilized its defense veto.[14] However, a May 2001 port visit by three Taiwanese naval vessels in the RMI almost provided a test of these two provisions. In January 2001, the government of the RMI sought approval from the U.S. government for a 3-day port visit by the Taiwanese ships. The United States denied this request in a diplomatic note but did so without mentioning the strategic denial or defense veto provisions of the Compact.[15] Even though the United States did not cite these provisions in its written denial, the RMI, in its reply, argued that the strategic denial and defense veto provisions were not appropriate in this case and that the government's ability to conduct its own foreign relations must be respected. The United States dropped its objection to the proposed visit following this appeal and a February 2001 port visit by these same ships in Palau.[16] (See app. IV for time lines detailing the history of the four principal Compact defense provisions.)

[13] The likelihood of an attack on these areas is small. According to portions of a 1999 DOD Assessment of U.S. Defense and Security Interests in the region provided to us by the FSM and the RMI, no outside threat is likely to emerge over the next 10 to 20 years; there are no compelling security interests that will manifest themselves in a any threat to the FSM or the RMI; and no Asian country will have the military reach to pose a credible threat in the foreseeable future. The U.S. military presence on these islands is limited to about two dozen people stationed at Kwajalein and several Civic Action Teams (CAT). Neither country maintains its own military. See app. II for a description of the CAT teams.

[14] According to officials from DOD and the Department of State, the United States was considering use of the defense veto to stop a plan proposed by the RMI government in the 1990s to store nuclear waste on its territory. This plan was later dropped, without U.S. intervention, after a change in government in the RMI.

[15] However, press reports from the Marshall Islands and Taiwan, as well as *Jane's Defence Weekly*, characterized this U.S. denial as an assertion of its rights under the Compact of Free Association.

[16] The Palau visit occurred over repeated U.S. objections that cited the defense veto provision of the Palau Compact of Free Association, which is identical to the provision in the Compact of Free Association between the United States and the RMI. However, Department of State officials told us that the United States did not officially invoke the defense veto provision.

Continued Access to Kwajalein in the RMI Is the Compelling U.S. Defense Interest in the Area

Continued access to the Kwajalein Atoll in the RMI is the compelling U.S. defense or security interest in the FSM and the RMI that U.S. officials have identified. U.S. facilities located on Kwajalein complement the geographic characteristics that have helped to make the atoll an important part of U.S. ICBM testing, missile defense testing, and space surveillance operations. From a broader regional security perspective, the FSM and the RMI are not currently strategically important to the United States. In addition, other defense and security interests cited by U.S. officials, such as the right of strategic denial, the proximity of vital transit routes, and support in the United Nations, have been overstated.

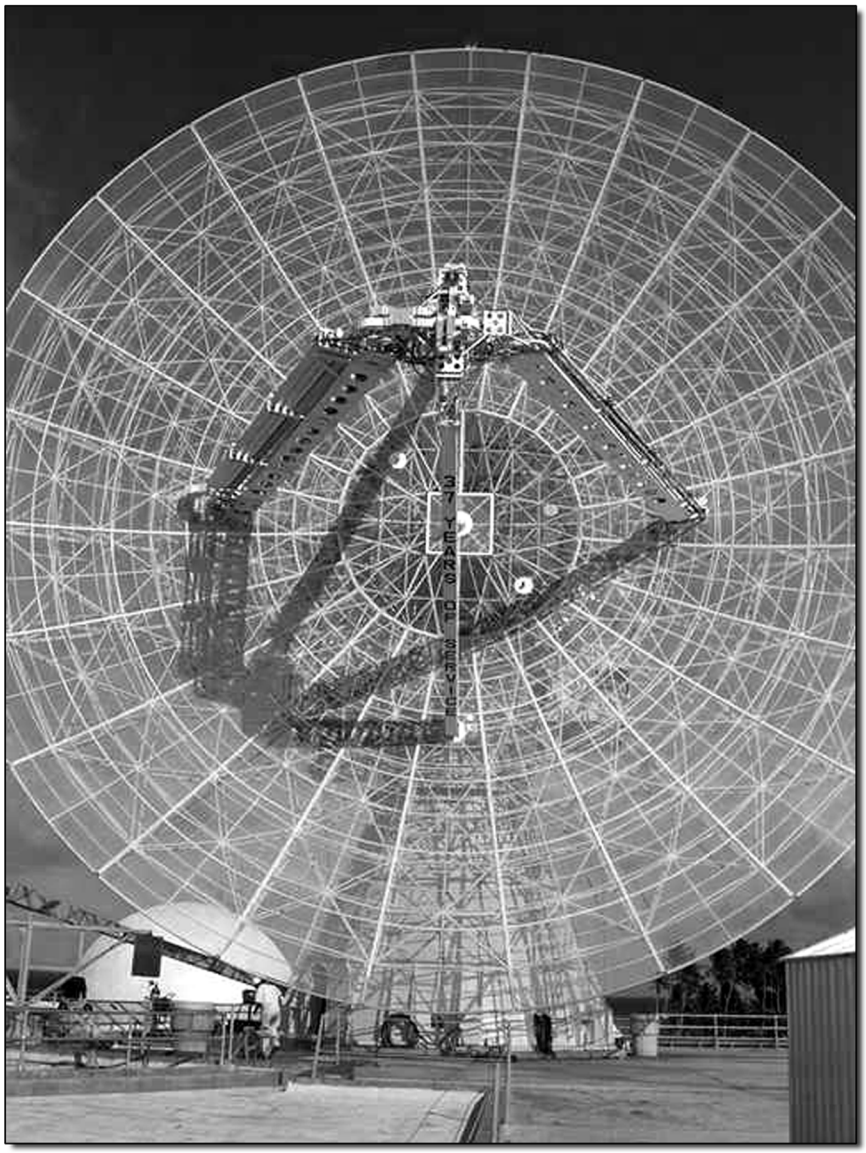
Kwajalein Is Important to U.S. Missile Testing and Space Operations

Senior U.S. policymakers agree that continued access to missile testing and space-tracking facilities on the Kwajalein Atoll in the RMI is the most important U.S. defense interest in the FSM and the RMI. DOD has described the U.S. Army facility on Kwajalein Atoll, known as the Ronald Reagan Ballistic Missile Defense Test Site, as an important and unique national asset that would be difficult and expensive to replace. In addition, the DOD agency responsible for missile defense testing, the Ballistic Missile Defense Organization (now the Missile Defense Agency), has determined that currently no acceptable alternative site exists for missile defense testing against ICBM class threats. The atoll has been the test site for ballistic missile systems for decades. The facility, which is one of two sites listed in the 1972 Anti-Ballistic Missile (ABM) Treaty between the United States and the Soviet Union, is used for long-range missile defense testing among other missions.[17] According to the U.S. Army Space and Missile Defense Command (SMDC), the testing range's remote ocean location in a sparsely populated area provides an acceptable environment for ballistic missile testing with minimal environmental impact; and the atoll's location near the equator is beneficial for space object and foreign launch observation. To support missile testing activities, Kwajalein Atoll

[17] The ABM Treaty between the United States and Soviet Union was negotiated to limit the testing and deployment of antiballistic missile systems. On December 13, 2001, the United States gave Russia, the Ukraine, Kazakhstan, and Belarus formal notice of its decision to invoke Article 15 of the ABM Treaty and withdraw from the agreement. Article 15 states that notice shall be given 6 months in advance of the party's actual withdrawal. Therefore, the terms of the treaty remain in effect until June 2002. In addition, the Ballistic Missile Defense Organization has proposed to increase the operational realism of missile defense testing by developing new or expanded facilities. These facilities will be used in conjunction with Kwajalein Atoll as part of an integrated missile defense test bed.

has become the home to sophisticated radar, optics, and telemetry equipment (see fig. 4).

Figure 4: TRADEX Radar on the RMI Island of Roi-Namur



Source: GAO.

FSM and RMI Currently Lack Broad Strategic Importance for United States

From a more regional or global point of view, the FSM and the RMI currently play no role in the execution of U.S. defense and security strategy. The East Asia Strategy Report, published periodically by DOD since 1990, refers to these countries as U.S. defense obligations, not as U.S. defense assets.[18] Congressional hearings on U.S. defense and security issues in the Asia Pacific region since 1997 have been devoid of references to these countries. In addition, the United States has never officially responded to an offer the FSM, Guam's neighbor, made in 1998 to preposition military forces in its territorial waters. Portions of a 1999 DOD Assessment of U.S. Defense and Security Interests in the region provided to us by the FSM and the RMI also concluded the United States has no current requirement to preposition equipment in either of these countries.[19] Finally, the former and current ambassadors to these countries, as well as representatives from DOD's Pacific Command, have told us that the FSM is no longer strategically important to the United States, while the RMI only remains important because of Kwajalein.[20]

In 2001, two reports called for increasing the U.S. presence in the Western Pacific, but neither offered any definite role for the FSM or the RMI. DOD's 2001 Quadrennial Defense Review, released on September 30, sets out a new strategic vision for defense planning purposes. The review noted the U.S. overseas presence posture, concentrated in Western Europe and Northeast Asia, was inadequate for the new strategic environment in which U.S. interests are global and potential threats are emerging in other areas of the world. The report called for, among other things, increasing U.S. presence in the Western Pacific. As a result, the Navy will increase its air craft carrier presence in the Western Pacific and explore basing options for

[18] There is a single reference to the value of Kwajalein as a test facility for missile defense in the 1998 report.

[19] These statements and actions are consistent with U.S. views expressed during congressional hearings on the Compact in 1984. During those hearings, the Assistant Secretary of Defense for International Security Affairs stated that the United States did not plan to seek additional defense sites in the islands, and a former State Department official with extensive experience in the area concluded the United States did not have any current or projected basing requirements in the FSM. Neither the FSM nor the RMI were considered as fallback positions for U.S. defense sites in Japan and the Philippines.

[20] While attesting to the fact that the FSM and the RMI were not strategically important, officials from the U.S. Pacific Command noted their geographic importance. One official also added that U.S. presence in the FSM and the RMI promotes stability and that any pullback could provide an opportunity for other countries to fill any vacuum left by the United States.

an additional three to four naval combat vessels and guided cruise missile submarines in that area, while the Air Force will ensure that sufficient refueling and logistics support capabilities are in place. DOD has stated that the FSM and the RMI may not ultimately be involved in any of the above decisions. A 2001 RAND report on U.S. force posture in Asia[21] reached some of the same conclusions as the Quadrennial Defense Review when it highlighted Guam as the most suitable location for an increased U.S. Air Force presence in the region.

Other U.S. Interests Are Overstated

In addition to Kwajalein, U.S. policymakers have cited three main U.S. interests in the FSM and the RMI: strategic denial, sea lines of communication, and support from the FSM and the RMI for U.S. positions in the U.N. General Assembly. However, assessments concerning strategic denial and its contribution to U.S. security are mixed. Furthermore, our analyses concluded that the effect of strategic denial, the importance of sea lines of communication in the region, and the degree of support received from the FSM and the RMI for U.S. positions in the United Nations have been overstated.

Strategic Denial: No Consensus on Value, Effect Overstated

First, there is a lack of consensus about the value of strategic denial in the post-Cold War era. Different elements of DOD and the Department of State have offered a range of opinions on the subject, calling the policy everything from "essential" to "irrelevant." In the past 3 years, strategic denial has been described as

- "essential" to counter future uncertainty in the region, by the Office of the Assistant Secretary of Defense for International Security Affairs;
- "a very real interest," if not as urgent as during the Cold War, by the Assistant Secretary of State for East Asia and the Pacific;
- "a prudent insurance policy" for U.S. security in the Pacific, by the Department of State's Office of Compact Negotiations; and
- "a policy of the past" that is "irrelevant now with the end of the Cold War," by the Commander in Chief, Pacific Command.

Furthermore, statements that have overstated the scope of strategic denial raise questions about the value assigned to this U.S. right and its

[21] RAND Project Air Force, *The United States and Asia: Toward a New U.S. Strategy and Force Posture* (Santa Monica, CA: RAND, 2001).

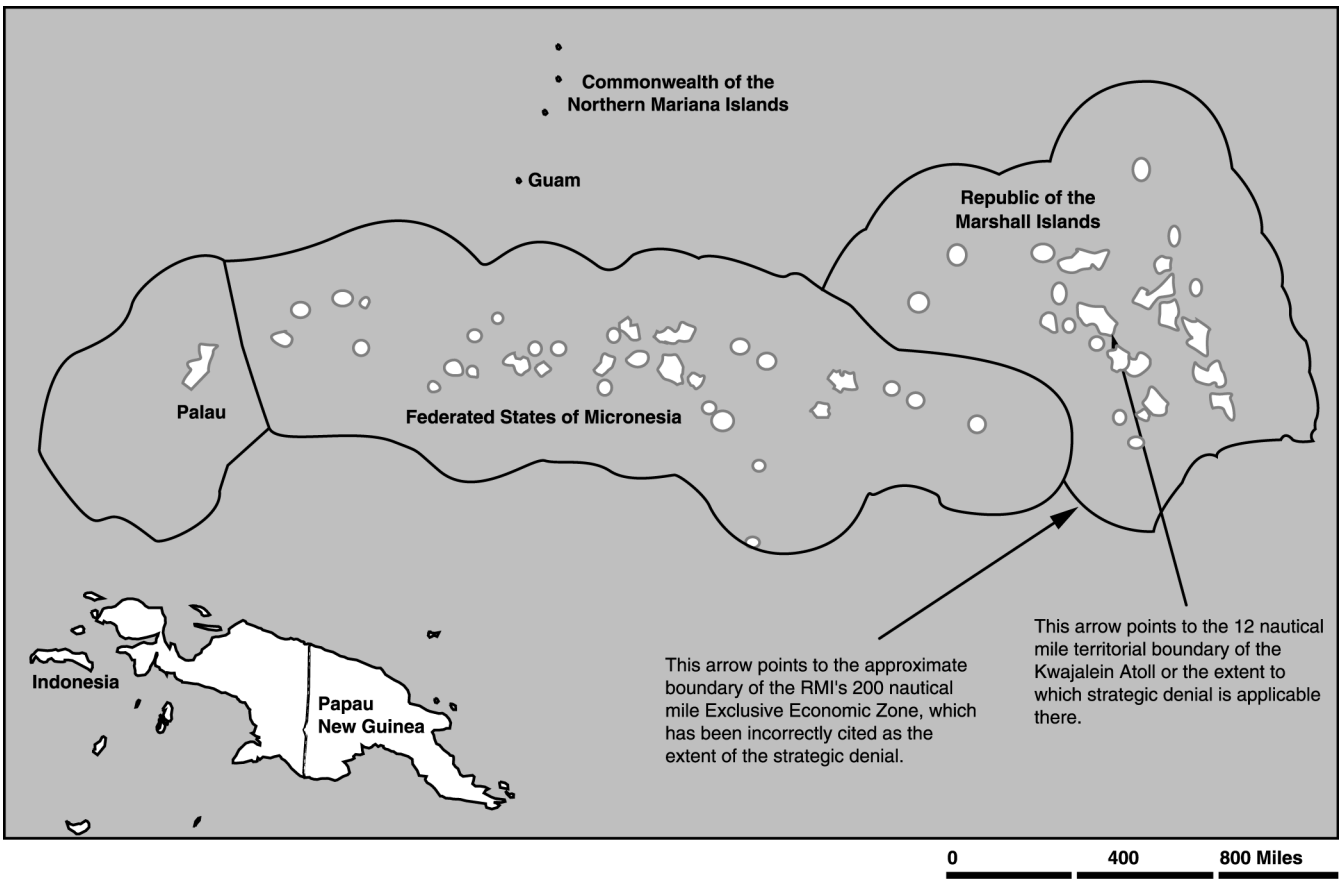
contribution to U.S. defense and security interests. Strategic denial only covers the land and the 12-mile territorial waters around each island of the FSM and the RMI (see fig. 5). The geographic limits of strategic denial were defined by section 461(c) of the Compact, which states that the FSM and the RMI include the land and water areas to the outer limits of the territorial sea and air space above such areas as recognized by the United States. The United States, as a result of its acceptance of most of the provisions in the 1982 U.N. Convention on the Law of the Sea as customary law, recognized the 12-nautical mile limit for the FSM and the RMI's territorial seas and therefore for strategic denial. However, various statements by U.S. and foreign officials have described strategic denial as exclusive U.S. military control over a large, contiguous area of the Pacific Ocean. Specifically,

- An official in the Office of Compact Negotiations at the Department of State described strategic denial as "the most significant U.S. interest at the time the Compact was negotiated" because of the value placed on denying military access to "over half a million miles of the Pacific Ocean between Hawaii and Guam" in a paper presented at the 2001 Island State Security Conference.
- The Assistant Secretary of State for East Asia and the Pacific testified at a 1998 congressional oversight hearing on the Compact that strategic denial "means taking a vast stretch of the Pacific and maintaining U.S. military control and ensuring we could deny access to the ships of other countries."
- A staff briefing paper submitted for the record during the same 1998 hearing stated that the U.S. right of strategic denial and defense veto gave the United States "exclusive military rights and legal defense veto over third party use of any land, ocean, or airspace of the islands." This paper stated that strategic denial included the islands' 200-mile exclusive economic zone, "an area larger than the continental United States" (see fig. 5).
- The RMI Minister of Foreign Affairs and Trade testified in the 1998 hearing that the RMI "provides the United States strategic denial rights over 1 million square miles of the Central Pacific."
- Finally, in a paper presented at the 2001 Island State Security Conference, the Executive Director of the Joint Committee on Compact Economic Negotiations for the FSM stated that "strategic denial and the defense and security concessions in the Compact established an internationally recognized U.S. zone of influence covering the 1,000,000 square miles of the FSM's exclusive economic zone in the western Pacific."

These statements, if taken literally, not only overstate the scope but also the effect of strategic denial. While the right of strategic denial prohibits third countries from establishing land-based operations in the FSM and the RMI, the United States cannot use this right to prevent ships from conducting military activities outside of the 12-mile territorial waters of these countries. For example, in the mid-1980s and early 1990s, there were numerous reports of Russian trawlers collecting information in the waters around Kwajalein.[22] Further, the United States recognizes that under international law and custom, military vessels have a right to "innocent passage" through the coastal waters of the islands. According to DOD and the Department of State, these rights are identical to those that the United States exercises in its own territorial waters. However, Department of Defense officials have noted that in denying third-country access to land facilities, the right of strategic denial limits the ability of other nations to undertake long-term naval operations in the area, and makes activities in the region, such as surveillance, more costly.

[22] A program manager for the Ballistic Missile Defense Organization on the Kwajalein Atoll stated in his 1984 congressional testimony that these ships were observed to be as close as 3 miles from the Kwajalein facility.

Figure 5: Territorial Extent of Strategic Denial



Note: The land masses that make up the Kwajalein Atoll, as well as the other atolls and islands in the FSM, the RMI, and Palau are too small to show on a map of this scale.

Source: GAO. Derived from information provided by the National Imagery and Mapping Agency, Department of Defense.

Key U.S. Sea Routes Do Not Run through the FSM or the RMI

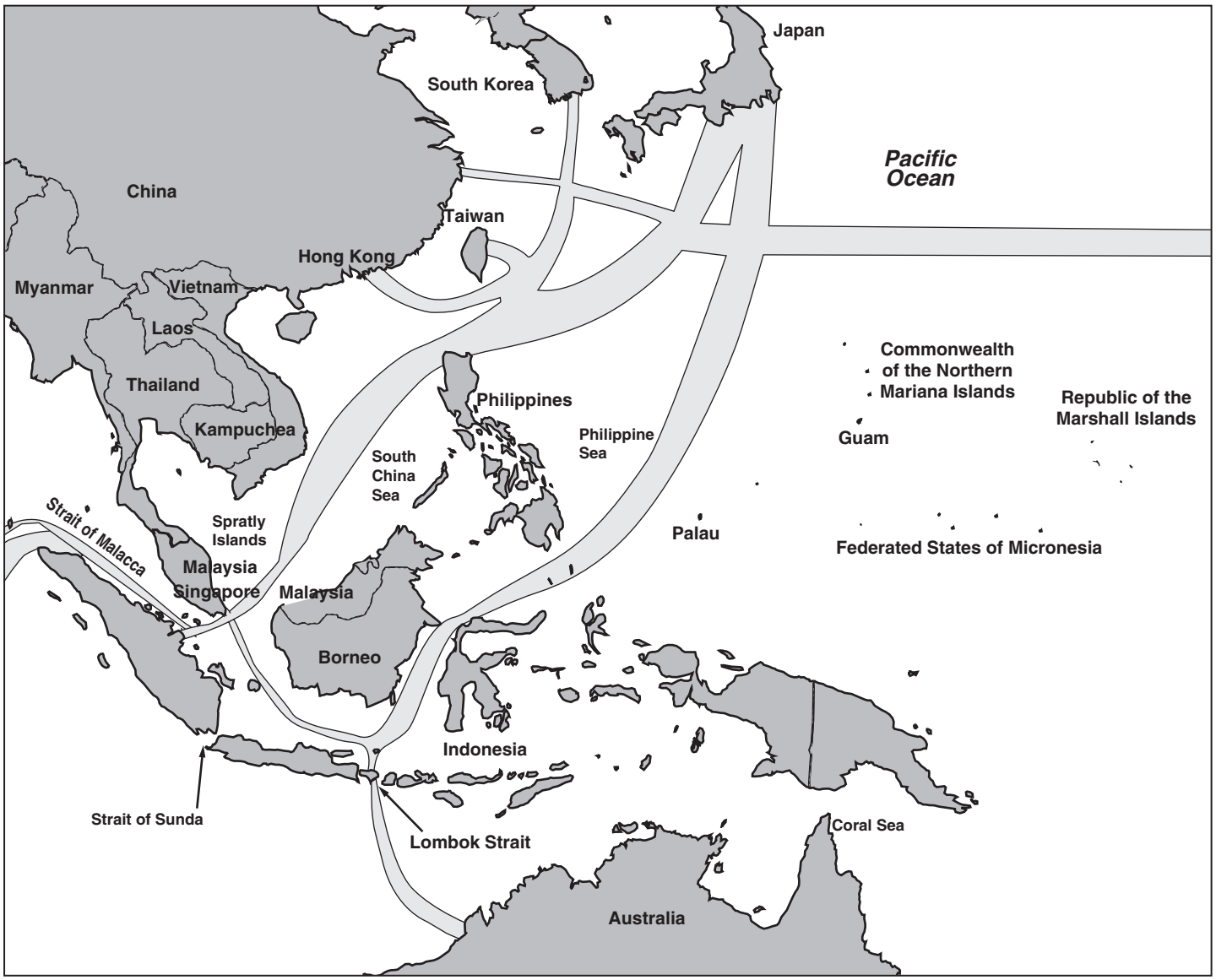
The importance of sea lines of communication, or sea routes, that run near or through the FSM and the RMI is another area in which the value of U.S. interests has been overstated. While U.S. policymakers have stated that the critical commercial and military transit routes run near or through the FSM and the RMI, there is evidence to the contrary. Officials from the Department of the State and the U.S. Army in the RMI told us that one of Kwajalein's positive qualities was its isolated location, away from commercial shipping lines. In addition, a 1992 analysis of U.S. defense interests in the Pacific Islands stated that the FSM and the RMI lie well to

the south of many north Pacific sea and air lines in peacetime; it is only when these north Pacific lines are threatened that air and sea movements would shift southward to minimize adversary interdiction.[23] Our analysis of U.S. trade flows in the Pacific supports these two assessments. Of the less than 23 percent of total U.S. trade that crosses the Pacific, more than 61 percent (or about 14 percent of total U.S. trade) involves Japan, China, Taiwan, and Korea, all of which lie north of the FSM and the RMI.[24] Other discussions of Pacific sea lines by U.S. officials and policy analysts have concentrated on chokepoints in Southeast Asia (see fig. 6). An analysis of these chokepoints in a 1996 National Defense University publication, stated that in the event all the strategic straits in Southeast Asia are closed or blocked, trade flows originating from the Middle East and South Asia could be rerouted south of Australia. Depending on the final destination of these goods, the rerouted ships could possibly pass near or through the FSM. Although the chokepoints analysis does not specifically illustrate how U.S. trade flows from this area would be affected, it appears they would transit south of the FSM and the RMI in this scenario.

[23] Portions of a 1999 DOD Assessment of U.S. Defense and Security Interests in the region provided to us by the FSM and the RMI also concluded that the most active sea and air lines of communication linking the west coast of the United States with the Pacific and Southwest Asia theaters run north of the FSM, the RMI, and the Commonwealth of Northern Mariana Islands (CNMI) into the Philippine Sea (see fig. 1 for location of CNMI). Asia-Pacific trade flows, specifically those between Yokohama, Japan and Brisbane, Australia pass through the FSM.

[24] We approximated the amount of trade crossing the Pacific by examining trade flows into and from U.S. ports on the west coast of the United States. Trade to and from countries in the Western Hemisphere was excluded from these calculations. However, included in the less than 23 percent of U.S. trade flows that may have crossed the Pacific Ocean, are shipments from Europe that might have arrived in west coast ports via the Panama Canal. Consequently, the conclusion that could be reached from the information above that up to 9 percent of all U.S. trade crosses the Pacific through or south of the FSM and the RMI, is in all probability an overestimation. For instance, by subtracting out U.S. trade with the European Union that may have transited the Panama Canal, the percentage of U.S. trade crossing the Pacific through or south of these islands falls to under 6 percent.

Figure 6: Major Sea Lines of Communication in the Asia-Pacific Region



Source: GAO. Derived from information in John H. Noer and David Gregory, *Chokepoints: Maritime Economic Concerns in Southeast Asia* (Washington, D.C.: National Defense University Press, 1996).

Support in U.N. Overestimated

Finally, the level of support from the FSM and the RMI for U.S. positions in the U.N. General Assembly has been overestimated. Although U.N. voting does not directly relate to U.S. defense and security interests, U.S.

government officials consistently referred to the support of these countries in the United Nations as one aspect of the strategic importance of these countries to the United States. In fact, an official in the Department of State's Bureau of International Organizations called the FSM "the number one friend of the United States at the United Nations," while the RMI was referred to as "one of the better members" of the General Assembly. These assessments were based on measures of voting coincidence that appeared in the 2000 edition of the department's report to Congress, Voting Practices in the United Nations. In 2000, the FSM was said to have voted with the United States 100 percent of the time, while the RMI was credited with casting an identical vote about 74 percent of the time. However, the Department of State's methodology does not take into consideration those occasions when the countries were absent or abstained from voting.[25] Including these absences and abstentions drops the countries' voting coincidence numbers to about 54 percent and 52 percent, respectively (see table 1). While these countries have agreed with the United States about as often as the average NATO country, support on a few issues identified as important by the Department of State, such as votes involving the Middle East and other issues where the United States is often isolated, and the numbers reported in the Department of State report have led to a perception of much stronger support than our analysis indicates (see app. V for more discussion of the Department of State report Voting Practices in the United Nations).

[25] While the Department of State report excludes absences and abstentions from its own voting coincidence methodology, it does caution that abstentions and absences can make a mathematical difference, sometimes major, in the voting coincidence results.

Table 1: Voting Coincidence of the FSM and the RMI with the United States in the U.N. General Assembly, 1991-2000

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
RMI										
Department of State	39.5%	60.5%	55.8%	65.5%	65.1%	68.5%	74.4%	81.6%	74.5%	73.9%
GAO methodology	24.3%	35.6%	40.0%	46.8%	49.4%	47.4%	44.4%	48.4%	53.2%	52.3%
FSM										
Department of State	26.2%	63.6%	55.0%	69.2%	66.7%	64.4%	100.0%	100.0%	100.0%	100.0%
GAO methodology	15.7%	28.8%	36.7%	46.8%	48.2%	37.2%	48.6%	56.3%	42.9%	53.8%

Note: GAO methodology includes abstentions and absences.

Sources: GAO analysis and *Report to Congress on Voting Practices in the United Nations*, 1991-2000.

Current Negotiators Have Expressed Their Intent to Preserve the Status Quo on Defense and Security Relations

The ongoing Compact negotiations[26] have resulted in agreements in principle between the United States and the FSM and the RMI, respectively, to continue their existing defense and security relationships. Without a renewal of the Compact's defense provisions, one of the four primary U.S. defense rights and responsibilities will completely expire at the end of the negotiating period in 2003—the U.S. defense veto. U.S. officials believe that continued economic assistance is important to reaching a final agreement on renewing the Compact's defense provisions, providing a favorable environment for the United States to exercise its defense rights, such as strategic denial and Kwajalein access, and advancing U.S. interests.

Agreement in Principal Reached on Extending Defense Provisions

All parties to the current Compact negotiations have expressed their intent to preserve the status quo on defense and security matters. During negotiations with each country, the United States and the FSM and the RMI, respectively, have issued joint statements calling for the continuation of the defense and security relationship set forth in Title Three of the Compact. If such an agreement is reached, the U.S. defense veto would be extended as well as the U.S. obligation to defend these countries as the United States defends itself and its citizens. If an agreement on economic assistance is

[26] There have been four formal negotiating sessions held between the United States and the FSM since November 1999. The fourth session was held in December 2001. The inaugural negotiating session with the RMI was held in October 1999; but, the first substantive round of negotiations did not occur until July 2001 due to the election of a new President of the RMI in early 2000. The most recent round of negotiations was held in December 2001.

not reached by 2003, the defense veto will expire; and the United States will retain a lesser, albeit still significant, obligation to defend the FSM and the RMI. According to a representative from DOD's Pacific Command, U.S. defense interests would not be hurt by the loss of the defense veto. Finally, the United States has already secured continued access to Kwajalein through 2016, by exercising its option to unilaterally extend the Military Use and Operating Rights Agreement with the RMI.

U.S. Rights and Interests Facilitated by Economic Assistance

Officials from the Department of State's Office of Compact Negotiations have indicated that the agreement in principle to extend the defense and security provisions contained in Title Three is part of a package (as indicated in the joint statements signed by the parties) that would also include continued U.S. economic assistance, as well as various other measures, such as increased accountability over the use of Compact funds. In addition, statements from both DOD and the Department of State have described linkages between continued economic assistance and the ability of the United States to exercise its defense rights. A June 2001 statement, by a representative from the Department of State's Office of Compact Negotiations, argued that continued economic assistance was justified by U.S. interests such as strategic denial, political and economic stability, support for U.S. positions in international and regional organizations, access to Kwajalein, and the need to provide a positive context for the United States to exercise its defense rights. Similarly, in a June 2000 congressional hearing on the Compact, an official from the Office of the Assistant Secretary of Defense for International Security Affairs, stated that providing continued Compact assistance was in the best interest of the United States because it helps preserve access to key defense interests for our forces while denying potentially hostile forces access to U.S. economic and defense interests in the region. Finally, the Executive Director of the Joint Committee on Compact Economic Negotiations for the FSM, has stated that the defense rights delegated to the United States under the Compact are linked to the economic assistance provided by the United States. Furthermore, it is the FSM's position that the economic, political, and security goals of the Compact are closely interrelated; thereby making

continued economic assistance an important part of the sustained political development and economic advancement necessary to attain the mutual security goals of the FSM and the United States.[27]

Agency Comments

We provided a draft of this report to DOD, the Department of State, and the Department of the Interior, as well as the governments of the FSM and the RMI, for comment. The Departments of State and the Interior chose not to provide comments on the draft report. Regarding its decision not to submit comments, the Department of State said that it had been working with us since June 2001, when we presented this material in briefings to congressional staff, and had, during that time, made its views on U.S. defense interests in the FSM and the RMI known. DOD emphasized in its comments that the U.S. right to exclude third-country militaries from the territory of the FSM and the RMI remains an important one due to future uncertainty about events in the region. It also noted that it would be unwise to assume that the end of the Cold War has lessened the strategic importance of Micronesia to U.S. interests. In our response to DOD's letter, we cite a passage from a DOD assessment that states that the strategic importance of the FSM and the RMI has in fact lessened over the past 50 years.

The FSM government also disagreed with our conclusion that the FSM currently lacks broad strategic importance for the United States and that the importance of certain security interests involving the FSM has been overstated. In its comments, the RMI government stressed its strategic significance and historic contribution to the United States as a site of nuclear test and argued that the rights granted to the United States under the Compact have been significant. The RMI government also expressed the view that we have not properly characterized the relationship between the United States and the U.N. Trust Territory of the Pacific Islands at the time of Compact negotiations and thus had overemphasized the U.S. desire to address Cold War concerns in the Compact, while de-emphasizing the role other issues played in the negotiations. We disagree with most points made by the FSM and RMI governments; and, in responding to comments from these two countries, have made reference to report passages that support our views. The RMI government also stated that we should distinguish between economic assistance provided to the FSM and the

[27] The RMI's negotiating team was formed in August 2001. The RMI presented its official negotiating position in December 2001.

RMI. We agree, and have provided separate assistance figures for each country. Comments received from DOD, as well as the FSM and RMI governments, and our assessments of them are included in appendixes VI through VIII.

We are sending copies of this report to the Secretary of Defense, the Secretary of State, the Secretary of the Interior, the President of the FSM, the President of the RMI, and interested congressional committees. We will also make copies available to other interested parties upon request.

If you or your staff have any questions regarding this report, please call me at (202) 512-4128. Other GAO contacts and staff acknowledgments are listed in appendix IX.

Loren Yager
Director, International Affairs and Trade

Objectives, Scope, and Methodology

In June 2001, we briefed the staffs of the Chairman of the House Committee on Resources, the Ranking Minority Member of the House Committee on International Relations, the Chairman of the Subcommittee on East Asia and the Pacific, House Committee on International Relations, and Congressman Bereuter on defense and security issues related to the 1986 Compact of Free Association and the ongoing negotiations taking place between the United States and the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI). Specifically, our briefing addressed (1) whether and how the United States has exercised its defense rights and fulfilled its defense responsibilities under the Compact, (2) the current U.S. defense and security interests in the FSM and the RMI, and (3) defense and security issues that are being addressed in the ongoing Compact negotiations.

Since June, we have conducted additional audit work in response to questions raised during those briefings. These questions prompted us to address the uniqueness of the U.S. obligation to defend these islands, the influence of foreign governments in the region, and the utility of some defense provisions in the current Asia-Pacific security environment.[28]

Whether and How the United States Has Exercised Compact Defense Rights and Fulfilled Its Defense Responsibilities

To address this objective, we reviewed the Compact's defense provisions (Title Three) as well as the related defense agreements (the mutual security agreements, the military use and operating rights agreements, and the Status of Forces Agreement) and discussed these documents with Department of Defense (DOD) and Department of State officials to identify the principal defense and security provisions. We also reviewed the congressional hearing record on the Compact, going back to 1984 oversight hearings, to determine the specific defense and security provisions that were focused on in statements and discussions. We then discussed the

[28]This additional work has involved noting the language contained in other U.S. defense treaties; documenting the Department of Defense (DOD) and Department of State's interpretation of the U.S. obligation to defend the FSM and the RMI; interviewing officials from DOD (Office of International Security Affairs, U.S. Commander in Chief Pacific Command); reviewing analyses of the pre- and post-Cold War security environment in the Pacific, such as *Oceania and the United States*, *The South Pacific: Emerging Security Issues and U.S. Policy*, and *The United States and the Pacific Islands* by John Dorrance, and statements on defense policy from Australia and New Zealand; and analyzing information on the diplomatic, economic, and military presences and capabilities of the Soviet Union (mid-1980s through the early 1990s), China (late 1990s through the present), and other foreign nations in the region gathered from presentations by regional experts and other sources.

degree to which the U.S. government has invoked its defense rights or discharged its defense responsibilities with these same officials (DOD agencies interviewed included the Office of the Secretary of Defense, the Office of the Joint Chiefs of Staff, the U.S. Pacific Command, the U.S. Army Space and Missile Defense Command, and the Ballistic Missile Defense Organization. Department of State offices interviewed included the Bureau of East Asia and Pacific Affairs, the Office of the Legal Advisor, and the Office of Compact Negotiations). We also interviewed Department of State officials and reviewed Department of State documentation pertaining to the recent visit of Taiwanese ships to the RMI and Palau. To review U.S. operations at Kwajalein Atoll, we visited the atoll islands of Kwajalein and Roi-Namur in April 2000 to tour the facilities and discuss DOD activities on the islands with U.S. government officials, including the range Commander, as well as contractor personnel. We also visited the nearby island of Ebeye and toured facilities built by the U.S. military, as well as housing used by relocated mid-atoll Marshallese citizens. We also discussed Ebeye development projects involving schools, hospitals, and infrastructure improvements, with local development authority officials and reviewed associated documentation.[29]

Current U.S. Defense and Security Interests in the FSM and the RMI

To conduct our work in this area, we discussed U.S. defense and security interests in the FSM and the RMI with officials from DOD, the Department of State, the Central Intelligence Agency, and the Defense Intelligence Agency. Furthermore, we obtained the views of the former U.S. Ambassador to the FSM and the current and former U.S. ambassadors to the RMI. We reviewed DOD reports (2001 Quadrennial Defense Review, East Asia Strategy Reports[30] and classified assessments of U.S. defense and security interests in the countries), statements by the Commander in Chief of the U.S. Pacific Command, congressional testimony on the Compact (from 1984 through 2000) and U.S. defense interests in the Asia Pacific region (from 1998 through 2000), and the 2001 RAND report entitled *The United States and Asia: Toward a New U.S. Strategy and Force Posture*. We also reviewed the legislative history of the Compact.

[29]A discussion of development projects on Ebeye can be found in *Foreign Assistance: U.S. Funds to Two Micronesian Nations Had Little Impact on Economic Development* (GAO/NSIAD-00-216, Sept. 22, 2000).

[30] The East Asia Strategy Report has been issued periodically by DOD since 1990. Editions were published in 1992, 1995, and 1998; we reviewed these issues.

For our examination of the scope and effect of strategic denial, we reviewed the 1982 United Nations (U.N.) Convention on the Law of the Sea, received a legal interpretation of the relevant Compact provision from DOD and the Department of State, located and examined statements in the congressional record, interviewed officials from DOD and the Department of State, and worked with the National Imagery and Mapping Agency to produce a map of the territorial boundaries of the FSM and the RMI.

For our examination of important sea lines of communication, we reviewed statements from congressional hearings on the Compact that referred to these sea routes; analyzed Department of Commerce data on U.S.-Pacific trade flows (2000 data on total trade by U.S. Pacific ports); explored the issue of chokepoints in academic papers, government documents, and *Chokepoints: Maritime Economic Concerns in Southeast Asia*; and studied works on U.S. interests in the region written by former U.S. officials, such as *The United States and the Pacific Islands*, by John Dorrance.

Finally, for our examination of voting in the U.N. General Assembly, we analyzed the data on the voting behavior of the FSM and the RMI contained in the Department of State's annual report Voting Practices in the United Nations and data from the United Nations on voting margins, and interviewed current and former Department of State officials from the Bureau of International Organization Affairs, the Bureau of East Asia and Pacific Affairs, and the U.S. Mission to the United Nations.

Defense and Security Issues in the Ongoing Compact Negotiations

To address our third objective, we examined the Compact and its related agreements to determine the status of certain defense provisions after 2001; interviewed officials from DOD and the Department of State as well as the FSM and RMI governments; and reviewed joint communiqués issued in 2001 by the U.S. government and the governments of the FSM and the RMI, regarding negotiating principles related to defense matters.

We performed our work at various points from December 1999 through October 2001, simultaneously with our efforts for other related assignments. Our work was conducted in accordance with generally accepted government auditing standards.

Expiring Defense-Related Provisions of the Compact

As mentioned in this report, the defense veto contained in the Compact's Title Three is due to expire in 2001 (or 2003 if negotiations continue for an additional 2 years). In addition to this provision, Title Three contains other provisions that are due to expire in 2001 or 2003. These include provisions stating that:

- The government of the United States shall not, in the FSM or the RMI, test by detonation or dispose of any nuclear weapon, nor test, dispose of, or discharge any toxic chemical or biological weapon.
- The government of the United States may invite members of the armed forces of other countries to use military areas and facilities in the FSM or the RMI, in conjunction with and under the control of U.S. armed forces.
- If, in the exercise of its authority and responsibility under Title Three, the government of the United States requires the use of areas within the FSM or the RMI in addition to those for which specific arrangements are concluded, it may request the government concerned to satisfy those requirements through leases or other arrangements. The FSM or RMI governments shall sympathetically consider any such request and shall establish suitable procedures to discuss it with and provide a prompt response to the U.S. government.
- The government of the United States shall provide and maintain fixed and floating aids to navigation in the FSM and the RMI at least to the extent necessary for the exercise of its authority and responsibility under Title Three.
- Subject to the terms of the Compact and related agreements, the government of the United States, exclusively, shall assume and enjoy, as to the FSM and the RMI, all obligations, responsibilities, rights and benefits of
  - 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 the Compact and
  - any defense treaty or other international security agreement to which the government of the United States is or may become a party that it determines, after appropriate consultation with the FSM or RMI government, to be applicable to the FSM or the RMI.
- Any citizen of the FSM or the RMI shall be eligible to volunteer for service in the armed forces of the United States. (Of note, volunteers must meet the required mental, physical, and moral qualifications to join the U.S. armed forces. For 1998, 42 FSM citizens and 8 RMI citizens enlisted in the U.S. Army).

- The government of the United States shall have enrolled, at any one time, at least two qualified students, one each from the FSM and the RMI, in each of the U.S. Coast Guard Academy and the U.S. Merchant Marine Academy.
- The governments of the United States and the FSM or the RMI shall establish two Joint Committees empowered to consider disputes under the implementation of Title Three and its related agreements.

In addition to these Title Three provisions, the Military Use and Operating Rights Agreement with the FSM, which authorizes up to four Civic Action Teams (CAT) in the FSM, will also expire in 2001. There are currently three CATs in the FSM. CATs are to conduct activities that focus on the special development needs of the country and are to provide training for the local population in general engineering skills. CAT teams work on projects (such as roads and school improvements) that the host governments identify. The teams are composed of one officer and 12 enlisted men and are shared between the Army, Navy, and Air Force. The CAT team budget for fiscal year 2001 was close to $2 million, according to a DOD official. This official told us that while CAT costs are to be shared between the United States and host governments, the United States has not been receiving the required funds from the FSM. The U.S. government has raised concerns that CAT teams are idle too much of the time and work on projects that quickly fall into disrepair.

U.S. Military Operations and Facilities on Kwajalein Atoll, Republic of the Marshall Islands

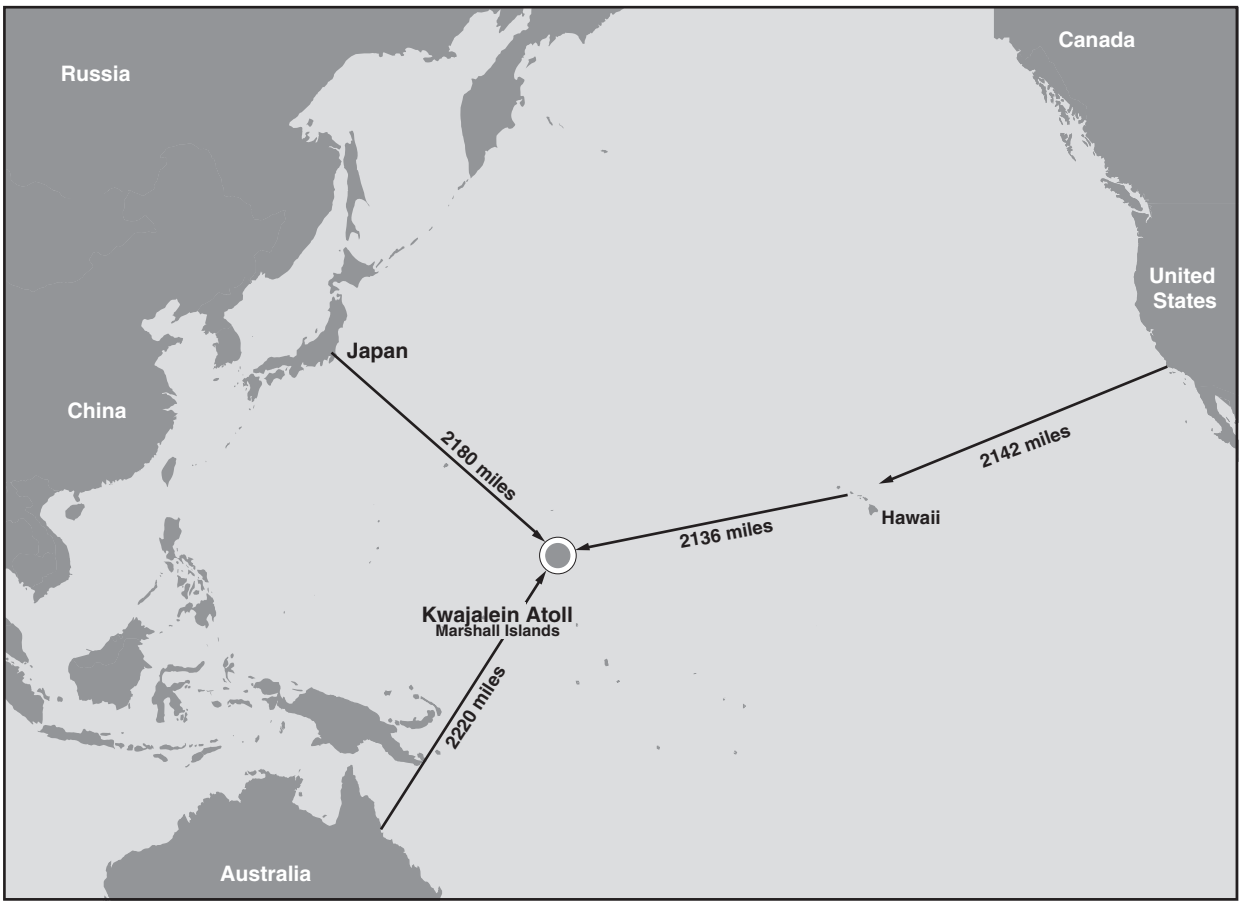
The United States has maintained a military presence in the Marshall Islands for several decades, and DOD currently conducts ballistic missile and missile defense testing on Kwajalein Atoll. U.S. equipment on the atoll also allows for space observation, identification, and tracking activities. The U.S. government, which provides funding to the landowners of the Kwajalein Atoll through the RMI government and is a key employer in the RMI, has also experienced some difficulties with the local Marshallese population. No recent studies have been completed regarding whether there is an acceptable alternative site to Kwajalein Atoll for all U.S. defense-related activities conducted there.

A History of U.S. Operations on Kwajalein Atoll

The United States has had a military presence on the Marshall Islands in the central Pacific Ocean since liberating the islands from the Japanese in 1944 in Operation Flintlock. The U.S. government conducted nuclear tests in these remote islands near the equator during the 1940s and 1950s,[31] and a military base was constructed on Kwajalein Atoll to support this testing (see fig. 7). In 1959 Kwajalein was selected as the testing site for the NIKE-ZEUS Anti-Missile System. In 1964, control of this missile testing range was transferred from the U.S. Navy to the U.S. Army. During the 1960s and 1970s, the range was used to test rocket systems such as NIKE-ZEUS, Sprint/Spartan, and Minuteman.

[31] Nuclear testing in the Marshall Islands is discussed in our previous report—*Foreign Relations: Better Accountability Needed Over U.S. Assistance to Micronesia and the Marshall Islands* (GAO/RCED-00-67, May 31, 2000).

Figure 7: Location of Kwajalein Atoll in the Central Pacific Ocean



Source: GAO. Derived from U.S. Army at Kwajalein Atoll command briefing.

Kwajalein Atoll is currently home to missile and missile-defense testing and space tracking facilities that use land provided to the U.S. government under a Compact-related agreement, the Military Use and Operating Rights Agreement with the RMI. In September 1999, the U.S. government exercised its right to unilaterally extend the agreement, giving the United States access to Kwajalein Atoll until 2016. The RMI government pays Kwajalein Atoll landowners for U.S. use of the atoll. Most U.S. equipment is located on the Kwajalein Atoll islands of Kwajalein and Roi-Namur, though

some equipment is maintained on five other islands in the atoll.[32] The U.S. testing range on Kwajalein is under the authority of the U.S. Army Space and Missile Defense Command (SMDC), and as of June 2001, it became officially known as the Ronald Reagan Ballistic Missile Defense Test Site. The test site, which is government owned and contractor operated,[33] is home to about 75 U.S. government personnel as well as about 1,600 contractor staff and 1,000 family members. SMDC estimates that the facility represents a $4 billion investment.

Current U.S. Activities and Facilities on Kwajalein Atoll Focus on Missile Testing and Space Operations

The U.S. range on Kwajalein Atoll is used for intercontinental ballistic missile (ICBM) testing (see fig. 8). One ICBM system that currently uses Kwajalein for testing is the Minuteman III. Three tests per year of this system, which was developed in the late 1950s, occur at Kwajalein. Another ICBM system is the Peacekeeper (one test/year), the newest U.S. ICBM strategic weapon system.[34] Furthermore, this range is used for long-range missile defense testing. Seven national missile defense tests have been conducted, with the most recent test in December 2001.[35]

[32] These islands are Gagan, Meck, Illeginni, Legan, and Ennylabegan.

[33] Raytheon currently holds two key contracts at the Kwajalein range: Integrated Range Engineering and Kwajalein Logistics Support.

[34] In recent congressional testimony regarding DOD's 2002 budget, the Secretary of Defense stated that the Peacekeeper is a missile "whose time has come and gone," and he proposed deactivating the Peacekeeper system over a 5-year period.

[35] Two of these flight tests did not involve intercept attempts. Of the remaining five flight tests, three resulted in intercepts.

Figure 8: ICBM Test and Super RADOT (Recording Automatic Digital Optical Tracker)

Source: U.S. Army at Kwajalein Atoll/Kwajalein Missile Range mission photos.

Range equipment is also used to conduct space observation, identification, and tracking activities. The range has provided more than 32,000 observations for updating the catalog of near-earth and deep-space objects. It also responds to assignments for the tracking of new foreign launches (commercial and military, announced and unannounced) and provides radar images of high-interest satellites. The facility also supports the

National Aeronautics and Space Administration's manned and unmanned space operations and experiments.

To support these activities, the missile range at Kwajalein possesses a unique collection of technical equipment. The core of the range's instrumentation is the Keirnan Reentry Measurements Site, a sophisticated radar suite. The radar sensors are located on the island of Roi-Namur. Data are collected across the radar frequency spectrum with a high degree of accuracy and are analyzed by the Massachusetts Institute of Technology's Lincoln Laboratory and other facilities. The Kwajalein range also has ground-based optics such as tracking instruments, ballistic cameras, and documentary photography systems. In addition, twelve antennas are used to receive, record, and process flight data. Furthermore, the range has a deep-water acoustic sensor array located in the ocean area off the east reef of Kwajalein Atoll that can determine the precise location of reentry vehicle impacts. A submersible vehicle is also available to locate debris within the Kwajalein lagoon. Finally, the range has a launch site on Meck Island, with additional launch facilities on other RMI islands as well as Wake Island.

U.S. Government Provides Funding and Employment Opportunities, but Local Kwajalein Issues Have Posed Difficulties

The U.S. military presence on Kwajalein Atoll has led to tension with the Marshallese population on the atoll over the years. For example, there were four periods of protests by Marshallese landowners of the Kwajalein Atoll prior to enactment of the Compact.[36] According to an SMDC official, these protests occurred because landowners were concerned that (1) the U.S. government was not paying enough for its use of various Kwajalein Atoll islands[37] and (2) following enactment of the Compact, all payments to landowners and future negotiations regarding use of the atoll would be conducted on a government-to-government basis, bypassing any direct dealings with landowners. During the protests, the landowners occupied Kwajalein Atoll islands, including Kwajalein and Roi-Namur. While no

[36] The four protests covered the following periods: (1) September-November 1978, (2) July-August 1979, (3) June-October 1982, and (4) November-May 1986.

[37] A 1982 agreement between the Marshallese government and Kwajalein landowners and the Military Use and Operating Rights Agreement determine Kwajalein-related payments. For fiscal year 2000, the RMI government transferred almost $13 million in U.S. government funding to Kwajalein landowners and the Kwajalein Atoll Development Authority, according to the Department of the Interior (the agency responsible for disbursing and monitoring U.S. funding to the RMI).

major missile tests were delayed or cancelled as a result of the protests, two test missions scheduled for August 1979 were cancelled.[38] Protests during the 1980s reportedly disrupted the community on Kwajalein and put a strain on security forces.

Furthermore, the range is a top employer in the Marshall Islands, with about 1,400 Marshallese employed at the facility and earning a higher wage than is reportedly available elsewhere in the country. These Marshallese who are employed at the range are generally not permitted to live on Kwajalein Island and so live on the small nearby island of Ebeye.[39] In addition, in 1965 the U.S. Army relocated Marshallese citizens living on mid-atoll islands to Ebeye so that ballistic missile testing could be conducted more safely within the mid-atoll area. Ebeye is severely overcrowded, with more than 9,300 people living on about 90 acres of land (see fig. 9). Efforts to improve the quality of life on the island, such as the provision of electricity and potable water, have experienced failures in recent years. Conditions on the island have reportedly deteriorated over the last decade, though numerous efforts are now being planned or are under way to improve the quality of life on Ebeye.

[38] These tests involved the High Altitude Density Measurement Program and the Environmental Rocket Sounding System. According to an U.S. Army Space and Missile Defense Command official, these were not considered major missions, and no information was available regarding whether these tests were rescheduled. This official also said that the tests were cancelled because a landowner refused to allow the Marshallese protestors on the island of Omelek to take shelter for the rocket launches.

[39] Marshallese who work on the Kwajalein Atoll island of Roi-Namur live on the island of Enniburr. This is a much smaller number of Marshallese workers (150) compared to the number of workers at the Kwajalein Atoll island of Kwajalein (about 1,400).

Figure 9: Ebeye Housing of Relocated Mid-Atoll Marshallese Citizens

Source: House Committee on International Relations, staff photo.

DOD Has Conducted Few Reviews of Possible Alternatives to Kwajalein

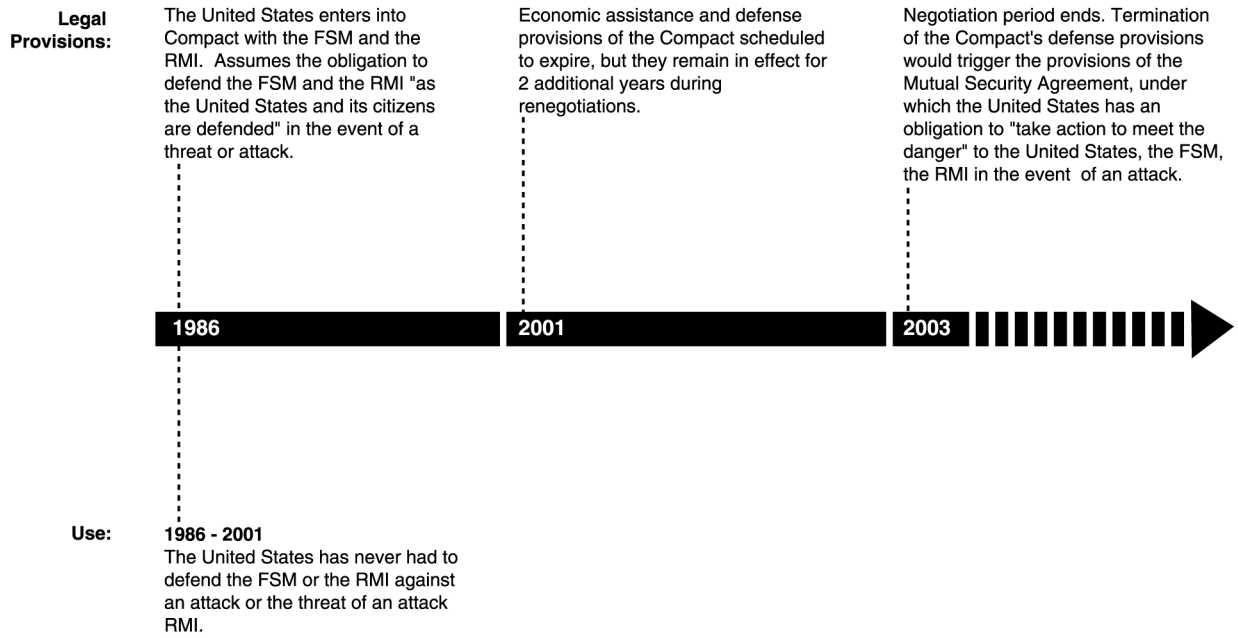
In 1979, DOD conducted an analysis of possible locations for relocating U.S. facilities on Kwajalein Atoll. Key criteria used to determine the best alternative site were political supportability, land availability, and population distribution. DOD determined that the Northern Mariana Islands were the best alternative to Kwajalein Atoll for establishing a major DOD test range, with an estimated investment cost of over $2 billion (in 2000 dollars). Other alternative sites were located in the state of Chuuk in the FSM and in Kiribati, located southeast of the RMI. DOD officials now view this study as outdated. DOD has not conducted a detailed study examining potential alternative sites for all the activities undertaken at that

U.S. facility on Kwajalein since 1979. However, the DOD agency responsible for missile defense testing, the Ballistic Missile Defense Organization, has conducted some analysis of alternatives to Kwajalein and has determined that currently no acceptable alternative site exists for missile defense testing against ICBM class threats.

Use of Primary Compact-Related Defense Provisions

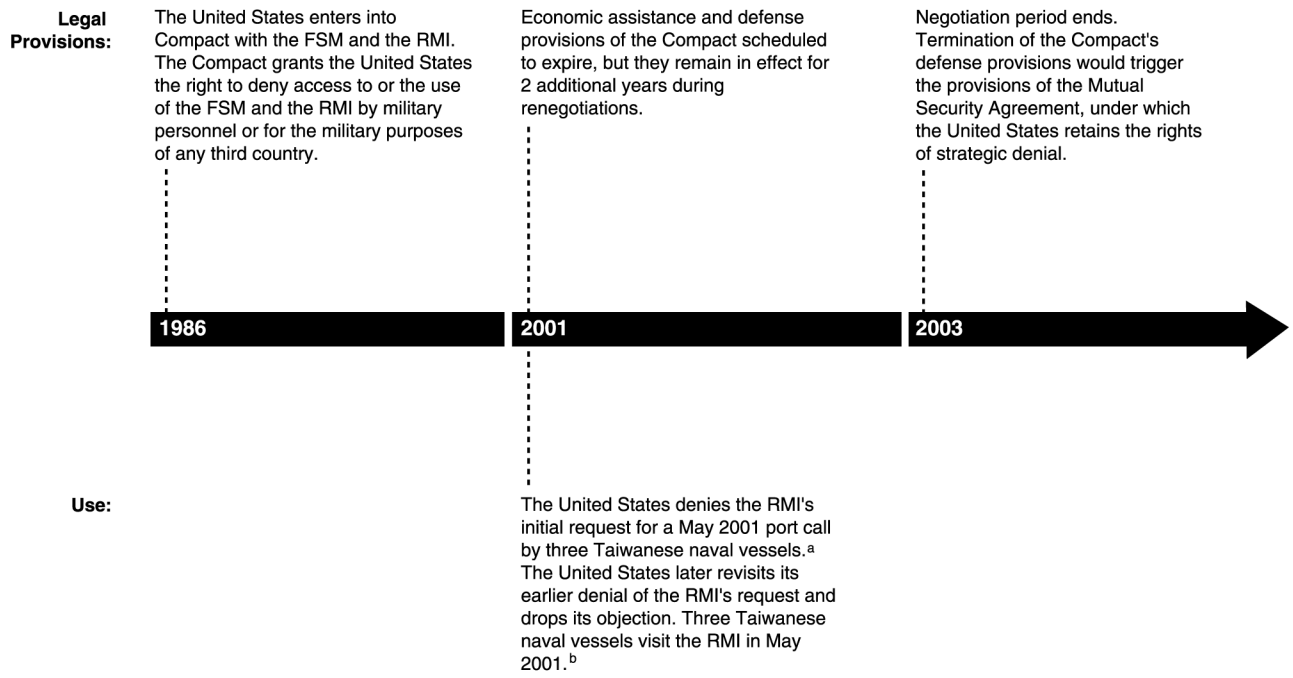
The United States acquired four primary defense and security rights and responsibilities as a result the Compact of Free Association and its related agreements: (1) the obligation to defend the FSM and the RMI against attack; (2) the right to deny access to foreign militaries and foreign military activity (strategic denial); (3) the right to prevent the FSM and the RMI governments from acting in a way that is incompatible with U.S. authority and responsibility for defense and security matters (defense veto); and (4) the right to use certain land (i.e., Kwajalein Atoll in the RMI) for military purposes. Figures 10 through 13 describe the legal provisions in which these rights and responsibilities are contained, the extent that each provision has been used since the Compact was enacted in 1986, and what happens to each provision if agreement is not reached on its renewal before the negotiating period ends in 2003.

Figure 10: The Compact's "Obligation to Defend" Provision



Source: GAO.

Figure 11: The Compact's "Strategic Denial" Provision

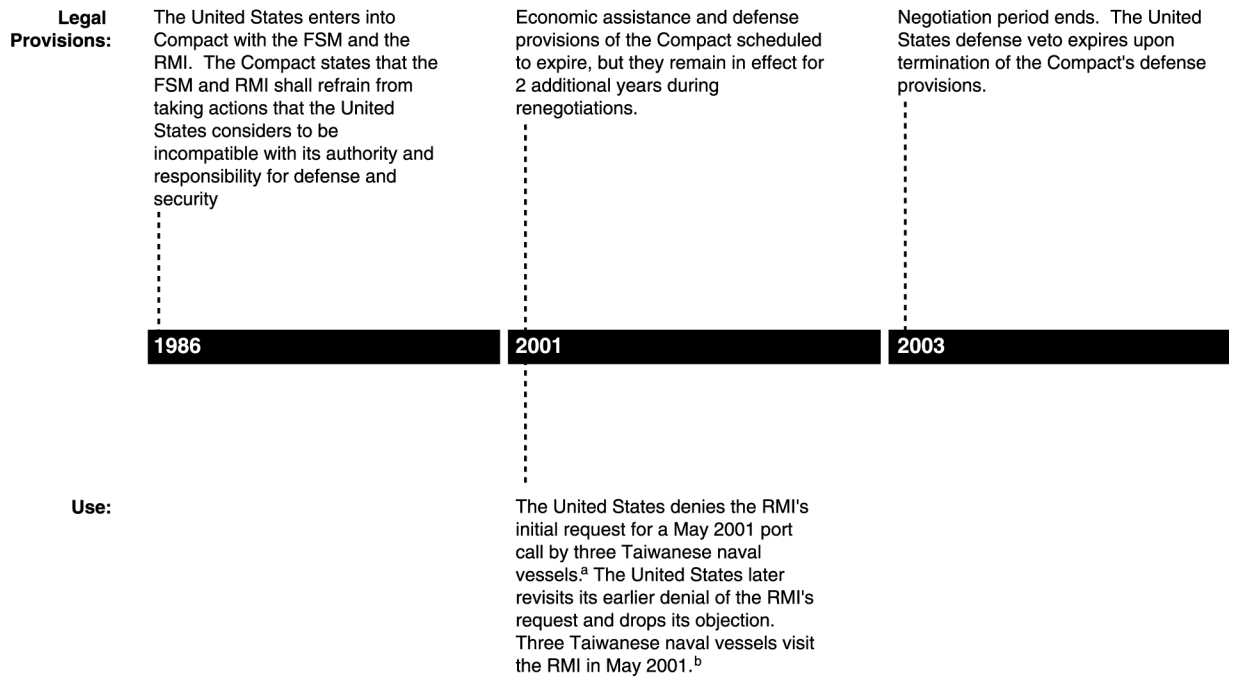


[a]According to the Department of State, the United States did not specify which Compact provision(s) were the basis for its objection.

[b]The three ships made a similar visit to Palau in February 2001 despite repeated objections from the United States. According to the Department of State, in its objections, the United States referred to the provisions of Title Three, Article One of the Compact of Free Association with Palau (which includes the provisions granting strategic denial and a defense veto) and specifically cited the defense veto provision.

Source: GAO.

Figure 12: The Compact's "Defense Veto" Provision



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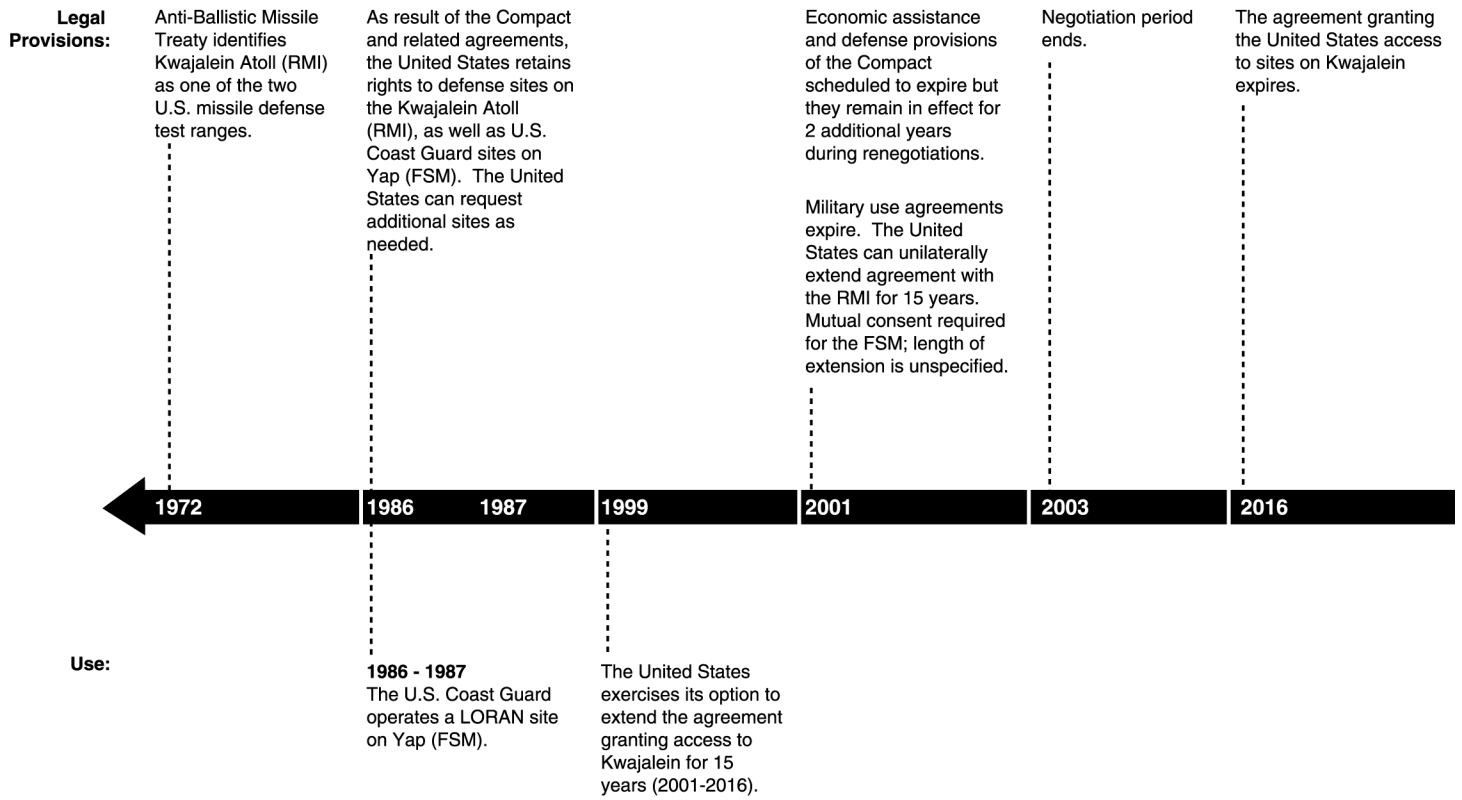
Source: GAO.

Figure 13: The Military Use and Operating Rights Agreements' "Military Use" Provisions



Source: GAO.

Measuring the Level of FSM and RMI Support for the U.S. Positions in the United Nations

While the support of the FSM and the RMI for U.S. positions in the United Nations is not directly related to U.S. defense and security interests, U.S. officials cite this support and support in other international fora[40] as a reason for why these islands are strategically important to the United States. The primary source that officials refer to in these statements is the Department of State's annual report on Voting Practices in the United Nations.[41] This report, which has used a consistent methodology to compare the votes cast by countries in the U.N. General Assembly with U.S. votes, has been incorrectly interpreted and used to overstate the level of support provided by the FSM and the RMI.[42] By excluding instances where these countries were absent or abstained in their interpretation of this report,[43] officials have overlooked the report's cautionary message in its methodology section. The report indicates that abstentions and absences are often difficult to interpret, but they make a mathematical difference, sometimes major, in the voting coincidence results. The case of Palau, a country near the FSM and the RMI, illustrates this point. An official in the Bureau of International Organizations at the Department of State characterized Palau as the number-two friend of the United States in the

[40] The FSM cites its support of U.S. positions to refrain from signing on to the U.N. Convention on Land Mines and entering into the South Pacific Nuclear Free Zone as examples of its support of the U.S. defense and security objectives. These officials also stated that the U.S. ability to transit nuclear-powered naval vessels through the FSM's territorial waters contributed to the defense of the islands; this activity would be prohibited if the FSM were incorporated into the South Pacific Nuclear Free Zone.

[41] The Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1990 required the Department of State to submit this report on an annual basis and follow the format used in its 1988 *Report to Congress on Voting Practices in the United Nations*.

[42] In 1993, the Department of State began including a second measure of voting coincidence that took into account consensus voting in its reports. A resolution is adopted by consensus in the U.N. General Assembly if no country calls for a vote after the resolution is presented by the President for passage. Records of which countries are in attendance when consensus is reached are not kept; therefore, including resolutions adopted by consensus in voting coincidence requires using a proxy measure to estimate attendance. This methodology increases the percentage of the time a country agrees with the United States in the U.N. General Assembly.

[43] Abstaining from a vote requires a country to take an affirmative action, akin to casting a vote. Department of States officials stated that abstentions can be difficult to interpret and the reasons for abstaining vary. A country may not want to express an opinion on a contentious issue or contradict an ally, or a country may not have an official position on an issue or the representative at the United Nations may have not received instructions on how to vote. In certain circumstances, the voting practices report has favorably interpreted abstentions because, combined with dissents, they prevented a resolution from receiving an absolute majority despite passing.

General Assembly because of its 100-percent voting coincidence with the United States in 2000. However, this percentage is based on just 11 identical votes cast out of a possible 65 votes (about 17 percent) because Palau's 2 abstentions and 52 absences are not included in the voting coincidence percentage. Table 1 in our letter shows these differences for the FSM and the RMI.

The FSM and the RMI have also gained visibility by supporting the United States on important issues in the General Assembly. Each year the Department of State report highlights about 13 votes (or 18 percent of total General Assembly votes) on issues the United States considers important, such as arms control, Middle East issues, and human rights.[44] On some of these issues, the United States is one of only a few dissenters, making FSM or RMI support highly visible. However, officials from the Department of State and the FSM concede that this support has more symbolic significance than actual significance given the overwhelming margins on these votes. For instance, during the 2000 General Assembly, the FSM joined the United States and Israel as the only dissenters on a resolution concerning the risk of nuclear proliferation in the Middle East (the RMI was one of only 8 countries who abstained), and the RMI joined the United States and Israel as the only dissenters on a resolution critical of the U.S. embargo of Cuba (the FSM was absent).[45] The vote totals for these resolutions were 157-3-8 (for-against-abstain) and 167-3-4 respectively.[46] Table 2 contains information on the number of votes the FSM and the RMI have cast that are either identical to or the opposite of United States votes

[44] The Bureau of International Affairs at the Department of State is responsible for identifying these important votes.

[45] The FSM points to its support of U.S. positions on Cuba as recognition of its special relationship with the United States. Officials from the FSM Compact negotiating team stated that the FSM comes under extreme pressure from other members of the G-77, a U.N. group made up of developing countries, to abandon its support of the United States on Cuban issues. However, on Middle East issues, these officials said that FSM support for Israel is due more to the fact that Israel was the first country to establish diplomatic relations with the FSM than deference to the United States. The desk officer for the FSM and the RMI at the Department of State also attributed support for Israel in the General Assembly to economic assistance provided by Israel in the past to these countries.

[46] Vote margins on General Assembly resolutions typically are large adding to the argument that FSM and RMI support is largely symbolic. During the 10-year period since the FSM and the RMI became members of the United Nations, eight votes was the smallest margin by which a resolution was adopted.

on important issues, as well the number of times they have abstained or been absent, since their induction into the United Nations in 1991.

Table 2: FSM and RMI Support for U.S. Positions on Important Issues in the U.N. General Assembly, 1991-2000

FSM	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Identical votes	4	8	10	10	8	7	9	6	7	9
Opposite votes	1	2	1	0	2	1	0	0	0	0
Abstentions	3	2	2	5	5	3	3	3	2	1
Absences	4	4	0	0	0	1	1	1	4	1
RMI	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**
Identical votes	8	12	10	10	8	8	9	5	5	8
Opposite votes	1	2	1	1	3	1	2	0	2	1
Abstentions	2	2	2	4	3	3	1	2	2	2
Absences	1	0	0	0	1	0	1	3	4	0

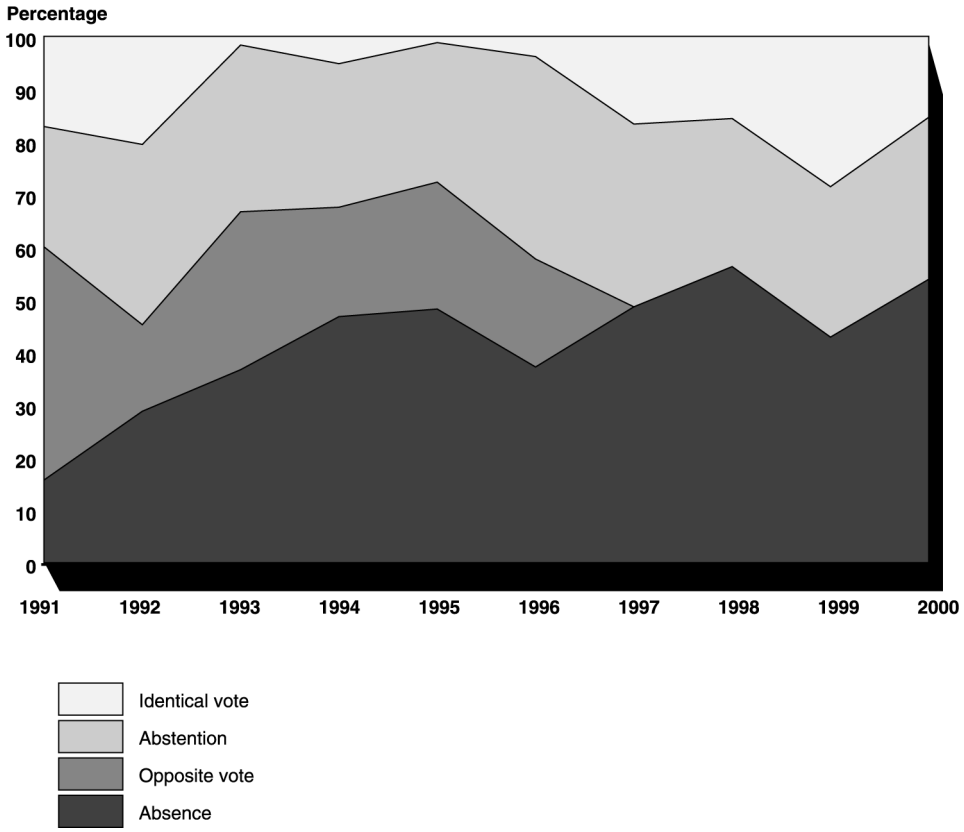
Source: Department of State Voting Practices in the United Nations, 1991-2000.

While the level of support by the FSM and the RMI for U.S. positions in the U.N. General Assembly has been overstated, these countries have, in recent years, achieved a level of support that resembles the average North Atlantic Treaty Organization (NATO) country (see figs. 14 through 16).[47] A closer look at the voting profiles of the FSM, the RMI, and NATO also reveals the importance of acknowledging abstentions and absences in measures of voting coincidence. For example, in 2000, the FSM cast 35 votes (out of 65) identical to those cast by the United States, while the RMI and the average NATO country each cast 34 identical votes. However, due to the exclusion of abstentions and absences from its calculations, the Department of State reported voting coincidence percentages for the FSM, the RMI, and the

[47] However, the level of support provided by the FSM and the RMI does not rise to the level of the strongest U.S. allies in the United Nations—Israel and the United Kingdom. For instance, in 2000, Israel voted the same way as the United States on about 77 percent of all General Assembly votes and the United Kingdom did so over 58 percent of the time. In contrast, the FSM and the RMI voted with the United States about 54 percent and 52 percent, respectively.

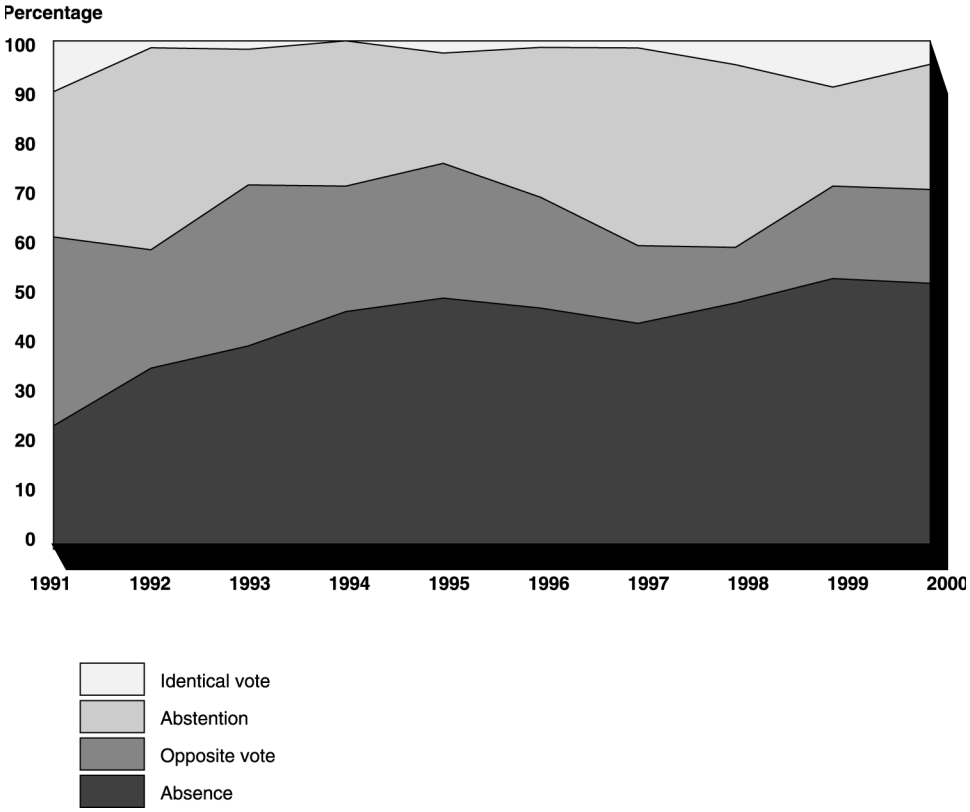
average NATO country that ranged from about 100 percent for the FSM to 74 percent for the RMI to 63 percent for NATO.

Figure 14: FSM Voting Coincidence with the United States in the U.N. General Assembly, 1991-2000



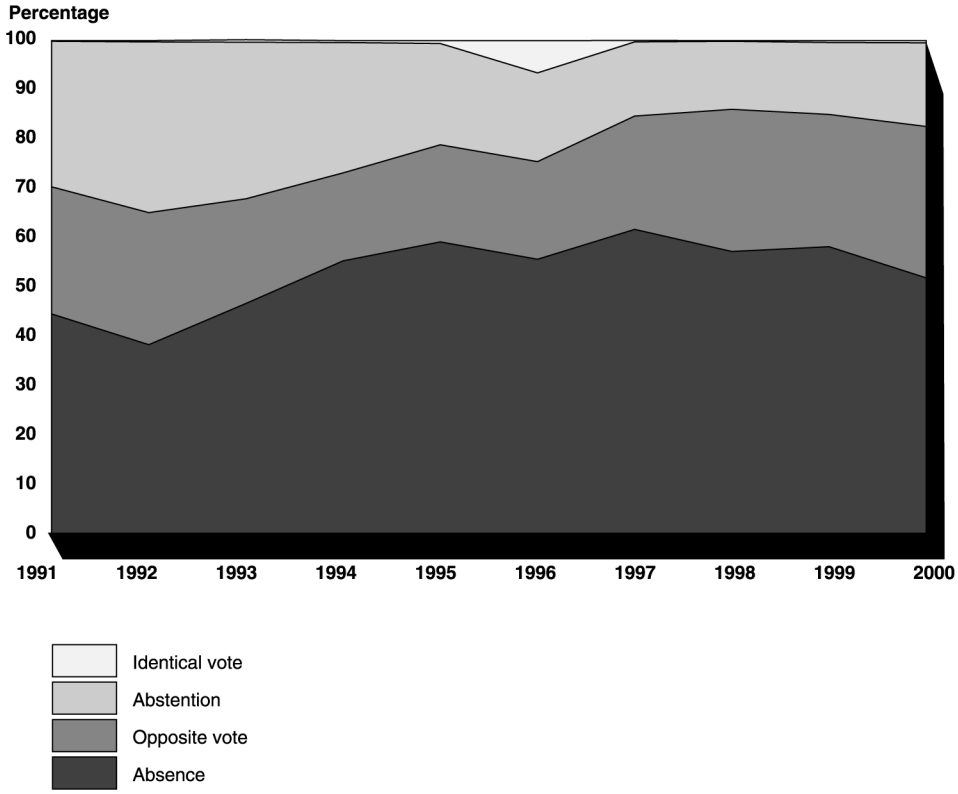
Source: GAO analysis of the Department of State's Voting Practices in the United Nations, 1991-2000.

Figure 15: RMI Voting Coincidence with the United States in the U.N. General Assembly, 1991-2000



Source: GAO Analysis of the Department of State's Voting Practices in the United Nations, 1991-2000.

Figure 16: NATO Voting Coincidence with the United States in the U.N. General Assembly, 1991-2000



Source: GAO Analysis of the Department of State's Voting Practices in the United Nations, 1991-2000.

Comments from the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

ASSISTANT SECRETARY OF DEFENSE

2400 DEFENSE PENTAGON
WASHINGTON, DC 20301-2400

INTERNATIONAL SECURITY AFFAIRS

07 DEC 2001

Mr. Loren Yager
Director, International Affairs and Trade
U.S. General Accounting Office
441 G Street, N.W.,
Washington, D.C. 20548

Dear Mr. Yager:

This is the Department of Defense (DoD) response to the GAO Draft Report, *Foreign Relations: Kwajalein Atoll is the Compelling U.S. Defense Interest in Two Micronesian Nations*, dated October 24, 2001 (GAO Code 320069/GAO-02-119).

See comment 1.

While DoD currently sees a region largely at peace and free of significant security threats, DoD believes that future uncertainty over security trends in the Pacific makes a continued right to strategic denial in Micronesia essential, and thus disagrees with the GAO report on this point.

Our relationship is founded upon the unique 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, oblige the United States to provide for the defense of the Freely Associated States in perpetuity, unless the parties mutually agree 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 is an obligation greater than the United States has assumed under any of its mutual defense treaties. In return, the United States has the right for certain military uses and access, as well as the right to veto access by third countries.

See comment 2.

Prior to undertaking negotiations to renew the Compact, the Department of Defense conducted a study to determine U.S. defense interests in the Freely Associated States for the post-2001 era. This study looked at issues such as continued access, current and future threats, and roles that the Freely Associated States may play in future scenarios. Like the GAO review, the DoD study concluded that there was a strong defense interest in the continued use of the Kwajalein Missile Range and the defense facilities on Kwajalein Atoll. The DoD study also concluded, however, that it would be unwise to assume that the end of the Cold War has lessened the strategic importance of Micronesia to the defense of U.S. national interests in the Asia-Pacific region. The DoD study concluded that our right to prevent the basing of third-country military forces in the Freely Associated States is still in the national interest of the United States and should be maintained.

Sincerely,

Peter W. Rodman

GAO Comments

The following are GAO's comments on the letter from DOD dated December 7, 2001.

1. This report does not determine whether the right of strategic denial is essential. However, we did find that (1) strategic denial has never been invoked (see p. 13); (2) there is a lack of consensus among U.S. policymakers concerning its value in the post-Cold War era (see p. 17); and (3) the scope and effect of this right have been overstated in public statements by officials from the United States, the FSM, and the RMI (see p. 18).

2. The cited DOD study reached a different conclusion on how the strategic importance of Micronesia has changed over time than the one reported in DOD's letter. According to unclassified portions of this 1999 assessment, the strategic importance of Micronesia to the defense of American national interests has clearly lessened in the 50 years since World War II. The study explained that this is the result of a number of factors, including the advent of intercontinental, nuclear-armed missiles; refuelable, long-range aircraft; and ballistic missile-carrying submarines, as well as increases in the operating range and at-sea endurance of America's surface naval forces. Finally, the study stated that the end of the Cold War appears to have removed the only current blue-water navy and long-range aviation threat to U.S. forces in the Pacific. This is consistent with our conclusion about the FSM and the RMI's current lack of broad strategic importance to the United States (see pp. 16-17).

Comments from the Government of the Federated States of Micronesia

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

EMBASSY OF THE
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November 19, 2001

Mr. Loren Yager
Director, International Affairs and Trade
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Yager:

Subject: GAO Draft Report on Foreign Relations (GAO-02-119)

It is with pleasure that I forward the attached response on behalf of the Government of the Federated States of Micronesia (FSM) to the proposed draft GAO Report: Kwajalein Atoll is the Key U.S. Defense Interest in Two Micronesian Nations (GAO-02-119).

We are pleased that the draft report correctly conveys the FSM views regarding the importance of the interrelationship between the political, economic, and defense and security provisions of the Compact. Indeed, they are inextricably linked and cannot be addressed separately.

See comment 1.

On the other hand, we are surprised that the report incorrectly minimizes the value of the unique U.S.-FSM defense and security relationship provided for under Title Three of the Compact. First, it focuses on the "current" regional security environment, pre-11 September, and fails to provide a necessary outlook of the future Asia-Pacific strategic security environment against which to assess the importance and continued relevance of the security provisions of the Compact.

See comment 2.

Second, although it is up to the U.S. Defense and State Departments to comment on the general findings of the study regarding U.S. defense interests in the FSM, we question the conclusion that the FSM currently lacks any strategic importance. In asserting this, the draft report overlooks statements by senior U.S. policymakers in Congressional hearings on the FSM and RMI in October 1998 and June 2000 that, despite the end of the Cold War, these countries continue to be of strategic significance to the U.S. The report even ignored the statement in the June 2000 hearings by

Letter to Loren Yager, November 19, 2001, Page 2

Congressman Tom Lantos, to whom this report is being forwarded, that the FSM and RMI "have great strategic importance for us."

See comment 3.

Third, we also take issue with the report's conclusion that the importance of certain key security interests is overstated. These include strategic denial, FSM proximity to sea lines of communications, and FSM support for U.S. security policy as reflected in U.N.voting. Again, it appears to us the report ignores significant material that runs counter to its negative premise that the FSM lacks strategic importance.

As usual, we are very appreciative of the opportunities extended to us to comment on the GAO draft reports. We do not wish to see underplayed the value and importance of Title III of the Compact of Free Association; and believe that including such material as we've indicated would make a better-balanced report.

The United States and the Federated States of Micronesia have had a strong relationship going back to World War II. It is our intent to maintain this relationship. Please do not hesitate to contact my office if there are any questions. Thank you.

Sincerely,

Jesse B. Marehalau
Ambassador E&P

Attachment

Federated States of Micronesia Comments on GAO Draft Report

Foreign Relations: Kwajalein Atoll Is the Key U.S. Defense Interest in Two Micronesian Nations

November 19, 2001

See comment 4.

1. **Title.** Misleading. It suggests the U.S. has only one security interest in the FAS. While the U.S. missile-testing base at Kwajalein may be the most important U.S. security interest in the region, it is not the only one either in the RMI or the FSM. Also, what does the word "key" mean in this context? And elsewhere in the report the word "compelling" is used to describe U.S. defense interest in Kwajalein—what does "compelling" interest mean?

See comment 5.

2. **Lack of Regional Security Environment Outlook and FSM's Strategic Importance.** The report assesses the strategic importance of the FSM against the backdrop of the post-Cold War world and the current regional security environment. But even here, it ignores statements by DoD and State officials about the continued strategic importance of the FSM in this now 11-year, post-Cold War period. As Henry Kissinger wrote last January in *The Washington Post,* "The Cold War has ended, but history and geography have not been abolished."

In the 1998 FSM/RMI Congressional hearings cited in the report, Deputy Assistant Secretary of Defense for Asian and Pacific Affairs, Kurt Campbell, observed—like Kissinger—that "just because the cold war is over does not mean our security and our strategic interests go away." In the same hearings, Assistant Secretary of State for East Asian and Pacific Affairs, Stanley Roth, acknowledged that the Cold War was over and the Soviet threat had ended; but he observed that "the FAS continue to be of strategic significance to the United States." Similarly, Dr. Campbell's successor as Deputy Assistant Secretary of Defense, Fred Smith, testified in June 2000 Congressional hearings that "it would be unwise to assume that the end of the Cold War lessened the strategic importance of Micronesia to the defense of US national interests."

Finally, just thirteen days ago U.S. Ambassador-designate to the FSM, Larry Dinger, declared in his confirmation statement that "While Cold War concerns that were a cornerstone of the Compact have receded, the FSM still occupies a huge, strategically significant portion of the Pacific Ocean."

See comment 6.

Granted, the draft report does correctly reference the 1999 DoD assessment on U.S. interests in the FAS that a direct military threat in the region is unlikely in the next 15-20 years. But this ignores the growing military capability of the country deemed most capable of challenging the status quo in Northeast Asia during that period and the

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potential flashpoints for conflict that render the future security environment in the Asia-Pacific region so uncertain and unpredictable.

The report also ignores the findings of the major study conducted by the U.S. Commission on National Security/21st Century. It concluded that "Asia, and particularly Northeast Asia, is the region of the world most likely to witness a major war" during the next quarter century, and it is the "only region [of the world] in which significant territorial disputes among major powers exist." Such a conflict would entail a sizeable maritime dimension and would affect the entire region. In fact, the Commission's study goes further to say such a conflict would "invariably affect the entire world."

Our understanding of the continued and future strategic importance of the FSM rests with its geographic position in the Western Pacific and U.S. concern about this great uncertainty of the future Asia-Pacific security environment. The unique defense and security relationship as embedded in Title Three of the Compact serves our mutual interest as a kind of "insurance policy" or a hedge against an ultimately unknown and unpredictable future security environment.

Although we now enjoy peace in the Pacific and the outlook is for no direct military threat in the region for the foreseeable future, we nonetheless must be concerned for the future, as Defense Secretary Rumsfeld has emphasized, given the inevitability of strategic surprise. As Secretary Rumsfeld concluded recently in the 11 September aftermath, "We will almost certainly be surprised again." In fact we were "surprised" that the GAO draft report does not evaluate the importance of the U.S. defense interests in the FSM as "insurance" against the uncertain future Asia-Pacific security environment.

See comment 7.

Views of U.S. Pacific Command Representatives. We were surprised to learn from the draft report that current and former ambassadors to the FSM and U.S. Pacific Command representatives consider the FSM "no longer strategically important to the United States." First, as noted above, the U.S. Ambassador-designate, Larry Dinger, apparently does not subscribe to this view. Second, our Compact defense and security advisor has spoken to U.S. Pacific Command representatives who believe the FSM, despite the end of the Cold War, still retains strategic importance for the U.S. for the future. Because differences of view exist among representatives in a large command, it would be helpful if the draft report presented an official U.S. Pacific Command position on this important subject.

Clarification. As a point of clarification, on the same page of the draft report that presents views of U.S. Pacific Command representatives (p.16), reference is made to Congressional hearings in 1984 at which the Assistant Secretary of Defense for International Security Affairs stated that the U.S. sought no additional defense sites in the FAS. This is included in the footnote to support the premise about the alleged lack of U.S. strategic interest in the FAS. We would like to point out, however, that in Congressional hearings on the FAS in October 1998, the Deputy Assistant Secretary of Defense for Asian and Pacific Affairs made much the same point. He said he did not anticipate a future need to build "permanent military facilities"[i.e., bases] in the FAS

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because the U.S. had all of the permanent basing facilities it needed in the Asia-Pacific region at the time. Thus, it does not appear he was suggesting lack of U.S. strategic interest in the FAS. Instead of additional basing in the region, he explained, the U.S. sought access to additional training and support facilities. (At the time, this effort included such activities as obtaining the revised Defense Guidelines with Japan, access to naval and air maintenance and repair facilities in Malaysia, and construction of the Changi aircraft carrier pier in Singapore.)

See comment 1.

Post -11 September Considerations. The draft report, in focusing on "current" U.S. interests in the FSM, fails to consider possible 11 September implications for the U.S.-FSM security relationship. It would be helpful for the report to include an evaluation of the possible impact of what *The Wall Street Journal* has described as the U.S.'s "seismic foreign-policy shift" since 11 September and its effort to build an international coalition against terrorism. The report should consider what impact, if any, these developments have on U.S. interests in the FSM and the Western Pacific.

President Falcam was among the first heads-of-state to offer support to the "full extent of its[the FSM's] resources" to President Bush in the fight against international terrorism. As Ambassador-Designate Dinger pointed out in his confirmation hearing statement this month, "Pacific Island nations can play significant roles to advance U.S. interests" against transnational threats such as terrorism.

The FSM will resubmit its 1998 maritime pre-positioning offer to the U.S. in the aftermath of 11 September. The U.S. may have other considerations now for its possible use, given the U.S.'s fight against international terrorism and the requirements set forth in the 2001 Quadrennial Defense Review for increased U.S. presence in the Western Pacific.

See comment 8.

One immediate fallout for the FSM of the 11 September terrorist attacks—what Secretary Rumsfeld describes as America's "wake-up call"—has been the U.S. use of airfields in Yap and Chuuk for fighter refueling in support of training and deployment for Operation Enduring Freedom. Further, the war against terrorism and al Qaeda will likely be extended to other countries where it operates or is supported, such as Indonesia and the Philippines—two of the FSM's neighbors. In fact, the FSM State of Yap, strategically positioned out in the Southern Philippine Sea, is geographically closer to both countries than is the western-most U.S.territory, Guam.

3. **"Overstated" Importance of U.S. Security Interests.**

See comment 9.

Strategic Denial. We disagree with the report's conclusion that the value of strategic denial is overrated. First, Admiral Blair's remarks last January at the Pacific Islands Conference of Leaders and cited in the report needs clarification. We were advised at the time by U.S. Pacific Command representatives that in saying, as he did in his remarks, that strategic denial was a thing of the past, he meant it only as it applied to the former Soviet Union. Regrettably, he had not had time to elaborate on his meaning at

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the time, but the Command was still interested in maintaining strategic denial and preserving it for the future through the on-going Compact negotiations. We strongly recommend obtaining clarification on this point from the Command's Foreign Policy Advisor for inclusion in the final report.

Second, the report's analysis minimizing the importance of the area of strategic denial is interesting but questionable. As defined in the 1999 DoD assessment cited in the report, strategic denial was narrowly defined as the U.S.'s "internationally recognized right to limit basing of military forces on the islands of Micronesia to our own armed forces and those of our allies." This, the assessment pointed out, involved restricting access to airfields and fleet anchorages—which would have necessarily been on Micronesian land and within its territorial waters. It should be recognized that limiting strategic denial to the area of the FSM's land and territorial waters still provides a vast area of potential U.S. control stretching some 1,600 nautical miles across the Western Pacific.

The legal aspect of interdicting third country military forces in the area beyond territorial waters within the 200nm EEZ would certainly have to be considered on a case-by-case basis. But the 1,000,000 square mile zone that this represents is nevertheless and internationally recognized zone of U.S. influence. From a practical as opposed to a legal standpoint, a potentially hostile force approaching the FSM is not likely to expect the U.S. to wait until it reaches FSM territorial waters before the U.S. would undertake interdiction operations against it.

See comment 10.

Sea Lines of Communication. The report underplays the strategic importance of the FSM's proximity to sea lines of communications. It does not even mention the importance of vital air lines of communications across the region nor does it assess the FSM's proximity to them. With increased U.S. trade in the Asia-Pacific region, insuring unimpeded access to sea and air lines of communications across this vast area is more important than ever. Further, as was noted above, any conflict in the region would have a sizeable maritime (and air) dimension, and any conflict would spread to the entire region, perhaps to the world.

See comment 11.

The report ignores the most important sea and air lines of communication consideration in the region—the FSM's geographic proximity to Guam, the key U.S. air and naval base in the Western Pacific. The 1999 DoD assessment depicted Guam as the major U.S. military air transport hub in the Western Pacific. Aircraft operating out of Yap (and Chuuk) would be within striking range of air and sea traffic in and out of Guam. As Assistant Secretary of State Roth acknowledged in his statement during Congressional hearings on the FAS in October 1998, Guam is the "forward military bridgehead on U.S. ground," connected with sea and air lines of communications with U.S. allies in the region running from Japan, South Korea,Thailand, the Philippines, to Australia. "To protect the forward presence in Guam and beyond," he asserted, "the United States has a strong interest in maintaining friendly governments and denying potentially hostile forces access to these sea lanes."

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The report also ignores the significant fact that aircraft flying out of Yap, which is strategically located out in the southern Philippine Sea west of Guam, would be well placed to inderdict shipping in the major sea lines depicted in Figure 6 of the report extending northeast through the Philippine Sea.

The over-simplified sea lines map in Figure 6 does not reflect the density of the east-west traffic across the region and the proximity of the FSM to it. For example, it does not depict the north-south sea lines connecting U.S. allies Japan and Australia—this Yokohama-Brisbane route cuts through the FSM at Chuuk. Nor does it depict any sea lines stretching across the South Pacific, such as that between Australia and Honolulu that might be within aircraft striking range from Kosrae. In fact, we are puzzled that the report does not address the wartime importance of maintaining sea and air lines of communication with America's major ally in the South Pacific—Australia. It is likely that key Australian-American sea and air lines would likely pass within combat range of FSM airfields. Another sea line not depicted that cuts through the region of the FSM is the Central Route for eastbound traffic out of Indonesia to the Panama Canal. This route crosses immediately south of the FSM.

See comment 12.

We recommend the report use a more complete sea lines chart for Figure 6, like that contained in Defense Mapping Agency route charts of Southeast Asia (Pub 160) and the South Pacific Ocean (Pub 122). These present a more accurate depiction of the sea lines and would better reflect actual proximity of the FSM to them.

See comment 13.

A final consideration regarding the report's inadequate treatment of the importance of the FSM's proximity to sea and air lines in the region is the fact that the report is unclassified. We are therefore at a loss to know how use of these sea and air lines plays out in the U.S. Pacific Commands's contingency war plans and how the strategic location of the FSM might or might not apply. We also are not privy at the unclassified level to know how the FSM's proximity to sea and air lines of communication might or might not be used in the Command's various planning scenarios for conflict against potential opponents in the region.

U.N. Voting Record: FSM Support for U.S. Security Policy. The report misses the forest for the trees in attempting to minimize the importance of the FSM's voting record. One of the strengths of the unique FSM-U.S. security relationship from the Compact's inception in 1986 has been the consistent and steadfast FSM support for U.S. foreign policy. The U.N. voting record is only part of the larger FSM support effort.

Examining the U.N. voting record in a vacuum misses the more important fact that FSM support has always been there when the U.S. has specifically asked for it. For example, a few years ago the FSM stepped up to the plate when the U.S. specifically asked for urgent help in solving a delicate political issue involving a former political leader of an Asian country. The FSM has delayed or avoided signing on to international treaties that the U.S. has not supported—and this has often been against pressure from fellow Pacific Island States or developing countries like the G-77 group at the U.N.

See comment 14.

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See comment 15.

Consistent FSM support is also reflected in the security provisions of the Compact. As the report acknowledges, not once in the 15-year history of the Compact has the U.S. had to invoke the "defense veto" clause. Nor has either country ever had to initiate the dispute resolution process provided for therein. We are puzzled by the fact that the report fails to even mention that some 50 FSM citizens per year volunteer to put their lives at risk by serving in the U.S. military. As Ambassador-designate Dinger acknowledged in his confirmation statement, "Many sons and daughters of Micronesians are serving honorably in the U.S. armed forces as they have for several decades, and they will stand shoulder to shoulder with Americans in the fight against terrorism."

See comment 16.

Regarding the U.N. voting record, the report's analysis is both puzzling and misleading in attempting to downplay the importance of the FSM's 100% voting coincidence record with the U.S. over the past four years. For example, using the GAO methodology, all U.S. allies' coincidence of voting records would be proportionately reduced. These, however, are not shown. Also using the GAO methodology, coincidence of FSM voting in support of the U.S. would be increased from 52% to 81% if it considered votes on security issues deemed important by the U.S. But again, this is not mentioned in the report.

The GAO analysis to downgrade the importance of the FSM U.N. voting record hinges on factoring in numbers of abstentions and absences. It should be pointed out that the voting record of all close U.S. allies included abstentions, some absences. For example, for 2000, on votes of the 11 issues deemed important by the U.S., Israel had 1 abstention, Germany 2, Japan 3, and the U.K. 2. This compares to the FSM's 1 abstention and 1 absent vote. Regarding the FSM's 1 absent vote, it was made in direct response to a request from the U.S. that the FSM register absent rather than abstain on one of the important perennial issues.

More importantly, the report fails to consider the importance of votes cast against the U.S., either on overall or on important issues. The FSM was the only country in the U.N. that—for the last 4 years—has not cast a single vote against the U.S. on any overall or important security issues. Other close U.S. allies like Japan, for example, voted against the U.S. 21 times in 2000 and 21 times in 1999; Israel voted against the U.S. 2 times in 2000 and 6 in 1999; the U.K. voted against the U.S. 15 times in 2000 and 16 times in 1999; and all NATO countries voted against the U.S. on issues of importance to the U.S. an average of 2.4 times per country in 2000 and 3 times per country in 1999.

So despite the report's attempt to manipulate the U.N.voting numbers, we believe they stand as a good indicator—relative to voting support from other close U.S. allies—of the FSM's consistent, strong support for U.S. security policy.

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GAO Comments

The following are GAO's comments on the letter from the government of the FSM dated November 19, 2001.

1. We consulted with DOD on numerous occasions following September 11, 2001, to ensure that the conclusions reached in this report still reflected current U.S. interests in the Asia Pacific region. In addition, on pp. 16-17 we discuss the Quadrennial Defense Review, which, when it was released on September 30, set out a new strategic vision for defense planning purposes. Finally, with regard to the future Asia Pacific security environment, DOD did not, in response to our request, provide us with specific information on how the Compact's defense provisions might aid the United States in its response to potential threats such as conflict on the Korean Peninsula, territorial disputes in the South China Sea and Northeast Asia, and separatism in Indonesia.

2. We acknowledge that such statements have and continue to be made by senior U.S. policymakers. We examined these statements and gave officials at both DOD and the Department of State the opportunity to provide specific examples of the FSM's strategic importance in the current security environment. In response, we received some general information, such as the views of several DOD officials concerning the utility of strategic denial, which are noted on p. 19. However, this information did not change the conclusion we reached on pp. 16-17 about the FSM currently lacking broad strategic importance for the United States. DOD reached a similar conclusion in its 1999 assessment of U.S. interests in the Freely Associated States (FAS) – the FSM, the RMI, and Palau. See p. 52, comment 2 for additional information on DOD's conclusion.

3. We maintain that the effect of strategic denial, the importance of sea lines of communication in the region, and the degree of support received from the FSM for U.S. positions in the United Nations have been overstated. See p. 63, comments 9-12 and 14, and p. 64, comment 16 for more detailed information.

4. Our report concludes that continued U.S. access to facilities on the Kwajalein Atoll in the RMI is both the key and compelling U.S. defense interest in the FSM and the RMI. In this context, "key" means important, fundamental. Kwajalein is the most important U.S. defense interest in the two countries. In this context, "compelling" means convincing. Among the U.S. interests commonly cited in the FSM and

the RMI, including Kwajalein, strategic denial, sea lines of communication, and U.N. support, we found the evidence supporting Kwajalein's importance most convincing.

5. See comment 2. We repeatedly sought to obtain the factual and detailed underpinnings that support Dr. Campbell and Mr. Smith's statements, but DOD did not provide this information.

6. See comment 1. The focus of this report is on current U.S. defense interests in the FSM and the RMI. However, we examined the potential role of the FSM and the RMI with regard to the Quadrennial Defense Review on pp. 16-17 and noted DOD's views that the FSM and the RMI may not be included in DOD plans to increase the U.S. presence in the Western Pacific.

7. The official U.S. Pacific Command position on the strategic importance of the FSM is classified. This information, as well as classified details of the 1999 DOD Assessment of U.S. Interests in the FAS, was presented to the requesters of this report in June 2001. Further, the views from the U.S. Pacific Command officials, which are included in our report, were collected from individuals specifically designated by the Command to respond to our questions.

8. The U.S. Pacific Command has told us that the United States has access to airfields throughout the FAS. According to the Air Mobility Operations Center within the Pacific Command Air Force Operations Center, the U.S. Air Force (USAF) does not use Yap and Chuuk for refueling as a matter of routine operations. As a rule, when USAF fighters transit the Pacific Command's Area of Responsibility they have tanker escort, which means they do not need to refuel on the ground. The Air Mobility Operations Center does not keep track of fighter refueling and cannot verify whether any USAF fighters have refueled at Yap or Chuuk. However, a Pacific Command representative stated that it is quite possible that the Marines or Navy could have dropped in for fuel, but there is no way to provide an accounting of how many times and for what reasons. He stated that there have been literally hundreds of flights transiting the Pacific Command's Area of Responsibility in support of Operation Enduring Freedom. U.S. pilots are given a great deal of latitude; and, given countless possible scenarios, some could have dropped into the FSM to refuel. Finally, he stated that Palau and Guam have also been used recently for refueling purposes, with Guam used more often than small airfields when it is convenient. However,

carrier-based aircraft transiting the Pacific Command's Area of Responsibility might find a more direct route by flying through the FSM or the RMI rather than Guam.

9. This report does not conclude that the value of strategic denial is overrated. However, we did find that (1) strategic denial has never been invoked (see p. 13); (2) there is a lack of consensus among U.S. policymakers concerning its value in the post-Cold War era (see p. 17); and (3) the scope and effect of this right have been overstated in public statements by officials from the United States, the FSM, and the RMI (see p. 18). Finally, with regard to the effective area of strategic denial, we acknowledge both the right to deny land access and the potential effect of this denial on the ability of other countries to conduct long-term naval operations (p. 19).

10. See p. 21, footnote 24 for a discussion of U.S. trade flows. Our analysis illustrates that most U.S. Pacific trade passes well north of the FSM and the RMI.

11. Of note, the examples offered here ignore the fact that strategic denial would prevent the use of the FSM by a third-party military to threaten Guam or sea lines. Also, in response to our questions on how U.S. interests would be affected if a third-party military had a presence in the FSM or the RMI, DOD focused exclusively on potential surveillance activities, not threats to Guam or shipping.

12. We have carefully examined these route charts and determined that they support our finding that the major sea lines of communication between the United States and Guam as well as key trading partners in Asia run north of the FSM and the RMI. In addition, we have amended footnote 23 on p. 21, to note that there are sea lines running between Australia and Japan that transit the FSM. Finally, these route charts appear to show that major sea lines between the United States and Australia lie close to 2000 kilometers away from the nearest point in the FSM.

13. We provided a classified briefing to our requesters in June 2001. This briefing included a discussion of contingency war plans and operational scenarios, as well as other information gathered from U.S. defense and intelligence agencies.

14. These specific instances of FSM support for U.S. positions were included in the draft provided to the FSM for comment (see app. V, p. 45, footnote 40, and p. 46, footnote 45).

15. Information on FSM citizens serving in the U.S. armed forces was included in the draft provided to the FSM for comment (see app. II, p. 31).

16. This report recognizes that absences and abstentions are an issue for all the coincidence numbers reported in the Department of State report in p. 23, footnote 25. Our methodology, which accounts for these absences and abstentions, was described as fair and valid by a former Department of State official who prepared the U.N. voting report for the past 12 years. We also compare the FSM favorably with U.N. support received from NATO on p. 23 (see also app. III, pp. 47-48). Our analysis of NATO voting on pp. 47, 48, and 50 applies the same methodology that we used to calculate the voting coincidences of the FSM and the RMI. Finally, we discuss FSM support on issues identified as important by the Department of State on pp 46-47. However, we note that lopsided vote margins in the U.N. General Assembly means this support is largely symbolic.

Comments from the Government of the Republic of the Marshall Islands

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

REPUBLIC OF THE MARSHALL ISLANDS
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November 19, 2001

Mr. Loren Yager
Director, International Affairs and Trade
U.S. General Accounting Office, Room 4T55a
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Washington, D.C. 20548-0001

Dear Mr. Yager

The Government of the Republic of the Marshall Islands (RMI) once again welcomes the opportunity to offer its comments on a draft GAO report on implementation of the Compact of Free Association between the RMI and the United States. Like previous GAO reports on free association, the draft report on the security and defense elements of the Compact presents a great deal of useful information.

However, as with earlier installments in this serial process for releasing reports on the Compact, the draft report on security and defense relations requires substantial commentary to put the information and analysis presented into what the RMI would regard as a more objective and accurate context. Even where it is based upon the threat assessments and opinions of U.S. military experts and planners, the GAO report's analysis uses those views as the point of departure for its own opinions about how the Compact has operated, and will in the future, to promote the mutual security interests of the parties.

The RMI respects but can not concur in many of the GAO's opinions.

See comment 1.

For example, the fact that the U.S. has not formally exercised the "defense veto" over foreign policy actions of the RMI, at least not overtly in a manner recognized as such, is cited by the GAO as a case of U.S. defense rights not exercised. However, the RMI's view is that if the defense veto did not have to be invoked overtly and regularly it has been because the mechanisms and procedures for consultation that are part of the architecture of security and defense relations under the Compact have worked precisely as contemplated.

See comment 2.

Similarly, it apparently did not occur to the GAO that the right of strategic denial was never exercised because the Compact put the whole world on notice that the U.S. has the same military operating authority in the RMI that it has in Hawaii. Instead, the GAO argues that U.S. strategic denial rights have been exaggerated because "…these rights are identical to those that the United States exercises in its own territorial waters." If the GAO will advise the RMI how it can grant the U.S. greater defense and security

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rights than plenary power identical to U.S. powers over its own waters, the RMI certainly will sympathetically consider doing so.

Indeed, only grudgingly does the GAO admit at page 19 that strategic denial of access by third country military to land facilities "…limits the ability of other nations to undertake long-term naval operations in the area, and makes activities in the region, such as surveillance, more costly." Of course, since the GAO apparently has concluded that the hostile actors or foreign powers will never again attempt to transit RMI waters or develop a presence in our islands, even the recognized and tangible security benefits for the U.S. are thematically discounted in the report.

See comment 3.

The RMI has experienced unrestrained warfare, as well as the peacetime use of high-yield nuclear weapons, in our territory. We do not share the GAO's assessment as to the predictability, the nature, or the consequences of future threats to international peace and security.

See comment 3.

That is one of the reasons the RMI is committed to the strategic partnership defined by the Compact. However, the RMI's commitment to its alliance with the U.S. is not motivated only by the protection the RMI receives, nor economic assistance. As discussed in some detail below, the RMI rejects the attempt to oversimplify the RMI-U.S. relationship under the Compact. Specifically, free association can not accurately be characterized as a *quid pro quo* exchange of defense rights for economic benefits.

Most recently, the RMI has made it clear at the highest level that our nation stands with the United States in the war on terrorism without condition or exception. The U.S. is on the side of rule of law, human liberty and freedom from violence in the world. The RMI is on the same side and stands with the U.S. in this struggle, and that will be the policy whether free association continues or not. Even if our citizens were not serving today in the uniform of the United States, even if we were not supporting the U.S. missile defense program, even if we did not delegate full powers of government over all security and defense matters arising in our territory to the United States, the RMI will align itself with the U.S. on these matters of international peace.

However, we would also note that the U.S. has benefited far in excess of what the GAO seems to regard as the burdens and cost of the relationship. The ability of the U.S. to conduct nuclear tests in the RMI and the missile defense program at Kwajalein played a role in the success of U.S. strategic policy in the post-WWII era that is hard to overstate. What price tag would the GAO put on the role that the Marshall Islands played in support of the U.S., at a time when the world was divided in two camps and the stakes were not just life and death for the generation, but the very survival of civilization?

See comment 4.

With respect to the value of the Compact to the U.S., the termination of the trusteeship in favor of free association was itself important to the Reagan Administration's efforts to develop the Strategic Defense Initiative without Soviet interference in the Trusteeship Council. Not only does the GAO ignore some of these significant historical facts in its historical account of the relationship at pages 5-6, but any

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See comment 4.

mention of the nuclear testing program and its legacy for the people in the RMI is omitted entirely. Yet, this and many other matters were part of the public policy equation Congress embedded in the Compact, and the GAO report is the best evidence that the institutional memory of the U.S. government about this relationship needs to be refreshed.

See comment 5.

The litany of oversimplification in this report must also include the statement that "Ongoing negotiations to renew these expiring provisions provide the United States with the opportunity to reexamine its defense and security interests in the region in light of the end of the Cold War and the current use of Kwajalein Atoll in the Marshall Islands as a test site for missile defense." This might not be an unreasonable statement were it not for the fact that the reexamination urged by GAO includes the strategic denial right, which by the terms of the mutual security agreement concluded under the Compact can only be altered by mutual agreement.

The U.S. may be able to renounce the mutual security agreement and terminate the Compact. However, the GAO suggestion that expiration of the economic provisions of the Compact entitles the U.S. to unilaterally reexamine the mutual security agreement ignores the terms of mutuality and comity set forth in a treaty that has the force and effect of U.S. Federal law.

See comment 6.

Similarly, in support of the thematic insinuation that the RMI is as much or more of a military obligation to the U.S. than an asset, the GAO report characterizes the commitment of the U.S. to defend the RMI as a higher level of defensive burden than the mutual defense obligations of the U.S. under the NATO pact. Yet, the GAO report fails to mention that the strategic denial power, the defense veto power, the plenary authority of the U.S. to exercise sovereign power over all security and defense matters in the RMI as delegated under the Compact, and the military operating rights in the lands and waters of the RMI, separately and especially in combination, all provide the U.S. with a greater degree of rights and powers that the U.S. enjoys in NATO nations or as a NATO partner.

See comment 7.

Perhaps the GAO opinion that demands the most scrutiny and correction of the record is the heavily-emphasized assertion that the Compact's security and defense provisions reflected "Cold War concerns…that existed at the time of the negotiations". This is a pivotal assumption around which much of the logic and analysis in the draft report revolves. The accompanying recital of the levels of direct economic assistance and costs of Federal programs provided under the Compact would tend, as mentioned above, to lead the reader to conclude that the Compact is simply or primarily a *quid pro quo* arrangement involving a bargained-for exchange of military rights for Federal payments. This presentation of facts and the related analysis is so incomplete and misleading that it fairly can be characterized as historical revisionism.

The negotiations and the status resolution process spanned the better part of two decades, from 1969 to 1985 (including Congressional ratification, during which some leaders in Congress actively engaged in negotiations with the Executive Branch and the island leaders to alter the effects of the agreement, resulting in formulation of the

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elaborate implementing provisions in Title I of P.L. 99-239). Five House and two Senate committees conducted somewhere near 30 hearings on the legal, political, economic, social, and cultural, as well as strategic and military, implications of the Compact.

This was during the Cold War era, and to be sure the Soviet threat to international peace and security from the end of WWII forward was a significant factor in U.S. policy for administering the trust territory, including the nuclear testing program at Bikini and Enewetak and the missile systems development program at Kwajalein. However, these strategic programs of the U.S. in the trust territory did not operate in a vacuum, and both before and after the Compact was implemented the relationship between the RMI and the U.S. was much more complex than this or previous GAO reports reveal.

To begin with, during the 38-year period from approval of the trusteeship agreement by Congress in 1947 to 1985 when the Compact was approved, the RMI and other parts of the trust territory were administered in much the same manner as U.S. territories had been. Military occupation government was replaced by civilian administration under the Department of the Interior. The committees in Congress that exercised plenary powers over the U.S. territories under article IV, section 3, clause 2 of the U.S. Constitution acquired jurisdiction over the trust territory, and the prevailing view reflected in the record of Congressional oversight during these years favored treatment of trust territory citizens as much as possible like U.S. citizens in the territories.

The most notable exception to treatment not the same as but comparable to U.S. national status was that trust territory citizens had no vested rights in the U.S. political and legal system, and whatever treatment was received was at the discretion of the U.S. under the trusteeship system. Thus, as a privilege rather than as a result of rights, there was a policy of gradual extension of Federal programs and services to the trust territory on the same or similar basis as the U.S. territories.

Many members of Congress and influential Congressional staff openly advocated territorial status for the islands, and some even asserted that somehow a *defacto* annexation had already occurred under which the Territorial Clause of the Federal Constitution applied in the trust territory. The proponents of this view openly argued that only termination of the "obsolete" trusteeship was required to complete the conversion to territorial status. The RMI would be glad to assist the GAO in locating in the records of Congressional hearings and correspondence the materials that reflect this legislative history of the Compact.

Although the Executive Branch officials responsible for the status resolution process did not accept or adopt the "de facto annexation" theory, a status process was agreed to in the early 1970s that resulted in succession of the Northern Mariana Islands to territorial status. This was subject to the legal requirement of trusteeship termination at such time as the future status of the other island groups was achieved.

However, the status resolution process in the rest of the trust territory proved far more complicated than in the CNMI. Indeed, by the time the negotiations clarified the

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probable features of the available political status options for the other islands (territory, independence or free association), which did not occur until 1980, the U.S. negotiators and Congressional leaders of committees of jurisdiction had made it clear that significant elements of U.S. domestic policy were at play in the negotiations and approval of any agreement reached.

Thus, the Soviet threat had little or nothing to do with the intense political debate in Congress over whether the Executive Branch negotiators were "abandoning" islands with populations to which the U.S. had commitments and obligations more analogous to those owed to U.S. citizens. The "cutting off" of Federal programs was criticized in Congress, and in the Compact ratification process Congress added the very Federal programs cited by the GAO as part of the cost of the Compact with strong bipartisan support.

The record of over 30 hearings in the House and Senate committees with jurisdiction over both the U.S. territories and the trust territory also reflect the fact that, in the case of the Marshall Islands, economic development in the islands was precluded by closure of the islands and relocation of their populations during decades of U.S. nuclear weapons and missile testing. The population of the RMI had been both forced and induced to rely upon and, in turn, to become dependent upon, U.S. support and assistance, including woefully inadequate measures to address the effects of nuclear testing.

At the same time our people in the Marshall Islands despaired at the hardship and injury inflicted on us during nuclear testing, there also developed a friendship with the U.S. based on decades of common experience living under the trusteeship. Even though that common experience involved a man-made crisis of survival due to the effects of the U.S. strategic programs on the population, somehow a residual mutual respect and understanding grew between our peoples and governments. Even as the Marshallese slowly were angered and refused to accept the actions of the U.S. that damaged land and injured people, the virtues of Americans and the U.S. model of a political economy were recognized and admired by our people.

The people of the Marshall Islands experienced the horrors of nuclear contamination and learned about radiation in the environment in a way that few populations ever have. At the same time they held the U.S. responsible for their hardship, they had the collective wisdom to recognize that the U.S. was engaged in a struggle to prevent, rather than cause, nuclear war. The compassion Americans showed even as they created the conditions of hardship required that the Marshall Islanders learn to live with the contradictions and paradoxes of the modern world in a way that perhaps no other culture ever has. It speaks volumes about who the Marshallese people are that we seek justice with forgiveness in our hearts, and that we chose to become allies with the U.S. based on all that we knew about Americans instead of just what we suffered from nuclear testing.

The GAO report notes that several landowner demonstrations have taken place at Kwajalein in the past, but fails to point out that all of these demonstrations took place

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prior to the effective date of the Compact and Military Use and Operating Rights Agreement (MUORA). Although there have been issues which needed to be addressed over the course of the last fifteen years, the fact is that the mechanisms and framework established in the Compact through the Community Relations Council (CRC), Joint Committee Meeting (JCM) and other bi-lateral means have been largely successful in addressing these concerns. Nonetheless, the special needs of Ebeye and the Kwajalein Atoll communities must continue to be addressed in the future.

The programs of the United States to provide economic assistance to the people of the Marshall Islands, and the blessings and benefits of friendship with the U.S. in terms of education, business, transportation, communications, medical science, technology and capital infrastructure development, all were an integral part of the legacy of the trusteeship era, including the policy of "compensation" for the impact of security and defense programs in the RMI. This was well known and understood by those in Congress and the U.S. Executive Branch who negotiated the Compact. It was no accident, no lapse in judgment, and it was not simply the excesses of the Cold War era, that led to the structuring of a package that included significant economic assistance and a close strategic partnership under the Compact.

Thus, when it came time to approve a political status option, the people of the Marshall Islands were able to balance their desire to control their own destiny through attainment of sovereignty with their aspirations to share that destiny with the U.S. based on mutual agreement. The Cold War may have been the backdrop for this dramatic model of decolonization based on separate sovereignty but a continued close relationship, but neither the Cold War nor economics of the Compact were what defined the interests and motivations of the parties to that relationship. The GAO's "analysis" here is both simplistic and ahistorical.

For its part, in addition to defense rights, the U.S. honorably ended its role as administering power and substituted it with the role of an ally to democratic governments. The RMI assisted the U.S. in this foreign policy success, and Congress not only agreed but insisted that the economic and social features of the Compact reflect the close and special relationship embodied in the Compact.

The last GAO opinion that requires correction appears in the title and throughout the report. It is the misleading reference to Kwajalein as an interest the U.S. has in two "Micronesian nations".

The rights, powers and obligations of the United States with respect to security and defense matters under the Compact of Free Association between the U.S. and the RMI, including most particularly the use of Kwajalein Atoll by the U.S. as a military facility, is not an interest of the United States that arises from, or is legally, politically, or in any other respect directly related to, the free association relationship between the U.S. and the Federated States of Micronesia (FSM).

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The Compact is a multilateral agreement only because, for reasons of practicality and diplomacy in the U.N. Trusteeship Council, the U.S. originally sought to negotiate free association and terminate the U.N. trusteeship contemporaneously for the RMI, FSM, and Palau. If the GAO were to carefully examine the record of Congressional oversight from 1970 to 1985 regarding the political status process, it would discover that there was intense international and domestic political pressure on the Executive Branch negotiators and the emerging island governments to preserve "Micronesian unity", and to conclude a status agreement with a single "Micronesian entity".

The only problem was that Micronesian unity would have had to been imposed against the will of the bodies politic that constituted themselves through the self-determination process in the trust territory. Specifically, the people of the Marshall Islands, Palau and the Northern Mariana Islands did not share the aspirations of those island peoples who voted to ratify the constitution of the Federated States of Micronesia, and thereby to be part of a "Micronesian nation".

The U.S. abandoned the idea of a single multilateral document when it asked Congress to approve free association for the RMI and FSM without Palau, due to the delay in Palau's internal ratification process. Thus, the Compact approved by P.L. 99-239 is a multilateral document that defines two separate bilateral relationships. The government-to-government relationship between the U.S. and the FSM does not confer, secure or in any other legal and political sense bear upon the U.S. security and defense relationship between the RMI and the United States.

See comment 8.

See comment 9.

Thus, the GAO recital of the costs of the Compact to the U.S. incorrectly combines the amounts provided to the FSM with the amounts provided to the RMI, and then devalues the U.S. defense rights in the RMI along with those in the never-militarized FSM. This obviously invites the reader to engage in a cost/benefit analysis that is unfair and misleading.

For these and other reasons set forth above, the RMI questions the premise of this GAO report, as well as its value for those trying to determine if the Compact security and defense provisions embody important U.S. government interests.

Sincerely,

Gerald M. Zackios
Minister of Foreign Affairs

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GAO Comments

The following are GAO's comments on the letter from the government of the RMI dated November 19, 2001.

1. This report mentions two incidents where the defense veto, though not formally invoked, may have had some relevance. On p. 13 in footnote 14, we note that the RMI government once considered a plan to store third country nuclear waste in the RMI. The threat of the United States possibly invoking the defense veto, along with a change in RMI government leadership, may have been responsible for the RMI government's final decision against providing storage. Furthermore, on p. 13 we noted initial U.S. government objections to a 2001 RMI port call by Taiwanese ships. While the U.S. government never mentioned the Compact's defense veto provision during this incident, the RMI did cite the provision as not being appropriate in this particular instance. Finally, our objective was to determine which of the key provisions had been formally invoked, and both DOD and the Department of State have told us the defense veto remains unused. This report also does not attempt to assign value to the defense veto provision based on its lack of usage.

2. This report chose not to speculate on the role strategic denial may have played in deterring third country militaries from seeking to use the RMI, because data are not available to determine whether there are any third countries that would have had an interest in engaging in activities in the RMI in the absence of this right. We maintain that the evidence shows that the scope and effect of strategic denial have been overstated in public statements by officials from the United States, the FSM, and the RMI (see p. 18).

3. This report does not conclude that hostile actors or foreign powers will never again attempt to transit RMI waters or develop a presence in the RMI. Rather we note on p. 13 in footnote 13 that portions of a 1999 DOD assessment, provided to the RMI, stated that no outside threat to the FSM and the RMI is likely to emerge over the next 10 to 20 years, and there are no compelling security interests on the part of any Asian countries that would manifest themselves in any threat to the FSM and the RMI. This assessment also stated that no Asian country will have the military reach to pose a credible threat or domineering presence in the foreseeable future.

4. This report does acknowledge the importance of nuclear and missile defense testing in the U.S.-RMI relationship. Appendix III discusses U.S. activities in the Marshall Islands over the past 50 years. This report also notes that Kwajalein Atoll is cited by DOD as an "important and unique national asset that would be difficult and expensive to replace," thus giving prominence to the RMI location where missile and missile defense testing occurs (see pp. 3 and 14).

   Reviewing U.S. nuclear testing activities in the Marshall Islands was outside the scope of our review, though the issue is mentioned in appendix III. For a discussion of the amount the United States has spent to address nuclear testing-related issues in the Marshall Islands, see our report *Foreign Relations: Better Accountability Needed Over U.S. Assistance to Micronesia and the Marshall Islands* (GAO/RCED-00-67, May 31, 2000).

5. This report states that the negotiation of expiring defense and economic Compact provisions provides the United States with the opportunity to reexamine its defense and security interests in the RMI and the FSM. We believe that this is a reasonable and prudent course of action and one that in no way suggests that the United States should unilaterally choose to end or alter commitments that require mutual termination by all parties involved. Of note, in a 1996 testimony, a Department of State official stated that while U.S. defense arrangements with the Freely Associated States (FAS) – the FSM, the RMI, and Palau — have contributed measurably to the security of the United States and the FAS, it is necessary to review the entire range of Compact security provisions in light of new global conditions and stringent fiscal realities as we near the end of the Compact period.

6. The U.S. obligation to defend the RMI and the FSM is mentioned in this report on p. 7 in order to demonstrate the unique relationship between the United States and the two Pacific Island nations, and is never referred to as a burden. This report also states on p. 8 that strategic denial, the defense veto, and access to RMI land are key provisions of the Compact that provide rights to the U.S. government.

7. We agree that the factors discussed by the RMI government over the next three pages—the relationship that developed between the United States and the RMI as a result of U.S. administration of the Marshall Islands under the U.N. trust, and U.S. nuclear testing during the 1940s and 1950s—played a key role in establishing an important framework

for Compact negotiations. However, we maintain, after carefully reviewing the Compact's legislative history, that the Compact's specific security and defense provisions reflected Cold War concerns that existed at the time of the negotiations. We also note that the RMI government did not disagree when we cited three goals of the Compact in a September 2000 report that are also listed in this report: (1) securing self-government for the RMI and the FSM, (2) assuring certain national security rights for the RMI, the FSM, and the United States; and (3) assisting the RMI and the FSM in their efforts to advance economic self-sufficiency. Our earlier report also noted U.S. concerns about an expanded Soviet Union military presence in the Pacific at the time of Compact negotiations. In addition, a 1999 DOD assessment points out that the Compact was negotiated during the Cold War era in a vastly different politico-military and security environment, and a State Department official testified at a 2000 congressional hearing that the Compact was negotiated and enacted during the Cold War, when the Soviet Union had a growing presence in the Pacific.

8. Pages 1 and 6 of this report state that the Compact consists of two separate international agreements, one between the United States and the RMI, the other between the United States and the FSM.

9. We have revised footnote 5 on p. 6 of the report to show direct Compact funding provided to the RMI and the FSM separately for fiscal years 1986 through 1998. Further, on p. 2, footnote 1 and p. 6, footnote 5, we have separated total estimated Compact assistance (direct funding as well as U.S. programs and federal services) for the RMI from the total estimated assistance provided to the FSM.

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Foreign Assistance: Lessons Learned From Donors' Experiences in the Pacific Region (GAO-01-808, Aug. 17, 2001).

Foreign Assistance: U.S. Funds to Two Micronesian Nations Had Little Impact on Economic Development (GAO/NSIAD-00-216, Sept. 21, 2000).

Foreign Assistance: U.S. Funds to Two Micronesian Nations Had Little Impact on Economic Development and Accountability Over Funds Was Limited (GAO/T-NSIAD/RCED-00-227, June 28, 2000).

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