

1 EXECUTIVE SESSION

2 MONDAY, JULY 29, 1985

3 U.S. Senate

4 Committee on Finance

5 Washington, D.C.

6 The committee met, pursuant to notice, at 9:16 a.m.  
7 in room SD-215, Dirksen Senate Office Building, the  
8 Honorable Robert Packwood (chairman) presiding.

9 Present: Senators Packwood, Danforth, and Heinz.

10 Also Present: The Honorable Roger Mentz, Deputy  
11 Assistant Secretary for Tax Policy, Department of the  
12 Treasury; William Diefenderfer, Chief of Staff; Michael  
13 Stern, Minority Staff Director; John Colvin, Chief  
14 Counsel; David Brockway, Chief of Staff; Joint Committee  
15 on Taxation; Leonard Santos, Committee on International  
16 Trade; James Berg, Department of State; Bill Wilkins,  
17 Minority Tax Counsel; and Jeff Lang, Minority Trade Counsel.

18 (The press release announcing the hearing follows:)

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1           The Chairman. I will say, again, this bill is  
2 reported out today whether we report it out or not. We  
3 have it on a one-day referral. Am I correct, Bill?

4           Mr. Diefenderfer. That's correct.

5           The Chairman. We have it on a one-day referral.  
6 And whether we vote it out or don't vote it out, it is  
7 going out. There are some changes that I think we should  
8 make in the tax provisions alone. Many of those the  
9 Treasury agrees with. One or two, I don't know if they  
10 agree with, although we will find out as I ask some questions  
11 now.

12           I might ask Senator Danforth if he has any questions  
13 before I make some suggestions.

14           Senator Danforth. No, Mr. Chairman.

15           The Chairman. All right.

16           One, on the trade provision. And, Mr. Secretary,  
17 you let me know one way or another. I would do it as the  
18 Ways and Means Committee did, but with a 15 percent U.S.  
19 origin rule.

20           Mr. Mentz. Mr. Chairman, on the trade provisions, I  
21 would like to call on my colleague, Jim Berg, from the  
22 State Department.

23           Would that be all right?

24           The Chairman. That's fine.

25

1 Mr. Mentz. I would seek to address just the tax  
2 provision.

3 The Chairman. All right.

4 Mr. Berg. Mr. Chairman, my name is James Berg. I'm  
5 a Department of State officer.

6 The Compact of Free Association contains a provision  
7 called "headnote 3(a)" treatment which allows for the  
8 duty-free entry of certain into the United States. That  
9 has been changed in the House-passed version to essentially  
10 generalized schedule of preferences with a 15 percent  
11 value-added provision for U.S. inputs into goods that  
12 eventually come into the United States.

13 We would strongly urge that the committee look at the  
14 Compact in the manner that it was first submitted by the  
15 President on March 30th of last year and February 20th of  
16 this year. We do want to stand by the provision of headnote  
17 3(a) treatment for the Freely Associated States, even in  
18 light of the change that was made in the House. And we hope  
19 that this committee would support us in that.

20 The Chairman. Do you want to explain -- either you or  
21 John -- the difference that was made in the trade provisions  
22 between the bill as it went into the House and as it came  
23 out?

24 Mr. Colvin. Mr. Chairman, as the bill was proposed by  
25 the Administration, Micronesia and the Marshall Islands would

1 be effectively exempt from tariffs so long as 30 percent of  
2 the value of products from there originated in Micronesia  
3 or the Marshall Islands.

4 As it came out of the House, they would be effectively  
5 exempt if 35 percent of the value was added in Micronesia  
6 or the Marshall Islands.

7 The Chairman. What was the 15 percent about U.S.  
8 origin?

9 Mr. Colvin. Also in the House provision, 15 percent of  
10 the 35 percent could have come from the United States. In  
11 other words --

12 The Chairman. Which is a liberalization.

13 Mr. Colvin. Yes, sir.

14 And what you proposed just a moment ago would be  
15 like the House did it because it would include the 15 percent  
16 rule.

17 The Chairman. Well, I would suggest we adopt what the  
18 House did, which was a slight change from what the Ways  
19 and Means Committee reported. Any comments?

20 (No response)

21 The Chairman. Let's move on then to the -- we can  
22 come back to this.

23 Senator Heinz. Mr. Chairman, a question.

24 The Chairman. Go ahead.

25 Senator Heinz. Are you proposing legislation identical

1 to what the House did?

2 The Chairman. On this particular provision, this is  
3 like the Ways and Means report, but we had a 15 percent  
4 U.S. origin rule. And that's as far as we have gotten at  
5 the moment. We haven't gotten into the tax provisions yet.

6 Senator Heinz. All right. Thank you.

7 The Chairman. Let's move on, then, to the tax  
8 provisions, the Ways and Means anti-abuse provisions that  
9 were agreed to by the House on Section 253 and 254(a).

10 John, do you and Mr. Brockway want to go over those?

11 Mr. Colvin. On those points, the Ways and Means  
12 Committee and the House of Representatives included identical  
13 provisions. Those were Sections 253 and 254(a).

14 The Chairman. I would move we adopt those provisions  
15 as were agreed to by the House and Ways and Means Committee.

16 Let's move on to Section 911.

17 Mr. Berg, I think we are done with trade so you can be  
18 excused.

19 We will move on to 911 as it applied to Micronesia and  
20 the Marshall Islands.

21 Mr. Colvin. The Ways and Means Committee did not  
22 recommend extending Section 911 to Americans employed in  
23 Micronesia and the Marshall Islands. But under the House of  
24 Representatives adopted provision, 911 would be extended.

25 The Chairman. This is the overseas, \$80,000.00?

1 Mr. Colvin. That's right.

2 The Chairman. I think it would be very wise. That's  
3 something we have fought over for a long time in this  
4 committee. I know Senator Chafee has a great interest in  
5 it, and I think it would be unwise to treat the Micronesians  
6 different from that standpoint. I mean Americans working  
7 there than it would any other place.

8 Mr. Mentz. And certainly the Treasury Department  
9 would agree with that. We agree with the House version and  
10 objected to the position of the Ways and Means Committee in  
11 that respect.

12 The Chairman. Let's move on, then, to the business  
13 incentives. These are Section 255 -- and there I would  
14 follow the Ways and Means Committee with the following  
15 exceptions. They have a negotiation procedure agreed to by  
16 the House, if we change, as I recall, Section 936. Is  
17 that right?

18 Mr. Colvin. That's right.

19 The Chairman. Nine thirty-six, Jack, is that the Puerto  
20 Rican argument that we are having about the businesses that  
21 move there?

22 Mr. Colvin. That's right.

23 The Chairman. The House had a provision, and correct  
24 me if I am wrong, Mr. Secretary or Mr. Brockway or John --  
25 they had a provision extending 936, but if we changed the

1 law, then they had some arbitration procedure as it would  
2 apply to Micronesia. Am I correct?

3 Mr. Colvin. That's right.

4 The Chairman. And I have no objection, except I  
5 would like to have the Treasury Department be one -- there's  
6 a three-person arbitration board. Micronesia has one.  
7 We have one. And they jointly agree upon the third. I  
8 would like, because this is solely a tax matter, for the  
9 U.S. representative to be from the Department of the  
10 Treasury.

11 Mr. Mentz. Well, we would certainly agree with that.

12 (Laughter)

13 Mr. Mentz. We would like to have them all from the  
14 Treasury Department.

15 (Laughter)

16 The Chairman. And I would drop the authorization for  
17 appropriations. This bothers me. And I think it would  
18 bother the Appropriations Committee also. It's an automatic  
19 change which would say if we change 936 and change it for  
20 Puerto Rico and Micronesia, you have this negotiating board  
21 and they would be authorized to direct appropriations to  
22 make up for, I assume, whatever the arbitration would find  
23 is the loss derivative from changing 936. Do I understand  
24 it roughly correctly?

25 Mr. Brockway. That's basically the idea, Mr. Chairman.

1           The Chairman. We may end up making an appropriation  
2 like that, but I'm not sure I want to write it into the  
3 law giving the arbitration board the power to reach that  
4 conclusion.

5           Now we had a provision in the House relating to  
6 tax-exempt bonds, depreciation investment tax credit,  
7 charitable donations and tax-haven incomes and possessions  
8 corporations, 5 points. The Ways and Means Committee  
9 applied to the five items listed at the left. What did the  
10 Ways and Means Committee do specifically, John? I know that  
11 the House took out the first four tax-exempt bonds,  
12 depreciation, charitable donations and tax-haven income.

13           Mr. Colvin. The Ways and Means Committee extended  
14 those five benefits to Micronesia and the Marshall Islands.  
15 The House dropped all but 936.

16           The Chairman. Let me say in a nutshell what happened  
17 here and I think why Treasury is representing the  
18 Administration and feels so strong. As the bill was  
19 initially negotiated, you had an extraordinary tax-haven  
20 opportunity. As I recall, if you lived there, if you  
21 became a Micronesian citizen -- resident, not citizen -- they  
22 could determine residency. And that could be whatever short  
23 a period, I guess, as the court would tolerate for being  
24 residency. They then were not taxed at all on passive  
25 income from the United States. Is that right?

1 Mr. Mentz. That's right under the original Compact.  
2 The Chairman. And if they lived there for 181  
3 days out of a year, they had further favorable tax  
4 advantages or were a resident there. I'm not going to get  
5 into an argument about living there, but were a resident  
6 there for 181 days. And it is these provisions that the  
7 Treasury felt very strongly about, and I haven't had a  
8 chance to talk with Mr. Brockway in the Joint Committees,  
9 but clearly we were giving, unless I misread it, a tax  
10 benefit to Micronesia that we extend to no other insular  
11 possession of the United States or any other possession of  
12 the United States or any other country we have any  
13 relationship with.

14 Mr. Brockway. That's correct, Mr. Chairman. What was  
15 provided was a more generous regime than any other foreign  
16 jurisdiction or any other possession of the United States,  
17 the combination of benefits under the Compact as negotiated.

18 The Chairman. Jack, any comments as we are going  
19 along?

20 Senator Danforth. No comments, Mr. Chairman.

21 The Chairman. And I think we want to clarify that  
22 Micronesia and the Marshall Islands remain eligible for  
23 inclusion in the North American area for purposes of  
24 foreign convention rules.

25 Mr. Colvin. That becomes ambiguous under the House

1 version, and if you clarified that, it would avoid any  
2 problems from arising there in the future.

3 The Chairman. It just simply means that you can hold  
4 conventions there on the same basis that you can hold it  
5 in North America.

6 Mr. Colvin. That's right. They currently receive  
7 that treatment, and it would continue it for them.

8 The Chairman. Mr. Secretary, John and Norm, what  
9 other points are we missing?

10 Mr. Mentz. Well, we have got the exchange of  
11 information provision in the House and Ways and Means  
12 Committee bill. I assume that you would agree to include  
13 that.

14 Mr. Colvin. My understanding is that that would have  
15 been covered because a moment ago the Chairman said that  
16 he would follow the Ways and Means Committee except with a  
17 few modifications. So that would mean there would be no  
18 one-year guarantee of benefits and it would mean the  
19 exchange of information would be extended to Micronesia  
20 and the Marshall Islands.

21 Mr. Mentz. Now on the one-year guarantee of benefits,  
22 let me just address that for a moment, Mr. Chairman. As a  
23 matter of pure tax policy, it is hard to see why if Congress  
24 wishes to change 936, it should have a different effective  
25 date for any one area of the world than anywhere else. And

1 so purely tax policy, one would think that a one-year  
2 delay in effective dates for Micronesia doesn't seem to make  
3 much sense.

4 On the other hand, there is in the Compact this  
5 concept of working out substantially equivalent benefits if  
6 936 is changed to the detriment of Micronesia. And the  
7 reason that the one year is in there is to try and provide  
8 some time period to determine what the substantially  
9 identical equivalent benefits are. That is the purpose for  
10 it. I guess considering that purpose, Treasury doesn't have  
11 a strong view that it's a bad idea.

12 The Chairman. Mr. Brockway, John, what are your views?

13 Mr. Colvin. I believe that the one-year guarantee  
14 would extend special treatment to a particular beneficiary  
15 and that Congress should make the decision of who should  
16 benefit through 936, and it should not be done automatically.

17 Mr. Brockway. From a purely tax standpoint, it's hard  
18 to see why the Freely Associated States should have a more  
19 preferable treatment than you are providing the other  
20 possessions of the United States. And if you simply go  
21 without the one year, they will be receiving the same  
22 treatment, as you amend the law from time to time affecting  
23 possessions.

24 The Chairman. Any comments?

25 Senator Danforth. No comments.

1 The Chairman. Without objection, we will adopt it.  
2 We have taken care of 253(b), 254(b).

3 Mr. Brockway. Mr. Chairman, you have one last item  
4 on the last page, the study that would be provided for in  
5 the House bill of a study of the provisions.

6 The Chairman. Oh, yes.

7 Mr. Colvin. That was in the Ways and Means Committee  
8 provision and also in the House provisions.

9 The Chairman. And I would move we adopt the same  
10 study provision.

11 Is there anything else?

12 Senator Danforth. Mr. Chairman, it is my  
13 understanding -- well, correct me if I am wrong -- I believe  
14 we have adopted the House bill. Is that correct?

15 The Chairman. Not quite. We made some slight changes,  
16 didn't we, from the provisions on the floor of the House?

17 Mr. Mentz. Well, certainly the one-year change is a  
18 departure from the House bill.

19 The Chairman. That's correct. Excuse me. We made  
20 some slight changes from Ways and Means. Where we made the  
21 changes, we adopted what was on the House floor.

22 Mr. Brockway. With the exception of the one year.

23 The Chairman. With the exception of the one year.

24 Senator Danforth. That's the sole exception?

25 Mr. Colvin. Senator Danforth, there are a couple of

1 other differences.

2 The Chairman. And the Treasury on the board.

3 Mr. Colvin. Treasury on the board, and the  
4 conventions clarification. And the fourth point is the  
5 bill as passed by the House of Representatives contained  
6 a provision affecting tuna. And this provision has not  
7 been approved yet by the committee.

8 The Chairman. Is that the canned tuna limitation?

9 Mr. Colvin. That's right. The Ways and Means  
10 Committee had not given protection to tuna, but the House  
11 of Representatives did. And in that respect, so far this --  
12 the decisions this morning have followed the Ways and Means  
13 Committee; not the House of Representatives.

14 Mr. Mentz. Although, Mr. Chairman, the additional  
15 tax benefits -- tax-exempt bonds, depreciation, investment  
16 credit and so forth -- that were in the Ways and Means bill  
17 but not in the House bill, my understanding was that you  
18 were going with the House version in that respect.

19 The Chairman. That's correct.

20 I think we ought to leave in, this is my personal  
21 opinion, the tuna provisions as they are in the House bill.

22 Mr. Colvin. As in the House bill?

23 The Chairman. Yes.

24 Mr. Colvin. I'm not aware of any other substantive  
25 issues.

1 The Chairman. Mr. Wilkins, any comments?

2 Mr. Wilkins. No, Mr. Chairman.

3 Senator Danforth. Mr. Chairman, on the tuna  
4 question, traditionally because there is a conflict of  
5 interest, I don't take a position one way or another on  
6 that.

7 The Chairman. The record will show you absented  
8 yourself from the room.

9 Senator Danforth. The version of this bill that was  
10 reported out of the Energy Committee was criticized from  
11 both tax and trade standpoints. It was viewed as really  
12 providing a tax haven, and it was also viewed as conferring  
13 on these islands all the benefits of being part of the  
14 United States, in essence, in international trade and none  
15 of the responsibilities and liabilities. It was my  
16 impression that the House bill pretty well took care of  
17 these two major problems. And I just wanted to know if it  
18 was the collective view of the people at the desk whether  
19 the bill that we are about to report out of the Finance  
20 Committee takes care of the trade and the tax problems  
21 which were in the Energy Committee.

22 Mr. Mentz. That is certainly the view of Treasury,  
23 Senator Danforth.

24 Senator Danforth. And the Administration would support  
25 this version over what the Energy Committee did?

1           Mr. Mentz. Well, the version that came out of  
2 Interior ended up getting compromised so that what was  
3 ultimately adopted by the House was acceptable to the  
4 Administration. Now on the Senate side what you propose  
5 to do is acceptable. Yes, sir.

6           The Chairman. Any further comments?

7           (No response)

8           The Chairman. If not, the committee will stay in  
9 session until 1:00 to record votes, at which time we will  
10 report the bill out. Or if we haven't, we will be  
11 discharged of the bill with or without our consent.

12          Mr. Colvin. Mr. Chairman, you would order the bill  
13 favorably reported with amendments?

14          The Chairman. That is correct.

15          Mr. Colvin. There would not be a report filed?

16          The Chairman. There will not be a report filed so  
17 that, hopefully, we can finish it on the floor this week.

18          We are adjourned.

19          (Whereupon, at 10:33 a.m., the Executive Session was  
20 concluded.)

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MR PACKWOOD - CHAIRMAN, MR DANFORTH  
MR HEINZ

BOB PACKWOOD, OREGON, CHAIRMAN

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# United States Senate

COMMITTEE ON FINANCE  
WASHINGTON, DC 20510

WILLIAM DIFENDERFER, CHIEF OF STAFF  
MICHAEL STERN, MINORITY STAFF DIRECTOR

July 29, 1985

## MEMO

FROM: TAX STAFF  
TO: SENATE FINANCE COMMITTEE  
SUBJECT: HEARING AND EXECUTIVE SESSION TO  
CONSIDER COMPACT OF FREE ASSOCIATION

At 10:00 a.m. on Monday, July 29, in SD-215, the Senate Finance Committee will hold a hearing on Title Two, Articles IV and V of S.J. Res. 77 and H.J. Res. 187, the Compact of Free Association. The Compact of Free Association defines the relationship between the United States and the Governments of the Marshall Islands and Micronesia.

The Committee will meet in Executive Session on Monday following the hearing.

## BACKGROUND

The Republic of the Marshall Islands and the Federated States of Micronesia are two of the four governments in the Trust Territory of the Pacific Islands. The Trust Territory was created in 1947 by an international agreement sponsored by the United Nations.

The United States does not claim sovereignty over these territories under the agreement.

The Compact of Free Association is designed to govern the relationship between the United States and these two governments in the post-trustee period. These governments are called "Freely Associated States" (FAS) under the Compact.

The Compact was negotiated by the Administration, and transmitted to the 98th Congress. Action was not completed on the Compact at the end of the 98th Congress. S.J. Res. 77 was introduced in the Senate by Senator McClure at the request of the Administration on March 7, 1985, and reported by the Committee on Energy and Natural Resources on March 22, 1985.

Economic relations between the United States and the Freely Associated States are defined in Title II of the Compact. Articles IV and V of that Title contain trade and tax provisions. These provisions, which are the subject of the hearing, are described in the attached chart. The chart shows:

1. The Compact as proposed by the Administration
2. The Compact as amended by the Ways and Means Committee

3. The Compact as passed by the House of  
Representatives.

This Compact was reviewed by numerous Committees in the House of Representatives, and major changes to the trade and tax provisions were made by the Ways and Means Committee.

Prepared by the Staff of the  
Committee on Finance  
July 28, 1985

COMPACT OF FREE ASSOCIATION

Proposed Compact

As Reported By House  
Ways and Means Committee

As Approved By House  
of Representatives

STATUS

S.J. Res. 77  
introduced March 7,  
1985; reported by  
Senate Energy  
Committee on  
March 22, 1985

Reported July 20, 1985

Passed House on  
July 25, 1985

SECTION 242 -- TRADE PROVISIONS

Would extend tariff  
treatment to imports  
from FAS which is  
identical to that  
now provided U.S.  
possessions.

Duty-free entry  
permitted if at  
least 30 percent  
of the import is of  
FAS origin.

Current law treatment of  
FAS would continue  
(treated as imports from  
foreign countries which  
may be designated to  
receive duty-free treat-  
ment on eligible articles  
under the Generalized  
System of Preferences  
(GSP)).

GSP duty-free if at least  
35 percent of the appraised  
value of the imported  
articles represents  
costs of materials  
produced in FAS plus the  
direct costs of processing  
operations.

Same as Ways and  
Means with following  
exceptions:

In meeting 35  
percent minimum  
local content  
required under GSP,  
U.S. materials up to  
15% may be counted;  
in addition to GSP  
statutory  
exclusions of  
textiles, watches,  
footwear, etc.,  
canned tuna would be  
ineligible for duty-  
free entry.

SECTION 252 -- FAS TAXATION OF U.S. PERSONS

Allows FAS to tax  
U.S. persons on  
income earned in or  
products consumed  
in FAS.

No change.

No change.

SECTION 253 -- EXEMPTION FROM U.S. TAX ON PASSIVE INCOME  
AND ESTATE AND GIFT TAX

(a) Exempts FAS  
citizens domi-  
ciled in FAS  
from U.S. tax  
on U.S. source  
passive income.

(a) Overrides this provi-  
sion. (Applies general  
rule that U.S. can tax  
any U.S. source passive  
income.)

(a) Same as Ways and  
Means.

(b) Exempts FAS  
citizens domi-  
ciled in FAS  
from U.S.  
estate, gift  
and generation-  
skipping taxes.

(b) Overrides this provi-  
sions for U.S. Citizens  
and U.S. residents.  
(This applies general  
rule that U.S. can  
impose transfer taxes  
on worldwide assets of  
U.S. citizens and  
residents).

(b) Same as Ways and  
Means

SECTION 254 -- EXEMPTION FROM U.S. TAX FOR CERTAIN INCOME  
TAXED BY FAS

(a) FAS may tax income that residents receive from sources outside FAS.

(a) No change.

(a) No change.

(b) Resident of FAS is exempt from U.S. tax on income taxed by FAS. Resident is any person physically present in FAS for 183 days during a year.

(b) Override this provision. Consistent with rules applicable to U.S. possessions, no exclusion for foreign earned income (Sec. 911).

(b) Same as Ways and Means except the Section 911 exclusion applies.

SECTION 255 -- BUSINESS INVESTMENT INCENTIVES

Various business investment incentives of Code that applied to possessions as of January 1, 1980 would apply to FAS.

The business investment incentives of Code that apply to possessions as they change from time to time would apply to FAS. FAS and U.S must agree to exchange tax information by January 1, 1987. To extent incentives are reduced in the future, appropriations authorized to FAS.

Tax-exchange information same as Ways and Means; for other issues, see below.

SECTION 255 -- AREAS AFFECTED

Applies to:

- (1) Tax-exempt bonds
- (2) Depreciation/ITC
- (3) Charitable Donations
- (4) Tax Haven Income
- (5) Possessions Corporations (Sec. 936)

Applies to five items listed at left.

Does not apply to items 1-4 listed at left; applies to possessions corporations (Sec. 936) as it changes from time to time (see below).

Proposed Compact

As Reported By House  
Ways and Means Committee

As Approved By House  
of Representatives

GUARANTEE OF BENEFITS

Tax benefits to continue for two years after Compact's date of enactment, with agreement to extend similar benefits beyond two years.

No guarantees for tax benefits, but appropriations are authorized to compensate FAS if tax benefits are cut.

No guarantee, except for Sec. 936. For Sec. 936, current rules apply with guarantee of continuation of benefits for one year past date of enactment of any Sec. 936 change, and with mandatory negotiation for extension of benefits, subject to implementing legislation.

EFFECTIVE DATE

Income earned and transactions occurring on or after October 1, 1985.

No change.

No change.

STUDY

No provision.

Treasury study on the effect of the tax provisions.

Same as Ways and Means.

LEGISLATIVE HISTORY

\*\*\* 99TH CONGRESS \*\*\*

ALL

ITEM 2 OF 6 IN SET 1

DATE SUBMITTED: 03/07/85

H.J.RES.187

CALENDAR NO: U 148

SPONSOR: Fascell (BY REQUEST)

H.REPT.99-188

H.REPT.99-188

H.REPT.99-188

H.REPT.99-188

REFERRED TO: House Foreign Affairs  
House Interior and Insular Affairs  
House Armed Services  
House Merchant Marine and Fisheries  
House Ways and Means  
House Judiciary

REPORTED BY: House Foreign Affairs  
House Interior and Insular Affairs  
House Merchant Marine and Fisheries  
House Ways and Means

(CROSS REFERENCE BILLS EXIST)

PAGE 1 OF 6. READY FOR COMMAND, OPTION OR PG #(FOR NXT PG, RETURN):

H.J.RES.187 (LG99) continued:

COSPONSOR(S): CURRENT (5)

Udall; Seiberling; Solarz; Lagomarsino; Blaz (A-07/25/85):

LATEST OFFICIAL TITLE:

OFFICIAL TITLE AS INTRODUCED AS OF 03/08/85:

A joint resolution to approve the "COMPACT OF FREE ASSOCIATION", and for other purposes.

CROSS REFERENCE BILLS:

S.J.RES.77

LEGISLATIVE ACTIONS:

Jul 24, 85 Committee on Rules Granted a Modified Closed Rule Providing Three Hours of General Debate.

Mar 7, 85 Referred to House Committee on Foreign Affairs.

Apr 3, 85 Referred to Subcommittee on Asian and Pacific Affairs.

May 2, 85 Subcommittee Consideration and Mark-up Session Held.

May 2, 85 Forwarded by Subcommittee to Full Committee (Amended).

May 14, 85 Committee Consideration and Mark-up Session Held. (May 15, 85).

May 15, 85 Ordered to be Reported (Amended).

ALL, PAGE 2 OF 6. READY FOR COMMAND, OPTION OR PG #(FOR NXT PG, RETURN):

H.J.RES.187 (LG99) continued:

Jul 1, 85 Reported to House (Amended) by House Committee on Foreign Affairs. Report No: 99-188 (Part I).

Mar 7, 85 Referred to House Committee on Interior and Insular Affairs.

Mar 21, 85 Referred to Subcommittee on Public Lands.

Jun 5, 85 Subcommittee Consideration and Mark-up Session Held.

Jun 5, 85 Forwarded by Subcommittee to Full Committee (Amended).

Jun 11, 85 Executive Comment Received From State.

Jun 19, 85 Committee Consideration and Mark-up Session Held. (Jun 26, 85).

Jun 26, 85 Ordered to be Reported (Amended).

Jul 15, 85 Reported to House (Amended) by House Committee on Interior and Insular Affairs. Report No: 99-188 (Part II).

Jul 15, 85 Referred to House Committee on Armed Services Sequentially, for a Period Ending not Later than Jul 19, 85.

Jul 15, 85 Referred to House Committee on The Judiciary Sequentially, for a Period Ending not Later than Jul 19, 85.

Jul 17, 85 Referred to Subcommittee on Immigration, Refugees, and International Law.

Jul 18, 85 Subcommittee Hearings Held.

H.J.RES.187 (LG99) continued:

- Jul 15, 85 Referred to House Committee on Merchant Marine and Fisheries  
Sequentially, for a Period Ending not Later than Jul 19, 85.
- Jul 18, 85 Committee Consideration and Mark-up Session Held.
- Jul 18, 85 Ordered to be Reported (Amended).
- Jul 19, 85 Reported to House (Amended) by House Committee on Merchant  
Marine and Fisheries. Report No: 99-188 (Part III).
- Jul 15, 85 Referred to House Committee on Ways and Means Sequentially, for a  
Period Ending not Later than Jul 19, 85.
- Jul 18, 85 Committee Consideration and Mark-up Session Held.
- Jul 18, 85 Ordered to be Reported (Amended).
- Jul 22, 85 Reported to House (Amended) by House Committee on Ways and  
Means. Report No: 99-188 (Part IV).
- Jul 18, 85 House Committee on Ways and Means Granted an Extension for Further  
Consideration Ending not Later Than July 22, 1985.
- Jul 19, 85 House Committee on The Judiciary Discharged by Motion.
- Jul 19, 85 House Committee on Armed Services Discharged by Motion.
- Jul 22, 85 Placed on Union Calendar No: 148.
- Jul 24, 85 Rules Committee Resolution H.Res.235 Reported to House.
- Jul 25, 85 Rule Passed House.

ALL, PAGE 4 OF 6. READY FOR COMMAND, OPTION OR PG #(FOR NXT PG, RETURN):

H.J.RES.187 (LG99) continued:

- Jul 25, 85 House Agreed to Amendments Adopted by the Committee of the Whole.
- Jul 25, 85 Amendment HA 384 Offered by Representative Rostenkowski.
- Jul 25, 85 Amendment HA 384 Passed in Committee of the Whole by Voice Vote.
- Jul 25, 85 Passed House (Amended) by Yea-Nay Vote: 360 - 12 (Record Vote No:  
261).

**ABSTRACT:**

Grants congressional approval of the COMPACT OF FREE ASSOCIATION between the  
United States, the Federated States of Micronesia, and the Marshall Islands.

**AMENDMENTS PROPOSED:**

H.AMDT.NO.384                      DATE: 07/25/85                      PROPOSED BY: Rostenkowski

**DIGEST:**

Grants congressional approval of the COMPACT OF FREE ASSOCIATION between the  
United States, the Federated States of Micronesia, and the Marshall Islands.  
Declares that the defense sites of the United States established in the  
Marshall Islands or the Federated States of Micronesia in accordance with such  
COMPACT and its related agreements are within the special maritime and  
territorial jurisdiction of the United States.

ALL, PAGE 5 OF 6. READY FOR COMMAND, OPTION OR PG #(FOR NXT PG, RETURN):

H.J.RES.187 (LG99) continued:

Provides that upon the effective date of the COMPACT OF FREE ASSOCIATION the  
laws of the United States generally applicable to the Trust Territory of the  
Pacific Islands shall continue to apply to the Republic of Palau. Makes the  
Republic of Palau eligible for such proportion of Federal assistance as it  
would otherwise have been eligible to receive under such laws prior to the  
effective date of the COMPACT.

**INDEX TERMS:**

TERRITORIES AND POSSESSIONS OF THE U.S./MILITARY BASE AGREEMENTS/TREATIES--  
PALAU/TREATIES--TRUST TERRITORY OF THE PACIFIC IS/TREATIES--MICRONESIA/  
TREATIES--MARSHALL ISLANDS/TRUST TERRITORY OF THE PACIFIC ISLANDS/MARSHALL  
ISLANDS/ COMPACT OF FREE ASSOCIATION /MICRONESIA/REPUBLIC OF PALAU/ELIGIBILITY  
FOR ASSISTANCE/TREATIES AND INTERNATIONAL AGREEMENTS/DEVELOPING COUNTRIES/  
MICRONESIA AND MARSHALL ISLANDS

ALL, PAGE 6 OF 6. READY FOR NEW COMMAND, OPTION OR PG #: