



# COMPACT OF FREE ASSOCIATION

## An Assessment of the Amended Compacts and Related Agreements

Highlights of [GAO-03-890T](#), a testimony before the House Committee on International Relations, Subcommittee on Asia and the Pacific

### Why GAO Did This Study

In 1986, the United States entered into a Compact of Free Association with the Pacific Island nations of the Federated States of Micronesia, or FSM, and the Republic of the Marshall Islands, or RMI. The Compact provided about \$2.1 billion in U.S. funds, supplied by the Department of the Interior, over 17 years (1987-2003) to the FSM and the RMI. These funds were intended to advance economic development. In a past report, GAO found that this assistance did little to advance economic development in either country, and accountability over funding was limited. The Compact also established U.S. defense rights and obligations in the region and allowed for migration from both countries to the United States.

The three parties recently renegotiated expiring economic assistance provisions of the Compact in order to provide an additional 20 years of assistance (2004-2023). In addition, the negotiations addressed defense and immigration issues. The House International Relations and Resources Committees requested that GAO report on Compact negotiations.

This testimony discusses negotiated changes to the levels and structure of future assistance, including the potential cost to the U.S. government. Further, it reviews accountability, defense, and immigration changes brought about by the amended Compacts and related agreements.

[www.gao.gov/cgi-bin/getrpt?GAO-03-890T](http://www.gao.gov/cgi-bin/getrpt?GAO-03-890T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Susan S. Westin at (202) 512-4148 or [WestinS@gao.gov](mailto:WestinS@gao.gov).

### What GAO Found

The amended Compacts of Free Association between the United States and the FSM and the RMI to renew expiring U.S. assistance could potentially cost the U.S. government about \$6.6 billion in new authorizations from the Congress. Of this amount, \$3.5 billion would cover payments over a 20-year period (2004-2023), while \$3.1 billion represents payments for U.S. military access to Kwajalein Atoll in the RMI for the years 2024 through 2086. While the level of annual grant assistance to both countries would decrease each year, contributions to trust funds – meant to eventually replace grant funding – would increase annually by a comparable amount. Nevertheless, at an assumed annual 6 percent rate of return, earnings from the FSM trust fund would be unable to replace expiring grant assistance in 2024, while earnings from the RMI trust fund would encounter the same problem by 2040.

The amended Compacts strengthen reporting and monitoring measures that could improve accountability over assistance, if diligently implemented. These measures include the following: assistance grants would be targeted to priority areas such as health and education; annual reporting and consultation requirements would be expanded; and funds could be withheld for noncompliance with grant terms and conditions. The successful implementation of the many new accountability provisions will require appropriate resources and sustained commitment from the United States, the FSM, and the RMI.

Regarding defense, U.S. military access to Kwajalein Atoll in the RMI would be extended from 2016 through 2066, with an option to extend through 2086. Finally, Compact provisions addressing immigration have been strengthened. For example, FSM and RMI citizens entering the United States would need to carry a passport, and the U.S. Attorney General could, through regulations, specify the time and conditions of admission to the United States for these citizens.

**Estimated New U.S. Authorizations for the FSM and the RMI, Fiscal Years 2004-2086 (U.S. dollars in millions)**

	FSM	RMI	Total
<b>Fiscal years 2004-2023</b>	<b>\$2,296</b>	<b>\$1,204</b>	<b>\$3,500</b>
<b>Fiscal years 2024-2086</b>	Not applicable	<b>3,081</b>	<b>3,081</b>
<b><i>Fiscal years 2004-2086, total possible new U.S. authorizations for the FSM and the RMI</i></b>	<b>\$2,296</b>	<b>\$4,285</b>	<b>\$6,581</b>

Source: GAO estimate based on the amended Compacts.

Note: These figures are adjusted for inflation. In 2004 U.S. dollars, the total cost would be \$3.8 billion.