

# Federated States of Micronesia

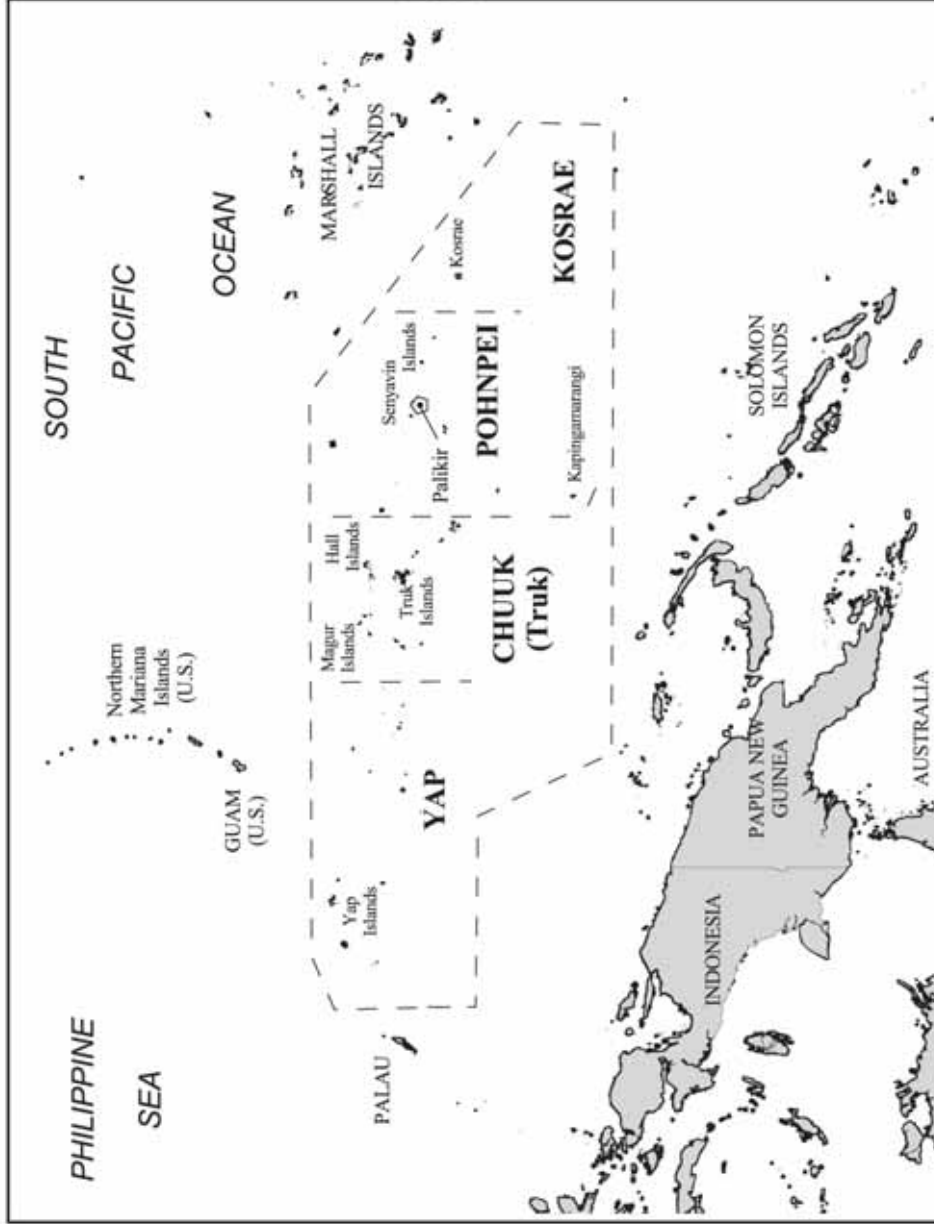
Capital: Palikir  
Population: 108,000  
(2002 est.)



Boundaries and place names are representative only and do not imply any official endorsement.



Sources: CIA World Factbook;  
UN Cartography Department; ESRI Ltd.



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# The Federated States of Micronesia

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## 1 HISTORY AND DEVELOPMENT OF FEDERALISM

Micronesia is a collection of island groups in the Pacific Ocean comprised of four major clusters: the Marianas, Carolines, Marshalls, and Gilberts (now known as Kiribati). The Federated States of Micronesia (FSM) is part of the Caroline island archipelago. The FSM consists of the island groups of Chuuk (formerly Truk), Yap, Pohnpei (formerly Ponape) and Kosrae – it is thus a subset of Micronesia writ large. The total land area of the FSM is approximately 700 km, but the islands are spread over 2.5 million km. It has a population of approximately 108,000 people.

The history of Micronesia is one of almost continuous exploitation since Ferdinand Magellan first landed briefly in Guam in 1521. Four successive colonial administrations – Spanish, 1521 to 1898; German, 1899 to 1914; Japanese, 1914 to 1944; and American, 1944 to independence in 1986 – have controlled the many small islands of Micronesia.

In 1947, the United States was assigned administration of Micronesia under a United Nations Trusteeship Agreement. Like previous colonial administrations, the American administration was centralized, with Saipan in the northern Marianas as the capital. The Micronesian peoples were divided into six separate administrative districts: Marianas, Yap, Palau, Truk (now Chuuk), Ponape (now Pohnpei), and the Marshalls, and they remained largely self-sufficient and isolated from the rest of the world. In 1977, a seventh district, Kosrae, was created from a division of the Ponape district.

Minimal attention was paid by both the United States and the United Nations to US obligations under the UN Charter until a UN mission to the area during the Kennedy administration drew attention to an extensive list of local complaints. These complaints included poor transportation, failure to settle the war damage claims, failure to compensate adequately for land taken for military purposes, poor living conditions at the American missile range in the Marshalls, and almost non-existent medical care. Micronesia proved to be an embarrassment to the American policy against colonialism in the world community. With a cash income of \$90 per capita, Micronesia ranked with the poorest countries of the Third World.

The United States responded by doubling the appropriations for Micronesia from \$6.8 million in 1962 to \$15 million in 1963. The money created a Western-style education system, increased medical services, undertook some basic infrastructure development, improved transportation and communication facilities, and provided wages for personnel working in the Trusteeship administration. There was little attempt, however, to establish projects to promote economic self-sufficiency.

A large portion of US funding was invested in an “accelerated” education program for Micronesian children. English instruction was expanded and increased and became a more standard classroom language. College scholarships were offered to Micronesian youth to pursue education at American universities. This resulted in Micronesians being trained for diversified white-collar jobs that did not exist in sufficient quantity in the islands, and so instead of promoting development and greater self-reliance, it caused migration and unemployment or under-employment.

Under the Trusteeship administration, government employment provided the main source of jobs for an increasing number of Micronesians. The monetary appropriations from the United States became the primary supplier of income for well over half of Micronesia’s working population. The degree of US influence on the social, political and economic aspects of Micronesian life has been overwhelming in comparison with previous colonizers.

The concept of federalism in Micronesia can be traced to 1946 when the United States saw complete annexation, with Guam as the capital, as the best option for the political status of the region. However, during the closing weeks of World War II, the Soviet Union occupied a few of the Japanese northern-most islands, and held them as war spoils. The United States wanted the Soviet Union eventually to return the islands to Japan, and so quickly abandoned its plan for the total annexation of Micronesia, realizing that the Soviets could easily use such annexation as a precedent against the United States. These islands, however, continue to be held by Russia.

The Nixon administration commenced negotiations on Micronesia's future political status in 1969. The American position was that the Micronesians would come together as one political entity that would be known as the Federated States of Micronesia. This federation would be comprised of the political districts that existed at the time: the Marianas, Yap, Palau, Truk (Chuuk), Ponape (Pohnpei), Kosrae (Kusaie), and the Marshall Islands. President Nixon's Ambassador to the Micronesian Status Negotiations placed the federal concept on the table very early in the negotiations. However, during the period 1969 to 1972 serious philosophical differences emerged among the Micronesians. The Chamorros of the northern Marianas preferred a close, permanent relation with the United States, and had been petitioning for this status since their first elected legislature came into existence in 1963. Accordingly, the United States agreed to abandon its preference for political unity in Micronesia, and in December 1972, opened separate negotiations with the Northern Mariana Islands.

Palau and the Marshall Islands, with the other Caroline districts, wanted the identical but separate status of "free association." This status would maximize internal self-government and ensure autonomy sufficient to enable them to establish their own international legal personality while forming the basis for a close and enduring political relationship with the United States. Palauan and Marshallese separation from the other Micronesian districts was motivated essentially by economic considerations. They saw political unity as a drain of their resources to the more populous and less well-endowed central districts of Yap, Ponape, Truk and Kosrae. While the United States continued to urge political unity (excluding the Northern Mariana Islands), the elected Palauan and Marshallese representatives steadfastly maintained that the proposed constitution for a single constitution of the "Federated States of Micronesia" would be defeated in their districts when put to a vote.

Thus, in 1977 the United States was confronted squarely with the fact that, after 30 years of administrative unity, an all-Micronesian state which was strong enough to unite the culturally disparate island groups had not developed. By recognizing the right of each legislature to select its own negotiators, the Carter administration bowed to the inevitable and recognized the right of Palau and the Marshall Islands to determine their own future, independent of the four remaining districts.

On 12 July 1978, a referendum was held on the proposed Federated States of Micronesia Constitution. As predicted, the constitution was rejected in Palau and in the Marshalls, but ratified in the four central districts of Yap, Pohnpei, Chuuk and Kosrae. The Marshall Islands subsequently approved their own constitution in a referendum on

1 March 1979. Palau draft constitution was approved on 9 July 1980 and the government of Palau inaugurated on 1 January 1981. Thus, four new political entities emerged out of the former Trust Territory of the Pacific Islands: (1) The Commonwealth of the Northern Mariana Islands (CNMI); (2) The Federated States of Micronesia (FSM); (3) The Republic of the Marshall Islands (RMI); and (4) The Republic of Palau (ROP). The FSM was recognized as independent in 1986.

## 2 CONSTITUTIONAL PROVISIONS RELATING TO FEDERALISM

The constitution of the Federated States of Micronesia declares that the territory is comprised of the island groups that ratified the constitution: Chuuk, Yap, Pohnpei (formerly Ponape) and Kosrae. The constitution provides for democratic governance, with universal suffrage for all citizens 18 years of age and older. The rights of citizens are protected by Article IV(1-13).

According to Article VII of the constitution there are three levels of government in the FSM: national, state and local. Article IX outlines the structure and functions of the national legislature (Congress), and provides that each state has one at-large delegate, and the rest are allocated by apportionment according to population. It is important to note that the national legislature is unicameral. Thus, there is no second chamber which provides representation for the states in the central government. The President and Vice President are elected by the Congress and serve four-year terms with the possibility of one re-election (Article X). They cannot serve more than two consecutive terms.

Article IX(2) lists the powers of Congress. These powers include, *inter alia*, national defence, treaty ratification (with state agreement), citizenship, taxes on income and imports, currency, banking, navigation and shipping, regulations relating to the exploration and exploitation of natural resources in marine areas (beyond 19 km from the islands), and criminal law. While these powers may seem extensive, in reality the national government is not sovereign in many of these areas. For example, defence and banking/currency are among the national government's powers, yet Micronesia exists within the US defence framework and the country adopted the US banking system – there is no bank of issue and US currency is used.

There is no specific list of state powers in the constitution. Article VIII(1) indicates that a power expressly delegated to the national government, or a power of such an indisputably national character as to be beyond the power of a state to control, is a national power. A power not expressly delegated to the national government, nor prohibited to

the states, is a state power (s. 2). Thus, all powers not assigned expressly to the national government, are left to the states. There are a number of powers which the national government and the states hold concurrently (Article IX(3)). These include appropriation of public funds, borrowing money on the public credit, education, health, security and public welfare.

The constitution outlines the structure and function of the judiciary in Article XI. It provides for a Supreme Court in which there is one Chief Justice and not more than five Associate Justices (XI(2)). The Justices are appointed by the President and must be approved by two-thirds of the Congress. Justices serve while on good behaviour (XI(3)) – they may be removed for reasons of treason or corruption by a two-thirds vote in Congress (IX(7)). The Supreme Court can hear cases relating to interpretation of the constitution (XI(7)), and has played a role in matters relating to the division of powers and jurisdictional disputes.

Article XII “Finance” outlines the financial arrangements in the federation. All taxes that are levied and collected are assigned to a general fund. There is also a “foreign assistance fund” into which are deposited all foreign aid monies given by non-FSM countries. The President submits an annual budget to the Congress, and the Congress must appropriate funds for all bills passed. According to Article IX(5), national taxes must be imposed equally and each state must receive at least 50 per cent of the taxes collected in that state.

The constitution provides for amendments in Article XIV. Amendments can be proposed by a constitutional convention, popular initiative, or by the Congress. As well, at least every 10 years Congress must ask voters, “Shall there be a convention to revise or amend the constitution?” If a majority answers in the affirmative a constitutional convention must be convened. An amendment becomes part of the constitution “when approved by  $\frac{3}{4}$  of the votes cast on that amendment in each of  $\frac{3}{4}$  of the states” ((Article XIV(1)). There was a constitutional convention held in the summer of 2002 to consider amendments to the constitution.

An interesting provision in the constitution of the FSM is the protection of “traditional rights” and “traditional leaders.” Article V states that the constitution cannot take away a role or function of traditional leaders, or prevent them from being recognized and given a role in any level of government. Yap and Pohnpei have formal traditional leaders with titles, Chuuk and Kosrae do not. Councils of Chiefs are provided for in an ongoing way by the governments of the states. Article V(3) states that “The Congress may establish, when needed, a Chamber of Chiefs, consisting of traditional leaders from each state

having such leaders, and elected representatives from states having no traditional leaders. The constitution of a state having traditional leaders may provide for an active, functional role for them.” States may also set aside one of their congressional seats for traditional leaders (Article IX (11)).

### 3 RECENT POLITICAL DYNAMICS

Over the past 15 years the arrangements have worked very well for the United States. But for the people of The Federated States of Micronesia, federalism has not fared very well. Indeed, the centrifugal tendencies in the country are very strong.

The current President is Joseph J. Urusemal, who is from Yap State. He was elected by the Congress in 2003 to a four-year term. It is apparent in Micronesia that the office of President is not necessarily a coveted one. Several years ago a poll taken among Micronesian students at the University of Guam indicated that if given the hypothetical choice of being the Governor of their home state, or being the President of the FSM, some 78 per cent chose the former. Most Micronesians today tend to look at their central government as simply another colonial administration!

Over the past 17 years tensions have arisen in The Federated States of Micronesia over the issue of land purchases. Naturally, in a country made up of islands, land is a valuable resource. Article XIII(4) of the constitution prohibits the purchase of land by non-citizens or corporations that are not wholly owned by citizens, but every citizen of the FSM may purchase land anywhere in the country. However, many Micronesians do not approve of this, and when this in fact began to happen, there were loud protests. They do not want outsiders – and anyone not from that island is considered an outsider – to buy land in their individual states.

The matter of land purchases came up during the 2002 constitutional convention, but was not resolved. Other issues that came up and were not resolved were the popular election of President and Vice-President (instead of being elected by Congress), dual citizenship for FSM citizens (i.e., US and FSM citizenship), and congressional term limits for elected leaders. An item that was successfully resolved was that each FSM state will give less tax money to the national government, and keep more for each individual state. As in other federations the division of resources is a contentious issue in the FSM.

In 2003 the FSM successfully concluded negotiations for a continued Compact of Free Association with the United States. Under the Compact, the United States provides block grants to each state each year,

and also provides certain “umbrella services” such as postal services, federal aeronautical administration and a weather bureau. Despite claims prior to the 2003 Compact negotiations that the states of the federation would negotiate separate compacts with the United States, the federation remained intact. The life of the FSM Compact was extended from 15 years to 20 years.

Another development in the 2003 negotiations was the establishment of a new oversight committee – the Joint Economic Management Committee (JEMCO). JEMCO is comprised of three members from the United States and two members from the FSM. The committee’s headquarters is located in Honolulu, and the United States always chairs the committee. All FSM Compact expenditures have to be reviewed and approved by the committee on a quarterly basis before funding can be made available. Not surprisingly, this method of tutelage and accountability has been criticized in the FSM, but thus far has been smoothly implemented.

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Table I  
Political and Geographic Indicators

Capital city	Palikir
Number and type of constituent units	4 States: Chuuk (Truk), Kosrae (Kosaie), Pohnpei (Ponape), Yap
Official language(s)	English
Area	702 km <sup>2</sup>
Area – largest constituent unit	Pohnpei – 342.4 km <sup>2</sup>
Area – smallest constituent unit	Kosrae – 111.4 km <sup>2</sup>
Total population	108 071 (2002)
Population by constituent unit (% of total population)	Chuuk 50.1%, Pohnpei 32.2%, Yap 10.5%, Kosrae 7.2%
Political system – federal	Constitutional Government in free association with the United States of America
Head of state – federal	President Joseph J. Urusemal (2003), elected by the Congress to serve a 4-year term.
Head of government – federal	President Joseph J. Urusemal (2003)
Government structure – federal	Unicameral: Congress, 14 seats. Members are elected by popular vote. Each of the 4 states has one “at-large” member elected for a 4-year term. The remaining 10 members are elected from single-member districts on the basis of population for a 2-year term. No political parties exist.
Number of representatives in federal government of most populated constituent unit	Chuuk – 6
Number of representatives in federal government for least populated constituent unit	Kosrae – 2
Distribution of powers	The federal government has 18 exclusive powers that include defence, foreign affairs, criminal law, navigation/shipping, currency, banking, immigration and citizenship, customs and taxation (imports and income), natural resources, and nationwide public services. The powers of the states are confined to local issues (i.e. land, primary and secondary education, health care, the environment and conservation). Concurrent powers include borrowing money on the public credit, social security, education, health and public welfare.
Residual powers	Residual powers belong to the states.

Table I (continued)

Constitutional court (highest court dealing with constitutional matters)	Supreme Court. 1 Chief Justice and 5 Associate Justices appointed by the President with the approval of two-thirds of Congress. Justices are appointed for life.
Political system of constituent units	Unicameral legislatures directly elected to serve 4-year terms with the exception of Chuuk that has a bicameral legislature (comprised of a 10-member Senate and a 28 member House of Representatives).
Head of government – constituent units	Governor, elected from and by the state legislature to serve 4-year term

Table II  
Economic and Social Indicators

GDP	US\$232 million at PPP (2001–02)
GDP per capita	US\$2 158 at PPP (2001–02)
National debt (external)	US\$66.5 million (2001)
Sub-national debt	N/A
National unemployment rate	22% (2000) <sup>1</sup>
Constituent unit with highest unemployment rate	Chuuk – 34.2% (2000)
Constituent unit with lowest unemployment rate	Yap – 4.1% (2000)
Adult literacy rate	81% (2001) <sup>2</sup>
National expenditures on education as % of GDP	13.4 (2002)
Life expectancy in years	68.6 (2000–2005 est.)
Federal government revenues – from taxes and related sources	N/A
Constituent units revenues – from taxes and related sources	N/A
Federal transfers to constituent units	N/A
Equalization mechanisms	Tax revenue sharing is based on formulae. Each state must receive at least 50% of the taxes collected in that state.

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*Notes*

- 1 Per cent of labour force unemployed – age 15 and above.
- 2 Age 15 and above.