

### Joint Communiqué

The fourth round of negotiations between the United States (US) and Federated States of Micronesia (FSM) on the Compact of Free Association was held at Honolulu on December 13<sup>th</sup> and 14<sup>th</sup>, 2001. The FSM Chief Negotiator, Senator Peter Christian, and United States Compact Negotiator, Mr. Albert V. Short, opened the two-day session with welcoming remarks.

Based on the Joint Statement signed January 11, 2001 reasserting the guiding principles and structure for economic assistance, the United States and Federated States of Micronesia again reaffirmed their special relationship, as reflected in the Compact of Free Association. The FSM and US representatives renewed their commitment to these previously stated principles and a strategy for future U.S. economic assistance.

The FSM presented a briefing on its economic performance over the past 15 years. The economic review consisted of a detailed presentation delivered by two Micronesian economists who work with EMPAT (Economic Management Policy Advisory Team). Among other things, the FSM's review also compared the two nations' proposals to date for continued economic assistance as they relate to achievement of the FSM's self-reliance goals. The United States appreciated the very substantive graphic presentation and further discussions with the FSM's economic advisors, and commended the FSM for their efforts.

Fundamental elements of the FSM's economic proposal were highlighted and discussed by the negotiators. The FSM proposed, among other things, continued inflation indexation, the possibility of a full faith and credit guarantee by the United States, as well as a twenty-year time frame for continued assistance. Both delegations agreed that much work has to be done to come to agreement on new Compact provisions.

The U.S. delegation presented several draft subsidiary agreements for consideration. These subsidiary agreements related to services and programs of the Federal Aviation Administration (Civil Aviation Safety Services and Related Programs), the Department of Transportation (Civil Aviation Economic Services and Related Programs), the U.S. Postal Service, and the Federal Deposit Insurance Corporation. The U.S. delegation also presented information on a proposed Civic Humanitarian Assistance Program. The FSM agreed to initial the Civil Aviation Safety Services and Related Programs agreement, ad referendum, and agreed to initial many paragraphs of the Postal Services and Related Programs.

The FSM welcomed the United States' intention to present a draft Compact text to the FSM in a meeting planned for February 2002 to be held in Pohnpei.

Legal counsels from both delegations met to consider which provisions of the Compact are expiring, need to be revised, can remain the same, or are no longer necessary.

The delegations of both nations plan to focus on certain expiring Compact provisions for the scope of these negotiations, and recognize that a number of matters of importance to the two nations can be more effectively handled on a government-to-government basis outside the renegotiations.

Both delegations plan to establish and strengthen mutually determined accountability mechanisms for planning, management, and assessment of Compact funding assistance. Also, both nations discussed the need for a permanent mechanism that regularly plans, monitors, and reports on Compact assistance.

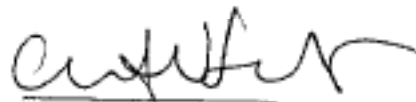
Both delegations support continued Compact grant assistance, ongoing Federal program and technical assistance, as mutually agreed, and a Trust Fund. This strategy will enable both the FSM and the United States to implement a strategy to end annual Congressional appropriations at a date certain. They further agreed to continue a sectoral approach to the implementation of funding assistance.

Both delegations believe that health and education are high priorities that will underpin the FSM's goal of achieving economic self-reliance and that joint development of goals based on accountability and performance will improve and rationalize ongoing assistance efforts.

Both nations are encouraged by the spirit of teamwork, renewed determination and commitment brought to the table by each delegation in order to bring these negotiations to a mutually satisfactory conclusion by the summer of 2002.



Senator Peter Christian  
Chief Negotiator for the FSM's  
Joint Committee on Compact  
Economic Negotiations



Albert V. Short  
United States Compact Negotiator