

THE STRATEGIC IMPORTANCE OF THE FREELY
ASSOCIATED STATES TO THE UNITED STATES
AND OUR ALLIES IN THE INDO-PACIFIC RE-
GION, INCLUDING THE COMPACTS OF FREE
ASSOCIATION WITH THE FEDERATED STATES
OF MICRONESIA, THE REPUBLIC OF THE MAR-
SHALL ISLANDS, AND THE REPUBLIC OF PALAU

HEARING
BEFORE THE
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE
ONE HUNDRED SEVENTEENTH CONGRESS
SECOND SESSION

MARCH 29, 2022



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THE STRATEGIC IMPORTANCE OF THE FREELY ASSOCIATED STATES TO THE UNITED STATES AND OUR ALLIES IN THE INDO-PACIFIC REGION, INCLUDING THE COMPACTS OF FREE ASSOCIATION WITH THE FEDERATED STATES OF MICRONESIA, THE REPUBLIC OF THE MARSHALL ISLANDS, AND THE REPUBLIC OF PALAU

TUESDAY, MARCH 29, 2022

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The Committee met, pursuant to notice, at 10:00 a.m. in Room SD-366, Dirksen Senate Office Building, Hon. Joe Manchin III, Chairman of the Committee, presiding.

**OPENING STATEMENT OF HON. JOE MANCHIN III,
U.S. SENATOR FROM WEST VIRGINIA**

The CHAIRMAN. The Committee will come to order.

Let me thank both of you for being here. We appreciate it, and I think we have one person who is going to be with us virtually. Our Committee meets today to discuss the importance of our strategic alliance with the Freely Associated States of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau and negotiating the expiring provisions of the Compacts of Free Association. There is broad consensus between Republicans and Democrats and the Administration of the growing importance of the Indo-Pacific region to American security and the need to prioritize our relationship with the Freely Associated States. While our attention remains focused on Putin's atrocious actions in Ukraine, we must not turn a blind eye to the potentially severe consequences of China's continued aggression toward Taiwan and the Indo-Pacific region at large. Central to the Compacts include economic assistance provisions and access to certain federal programs and services, like the U.S. Postal Service, that are set to expire in 2023 for the Marshall Islands and Micronesia, and in 2024 for Palau. It remains in America's best interest to expedite these negotiations to demonstrate our loyalty to these special allies and our longstanding commitment to maintaining peace and security in this region.

Senator Barrasso and I have sent Secretary Haaland and Secretary Blinken two letters urging the Administration to expedite the Compact negotiation process in light of our national security interests. The Administration shared some good news last week. Ambassador Yun was appointed as Special Presidential Envoy for Compact Negotiations, and I am optimistic that his appointment marks a new chapter in our efforts to renew the Compacts of Free Association. In considering the Compacts' renewal, we must not forget the longstanding relationship formed between the United States and the people of the Freely Associated States in the aftermath of World War II. The Compacts of Free Association emerged as an extension of the United States–United Nations trusteeship agreement, which recognizes the strategic importance of the Pacific Islands. It allowed the United States to establish an unrestricted military presence on the islands and in the surrounding waters which cover an area larger than the continental United States to prevent future aggressions in the region. In return, the trusteeship obligated the United States to foster the economic development and self-sufficiency of the islands and to promote the well-being of their people.

The U.N. trusteeship eventually dissolved, replaced by the Compacts of Free Association, which allow the United States to maintain defense and security rights in exchange for economic assistance to the Marshall Islands, Micronesia, and Palau. Today, the Freely Associated States' economies face immense challenges, including limited natural and human resources, remote locations, poor infrastructure, pandemic recovery, and assorted environmental issues. All three nations rely on the key services and financial assistance that we have provided under the Compacts for over 35 years. The Compacts are scheduled to have provided \$2.5 billion to the Marshall Islands by 2023, \$3.7 billion to Micronesia by 2023, and \$803 million to Palau by 2024. Compact funding has primarily supported healthcare and education in the Freely Associated States, but it has also helped fund infrastructure projects, disaster response and recovery, and more.

To put it plainly, we cannot afford to abandon the Freely Associated States nor our strategic military presence in the Indo-Pacific, given the threat of our current adversaries. China has long been leveraging its economic power to undermine the autonomy of countries throughout the Pacific region by offering easy money, then applying coercive economic policies. The Marshall Islands are one of China's top priority recipients, and China is a significant source of foreign aid to Micronesia. In 2017, Beijing essentially banned Chinese tourists from visiting Palau, whose economy is heavily reliant on tourism. The United States must be proactive in coming to the negotiation table to maintain our alliance in the Indo-Pacific and to ensure these countries remain economically free from coercive strategies. We must not send the signal to China that the Freely Associated States are an opportunity to expand their authoritarian interests and influence. Given our interest in maintaining strong and close relationships with the Freely Associated States, our defense interests, and our interest in deterring China's expansion in the Pacific, this Committee has a responsibility to look ahead to

the problems that may arise if the financial assistance afforded by the Compacts comes to an end.

I look forward to hearing from our witnesses from the Department of the Interior, the Department of State, and the Department of Defense, regarding their plans to coordinate an expedited negotiation process that shows the Freely Associated States and China that they are a top U.S. priority. I want to thank the Administration officials for being here with us today to help us learn more about this issue. And with that, I am going to turn it over to Senator Barrasso for his opening remarks.

**OPENING STATEMENT OF HON. JOHN BARRASSO,
U.S. SENATOR FROM WYOMING**

Senator BARRASSO. Well, thanks so much, Mr. Chairman. Thanks for holding this important hearing and thanks to the witnesses who are joining us today.

Today is really a great opportunity to discuss the strategic importance of our Freely Associated States in the Indo-Pacific region. They play a vital role in our deterrence of an even and ever more aggressive China. The war in Ukraine has raised the alarm to the world. We are seeing a shifting of the global world order as we know it. A belligerent and hostile Russia has reminded Europe that the world is not a peaceful place. Security, peace, and stability can no longer be taken for granted there. At the same time, aggressive countries, like China, with larger global ambitions are watching. They are watching to upset the security and power dynamic in the region and to threaten Taiwan. We cannot take their actions lightly. We should do all that we can to deter them from taking the same course as Russia.

The Compacts of Free Association that we have with the Freely Associated States of the Marshall Islands, Micronesia, and Palau, are a key part in that deterrence. These island nations and our U.S. territories of Guam, the Commonwealth of the Northern Mariana Islands, and American Samoa, they form an important line of support and defense for the U.S. and our allies in the Pacific. The military assets and personnel that we currently have stationed on these islands, they do and help provide stability. So will our future plans for additional facilities and assets. The Compacts of Free Association facilitate these strong bonds. They are critical to continuing our historically strong relationships with these nations. The Administration has stated they understand the priority of the Compacts in their recently released Indo-Pacific strategy of the United States. In its Indo-Pacific strategy, the Administration stated, "We will also prioritize negotiations on our Compacts of Free Association with the Freely Associated States as the bedrock," they say, "of the U.S. role in the Pacific."

However, as Chairman Manchin and I have noted in our recent letter to the Administration, to date, despite these statements by the Administration, there has been no formal Compact negotiation meeting between any of the FAS and the Administration since the year 2020, meaning none with the Biden Administration. Actions speak louder than words, as the Chairman has said. China is on the move. Time is running out for renewing the expiring provisions of these Compacts. The agencies before us today, the Departments

of Interior and State, as well as the Department of Defense, need to work together to get these negotiations back on track. Now is not the time to send a signal to our adversaries that the U.S. does not consider the Freely Associated States a strategic priority. We cannot allow China to forge stronger ties with these nations at our expense and at the expense of our allies. The people of the Freely Associated States have stood by us as steadfast allies. They expect, in return, that their priorities are heard.

With the three agencies before us today, it is my hope, Mr. Chairman, that we can get a better sense of what is being done to deter China and what the barriers are to moving forward with these Compact negotiations. Thank you, Mr. Chairman. I look forward to the testimony.

The CHAIRMAN. Thank you, Senator Barrasso.

I would like to turn to our witnesses now, and we are going to begin with Mr. Lambert, who is Deputy Assistant Secretary of the Bureau of East Asian and Pacific Affairs with the Department of State.

He will then be followed by Dr. Mohandas, Deputy Assistant Secretary of Defense for East Asia in the Department of Defense.

Finally, we are going to hear from Mr. Nakoa, Deputy Assistant Secretary for Insular and International Affairs with the Department of the Interior.

I want to thank you all for joining us today. And Mr. Lambert, we will start with you.

OPENING STATEMENT OF MARK LAMBERT, DEPUTY ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. LAMBERT. Thank you very much, Senator.

Chairman Manchin, Ranking Member Barrasso, distinguished members of the Committee, thank you for the opportunity to appear before you today to testify on the importance of the Freely Associated States, both to the United States, as well as to our allies and partners in the Indo-Pacific Region. I am very pleased to be here today with Deputy Assistant Secretary Keone Nakoa of the Department of the Interior and Deputy Assistant Secretary of Defense for East Asia, Dr. Siddharth Mohandas.

As the most dynamic and fastest growing demographic area on earth, the Indo-Pacific is a vital region. The Indo-Pacific strategy, the first regional strategy released by the Administration, reflects renewed U.S. commitment to deepen our engagement in the region and build innovative links with local allies, partners, and institutions so we can collectively address the urgent challenges that face the Pacific Islands. As was pointed out, our relationships with the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau, collectively referred to as the Freely Associated States, have, since World War II, contributed to a secure, stable, and prosperous Western Pacific and a strategic location for the United States in the larger Indo-Pacific region. Reflecting the unique and longstanding relationship between the United States and the Freely Associated States, the U.S. Department of Health and Human Services provided the FAS with enough vaccines for their entire populations as well as personal protective

equipment and technical and financial assistance to combat COVID-19. The Republic of the Marshall Islands, Federated States of Micronesia, and Palau are also historically among the United States' strongest supporters at the United Nations. Most recently, all three countries stood alongside the United States and made strong statements at the United Nations in support of Ukraine. It is significant that Micronesia even severed diplomatic relations with Russia. Moreover, Palau and the Marshall Islands are two of the 14 countries that maintain diplomatic ties with Taiwan. These relationships are under enormous pressure from the PRC, as Taiwan has lost eight diplomatic partners since 2016.

In recent years, the PRC has expanded its engagement with the Pacific Islands. Between 2006 to 2018, the PRC provided \$1.8 billion in assistance to the Pacific Islands, which would put them third in the region after Australia, which provided \$7.7 billion and the United States, which provided \$1.9 billion. That being said, the United States welcomes opportunity to collaborate with partners, including even the PRC, if our interests and development goals overlap in the Pacific Islands. The Biden-Harris Administration is prioritizing Compact negotiations with the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau as a U.S. foreign policy objective. We are coordinating closely across our interagency to evaluate a range of options to promote continuing assistance to all three countries. As Senator Manchin pointed out, in light of the critical nature of these complex negotiations, President Biden appointed retired Ambassador Joseph Yun as the Special Presidential Envoy for Compact Negotiations on March 22nd. Ambassador Yun has more than 33 years of diplomatic experience, including as our country's Special Representative for North Korea Policy and as the United States Ambassador to Malaysia.

The U.S. Compact team is focused on continuing with productive talks in order to complete these negotiations in a timely fashion. To date, the negotiation team has consulted on subsidiary agreements under the Compact with each of the Freely Associated states covering certain federal programs and services and direct economic assistance, contingent on the availability of funding. The U.S. Compact team has held numerous negotiations and discussions with representatives from the Federated States of Micronesia, and U.S. officials remain eager and ready to engage with the Marshall Islands, and particularly with respect to provisions that expire after Fiscal Year 2023, and have sought associated discussions. Likewise, with Palau, we remain ready to engage in the required Compact review that already is broad in scope and flexible. And we are also ready to resume negotiations on possible assistance after Fiscal Year 2024—that is in the case of the Federated States of Micronesia—and the Republic of the Marshall Islands has been a core element of the overall Compact relationship.

As part of our most recent engagement efforts, we have proposed in-person meetings with each country to further negotiations and address issues that remain. As I noted, negotiators seek to complete negotiations in a timely fashion, understanding that Congress needs sufficient time to enact legislation, as needed, before any agreements amending the Compacts are brought into force and to provide Congress the opportunity to appropriate funds to avoid any

lapses in assistance. To that end, we look forward to engaging with Congress as negotiations progress. We understand that successful negotiations are crucial to deepening our strategic partnership with Pacific Island countries in support of a free, open, and secure Indo-Pacific.

Chairman Manchin, Ranking Member Barrasso, distinguished members of the Committee, thank you for this opportunity to appear before you today, and we look forward to working closely with Congress to ensure that our country can effectively secure U.S. interests in the Indo-Pacific. Thank you.

[The prepared statement of Mr. Lambert follows:]

STATEMENT BY
MARK LAMBERT
DEPUTY ASSISTANT SECRETARY FOR
AUSTRALIA, NEW ZEALAND, AND THE PACIFIC ISLANDS
BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS
DEPARTMENT OF STATE
MARCH 29, 2022

Chairman Manchin, Ranking Member Barrasso, distinguished members of the Committee, thank you for the opportunity to appear before you today to testify on the importance of the Freely Associated States to the United States as well as our allies and partners in the Indo-Pacific region. I am very pleased to be here today with Deputy Assistant Secretary Keone Nakoa of the Department of Interior, and Deputy Assistant Secretary of Defense for East Asia, Dr. Siddharth Mohandas.

As the most dynamic and fastest-growing demographic area on earth, the Indo-Pacific is a vital region that is a leading priority for the Biden-Harris Administration. The United States will work with our allies and partners toward our positive vision of a free and open Indo-Pacific that is more connected, prosperous, secure, and resilient.

The publication of the United States Indo-Pacific Strategy, the first regional strategy released by the administration, and Secretary Blinken's visit to Fiji on February 12 to meet with Pacific Island leaders, are testaments to the importance we place on the region. The Indo-Pacific Strategy reflects renewed U.S. commitment to deepen our engagement in the region and build innovative links with local allies, partners, and institutions, so we can collectively address the urgent challenges that face the Pacific Islands. As Secretary Blinken said on his recent trip, our focus on the Indo-Pacific now, even as we continue to work relentlessly to support Ukraine as it defends itself against Russian aggression, is a demonstration of our commitment to staying committed to the Indo-Pacific region. And that includes the Pacific Islands.

Our allies and partners across the Indo-Pacific provide unmatched capabilities of their own and support our presence; as such, they are central to achieving our collective goals in the region. We will revitalize our longstanding alliances, including with Australia, Japan, the Philippines, South Korea, and Thailand, and deepen our cooperation with other close partners, including India and New Zealand. We will pursue closer cooperation in priority areas including regional security, technology, democratic resilience, human rights, the climate crisis, and pandemic preparedness and response efforts.

The United States is a Pacific nation, and we have deep and long-standing ties to the countries of the Pacific, who are not only our neighbors but also our friends.

Our relationships with the Republic of the Marshall Islands (RMI), the Federated States of Micronesia (FSM), and the Republic of Palau, collectively referred to as the Freely Associated

States (FAS), have, since World War II, contributed to a secure, stable, and prosperous Western Pacific, and a strategic location for the United States in the larger Indo-Pacific region. Together these three countries form a strategic bridge that stretches from Hawai'i to the Philippines, an area that is geographically larger than the continental United States. Traveling west from the Marshall Islands (RMI) over the Federated States of Micronesia (FSM) to Palau is like traveling by airplane from Washington, DC to California.

Our shared values and commitment to democracy and human rights are reflected in our respective Compacts of Free Association. This bedrock underpins our strong relationships and our close cooperation.

We have full responsibility and authority for security and defense matters in or relating to these three countries. We can deny other countries' militaries access to the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau. Recognizing our responsibility and authority for defense and security matters, these three countries consult closely with us on their foreign policies and recognizing the sovereign foreign affairs authority of each of these three countries, we consult with each of the three countries on foreign policy matters that relate to them. All three countries also have a long tradition and high rate of service by their citizens in the United States armed forces, which contributes to our mutual security.

We work closely with the Marshall Islands, Federated States of Micronesia, and Palau on the full range of law enforcement issues through Department of Homeland Security, U.S. Coast Guard, DEA, and FBI through law enforcement training in all three countries, including cooperating on law enforcement investigations. The Freely Associated States' own efforts in law enforcement include jointly exercising our maritime law enforcement agreements to combat illegal, unreported, and unregulated fishing, securing their respective ship registries from illicit use by bad actors, and membership in the Proliferation Security Initiative that works to prevent illicit transfer of weapons of mass destruction. Together we are also working to secure our respective borders, including our shared maritime boundaries with the Freely Associated States.

Reflecting the unique and longstanding relationship between the United States and the FAS, the U.S. Department of Health and Human Services provided the FAS with enough vaccines for their entire eligible populations, as well as personal protective equipment and technical and financial assistance to combat COVID-19. Since December 2020, the U.S. Centers for Disease Control and Prevention has delivered more than 170,000 doses of the Moderna, Johnson & Johnson Janssen, and Pfizer COVID-19 vaccine to the FAS. As a result, Palau has vaccinated approximately 100 percent of the total eligible population; RMI approximately 55 percent; and FSM 51 percent of their total eligible population.

The Marshall Islands, Federated States of Micronesia, and Palau are historically among the United States' strongest supporters at the United Nations, as closely aligned with us as some of our closest partners, including Australia and the United Kingdom. Most recently, all three countries stood alongside the United States and made strong statements at the United Nations in

support of Ukraine. All three countries presented forceful statements on the UN floor denouncing Russia's ongoing aggression towards Ukraine. On the bilateral front, the Federated States of Micronesia severed its diplomatic relations with Russia and was subsequently included by Moscow on its list of "unfriendly" countries.

The Marshall Islands and Palau, which has an open ship registry, are key partners in deregistering and reporting vessels or taking action to investigate companies that have used their flags or companies in their jurisdiction for sanctions evasion. Both have moved to deregister vessels and companies suspected of involvement in illicit ship-to-ship transfers of oil to North Korean vessels. The Federated States of Micronesia also has taken action against entities falsely using their flag. In addition, we are working with the Federated States of Micronesia through the U.S. Coast Guard to improve counterterrorism and other measures at its ports. We are supporting regional capacity building for Pacific shipping registries, in partnership with Australia, New Zealand, and the Pacific Islands Forum Secretariat, as well as other likeminded partners.

Our embassies continue to strengthen democratic institutions in the Pacific Islands. U.S. Embassy Majuro recently provided training to over 30 journalists from the Marshall Islands, Federated States of Micronesia, Fiji, and Nauru on investigative reporting and journalism. Participants unequivocally agreed on the need for greater regional journalistic collaboration in the Pacific Islands region and on the importance of serving as watchdogs for society. The journalists' desire to tackle the complex regional issues of IUU fishing, the impact of climate change, human trafficking, and freedom of the press, amongst other themes, was an inspiration to us. USAID democratic governance programming is supporting local civil society organizations in the Federated States of Micronesia and the Republic of the Marshall Islands so they can advocate good governance and develop the practice of constituency building and citizen engagement. It will also support the national elections of the Marshall Islands by providing technical assistance on election administration and voter education. Palau is another great partner, and together we are co-hosting the 7th Our Ocean Conference, which is just days away. The conference could have been held elsewhere, but after Palau raised its hand for the region and world to lead on ocean protection and climate change by hosting the conference, we knew partnering with them was the right decision.

With some Pacific Island nations only six feet above sea level, many Pacific Island countries are particularly vulnerable both to the subtle environmental changes from climate change and debilitating natural disasters - sea level rise, coastline erosion, storm surge, droughts, volcanoes, cyclones, and typhoons, along with changes in the marine ecosystems that are part of their economies and cultural heritages - but also among the least able to respond. The United States, through USAID, is supporting the FAS to combat climate change, strengthen environmental stewardship including protecting coastal fisheries, addressing IUU fishing, addressing marine plastic pollution, and increasing and sustaining their disaster resilience/response capabilities. USAID assistance in the FAS has helped to unlock access to an estimated \$57 million from various international climate finance mechanisms such as the Green Climate Fund, Global

Environmental Facility and the Adaptation Fund. USAID and Federal Emergency Management Agency funding supports disaster response and recovery efforts across the FAS.

The United States, alongside our partners Japan and Australia, is expanding reliable and secure digital connectivity in the Pacific under the Trilateral Infrastructure Partnership. The first project under this partnership—the construction of an undersea fiber optic cable to the Republic of Palau—officially broke ground in December 2021. This cable will provide Palau with the redundancy it needs to realize the economic and development benefits of increased and strengthened digital connectivity. Additionally, the United States has been working closely with the Federated States of Micronesia on the East Micronesia Cable project.

Palau and the Marshall Islands are two of the 14 countries that maintain diplomatic ties with Taiwan. Taiwan also has diplomatic ties with two other Pacific Island countries (Nauru and Tuvalu). In 2020, Taiwan provided more than \$500 million in official development assistance globally, primarily to its diplomatic partners. Taiwan’s diplomatic partners, in turn, are a crucial source of support for Taiwan in the international community, including at the United Nations. These relationships are under enormous pressure from the PRC. Taiwan has lost eight diplomatic partners since the 2016 election of President Tsai Ing-wen, when Beijing ended an eight-year “diplomatic truce” due to its view that Tsai’s policies are less friendly to its interests. In December 2021, Nicaragua broke ties with Taiwan, the first country to do so in more than two years. The small size and proximity to the PRC of Taiwan’s four Pacific Island diplomatic partners, coupled with their heavy reliance on foreign assistance, make them especially susceptible to Beijing’s economic pressure. The U.S. government is working with Taiwan, under the auspices of AIT and TECRO, to counterbalance this influence and shore up Taiwan’s relationships in the Western Pacific.

A unique feature of our relationship with the Freely Associated States is that eligible citizens of all three Freely Associated States do not require visas to live, work, and study in the United States. The depth and breadth of our people-to-people relationships is one of the strongest foundations of our relationship, and it is growing stronger every year.

The United States’ relationships with the next generation of leaders in the Freely Associated States contribute to a continued shared understanding of our countries’ mutual interests. We are committed to working with the next generation of Pacific leaders, enabling them to drive positive change in their home countries. A key way in which the State Department advances this goal is through the annual Young Pacific Leaders (YPL) conference, which gathers emerging leaders from Pacific Island nations to discuss issues of regional concern. The Young Pacific Leaders Initiative, of which this conference is a part, now has numerous alumni with diverse backgrounds, including diplomats, government officials, teachers, NGO leaders, and journalists. The YPL program features a small grants competition for participants to transform ideas into action. In addition, Peace Corps has partnered with the FAS over sixty years with over 4,500 Volunteers until its departure in 2018. Peace Corps has had over 13,000 Volunteers in 12 Pacific Island nations over the past sixty years and plans to have approximately 120 per year total in Fiji,

Samoa, Tonga, and Vanuatu with the return to service by Volunteers there in late 2022 and early 2023.

Embassy Majuro continues to implement the Under Secretary of State for Public Diplomacy and Public Affairs'-funded (\$2+ million) women's empowerment program which ends in October 2022. This program, implemented by the International Organization for Migration, engages all three FAS. In addition, S/GWI recently launched Building Economic Inclusion via the Blue Economy (BELUU) program, being implemented in Marshall Islands, Palau, Tuvalu and Nauru by Grameen Foundation USA (Grameen) from October 1, 2021-September 30, 2024. BELUU focuses on the power of the blue and green economies to deepen the market participation of women entrepreneurs in these island nations which all have diplomatic ties with Taiwan. Taiwan has committed to provide 500k alongside S/GWI innovation funding of 600k for the project.

Our relationship with the Freely Associated States - underpinned by our respective Compacts - is a strategic component of our position in the Indo-Pacific. These relationships allow the United States to guard long-term defense and strategic interests. Our partnerships and engagement in the region matter greatly and generate outsized results. Nevertheless, the United States must continue to deepen our engagement not only with the Freely Associated States, but with Pacific Islands broadly. We cannot take the goodwill generated from our historic bonds of friendship for granted at a time of increasing competition from the People's Republic of China (PRC), Russia, and other countries seeking to exert greater influence, in the Freely Associated States and across the larger Pacific region. The three Compacts do not expire but each can be terminated by either signatory government, subject to applicable provisions. However, our mutually beneficial relationships are also strongly tied to economic assistance provisions within each Compact and relevant subsidiary agreements, including certain federal programs and services which, absent successful negotiations, will end after 2023 for the FSM and RMI, and 2024 for Palau. Our strategic competitors are well aware that the scheduled end of U.S. economic assistance is fast approaching, so we must also recognize that now is not the time to leave the FAS open to their predations.

In light of the critical nature of these complex negotiations, President Biden has appointed Joseph Yun as Special Presidential Envoy for Compact Negotiations. Ambassador Yun has more than 33 years of diplomatic experience, including as the U.S. special representative for North Korea policy and as the United States Ambassador to Malaysia.

Our vision for the Indo-Pacific excludes no nation. The United States and the PRC are not zero-sum competitors. We welcome opportunities to collaborate with partners, including the PRC, on mutual interests and development goals in the Pacific islands, and to expand efforts with international institutions to tackle key global development challenges. The United States is committed to economic development that respects national autonomy and builds regional trust. This occurs when infrastructure and other areas are physically secure, financially viable, environmentally sound, and socially responsible. We encourage the PRC to promote and uphold these best practices in infrastructure development and financing, effective environmental and social safeguards and to adopt an open and inclusive approach to its Belt and Road Initiative

(BRI)-affiliated overseas infrastructure projects as it pursues economic cooperation with countries in the region and beyond.

In recent years, the PRC has expanded their engagement with the Pacific Islands. They have focused on increasing development aid, investments, and military assistance. Between 2006 to 2018, PRC provided \$1.8 billion in assistance to the Pacific Islands, which would put them third in the region after Australia (\$7.7 billion) and the United States (\$1.9 billion)

While PRC's trade relationship with the Freely Associated States grows, we remain a top trading partner in the Freely Associated States and have trade surpluses in goods with all three countries totaling approximately \$300 million in 2021. In 2020, trade in goods between the PRC and the Federated States of Micronesia was \$27.6 million in contrast to \$60.6 million with the United States. For the Marshall Islands, trade in goods with the PRC was \$3.29 billion while trade with the United States was \$150.8 million. For Palau, trade in goods with the PRC was \$24.4 million while with the United States it was \$21.6 million.

Against a backdrop of growing competition, there is uncertainty from our partners about the United States' willingness - and ability - to sustain our robust presence that has been a hallmark of much of the 20th century and that has contributed to peace, stability, and prosperity in the region. Our allies, partners, and other Pacific Island countries see our relationships with the Freely Associated States as a signal of our commitment to the Indo-Pacific.

The Biden-Harris Administration is prioritizing Compact negotiations with the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau as a U.S. foreign policy and national security objective. We are coordinating closely across the interagency to evaluate a range of options to promote continuing assistance to all three countries. These agreements are complex and require a thoughtful approach with extensive consultations to make sure that we get them right.

The U.S. Compact team is focused on continuing with productive talks in order to complete these negotiations in a timely fashion. To date, the negotiation team has consulted on subsidiary agreements under the Compact with each of the FAS covering certain federal programs and services and direct economic assistance, contingent on the availability of funding. The U.S. Compact team has held numerous negotiations and discussions with representatives from the Federated States of Micronesia. After initial discussions and negotiations with the Marshall Islands, we are ready to re-engage with the Marshall Islands representatives in light of work and progress made informally.

Likewise with Palau, we remain ready to engage in the required Compact Review that already is broad in scope and flexible, and we are also ready to resume negotiations on economic assistance after FY 2024 that as in the case of FSM and RMI has been a core element of the overall Compact relationship. As noted, the Administration announced the appointment of Ambassador Joseph Yun as the new Special Presidential Envoy for Compact Negotiations on March 22, 2022.

As part of our most recent engagement efforts, we have proposed in-person meetings with each country to further negotiations and address issues that remain. The negotiation team is working

diligently and in close cooperation with the NSC and a range of interagency stakeholders to facilitate progress on these complex negotiations.

As I noted, negotiators seek to complete negotiations in a timely fashion, understanding that Congress needs sufficient time to enact legislation as needed before any agreements amending the Compacts are brought into force and to provide Congress the opportunity to appropriate funds to avoid any lapse in U.S. assistance to these important partners.

To that end, we look forward to engaging with our Congress as negotiations with the FAS progress. We understand that successful negotiations are crucial to deepening our strategic partnerships with Pacific Island countries in support of a free, open, and secure Indo-Pacific. We appreciate your continued support for ongoing negotiations with the FAS and welcome the opportunity to work with Congress to secure long-term U.S. strategic interests in this vital region.

Chairman Manchin, Ranking Member Barrasso, distinguished members of the Committee, thank you for the opportunity to appear before you today, and we look forward to again working closely with Congress to ensure that the United States can effectively secure U.S. interests in the Indo-Pacific.

The CHAIRMAN. Thank you, Mr. Lambert.

Now we are going to hear from Dr. Mohandas. Doctor, thank you so much for being here.

OPENING STATEMENT OF DR. SIDDHARTH MOHANDAS, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR EAST ASIA, OFFICE OF THE SECRETARY OF DEFENSE, U.S. DEPARTMENT OF DEFENSE

Dr. MOHANDAS. Thank you, Chairman Manchin, Ranking Member Barrasso, and distinguished members of the Committee. My name is Dr. Siddharth Mohandas, and I serve as the Deputy Assistant Secretary of Defense for East Asia, and I am pleased to have the opportunity to testify before you today alongside DAS Lambert from State and DAS Nakoa of Interior.

The United States is an Indo-Pacific nation with deep linkages with our partners in the Pacific Islands region. We share a unique and special relationship with this critical crossroads of the Indo-Pacific. Forged on the World War II Pacific Campaign battlefields of Guadalcanal, Tarawa, and Peleliu, we share a history defined by sacrifice. Today, our peoples value democracy, freedom, and human rights. We share the same profound concerns over the existential threat from climate change and seek opportunities to build prosperous and healthy societies.

Last August, when the President of the Republic of Palau, President Surangel Whipps, visited Secretary Austin at the Pentagon, he remarked that the United States and Palau are “like family.” Our Pacific Island family matters greatly to the United States, and nowhere is as critical as the Freely Associated States of Palau, Micronesia, and the Marshall Islands. When Secretary Austin met with President Whipps, he said that the Department of Defense was committed to upholding the U.S. responsibility and authority for defense and security matters in and related to Palau and the other Freely Associated states. The Department will work with each of the Freely Associated States on addressing the most pressing defense and security needs. As we engage with and partner with Palau, Micronesia, and the Marshall Islands, the Compacts of Free Association communicate our long-term commitment to our Pacific Island partners. Another unique aspect of the Freely Associated States is their commitment to and service in the U.S. military. They have served alongside us in every major conflict, and we at the Department of Defense are profoundly grateful for that.

The Compacts of Free Association with each of the Freely Associated States facilitate an unprecedented strategic partnership with our Palauan, Micronesian, and Marshallese partners. The United States has responsibility and authority for defense and security matters, and greatly values the unique access, basing, and overflight afforded us in each of these countries. The Compacts also allow the United States the right to strategically foreclose such access, basing, and overflight to third country militaries. In an era of intensifying geopolitical competition, this is vital to U.S. national security interests. The Department of Defense is supporting our interagency partners as the U.S. Government seeks to negotiate amendments to allow for the continued provision of certain economic assistance, including federal programs and services that

would otherwise expire to the Freely Associated States. The Department of Defense has a vested interest in seeing the successful and mutually beneficial completion of the negotiations so that we can continue to bolster our strategic partnership with each of the Freely Associated States.

Now, the United States is not the only nation that recognizes the significance of the strategic geography of Palau, Micronesia, and the Marshall Islands. The People's Republic of China is seeking to expand its influence in the Freely Associated States, and the PRC is increasing its concerning activities throughout the Pacific Islands region. From illegal, unreported, and unregulated fishing to outright bullying of sovereign nations that have diplomatic ties with Taiwan, the PRC's provocative behavior appears to be focused on seeking to erode the U.S. strategic partnership with the Freely Associated States. The Compacts of Free Association are an important signal to both our partners, as well as our competitors, that the U.S. commitment to the Freely Associated States is ironclad. U.S. security cooperation activities and investments in the Freely Associated States are mutually beneficial and advance strategic partnerships with each of our countries. These include security assistance aimed at building partner capacity as well as our Civic Action Team in Palau, which, for the past 50 years, has provided rotational detachments of engineers and medical teams that have promoted people-to-people ties through community relations and programs. We also conduct a number of exercises jointly and through services in Palau and the other Freely Associated States.

The Pacific Islands also present opportunities for increased cooperation with our closest allies and partners. Australia, New Zealand, Japan, France, and others all share our interest in the region's strategic importance, and we will find ways to leverage our comparative advantages to further strengthen our capacity building activities in the region. For example, in 2020, the United States, Australia, and Japan partnered to finance an undersea cable project for Palau. We have also cooperated with Australia on enhancing maritime domain awareness, and seeking ways to ensure that we do that in a complementary fashion. I must also note that the Compacts of Free Association enabled key defense posture initiatives in the Indo-Pacific region. The Republic of the Marshall Islands hosts the Ronald Reagan Ballistic Missile Defense Test Site at U.S. Army Garrison-Kwajalein Atoll. This site conducts regular space operations to provide space situational awareness and the protection of key space assets supporting three geographic combatant commands. It is ideally located for the observation of foreign missile launches and facilitates advanced technology testing for DOD. Future cooperation with the Federated States of Micronesia will facilitate agile combat employment for the U.S. Air Force and the highly anticipated Tactical Multi-Mission Over-the-Horizon Radar, or TACMOR, in Palau will provide the Department of Defense an unprecedented level of situational awareness of the maritime domain in the Indo-Pacific region.

Chairman Manchin, Ranking Member Barrasso, distinguished Senators and colleagues, thank you again for the opportunity to testify today about the strategic importance of the Freely Associ-

ated States to U.S. national security. I look forward to your questions and will be happy to answer them.

[The prepared statement of Dr. Mohandas follows:]

Dr. Siddharth Mohandas
Deputy Assistant Secretary of Defense for East Asia
Department of Defense

**“Strategic Importance of the Freely Associated States”
Deputy Assistant Secretary of Defense Dr. Siddharth Mohandas
U.S. Senate Committee on Energy and Natural Resources
March 29, 2022**

Introduction

Chairman Manchin, Ranking Member Barrasso, distinguished Members of the Committee, my name is Dr. Siddharth Mohandas and I serve as the Deputy Assistant Secretary of Defense for East Asia. I am pleased to be here today alongside my colleagues Deputy Assistant Secretary of State Lambert and Deputy Assistant Secretary for Insular and International Affairs Nakoa. I thank you for the opportunity to testify before you about the strategic importance of the Freely Associated States (FAS) to U.S. national security interests.

Shared Values, Interests, and History

The United States is an Indo-Pacific nation with deep linkages with our partners in the Pacific Islands region. We share a unique and special relationship with this critical crossroads in the Indo-Pacific region. Forged on the World War II Pacific Campaign battlefields of Guadalcanal, Tarawa, and Peleliu, we share a history defined by sacrifice. Today, our peoples value democracy, freedom, and human rights. We share the same profound concerns over the existential threat from climate change and seek opportunities to build prosperous and healthy societies. Last August, when the President of the Republic of Palau, President Surangel Whipps Jr, visited Secretary Austin at the Pentagon, he remarked that the United States and Palau were “like family.” Our Pacific Island region community “family” matters greatly to the United States and nowhere is as critical as the Freely Associated States of the Republic of Palau, Federated States of Micronesia, and the Republic of the Marshall Islands.

When Secretary Austin met with President Whipps, he said that the Department of Defense was committed to upholding the United States’ responsibility and authority for defense and security matters in and related to Palau and the other Freely Associated States. The Department will work with our each of the Freely Associated States on addressing their most pressing defense and security needs. As we engage and partner with Palau, Micronesia, and the Marshall Islands, the Compacts of Free Association communicate our long-term commitment to our Pacific Islands partners.

Another unique aspect of our relationship with the Freely Associated States is their commitment and service in the U.S. military. Citizens of Palau, Micronesia, and the Marshall Islands have a long and proud history of service in all branches of the U.S. Armed Forces. They’ve fought in our ranks in Vietnam, Iraq, and Afghanistan. the Department of Defense will be forever grateful for their service.

We also cooperate with the Freely Associated States to address the existential threat that our partners in the Pacific Islands face from climate change; the devastating economic and environmental impact of illegal, unreported, and unregulated (IUU) fishing, and maritime concerns.

Compacts of Free Association (COFA)

The Compacts of Free Association with each of the Freely Associated States facilitates an unprecedented strategic partnership with our Palauan, Micronesian, and Marshallese partners. The United States has responsibility and authority for defense and security matters in and relating to the Freely Associated States and greatly values the unique access, basing, and overflight afforded us in each of these countries. The Compacts also allow the United States the right to strategically foreclose such access, basing, and overflight to third-country militaries. In an era of intensifying geopolitical competition, this is vital to U.S. national security interests. The Department of Defense is supporting our interagency partners as the U.S. Government seeks to negotiate amendments to allow for the continued provision of certain assistance, including certain federal programs and services, that would otherwise end after FY 2023 for the FSM and RMI, and after FY 2024 for Palau. While we do not fund or administer the economic assistance provisions of the Compacts, the Department of Defense has a vested interest in seeing the successful and mutually beneficial completion of the negotiations so that we can continue to bolster our strategic partnership with each of the Freely Associated States.

Strategic Competition with the People's Republic of China

The United States is not the only nation that recognizes the significance of the strategic geography of Palau, Micronesia, and the Marshall Islands. The People's Republic of China (PRC) is seeking to expand its influence in the Freely Associated States, and the PRC is increasing its intimidating activities throughout the Pacific Islands region. From illegal, unreported, and unregulated (IUU) fishing to outright bullying of sovereign nations that have diplomatic ties with Taiwan instead of the PRC, the PRC's provocative behavior appears focused on eroding the U.S. strategic partnership with the Freely Associated States. The Compacts of Free Association are an important signal to both our partners as well as competitors, that the U.S. commitment to the Freely Associated States is iron-clad.

Security Cooperation and Future Opportunities

U.S. security cooperation operations, activities, and investments in the Freely Associated States are mutually beneficial and advance strategic partnerships with each of our partners. From routine exercises to strengthen U.S. readiness to subject matter expert exchanges to address shared challenges such as climate resiliency and maritime law enforcement, we are deeply engaged with our partners in Palau, Micronesia, and the Marshall Islands. Each of our partners' economies are threatened by the impact of illegal, unregulated, and unreported fishing in their waters. To address this, the Department of Defense budgeted and began implementing \$20M of International Security Cooperation Program funding (ISCP) for title 10 USC section 333 Building Partner Capacity activities and is projected to commit more ISCP funds in future years to address maritime capacity building with each of the Freely Associated States.

One of our most enduring security cooperation programs is our Civic Action Team (CAT) in Palau. For the past fifty years, rotational detachments of engineers and medical teams have promoted people-to-people ties through community relations programs. The tri-service deployments of small teams to Palau facilitate larger rotational force rotations associated with joint and service exercises in Palau. Our Freely Associated States partners regularly host exercises such as KOA MOANA, DEFENDER PACIFIC, COPE NORTH, and PACIFIC PARTNERSHIP that supports the readiness of the joint force.

The Pacific Islands region also presents opportunities for increased cooperation with our closest allies and partners. Australia, New Zealand, Japan, France, and others all share our interest in the region's strategic importance, and we will find ways to leverage our comparative advantages to further strengthen our capacity building activities in the region.

For example, in 2020 the United States, Australia, and Japan partnered to finance a \$30M undersea cable project for Palau. This unique and multilateral approach will promote secure and reliable communications architecture for our Palauan partners. Additionally, Australia has committed to provide patrol boats to the FAS through their bilateral Pacific Maritime Security Program (PMSP). With our partners providing high quality patrol boats, U.S. cooperation with the FAS focuses on the other aspects of maritime capacity building such as training, infrastructure, and intelligence, surveillance, and reconnaissance (ISR). This demonstrates a collaborative and needs-based approach to security cooperation with our partners in the Pacific Islands region.

Posture

The Compacts of Free Association enable key defense posture initiatives in the Indo-Pacific region. The Republic of the Marshall Islands hosts the Ronald Reagan Ballistic Missile Defense Test Site at U.S. Army Garrison - Kwajalein Atoll. The site conducts regular space operations to provide space situational awareness and the protection of key space assets supporting three Geographic Combatant Commands. It is ideally located for observation of foreign missile launches and facilitates advanced technology testing to provide the Department of Defense a cutting-edge advantage. Future cooperation with the Federated States of Micronesia will facilitate Agile Combat Employment (ACE) for the U.S. Air Force. The highly anticipated Tactical Multi-Mission Over-the-Horizon Radar (TACMOR) in Palau will provide the Department of Defense an unprecedented level of situational awareness of the maritime domain in the Indo-Pacific region.

Conclusion

Chairman Manchin, Ranking Member Barrasso, distinguished Senators and colleagues. Thank you again for the opportunity today to testify before you today about the strategic importance the Freely Associated States and the COFA-enabled strategic partnerships to U.S. national security. I will be happy to answer your questions.

The CHAIRMAN. Thank you, Dr. Mohandas.

Now we are going to hear from Mr. Nakoa. I hope you are feeling better, sir, and I understand you were not able to travel today, but I really appreciate you making the effort to be with us.

STATEMENT OF KEONE NAKOA, DEPUTY ASSISTANT SECRETARY, INSULAR AND INTERNATIONAL AFFAIRS, U.S. DEPARTMENT OF THE INTERIOR

Mr. NAKOA. Of course, thank you so much.

Good morning, Chairman Manchin, Ranking Member Barrasso, and honored members of the Committee. My apologies for not being able to attend in person as I had planned, but thank you to the Committee and to your wonderful staff for the last-minute accommodations.

I am Keone Nakoa, Deputy Assistant Secretary of the Interior for Insular and International Affairs. I am deeply honored to be here representing Secretary of the Interior Deb Haaland in today's hearing alongside DAS Lambert from State and DAS Mohandas from the DOD. I respectfully request that my full written testimony be made a part of the hearing record.

The CHAIRMAN. Without objection.

Mr. NAKOA. Thank you.

In addition to overseeing the Secretary's duties to the United States, the U.S. territories of American Samoa, CNMI, Guam, and the USVI, I also lead DOI's administration of the Compacts of Free Association between the United States and the Federated States of Micronesia (FSM), the Republic of Palau, and the Republic of the Marshall Islands (RMI)—collectively, the Freely Associated States, or the FAS. DOI partners with other departments and agencies operating in the FAS under the Compacts, including State, Defense, FAA, FEMA, USPS, the Departments of Education, Energy, Health and Human Services, Homeland Security, the FDIC, the Department of Veterans Affairs, and others. While the last Administration began the third round of COFA negotiations in 2020 by emphasizing the strategic importance of the FAS, as the Chair and Ranking Member have highlighted this morning, it was hampered by the determination of some of the FAS to address unresolved issues relating to the current implementation for both the Compacts, as amended, and relevant U.S. law, as well as issues settled in the 1986 Compact that the RMI wishes to revive from the second round of the COFA negotiations in 2003.

At the end of 2020, the U.S. negotiators presented the three FAS with "Non-Paper" economic proposals that did not address demands from the FAS and lacked provisions from key federal agencies. Those proposals were limited to extending and amending only certain expiring economic assistance provisions with a perceived downgrading of assurance levels for all economic assistance. Moreover, instead of the full faith and credit assurances in the original 1986 Compact, or mandatory funding—the grant model—all economic assistance was proposed to be funded through discretionary appropriations. The RMI had responded in 2021 to the informal U.S. proposal with a conceptual counterproposal containing a proposed negotiating agenda. The President of Palau, as was noted

previously, came to Washington and explained to the U.S. Cabinet level officials in 2021 that the 2020 offers were inadequate and unacceptable. All of FSM remains engaged, including informal talks with this team in Honolulu last year, last November, and a discussion with USGS about their current operations in the FSM earlier this month. Many of the most complex issues remain, including infrastructure assistance and trust fund management processes.

When I assumed my duties as DAS in the Fall of 2021 and was assigned to serve as the Interior Department's COFA co-negotiator, the RMI and Palau had already refused to continue COFA negotiations without certain conditions being met. Given the history of the 2020 and 2021 negotiations, particularly with Palau and RMI, in 2021, the Biden-Harris COFA team began an intensive review of the policies put in place during the last Administration, taking feedback from Congress and the FAS into consideration. As a result of that review, we identified several areas where the U.S. negotiation strategy and expectations of the FAS were misaligned. Specifically, we noted the barriers related to the lack of consideration of mandatory funding proposals to the FAS, the need to appoint a Presidential representative, and the need for broader discussion of COFA-related issues respectful of all parties. Today, I am optimistic, and pleased to report to this Committee recent actions from the Biden-Harris Administration, chiefly the naming of Ambassador Joseph Yun as the Special Presidential Envoy for Compact Negotiations on March 22, with interagency reach to address a broader range of issues than that of any single department, and the Administration's support to request the necessary and mandatory funding for implementing the agreements that are reached in the negotiation process, as previewed in the President's budget and released yesterday. The Administration has taken steps to put the negotiations back on a viable track for timely completion and approval of agreements by the United States and FAS, which is still achievable as long as we have the commitment and cooperation of all three FAS as well as federal stakeholders to move forward.

Although we have not yet worked out every detail of the many complex issues in these negotiations, with the new Special Presidential Envoy, I am hopeful that we can quickly take the initial and necessary step of hearing each other out in a way that allows our countries to raise matters of importance and to find those areas of negotiation on which you do share a mutual understanding very soon. From there, we will need the FAS to be prepared to provide their own proposals to resume discussions leading to a new beginning to earnest negotiations. We look forward to the continued engagement from this Committee and both chambers of Congress. My written statement also included a historical narrative about the success of the Compact. For that success to continue, the FAS need to come forward with their proposals and solutions so we can finish our mission and bring an agreement to Congress in time for you in Congress to be able to do your jobs as well. I believe we can accomplish this mission and pledge support and work with the Administration's Special Presidential Envoy and all seekers to ensure we do. Thank you so much.

[The prepared statement of Mr. Nakoa follows:]

STATEMENT OF DEPUTY ASSISTANT SECRETARY KEONE NAKOA
INSULAR AND INTERNATIONAL AFFAIRS
U.S. DEPARTMENT OF THE INTERIOR
BEFORE
COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE
MARCH 29, 2022
REGARDING PROGRESS OF NEGOTIATIONS ON
COMPACT OF FREE ASSOCIATION BETWEEN UNITED STATES
REPUBLIC OF PALAU, FEDERATED STATES OF MICRONESIA
AND REPUBLIC OF THE MARSHALL ISLANDS

Chairman Manchin, Ranking Member Barrasso and Members of the Committee, I am Keone Nakoa, Deputy Assistant Secretary of the Interior for Insular and International Affairs. It is an honor for me to appear before the Senate Committee on Energy and Natural Resources as the representative of Secretary of the Interior Deb Haaland in today's hearing.

I do so as the current lead Department of the Interior (DOI) official directly responsible for managing administration of the Compact of Free Association (COFA) between the United States (U.S.) and, respectively, the Federated States of Micronesia (FSM), Republic of Palau, and Republic of the Marshall Islands (RMI), collectively the freely associated states (FAS). My duties have also included representation of DOI in U.S. negotiations with the FAS on behalf of the Biden-Harris Administration to amend the COFA, as may be necessary. We share the mutual goal to strengthen and deepen the successful bilateral relationships thriving under the Compacts between the United States and our COFA partners, both the governments and the peoples of the United States and each of the three FAS.

The written statements and the testimony of my fellow Biden-Harris Administration colleagues representing the Department of Defense (Defense) and the Department of State (State) describe the decades-long contributions of the Compacts related to U.S. national security

interests and American foreign policy goals in the Indo-Pacific Region – contributions which are more important than ever before.

I. Introduction

My testimony will focus on DOI's role in administration and implementation of the Compacts – carried out through the Office of Insular Affairs (OIA). I will begin with the historical context for the relationship between the United States and the FAS before and during the Compacts. Next, I will address the Committee's questions related to the need for timely and adequate progress of the COFA negotiations, starting with this administration's review of the negotiating strategy we inherited from the last administration.

Finally, I will provide an update on Biden-Harris Administration efforts to create a more productive dialogue with the FAS, in a collaborative process addressing a broader discussion of COFA-related issues in a way that is respectful of all parties. This administration is taking action to amend COFA and subsidiary agreements with the FAS before certain provisions expire at the end of Fiscal Year (FY) 2023 in FSM and RMI, and the end of FY 2024 in Palau. The primary goal driving our review of the previous administration's policies to craft our approach to advance negotiations has been strengthening U.S. relationships with the FAS to promote long-term U.S. interests in a free, open, and secure Indo-Pacific.

II. Context for the relationship between the United States and the FAS

A. United States historical roles before Compacts of Free Association

To understand the many unique aspects of the Compacts and our current negotiations, it is helpful to briefly review how these unique state-to-state relationships developed, applying

both international and domestic principles over the last 75 years – first under the U.N. trusteeship and then the enduring reciprocal commitments embodied in the Compacts.

The success of the COFA has been and will continue to be played out in a region that has been vital to American strategic interests since World War II. More than 100,000 Americans lost their lives liberating what today are the islands of the three FAS from imperial Japan, which used the islands as strategic outposts to stage and wage war against our nation. Since the strategic success and battlefield horror of the island-hopping military campaign in WWII, an underlying goal of the United States under the 1947 United Nations trusteeship and the Compacts approved by Congress in 1986 has been to keep these island nations out of the path of war. Another great purpose was to redeem our commitments and obligations to preserve democratic self-determination and self-government enabling the people of the islands to realize their potential for political and economic development.

With the backdrop of WWII and the looming threats of Russia during the Cold War, the Compacts were created to be international agreements that established unprecedented interdependent bilateral relationships between the United States and three strategically located island nations, with an area subject to their sovereign rights and jurisdiction comparable in geographic size to the whole continental United States, but with populations and economies a fraction the size of the United States.

After U.S. nuclear testing ended in 1958, the U.S. strategic and military footprint in the Trust Territory of the Pacific Islands (TTPI) and the FAS has remained limited but, but Kwajalein obviously remained of vital and paramount importance to international peace. At the same time, under Article 9 of the Trusteeship Agreement and subsequently under the Compacts,

the United States has extended a package of foundational federal programs and services for 75 years. This has enabled public safety, transportation, healthcare, communications, education, and related infrastructure at the local level beyond the capacity of the local governments, and more comparable in many respects to public sector capabilities in the nearby U.S. territories.

Congress and every President since Truman intentionally supported this relationship model, understanding the consequential involvement of the United States in the formation of the FAS, and the relationship we share which simply has no parallel. At its core, the ultimate purposes of the U.N. trusteeship and now the Compacts were a transition from pre-WWII imperialism to decolonization and respect for self-determination, at the same time promoting stability that prevents threats to peace and security in the region.

B. The United States continued close relations with FAS under Compacts

Through exercises of self-determination, U.S. administration of the islands of Palau, FSM, and RMI as districts of the trust territory with constitutions but not yet fully self-governing ended and new state-to-state relationships took its place. The United States approved the Compacts for the FSM, RMI and Palau in 1986, although the initial Compact for Palau was not implemented until 1994. In 2003, the FSM and RMI Compacts were amended to extend expiring economic provisions, also making significant changes to government relations and security and defense provisions proposed by U.S. negotiators under the COFA Amendments Act of 2003 (P.L. 108-188). On September 3, 2010, the Compact for Palau also was amended by the Compact Review Agreement (CRA) was concluded and reflected the review that the United States and Palau had engaged in under Section 432 of the Palau COFA. The CRA and its amendments entered into force in 2018. Congress appropriated the necessary funds to implement the CRA, as

amended, and approved it on December 12, 2017. Section 1259C of the National Defense Authorization Act, 2018 (48 U.S.C. 1931 note); *also* at P.L. 115-91, 131 Stat. 1687.

Under both the U.N. trusteeship and COFA, the United States has sought to keep commitments it made to the peoples of the FAS to address their needs in the aftermath of war, including the U.S. nuclear testing program in the Marshall Islands. Notably, the U.N. recognized and through Security Council oversight confirmed U.S. military and civilian strategic programs were authorized by Article 3 and Article 5 of the Trusteeship Agreement, and as such were sustained as consistent with U.N. and U.S. goals of preserving international peace during the early years of the Cold War. Under the Compact Section 177, the United States took responsibility and authorized a “just and adequate” settlement for claims related to consequences of the U.S. nuclear testing program in the RMI from 1946 to 1958. In 1986 the Section 177 Agreement provided for compensation and mutually agreed measures constituting a “full settlement” of “all claims, past, present, and future” by the RMI, its citizens, and its nationals against the United States that are settled by the agreement. The terms of this agreement are binding on the parties and remain in force “until terminated or otherwise amended by mutual consent.”

The three Compacts were not approved as Senate-ratified treaties, but rather approved by and incorporated into federal statutes. In addition to providing the necessary authorities and appropriations to implement the Compacts, as amended, the Compact of Free Association Amendments Act of 2003 and various other U.S. statutes further authorize and continue in the FAS features of domestic law and policy comparable to federal measures applicable in U.S. states and territories. For example, Section 105(b)(4)(6)-(8) in the COFA Amendments Act of 2003 gives the Secretaries of State and the Interior both shared and separate authorities and

responsibilities to coordinate, provide policy guidance and recommendation on implementation of the Compacts and manage both international and domestic governance models in relations with the FAS. DOI remains the lead agency for implementing the most direct people-to-people measures under the Compact, including COFA grants and federal program, optimally in close interagency coordination with the National Security Council (NSC), State, and Defense. These measures make the unique international and domestic framework of this free association the envy of many other small nations in the region and around the world.

Much of the COFA success story lies not only in the Compacts themselves, but in the Congressional approval and implementing statutes, which provide a combination of co-equal, shared, and separate authorities and responsibilities for federal agencies to operate in the FAS.

For example, under the Compacts, as amended, and the Federal Programs and Services Agreements with the FSM and RMI, USAID operates in conjunction with the Federal Emergency Management Agency (FEMA) to provide disaster assistance in FSM and RMI, based on features of both international and domestic program models. Other agencies like the Federal Aviation Administration (FAA), National Oceanic and Atmospheric Administration (NOAA), U.S. Department of Education, and the U.S. Postal Service (USPS) have operated in the FAS consistent with the Federal Programs and Services Agreement and Palau CRA, under a primarily domestic model.

C. DOI has played a lead role in the FAS since just after WWII

DOI's role in the Pacific Islands that make up FAS nations today began when it replaced the U.S. Navy's military governance during and after WWII with civilian administration. Specifically, in 1951, DOI assumed authority and responsibility for the internal civil affairs of

the TTPI, under both executive and secretarial orders and federal statutes, including federal laws funding the costs of U.S. stewardship for the trusteeship.¹

As agreed by the FAS governments, and approved by their people in U.N. observed plebiscites, the Compacts are consistent with resolutions of the U.N. General Assembly defining free association as a non-colonial political status. That includes the principle that the FAS are sovereign nations with full rights of democratic self-determination and self-government. Accordingly, consistent with U.N. Resolution 2625 (XXV), October 24, 1970, and under the Compacts, both the United States and the FAS individually retain the right to full independence. That includes the unencumbered ability to terminate the free association status defined by the Compacts. Termination may be done by mutual agreement, or each nation may do so unilaterally or by mutual agreement, subject to the transitional terms and provisions set forth in the Compact.

Under the terms of the Compacts, the relevant subsidiary agreements, and related statutes, DOI coordinates the administration and management of U.S. grant assistance, and with the Department of State, provides fiscal accountability consistent with Title Two of the Compacts, as amended, with the RMI and FSM and the associated Fiscal Procedures Agreements. Both agencies work to coordinate programs and operations of U.S. domestic federal programs and services in the FAS. In most respects, DOI acts as a partner with departments and agencies operating in the FAS under the Compacts and/or relevant U.S. statutes, first and foremost with State and Defense, but also with FAA, FEMA, USPS, Federal Deposit Insurance

¹ While ten other U.N. trusteeships were overseen by the U.N. Trusteeship Council and the General Assembly, the U.S.-administered TTPI was the only trusteeship classified as "strategic" and subject to oversight by the Security Council. In 1978 the Carter Administration determined that trusteeship status should be continued or ended based on self-determination on future status options recognized by the U.N. and the U.S. under U.N. resolutions, including full integration, independence, or free association.

Corporation, and the Departments of Education, Energy, Health and Human Services, Homeland Security, Labor, NOAA, and Veterans Affairs, among others.

DOI also works with the Department of State on government relations under Title One of the Compacts, and with the Department of Defense on security and defense relations under Title Three. For example, DOI facilitates financial transfers for COFA provisions such as the Joint Committee on Security and Defense Relations.

DOI also employs a combination of strategies in coordination with other agencies to conduct relationships with the FAS as nations with equal sovereignty, while also acting consistent with domestic model programs like those in the U.S. territories that began in the TTPI era. This model respects the sovereignty of each of the FAS and the United States and their ability to terminate the agreement in accordance with the Compact's terms – if it were to determine that such termination is preferred over its continuation.

Within this framework the United States relies on international and/or domestic law as necessary. Not only do the Compacts secure our defense rights, they enable DOI, together with State and other agencies, to administer operations ranging from sector grants, including for infrastructure and Compact trust fund management to education programs that provide school lunches. Further, Compacts include variations between the three FAS in how to promote the sustainable economic development for the FAS.

D. The Compacts have produced a 35-year success story

The sustainability and resiliency of our partnership with all three FAS is being contested in a new era of superpower competition. Yet, even as strong incentives and inducements are offered by third country interests seeking to undermine known strengths and to exploit any

perceived weaknesses in U.S. relationships with these three sovereign nations, the United States remains each Compact government's preferred partner among the nations of the world. Reciprocally, the United States has no closer strategic, political, economic, social, and cultural partnership than our unique associations with the FAS.

Accordingly, as we negotiate amendments related to the Compacts to effectively strengthen our relationships with the FAS – and in the process address our changing present and future needs in the Indo-Pacific – we must make a clear statement to the world that the United States is committed to its role as a Pacific nation, and that the mutually beneficial social, political, economic, and strategic relationships between the United States and the FAS will be an even more enduring success story in the future.

III. The last administration's negotiation strategy

While the last administration began the third round of COFA negotiations in 2020 by emphasizing the strategic importance of the FAS, it was hampered by the determination of some of the FAS to address unresolved issues relating to current implementation of both the Compacts, as amended, and relevant U.S. law, as well as issues settled in the 1986 Compact that the RMI wishes to revive from the second rounds of COFA negotiations in 2003. As such, the primary objective of obtaining agreements to amend the Compacts and related agreements was not achieved by the end of 2020.

With the constrained timeline of that objective, the negotiators for the U.S. side employed negotiating tactics interpreted by the FAS as indicative of a downgraded process compared to historical experience in the 1978 and 1986 original COFA negotiations, including limiting negotiations only to extend and amend certain expiring economic assistance provisions and a

perceived downgrading of assurance levels for all economic assistance. Instead of “full faith and credit” assurances in the original 1986 Compacts, or mandatory funding like that which was used to implement Compacts, as amended, with the FSM and RMI the 2003 amendments, all economic assistance was proposed to be funded through discretionary appropriations.

Finally, the last administration did not provide the U.S. Co-Negotiators with an appointment conferring all-of-government authority to enlist all federal agencies to participate in and support substantial U.S. offers of assistance and programs to the FAS. At the end of 2020, this strategy culminated with the U.S. negotiators presenting the three FAS with “Non-Paper” economic proposals that did not address demands from the FAS and lacked provisions from key federal agencies.

When I assumed my duties as Deputy Assistant Secretary in the fall of 2021 and was assigned to serve as the Interior Department’s COFA Co-Negotiator, the RMI and Palau had already refused to continue COFA negotiations without specific changes in negotiation processes, including the appointment of a Presidential representative. The RMI had responded in 2021 to the informal U.S. proposal with a conceptual counterproposal containing a proposed negotiating agenda, signed by the RMI Foreign Minister. The President of Palau came to Washington and explained to U.S. Cabinet-level officials in 2021 that the 2020 offers were inadequate and unacceptable.

In response to U.S. offers, the FSM has met with U.S. negotiators to seek clarification of the informal economic proposals, including informal talks in Honolulu and a discussion with USPS about their current operations in the FSM earlier this month. The FSM has also made significant progress on technical amendments to the federal services portion of the Compact;

however, many of the most complex issues remain, including infrastructure assistance and trust fund management processes.

Despite these many challenges, we have taken specific steps to address these issues, and we are close and hoping very soon to be able to announce progress on personnel and funding decisions that would demonstrate the Biden-Harris team is working with all stakeholders on a bipartisan basis to do just that.

IV. Biden-Harris Administration transition to enhanced COFA negotiation process

Faced with the fact that the 2020 COFA negotiation strategy did not produce adequate progress, particularly with Palau and the RMI, the Biden-Harris COFA team began an intensive review of the policies put in place during the last administration. As a result of that review, we identified several areas where the U.S. negotiation strategy and the expectations of the FAS were misaligned and have taken steps to put the negotiations back on a viable track for timely completion and approval of agreements by the U.S. and FAS, which is still achievable as long as we have the commitment and cooperation of all three FAS as well as federal stakeholders to move forward.

First, the COFA team recognized the necessity of considering mandatory spending proposals for economic assistance provisions. Similarly, it is also important to identify a source account for COFA funding to propose to Congress.

As previously discussed, the Interior's COFA responsibilities include coordinating with relevant agencies on federal programs and services, and managing sector grants, including for infrastructure, among many other implementation activities. This administration will request

necessary mandatory funding for implementing the agreements that are reached in the negotiation process.

Although, we have received considerable formal and informal feedback from the FAS on the previous U.S. offers, as described above, we still have yet to reach the point when we have specific funding proposals from the FAS. This makes it very difficult to account for how much mandatory funding we would request over the period of any new agreements. We look forward to the feedback of this Committee and others in Congress on this matter.

Second, the FAS have made clear their belief that an NSC-authorized and -coordinated COFA negotiation processes led by a Presidential representative was needed to successfully conclude negotiations. Acknowledging this, the Biden-Harris Administration has taken steps to establish enhanced all-of-government coordination, oversight, guidance, and exercise of policy discipline in the negotiations process, including the effective steering as needed by the NSC and OMB of all federal agencies with current or potential programs or commitments in the FAS.

Critically, this led to the appointment of the Special Presidential Envoy for Compact Negotiations, Joseph Yun, on March 22, 2022. Special Presidential Envoy Yun has the necessary backing of the White House, including NSC and OMB, and both Interior and State will remain highly involved in support of the policies promulgated and advanced with the FAS by Special Presidential Envoy Yun.

Finally, we recognized the Compacts are more than international agreements, as they are incorporated into federal statutes which also include significant domestic law and policy implications. That is why it was important to ensure the Special Presidential Envoy had interagency reach to address a broader range of issues than that of any single department.

We have received letters, calls, and questions from a number of Members of Congress, including some of the Members and staff of this Committee, weighing in on some of these policy questions, supporting careful consideration of FAS views and proposals.

Although we have not yet worked out every detail of the many complex issues raised in these negotiations, with the new Special Presidential Envoy, I am hopeful that we can quickly take the initial and necessary step of hearing each other out in a way that allows our countries to raise matters of importance and to find those areas for negotiation on which we do share a mutual understanding very soon. From there, we will need the FAS prepared to provide their own proposals to resume discussions leading to a new beginning to earnest negotiations. We look forward to the continued engagement from this Committee and from both chambers of Congress.

V. Closing

In closing, I remain optimistic that the negotiation team led by Special Presidential Envoy Yun will be able to move forward swiftly and complete the Administration's role in this process with enough time for Congress to complete yours. I thank you again for the opportunity to provide this testimony and am happy to take any questions.

The CHAIRMAN. Thank you. And now, we have our questions. We will start with our questions and I will begin with mine, and mine is going to be an overreaching statement that I want all three of you to kind of comment on.

But basically, knowing what is going on in the region that we are discussing right now on the islands, and how strategic that has been for us for so many years, is there a sense by the people that live there that the United States has not fulfilled its commitment? That they do not have a comfort level with us and are talking to China? Do they understand the gravity of working with China and what that could mean as far as their freedoms of basically making decisions and working in a democratic process and not a committed one because of obligation? I am just trying to get a feel for what is going on here because we see a lot of movement of China, not just there, but all over the world, but especially there being in their back yard.

So if you can just tell me what we are dealing with and what more we can do to give the confidence to the people that we relish and we cherish this relationship and I hope they do not think we have taken it for granted. So, we will start with Mr. Lambert and we will just go right down the line, okay?

Your honest opinion on what you are seeing.

Mr. LAMBERT. Yes, sir.

The CHAIRMAN. Okay.

Mr. LAMBERT. Senator, the Chinese are looking at the Pacific Islands as a vital part of a bigger strategy. It is obvious they are investing in infrastructure development. They are putting people into areas where they traditionally have not—for instance, in the Solomon Islands, going beyond the three countries we were talking about in the FAS. They are also really amping up their diplomatic presence in that region. Part of this is trying to push Taiwan—

The CHAIRMAN. Is their reach greater than what ours has been, or have we basically dropped down to where we are not giving the attention that we said we would or we had in the past?

Mr. LAMBERT. I would not characterize it that way, sir. I would say that they have upped their game. We need to up our game.

The CHAIRMAN. Got you.

Mr. LAMBERT. We are working together. I hope it is evident here by our three agencies being latched up in a way we need to be. We are looking at ways to amp up our diplomatic presence. You probably saw that when Secretary Blinken was in Fiji last month, he announced our intention to reopen an embassy in the Solomon Islands. We have other plans in the works to expand our diplomatic presence. We are also talking about expanding the offering of federal services to the Freely Associated States that they have asked for. And I think the message we are sending now is being well received. I am confident that with the announcement of Joe Yun being the Presidential Envoy that we will be engaged in formal negotiations readily.

But you are exactly right, sir, we are in a competition and we need to put our best people forward on it.

The CHAIRMAN. Dr. Mohandas, your observation?

Dr. MOHANDAS. Thank you, Chairman Manchin.

Let me first just make a comment from a defense perspective and note that one of the several unique aspects of the Compacts of Free Association is that we have, as I noted in my testimony, unrestricted access basing and overflight rights in the Freely Associated States as well as the right to deny any third countries from developing a military presence in the Freely Associated States and that those rights exist in perpetuity. And in return——

The CHAIRMAN. Are we enforcing that right now? We are not allowing any one of those islands to basically negotiate with China on any type of activity militarily?

Dr. MOHANDAS. Absolutely, but I should also clarify that they have not attempted to do so either.

And in return, we also provide for their defense, you know, as you note, in a dangerous world. And so, I think from that perspective, the U.S. commitment to the Freely Associated States is ironclad and is something that——

The CHAIRMAN. You think they feel that way? They feel that our commitment is ironclad?

Dr. MOHANDAS. I do believe that, sir.

The CHAIRMAN. And that we have not neglected them?

Dr. MOHANDAS. I believe that is the case, and that is when President Whipps came and met with Secretary Austin. He specifically highlighted the importance of our defense relationship and our longstanding defense relationship. But you are absolutely right, Senator, that China is seeking to expand its influence throughout the entire Pacific Islands region, and specifically the Freely Associated States, and is offering a number of economic steps to do that.

The CHAIRMAN. Thank you.

Dr. MOHANDAS. Thank you.

The CHAIRMAN. How about Mr. Nakoa, real quick. I know I am running over my time here. I am so sorry to cut you off, sir, but we have time limits.

Mr. NAKOA. No problem. I just wanted to say quickly that I concur with what DAS Lambert just said. We are in a competition with the FAS. With that said, we remain the partner of choice for all three FAS.

The CHAIRMAN. Do you feel that we still have that type of presence there?

Mr. NAKOA. We do, and I think that there is a feeling from my meetings with President Whipps last week and discussions with the FSM earlier that they would like for the United States to remain the partner of choice, but like DAS Lambert said, we need to up our game, and I think that the last recent actions from the Administration with Envoy Yun and mandatory spending do exactly that.

The CHAIRMAN. Okay. Thank you all so much.

Senator BARRASSO.

Senator BARRASSO. Well, thanks so much, Mr. Chairman.

Secretary Mohandas, you talked about the defense relationship. The Air Force operates 450 Minuteman intercontinental nuclear missiles located in my home State of Wyoming, as well as Montana and North Dakota. Both of those states are also represented with members on this Committee. According to the Air Force, a few times a year, a missile without its nuclear warhead is actually

pulled from its silo. These missiles are then launched from Vandenberg Air Force Base in California to a test range in the Republic of the Marshall Islands, also known as the Ronald Reagan test site. The Minuteman III nuclear missile test launches are conducted on a rotational basis. Wyoming crews from F.E. Warren Air Force Base as well as crews from North Dakota and Montana Air Force bases. So how important is this Ronald Reagan test site in the Marshall Islands in terms of our—you know, you talked about our defense relationships in terms of our military readiness—and how important are these tests as part of our nuclear deterrence on countries such as China?

Dr. MOHANDAS. Thank you, Senator.

The Ronald Reagan test site is vitally important and it is vitally important for our ballistic missile testing. We test hypersonics there. That testing is critical to ensuring the safety and reliability of our nuclear deterrent, as you note, sir. And then, the Ronald Reagan test site and Kwajalein Atoll, the garrison there, also are critical for our space situational awareness.

Senator BARRASSO. In terms of one of the follow-ups to what Senator Manchin had to say, Dr. Mohandas, your written testimony caught me. I was very interested. It said, the People's Republic of China, the PRC, is seeking to expand, you said, its influence in the Freely Associated States, and the PRC is increasing its—your words—intimidating activities throughout the Pacific Islands region. Can you briefly give some examples as to how China is trying to expand its influence in the Freely Associated States?

Dr. MOHANDAS. Absolutely, Senator.

So, first to be clear, the PRC is seeking to expand its influence throughout the Pacific Islands region because they, too, perceive it to be a strategic region. With respect to the Freely Associated States in particular, I would note that Palau and the Republic of the Marshall Islands maintain diplomatic relations with Taiwan, and obviously, that is a source of intense focus for the PRC as part of their longstanding effort to reduce Taiwan's international space. And so, we have seen, frankly, coercive behavior, including, as Senator Manchin noted, efforts to manipulate tourism numbers, reduce tourism numbers to Palau, and also, just generally, I would suggest, increase economic dependency on the PRC and throughout the Freely Associated States.

Senator BARRASSO. Well, to Mr. Lambert, along this line—there is a story in the New York Times. You probably saw it, page A6 on Saturday, "China Close to Signing Secret Security Accord With Solomon Islands."

[The article referred to follows:]

The New York Times

<https://www.nytimes.com/2022/03/24/world/asia/china-solomon-islands-security-pact.html>

China and Solomon Islands Draft Secret Security Pact, Raising Alarm in the Pacific

The leaked agreement, if signed, could help the Chinese Navy block shipping routes that played a vital role in World War II.



By Damien Cave

Published March 24, 2022 Updated March 25, 2022

SYDNEY, Australia — A leaked document has revealed that China and the Solomon Islands are close to signing a security agreement that could open the door to Chinese troops and naval warships flowing into a Pacific Island nation that played a pivotal role in World War II.

The agreement, kept secret until now, was shared online Thursday night by opponents of the deal and verified as legitimate by the Australian government. Though it is marked as a draft and cites a need for “social order” as a justification for sending Chinese forces, it has set off alarms throughout the Pacific, where concerns about China’s intentions have been growing for years.

“This is deeply problematic for the United States and a real cause of concern for our allies and partners,” Charles Edel, the inaugural Australia chair at the Center for Strategic and International Studies, said on Friday.

“The establishment of a base in the Solomon Islands by a strategic adversary would significantly degrade Australia and New Zealand’s security, increase the chances of local corruption and heighten the chances of resource exploitation.”

It is not clear which side initiated the agreement, but if signed, the deal would give Prime Minister Manasseh Sogavare of the Solomon Islands the ability to call on China for protection of his own government while granting China a base of operations between the United States and Australia that could be used to block shipping traffic across the South Pacific.



Damaged Chinatown shops in Honiara, Solomon Islands, after protests in November 2021.
Piringi Charley/Associated Press

3/29/22, 11:05 AM

China and Solomon Islands Draft Secret Security Pact - The New York Times

Five months ago, protesters unhappy with Beijing's secretive influence attacked the prime minister's residence, burned businesses in the capital's Chinatown and left three people dead. Now the worst-case scenario some Solomon Islanders envision would be a breakdown of democracy before or during next year's election, with more unrest and the threat of China moving in to maintain the status quo.

The leaked document states that "Solomon Islands may, according to its own needs, request China to send police, armed police, military personnel and other law enforcement and armed forces to Solomon Islands to assist in maintaining social order, protecting people's lives **and property**."

It allows China to provide "assistance on other tasks" and requires secrecy, noting, "Neither party shall disclose the cooperation **information to a third party**."

Matthew Wale, the leader of the opposition party in the Solomon Islands' Parliament, said he feared that the "very general, overarching, vague" agreement could be used for anything.

"The crux of it is that this is all about political survival for the prime minister," he said. "It has nothing to do with the national security of **Solomon Islands**."

For Beijing, the deal could offer its own potential reward. "China may, according to its own needs and with the consent of Solomon Islands, make ship visits to, carry out logistical replenishment in and have stopover and transition in the Solomon Islands," the draft states.



By The New York Times

It also says the Solomons will provide "all necessary facilities."

The Chinese Embassy in the Solomon Islands did not immediately reply to an email seeking comment.

A spokesman for the U.S. State Department issued a statement Saturday that criticized the proposed agreement with the People's Republic of China.

"We do not believe PRC security forces and their methods need to be exported," the statement said. "This would only fuel local, regional, and international concerns over Beijing's unilateral expansion of its internal security apparatus to the Pacific."

3/29/22, 11:05 AM

China and Solomon Islands Draft Secret Security Pact - The New York Times

Australia, which has traditionally been the islands' main security partner — also sending police officers to quell the unrest in November at the government's request — responded swiftly to the leaked document.

"We would be concerned by any actions that destabilize the security of our region," Australia's Department of Foreign Affairs said in a statement soon after the pact was made public. "Members of the Pacific family are best placed to respond to situations affecting Pacific regional security."

Despite such affirmations, Australia has been losing influence in the Solomons for years. The larger country has a history of condescending to the region, downplaying its concerns about climate change and often describing it as its own "backyard."



Australian soldiers outside the airport in Honiara, Solomon Islands, in November after violence broke out in the capital.

Gary Ramage, via Associated Press

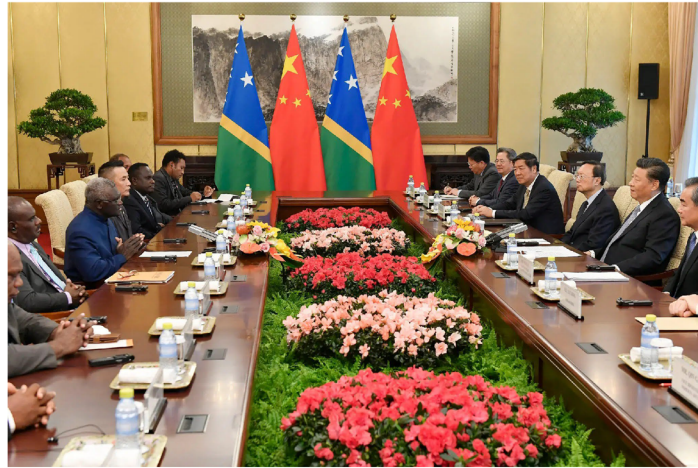
Mr. Sogavare has made no secret of his desire to draw China closer. In 2019, soon after he was elected, he announced that the island would end its 36-year diplomatic relationship with Taiwan, the self-governing island that China claims as its own, in order to establish official ties with Beijing. He argued that Beijing would deliver the infrastructure and support that the country needed.

The Sogavare government quickly signed agreements giving Chinese companies the right to build roads and bridges, and to reopen one of the country's gold mines. A Chinese company even tried to lease the entire island of Tulagi.

That deal was eventually deemed illegal, after critics rose up in anger. Residents of Tulagi and Malaita, an island province where local leaders expressed strong opposition to China, have said that bribes are constantly being paid by proxies of Beijing with bags of cash and promises of kickbacks for senior leaders often made during all-expenses-paid trips to China.

3/29/22, 11:05 AM

China and Solomon Islands Draft Secret Security Pact - The New York Times



Mr. Sogavare has made no secret of his desire to draw China closer. In 2019, he met with China's leader, Xi Jinping, in Beijing.
Pool photo by Parker Son

The violent protests in November in the Solomon Islands reflected those frustrations. They erupted on the island of Guadalcanal, in the capital, Honiara, where American troops fought a brutal battle against the Japanese starting in 1942. The clashes were sparked by anger over allegations of China-fueled corruption and a perceived unequal distribution of resources, which has left Malaita less developed despite having the country's largest population.

Malaita's premier, Daniel Suidani — who has banned Chinese companies from Malaita while accepting American aid — said that the anger stemmed from “the national government's leadership.”

“They are provoking the people to do something that is not good,” he said in November.

Mr. Wale, the opposition leader, said he has encouraged the prime minister to negotiate with Malaita, with little success.

“The political discourse over these things is nonexistent,” he said, adding that the proposed agreement with China would make the **relationship more volatile**.

Anna Powles, a senior lecturer at the Center for Defense and Security Studies at Massey University in New Zealand, said the recent upheaval and continued insecurity pointed to high levels of stress on the government over the pandemic, the economy and “longstanding concerns about the capturing of the state and political elites by foreign interests.”

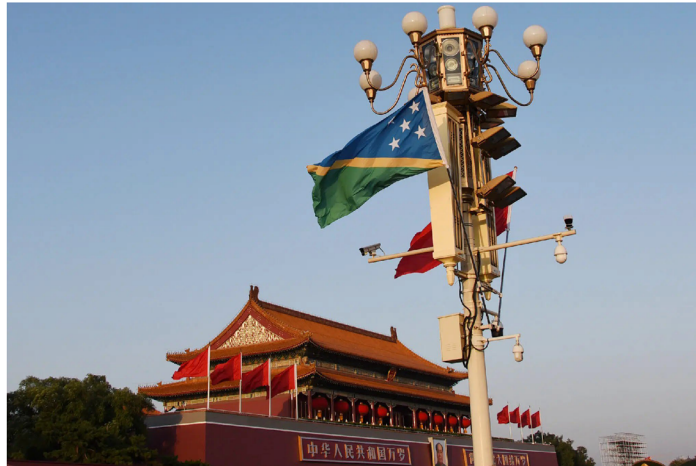
“Some of the biggest implications here are about how strategic competition is disrupting local government,” Dr. Powles said.

American officials have also become increasingly concerned. In interviews over the past few years, they have often cited the Solomons as a grave example of China's approach throughout the Pacific, which involves cultivating decision makers to open the door for Chinese businesses, migration and access to strategic resources and locations — most likely, the Americans believe, for civilian and military uses, at sea, and for satellite communications.

3/29/22, 11:05 AM

China and Solomon Islands Draft Secret Security Pact - The New York Times

Many Pacific islands, including Kiribati and Fiji, have seen a sharp increase in Chinese diplomats, construction deals and Chinese migration over the past five years. Disputes and tensions have been growing over Beijing's role in a region that has often either been ignored or been seen as little more than dots on the map for great powers to toy with.



The national flag of the Solomon Islands in Tiananmen Square in Beijing in 2019. China Stringer Network/Reuters

Last month, during a visit to Fiji that focused heavily on competition with China, Secretary of State Antony J. Blinken announced that the United States would soon open an embassy in the Solomon Islands after closing one in the 1990s. It is still many months from being **operational**.

"They certainly can do more and faster," Mr. Wale, the Solomons opposition leader, said. "They just seem to be dragging their feet."

Edward Wong contributed reporting from Washington.

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A version of this article appears in print on March 26, 2022, Section A, Page 6 of the New York edition with the headline: China Close to Signing Secret Security Accord With Solomon Islands.

Senator BARRASSO. And you know, the article states that if signed, it would give the Prime Minister of the Solomon Islands, “the ability to call on China for protection of its own government while granting China a base of operations between the United States and Australia that could be used to block shipping traffic across the South Pacific.” So it is clear China has a long-term strategy for gaining influence in the Indo-Pacific region, including the Freely Associated States and their neighbors. Could you briefly give some specific examples of what actions China has already taken to gain influence in the region and how you view the potential security agreement that is reported here in the New York Times between China and the Solomon Islands?

Mr. LAMBERT. Senator Barrasso, I think the Chinese have a pretty well-established kit bag of leverage that they use, not just in the Pacific Islands, but also in East Asia. You know how they use investment. We have seen in recent years where they punished South Korea after the Republic of Korea deployed the THAAD anti-ballistic missile system by cutting off investment. We saw in Vietnam how after there was a confrontation involving a Chinese oil rig in the waters off of Vietnam, the Chinese used cutting off tourism and cutting off the purchases of agricultural goods from that country to enforce leverage. The same thing potentially could happen in the Pacific.

Dr. Mohandas talked about how reliant these countries are on tourism. Palau, in particular, gets most of its revenues from tourism. Just because of its geography, many of those tourists are Chinese, and they can be turned on and off with a switch, once COVID is behind us. In a similar fashion, as China buys more and more goods from these countries, these countries are going to be more and more dependent. We are seeing very heavily leveraged loans, in the case of a country like Tonga. Tonga owes a huge amount of its foreign debt to the PRC. That is leverage. These are the types of things that we need to work on, not just with the Freely Associated States, but with all the countries in the Pacific, through the Pacific Island Forum and with our closest allies and partners, like Australia, New Zealand, the UK, France, and Japan, to push back.

Senator BARRASSO. Even though we may be the partner of choice, due to this leverage and forced applications, we may end up in the long-term not being the partner that they choose?

Mr. LAMBERT. Senator, that is what is at risk. I think that is very well said, yes, sir.

Senator BARRASSO. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

And now we will have Senator Heinrich.

Senator HEINRICH. I think the way that you summed that up, Senator Barrasso, in terms of partner of choice versus the partner that they choose really gets at what our challenge is in the South Pacific. You know, people brought up the question of has there been neglect? Have we kept our promises over the years? And I would urge all of our colleagues to spend some time there to see the capabilities in Kwajalein that you reference, Senator Barrasso, to see also the impacts to places like Bikini and Enewetak.

According to the government of the Republic of the Marshall Islands, the Nuclear Claims Tribunal has been unable to pay \$23

million in personal injury awards and \$2.2 billion in property damage awards due to a lack of funds. The Marshall Islands government regards these unfunded awards as part of “the core of all discussions on nuclear justice.” My father was a witness to two of the detonations in the Marshall Islands and paid a pretty steep health cost for his proximity to those, and I can only imagine the scale of what the Marshallese sacrificed as a result of all that testing. So, Mr. Lambert and Mr. Nakoa, is additional compensation related to past U.S. nuclear weapons testing being discussed in the negotiations of the Marshall Islands? And if not, why not?

Mr. LAMBERT. Senator, we negotiated a full and final settlement of the nuclear issue with the Marshall Islands several years ago and the Congress approved that. Nonetheless, we are open to hearing any concerns any of the Freely Associated States have. Ambassador Yun will be empowered to hear any concerns that the citizens of these countries have. We will then, of course, need to work closely with colleagues in the Administration and in Congress to see what our country could do.

Senator HEINRICH. I recognize what we negotiated. I have also seen with my own eyes what the reality on what ground is left is there. This is a place where the culture and the community is really struggling with not only the impacts of that testing, but also the direct impacts of climate change and sea-level rise, and those things compound on each other.

I do want to ask, Dr. Mohandas, can you elaborate a little more on the very acute threat that—what I would call pirate fishing, what is often referred to as illegal, unreported, and unregulated fishing by the PRC—poses to all of our South Pacific allies?

Dr. MOHANDAS. Absolutely, Senator. As you know, illegal, unregulated, non-reported fishing is a major, major challenge throughout the region and not just in the Pacific Islands, I mean, what you see up and down the Indo-Pacific is PRC fishing fleets, associated maritime militia moving en masse to rich fishing grounds, engaging in sort of industrial scale catches—

Senator HEINRICH. Primarily trawling and long lines.

Dr. MOHANDAS. Precisely.

And this has a huge impact. It certainly depletes fishery stocks in fragile ecosystems. It has an outsize economic impact, obviously, crowding out indigenous fishermen and fishing industries.

Senator HEINRICH. Yes, the irony of what I saw in the area around Kwajalein was the inability due largely to lack of fuel, in particular, for local communities to be able to access a very rich fishing resource. Yet, you had pirate fishing coming in that was absolutely devastating and of a scale that was nothing like the traditional local use. Are there opportunities, as we have this broader conversation around remote sensing, and in particular, cooperation with the U.S. Coast Guard, to get a better handle on pirate fishing across the South Pacific?

Dr. MOHANDAS. It is absolutely a focus area for the Department of Defense and a focus of our security assistance in the area. We have allocated \$20 million to help build partner capacity and enhance maritime domain awareness. So it will absolutely remain a priority.

Senator HEINRICH. It seems like there is a real opportunity there with what we can see, even from just commercial satellite imagery these days, to not just patrol, but to have our capabilities, our resources, when we can do partnership with these various governments to have them in the right place to actually intercept that pirate fishing. Thank you.

Dr. MOHANDAS. Thank you.

The CHAIRMAN. Thank you, Senator.

And now we are going to have, let's see—Senator Hirono.

Senator HIRONO. Thank you, Mr. Chairman.

I am really glad that, Mr. Chairman, you are having this hearing on the importance of our relationship with our friends, the Freely Associated States. Well, the United States accepted the responsibility to compensate the people of the Marshall Islands, and not fully, by the way, as I do share the concerns that Senator Heinrich expressed. On March 1st, in honor of Nuclear Victims Remembrance Day in the Marshall Islands, Senator Markey and I introduced a resolution formally apologizing to the people of the Republic of the Marshall Islands for the U.S. nuclear testing program and affirming the importance of the Compact of Free Association.

This is for all of our witnesses. Does the Administration support formally apologizing to the people and government of the Republic of the Marshall Islands for the damages caused by our country's nuclear testing program?

We will start with you, Mr. Lambert, and then we will just go down the line.

Mr. LAMBERT. Senator, we do acknowledge that our nuclear testing caused tremendous devastation in the Marshall Islands. As to your specific question, do we support a formal apology? I honestly do not know the answer to that, but I will try to get you the answer to that.

Dr. MOHANDAS. Senator, likewise, you know, I would say the United States has recognized the affects of our nuclear testing program and has accepted and acted on our responsibility to the people of the RMI. And on the question of the apology, I think we are happy to take that back.

Senator HIRONO. Mr. Nakoa.

Mr. NAKOA. Aloha Senator Hirono.

You know, with regard to the bigger picture, as DAS Lambert and DAS Mohandas have said, the United States has recognized its responsibility and its role in significant—nuclear testing legacy, and I think, you know, apologies and you know, what possibilities should be on the table, and as DAS Lambert kind of mentioned, we want to ensure that we are able to hear from the RMI on what kinds of provisions and what things that they would like to propose in terms of things being left out. And with that in mind, you know—apology—I just want to make sure that we're not just doing an apology alone. But with regard to the specific legislation, I can have our office take a more close assessment of it and get back to you.

Senator HIRONO. Frankly, I do not consider your responses particularly encouraging because, and especially from Mr. Nakoa, I think you do recognize the importance of apologies, just as the United States apologized to the Native Hawaiian community for

the unjustified overthrow of the Hawaiian monarchy. So these kinds of—and I cannot just say it is a symbolic gesture, but it is very meaningful to not only accept responsibility, although, again, not fully compensating. But it is very important to the peoples of these nations that we formally apologize. And so I would very much like you to—all of you—to get back to me as to why we cannot support a formal apology.

And Mr. Lambert, I agree with you that we cannot take the goodwill generated from our historic bonds of friendship with the FAS people for granted. So I would say that it is long past time.

One more thing. As you probably know that in the so-called Welfare Reform Act in 1993—the COFA citizens who can come to our country without the need for a VISA because of our special relationship with them through our Compacts—they were excluded from their ability to qualify for Medicaid, for example, as well as so many other kinds of resources. And so, there is a bill that would enable the COFA citizens to access other benefits. And I would like to know what the Administration's posture is with regard to enabling the COFA citizens in our country to access these other programs. I think you know what I am referring to, what kind of programs. So, again, why don't we go down the line?

Mr. LAMBERT. Senator, again, I apologize, I do not know the answer to that question—what the Administration's position is on providing citizens of these three countries Medicare and other sorts of benefits. We can certainly get you the answer to that.

Senator HIRONO. Well, it took me only about ten years to restore Medicaid eligibility for them.

Doctor.

Dr. MOHANDAS. Senator, this is not specifically an issue that the Department of Defense would opine on, so I would defer to my State and Interior—

Senator HIRONO. Okay.

Mr. NAKOA.

Mr. NAKOA. You know, Senator Hirono, I think your leadership on this issue with the passage of the Medicaid expansion was critical. I met with DHS Director Cathy Betts when I was in Honolulu last year, and she said that the impact of that legislation and expansion of benefits for the COFA population community in Hawaii has been incredible. I think it increased the amount of enrollees by 100 percent.

Unfortunately, again, I will have to take a closer look at the specific legislation so I do not get ahead of myself or my colleagues, but you know, we will absolutely have my office take a closer look at your legislation and get your response on our posture.

Senator HIRONO. Thank you.

Mr. Chairman, just one note on the eligibility of COFA citizens for various programs, you know, that exclusion was done without any basis that I could find in the legislative history. So I think it is really important that we restore their eligibility for other programs. Thank you.

The CHAIRMAN. Thank you, Senator.

Senator Cortez Masto.

Senator CORTEZ MASTO. Thank you. And I also want to thank Senator Hirono for all of her work, such important work here.

As you can tell, gentlemen, the concern here is there. This notion that the United States has neglected the Freely Associated States to the point that now we have the PRC taking advantage of that neglect, and there is a time now for us to do something about it. I understand the White House has appointed the Ambassador. You have mentioned this earlier—Ambassador Yun. Can either of you or any of you—all three of you—expand on the current negotiations between the Administration and the Freely Associated States and how this recent appointment will contribute to your Departments' efforts?

Mr. Lambert, let me start with you.

Mr. LAMBERT. Well, let me take all three countries separately because the response is a bit different for each of them.

We have been in regular talks with Micronesia, for instance. They have never been severed. Our lead negotiator met with the Micronesians as recently as March 16. Our roadblock, frankly, has been with the other two countries. With the Republic of the Marshall Islands, we have made clear through our Ambassador there that we are ready for formal negotiations. We have not received a response back. A similar situation exists in Palau. But both of those countries seem to be very happy that we have appointed a Presidential Envoy. Frankly, we are pretty optimistic that we will be able to resume formal negotiations in the very near term.

Ambassador Yun began work yesterday. He is already doing the rounds here in Washington. He is meeting with the representatives at those three countries' embassies here in Washington. Two of those countries are still closed because of COVID, but our hope is that Ambassador Yun is on a plane very, very soon and actually going to see people in all three countries face-to-face to push forward the negotiations.

Senator CORTEZ MASTO. Thank you.

Doctor.

Dr. MOHANDAS. Senator, as you know, the defense provisions of the COFA are not up for renegotiation, only the economic assistance provisions. And so, for that reason, the Department of Defense is not directly involved in the negotiation process, but we are absolutely committed to supporting Ambassador Yun in any way that he requires for the negotiations, including, in particular, by making the case for the strategic importance of the COFA states both internally and externally, including in forums like this one.

Senator CORTEZ MASTO. Mr. Nakoa.

Mr. NAKOA. Thank you, Senator.

As DAS Lambert just said, you know, I think it is a little bit of a different situation among the three FAS. With FSM, as he mentioned, we have been continuing to have technical discussions around federal programs and services. We have just recently—as recently as, I think, a couple weeks ago—we met with the FSM and the USGS to discuss USGS's ongoing operations in the FSM, and that was a very productive and enlightening meeting, I believe, for the FSM side. USGS has been an issue that all three of the FAS have highlighted, as you know—very important. And so we are very happy to be moving forward on that.

With the RMI, as DAS Lambert said, There has been a little bit of a different posture. But from the readouts that we have received

from Ambassador Cabral delivering the messages that we have Ambassador Yun on board, it was very positive, and we were hoping to have some meetings with the lead negotiator this week, but unfortunately that was not possible. So we will look to continue to have some meetings with him shortly. Ambassador Yun will lead some meetings with him, hopefully soon.

And then, with Palau, I was just out there last week and I was able to be in the room when Ambassador Hennessey-Niland and I gave him the news of Ambassador Yun's appointment, and he received that very well. It also, you know, seemed like the information about the mandatory spending that, you know, was tied into the President's budget yesterday was very well received as well. So with all of the recent steps through the Administration that, again, it does look like we will be able to get back to the table very soon and Ambassador Yun has, you know, is just getting his legs under him in terms of this new job, but he has a wealth of experience, you know, in the region. And so I look forward to working closely with him and supporting him as the lead representative from the Interior.

Senator CORTEZ MASTO. Thank you. Thank you, gentlemen.

Thank you, Mr. Chair.

The CHAIRMAN. Thank you.

And I have one further question and then if any of our other Senators would like to have another question, we will stay here.

So with that, I am going to say, Senator Barrasso and I have sent two letters to both Secretary Haaland and Secretary Blinken urging the Administration to expedite the negotiation process for renewing the expiring provisions in the Compacts of Free Association. So we welcome the appointment of the Special Presidential Envoy for Compact Negotiations, which we hope will prioritize timely completion of the negotiations with the Freely Associated States. The most successful negotiators that produce the Compacts of Free Association were based in the Executive Office of the President, and they had State, Defense, and Interior Department staff and were given written negotiating authorities by the President through the National Security Council that conferred all of government authority. We know the Administration has responsibility for conducting negotiations and we respect that. But we in Congress would like to be as supportive as we can.

So Mr. Lambert, will the Envoy have the authority to fully negotiate all of the issues, including continued federal programs and services such as the U.S. Postal Service and the National Weather Service?

Mr. LAMBERT. Senator Manchin, Ambassador Yun will be empowered to discuss anything that the three states wish to discuss.

The CHAIRMAN. Can you tell us if the new Special Presidential Envoy will have received interdepartmental support and inter-agency staffing?

Mr. LAMBERT. Yes, sir, he has.

The CHAIRMAN. Mr. Nakoa, how will you and the Department of the Interior work with the Envoy on Compact negotiations? Will Interior contribute personnel to the Envoy's team?

Mr. NAKOA. Yes, we intend to carry out, you know, be as helpful as we can as Ambassador Yun sets up his shop, and I intend to

remain closely involved as the lead representative from Interior and I, in close conversations with State, NFC, and some of the other interagency—you know, it is my understanding and expectation that Interior will remain closely involved as we have a long relationship with all three of the FAS and that personally, I will continue to lead the Interior team. I have two staff that are completely devoted, and will be chiefly devoted for the negotiations. And so, I am, you know, ready and able to dedicate all personnel that are needed to support Ambassador Yun's mission.

The CHAIRMAN. Thank you.

And Dr. Mohandas, how will you and the Department of Defense work with the Envoy on Compact negotiations? Will the Department be formally engaged in negotiation? Will it contribute personnel to the Envoy's team?

Dr. MOHANDAS. Senator, as DAS Lambert noted, Ambassador Yun just began work yesterday, so I think he is still in a process of figuring out what his requirements are. What I will say is the Department of Defense has fulfilled every request made by the current negotiating team and we absolutely commit to supporting Ambassador Yun going forward, and in particular, continuing to make the case for the strategic importance of the COFA states.

The CHAIRMAN. As a Committee, we would like to get a formal reply back from your agencies on what you all intend to support and how you are going to support and to what level, as quickly as possible.

[All witnesses respond, "yes, sir."]

The CHAIRMAN. Thank you.

Senator Barrasso.

Senator BARRASSO. Just one question, and Mr. Nakoa, I ran out of time on my first round. I wanted to ask you what happens if Compact negotiations are not completed in 2022, or in time for Congress to pass a budget that includes economic assistance for the Republic of the Marshall Islands and for the Federal States of Micronesia in the Fiscal Year 2024 coming up?

Mr. NAKOA. Thank you, Senator.

You know, I do not want to jinx or get ahead of Ambassador Yun's work but, you know, at the same time, understand that it is important to understand, you know, what all contingencies look like. For—

Senator BARRASSO. You know, I just asked about options that are out there, yes.

Mr. NAKOA. Sure. And in the event that, you know, we are not able to conclude the negotiations by the end of 2023 or 2024 with Palau, I mean, the current Compacts have certain mechanisms built in for the FSM and RMI that would mean that they would revert to the disbursements from the Compact Trust Funds. There is still work to be done from the Compact Trust Fund Committees in terms of what those disbursements would or could look like as well as what the longevity of the Compact Trust Funds and the strategy around that will be, but you know, that is work that would have to be done in the event that we are not able to create a better outcome through the negotiations. I would also add that, you know, Congress also has plenty of authority too.

Senator BARRASSO. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator HIRONO.

Senator HIRONO. Thank you. I have a follow-up question. This is for Mr. Nakoa and Mr. Lambert. It is my understanding that the Administration still has not confirmed that certain U.S. programs will continue to operate in the FAS after Fiscal Year 2023 and 2024. This includes critical services like the postal service, supplemental education grants, and FEMA disaster assistance. Does the Administration support the continued operation of these programs and services in the Freely Associated States in the upcoming Compact negotiations?

Mr. LAMBERT. Senator, not to split hairs but the Compact negotiations themselves are one thing. These other services are something else. But I would like to emphasize that Ambassador Yun will be empowered to hear out all concerns that all three parties have and we will then, of course, need to work with the interagency and with Congress to fulfill those requests.

Senator HIRONO. So if the programs that I talked about will not be the subject of the Compact negotiations, then does the Administration support continuing these programs regardless?

Mr. LAMBERT. I know I personally do.

Senator HIRONO. Okay. Put your best efforts forward.

Mr. LAMBERT. Yes, ma'am.

Senator HIRONO. Mr. Nakoa, do you share that sentiment?

Mr. NAKOA. Yes, and I would just say that we have been working with the interagency to find solutions, and we hope to honestly work with the FAS to find more creative solutions to meet all needs or requests as they come up in terms of the negotiation. As DAS Lambert has very much stressed today, Ambassador Yun will be empowered to hear any proposal from the FAS. And so, yes, unfortunately, I have not been able to have those conversations thus far with the FAS, but you know, I look forward to Ambassador Yun's leadership and us being able to be in a position with the negotiations to start creating solutions and working to find how to best figure out ways to enable federal services that benefit both the United States and FAS.

Senator HIRONO. I think it is really important to continue the programmatic support, but at the same time, I hope that we can use these negotiations in some other context. For example, to expand access to broadband or telemedicine for our FAS partners because these are nations that could use a lot more support in a lot more areas from us, and especially as we were talking about China extending its so-called hand of friendship, but mainly it is to, you know, expand their sphere of influence in these countries. So I hope we can also bring to the discussion ways to help the FAS countries modernize their systems and platforms.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

I want to thank you all for your testifying today and helping us better understand what challenges we have ahead of us. So I recognize it is in our best interest to prioritize the Compact negotiations, as this sends a strong signal to our allies about the importance of maintaining a strong and close relationship with the Freely Associated States and to ensure that we are doing our best to deter Chi-

nese expansion in the Pacific. I have previously said that this Committee has a responsibility to look ahead to the problems that may arise if the financial assistance afforded by the Compacts comes to an end.

We will continue to monitor the status of the Compact negotiations, and at some point in the future, we would like to invite Ambassador Yun, the newly appointed Special Presidential Envoy for Compact Negotiations, to come testify before our Committee.

Members are going to have until the close of business tomorrow to submit additional questions for the record.

The Committee stands adjourned.

[Whereupon, at 11:10 a.m., the Committee was adjourned.]

APPENDIX MATERIAL SUBMITTED

U.S. Senate Committee on Energy and Natural Resources

March 29, 2022 Hearing: *The Strategic Importance of the Freely Associated States to the United States and Our Allies in the Indo-Pacific region, including the Compacts of Free Association with the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau*

Questions for the Record Submitted to Mr. Mark Lambert

[No responses were received at the time of publication]

Questions from Chairman Joe Manchin III

Question 1: What is the timeline for resuming and completing the negotiations in light of the recent appointment of a Special Presidential Envoy for Compact Negotiations?

Question 2: We were told by senior officials from the Freely Associated States that there was little to no dialogue with U.S. negotiators during the informal meetings, and that the negotiators read talking points without the full authority to negotiate. It is our understanding that successful Compact negotiation meetings allow the negotiators to explore the full scope of issues, including both areas of agreement and disagreement.

- Will the Envoy's negotiating authority, as defined under State Department FAM C-175 authority to negotiate international agreements, enable the Envoy to consult and negotiate with the Freely Associated States and Congress on features of the Compacts of Free Association and free association established in the Compacts implementing legislation, such as Supplemental Education Grants, Department of Education programs (included in P.L. 108-188), U.S. Postal Service, current statutory mandates to address mitigation of the Marshall Islands nuclear testing efforts, or other pertinent federal programs and services?

Question 3: Does the Envoy have White House (National Security Council, Office of Management and Budget) authority to discuss issues that may be raised within and outside the Compact framework as an international agreement?

Question 4: In the context of the preceding questions, are there any issues or Compact provisions that are "off the table" or that the United States is not willing to address in the Compact negotiations? Please be specific for Micronesia, the Marshall Islands and Palau.

Question 5: We have been told that the Republic of the Marshall Islands formally proposed to extend the programs of the Federal Deposit Insurance Corporation for more than 20 years. In discussing this proposal, however, the Marshall Islands was told that the United States would not be willing to discuss proposals for longer than 20 years.

- What is the basis for this 20-year limitation, and did the Department of State consult with the National Security Council, Department of Defense or other agencies on this topic?
- Given China's influence in the region, do you not agree that China will be a competitor for more than 20 years?

Question 6: What happens if the Compact negotiations are not completed in time for Congress to pass a budget that includes economic assistance for the Marshall Islands, Micronesia and Palau? And, what are Congress's options for maintaining economic assistance to the Freely Associated States in the meantime?

U.S. Senate Committee on Energy and Natural Resources

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Questions for the Record Submitted to Mr. Mark Lambert

Questions from Ranking Member John Barrasso

Question 1: Deputy Assistant Secretary Lambert, it is clear that China has a long-term strategy for gaining influence in the Indo-Pacific region, including the FAS and their neighbors. Can you give specific examples for each of the FAS where China has tried to gain influence?

Question 2: Deputy Assistant Secretary Lambert, how might Compact negotiations affect China's thinking about how to pursue its interests among the FAS?

Question 3: Deputy Assistant Secretary Lambert, what other foreign aid donors in the region provide assistance to the FAS? Does China provide assistance, and if so, how much?

Question 4: Deputy Assistant Secretary Lambert, an article ran in the *New York Times* on March 24th entitled- "China Close to Signing Secret Security Accord with Solomon Islands." The article states that if signed, it would give the Prime Minister of the Solomon Islands –

"the ability to call on China for protection of his own government while granting China a base of operations between the United States and Australia that could be used to block shipping traffic across the South Pacific."

Wyoming products, like natural soda ash, which compete with Chinese synthetic soda ash, are shipped across the Pacific Ocean. Will China's agreement with the Solomon Islands and possibly similar agreements with other Pacific island nations in the future, potentially including the FAS, have the potential to affect the shipping of U.S. products across the Pacific?

Questions from Senator Ron Wyden

Question 1: Climate change and global warming have a direct impact on countries in the Indo-Pacific, affecting countries' infrastructures, island ecosystems, and food sources. With the funding available to the State Department for climate change mitigation and foreign assistance, what is the State Department doing now to address the impacts of climate in the Freely Associated States? What support could Congress provide to the State Department to enhance the Department's work in supporting these countries and the COFA/FAS community, specifically, as they deal with climate change?

Question 2: Mr. Lambert's testimony stated that COFA was a full and final settlement of the nuclear issue. To clarify this statement, does the State Department believe the settlement prevents ex gratia payments to the nuclear affected atolls as authorized under the 2003 Compact Act? Does the COFA settlement prevent the United States from providing technical and financial assistance to the Marshallese for radiological monitoring as mutually agreed under the 177 Agreement? The money for claims under COFA covered less than 10% of the damages awarded for nuclear related claims. Please clarify what COFA is a "final settlement" of exactly?

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Questions for the Record Submitted to Mr. Mark Lambert

Question 3: The change in circumstances petition shows that by its own terms, the Compact was a forward looking document. Will you and the State Department work to make sure it is not mischaracterized as being “final” about anything other than legal claims related to nuclear testing?

Question 4: The number of migrants from the Freely Associated States (FAS) – Republic of the Marshall Islands, Republic of Palau and Federated States of Micronesia – has grown exponentially over the past decade, with a significant population now residing in the State of Oregon. The increased migration of COFA residents in the U.S. – as well as our shared history and geopolitical realities - compel the U.S. to ensure that FAS children begin their lives on a strong foundation of good health and a first rate education so that they can better contribute to their new communities in Oregon and across the country. Unfortunately, today FAS children lack access to adequate healthcare, nutrition and education. In 2020, the World Bank reported that 35 out of 100 children in the Marshall Islands experience stunted growth, placing them at risk of cognitive and physical limitations that can last a lifetime.

Given the documented needs of the children in the FAS and the importance of job training for these migrants to set them up for lives of success and contribution to their communities, what enhancements in the areas of healthcare, nutrition and education are being considered for inclusion in the renewed compacts? Specifically:

- A GAO report released last month concluded that “[a]bsent changes to current law, FSM and RMI will not be eligible after FY2023 and Palau will not be eligible after FY2024 for job training programs and Head Start early education programs, according to agency officials.” (GAO-22-104436, page 127) Is extending these federal programs to the FAS being considered as part of the Compact renewals?
- In 2003, numerous programs within the Department of Education that had applied to the FSM and RMI were consolidated into a block grant – the Supplemental Education Grant (SEG). Regrettably, this block grant was for an amount less than the value of the original programs and then was not fully funded, depriving the RMI and FSM of expected resources and causing some to question U.S. commitment. Given the unfulfilled funding of the SEG, are there plans to: (a) end the SEG in 2023 and return to the original federal education programs, and (b) pay the SEG funding contained in the 2003 compact that was never appropriated to FSM and RMI?
- Citizens from the Marshall Islands, Palau and the Federated States of Micronesia have not been able to access safety net programs available to other legal, long-term residents, as they lost their access to the benefits through the 1996 Welfare Reform Act. Would the State Department be supportive of restoring these federal lines of support, such as providing access to the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance to Needy Families (TANF)?

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Questions for the Record Submitted to Mr. Mark Lambert

- Similarly, would the State Department be supportive of extending COFA/FAS students access to student loans, such as Stafford Loans and Graduate PLUS Loans? Currently, COFA/FAS students only have access to Pell grants, but expanding their access to these loans would allow students to more easily achieve their higher education goals and contribute to their communities.

Question 5: The 2010 Compact Amendments with Palau established an Economic Advisory Group to advise Palau on governmental reforms and economic opportunities at the request of our government. The president of Palau names two Members and our Government names two. The fifth of the five seats is to be chosen by our Government from a list of three submitted by Palau's President unless none are acceptable. President Whipps submitted three names for the fifth seat more than two and a half months ago; Professors James Galbraith, Martin Luby, and Norio Usui. They are all distinguished experts. Dr. Galbraith, for example, was Executive Director of Congress' Joint Economic Committee. A Government Accountability Office report recently noted the need for Federal action on the Group. Why hasn't President Whipps received a reply?

Question 6: Some 14 Departments and agencies have programs in the freely associated states. Key decisions are needed from OMB. An inability to obtain adequate cooperation and positions by some agencies was one of the reasons for the failure of the effort led by the State Department's last Compact Negotiator, her legal adviser, with some Interior personnel. Now, the U.S. has a Special Presidential Envoy. How have departments and agencies been directed to work with the Envoy? Please tell me what documents establish the position and define his authority, mission, and please provide copies. Please also identify to whom he will report.

Question 7: The State Department's prior Compact Negotiator complained about a lack of staff. She and her legal adviser were not successful in their efforts. What staff will the new Envoy have? Will the prior Negotiator and legal adviser be advising the Envoy? For how long, specifically?

Questions from Senator Martin Heinrich

Question 1: Mr. Lambert, in your testimony you stated that under the Compact of Free Association "We negotiated a settlement of the nuclear issue with the Marshall Islands several years ago and the Congress approved that."

The 2003 Compact Act (P.L. 99-239) included the Section 177 Agreement which included provisions that settle the legal claims and terminate court jurisdiction related to the nuclear testing program in the Marshall Islands.

- Do these provisions constitute a full and final settlement of any issues related to the nuclear testing program in addition to the legal liability claims?
- Do these provisions prevent the United States from providing technical and financial assistance to the Marshallese for radiological monitoring or additional programs and activities as mutually agreed?

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Questions for the Record Submitted to Mr. Mark Lambert

Question 2: The 2003 Compact Act (P.L. 99-239) included provisions that continue the authorization of appropriations for ex gratia contributions to address the effects of the nuclear testing program. The law also included for “completion of projects and fulfillment of commitments or obligations,” related to the nuclear testing program.

Do these provisions prevent ex gratia payments to the nuclear affected atolls as authorized under the 2003 Compact Act (P.L. 99-239)?

Question from Senator Mazie Hirono

Question: On March 1, in honor of Nuclear Victims Remembrance Day in the Marshall Islands, Senator Markey and I introduced a resolution formally apologizing to the people of the Republic of the Marshall Islands for the US nuclear testing program, and affirming the importance of the Compact of Free Association. Does the administration support formally apologizing to the people and government of the Republic of the Marshall Islands for the damages caused by our country’s nuclear testing program?

Questions from Senator John W. Hickenlooper

Question 1: To what extent will addressing climate change factor into future COFA negotiations? What sorts of climate adaptation and resilience investments are of greatest value to the Freely Associated States? What assistance in this regard do you anticipate may be requested by the Freely Associated States?

Question 2: Fishing is one of the primary industries in the Freely Associated States. Unfortunately, illegal, unreported, and unregulated fishing (IUU) is on the rise, threatening the economies and fragile ecosystems of these coastal nations. Can you speak to U.S. efforts within the Department of State, Department of Defense, and the Department of the Interior, respectively, to combat IUU fishing in the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau?

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Questions for the Record Submitted to Dr. Siddharth Mohandas

Questions from Chairman Joe Manchin III

Question 1: How will you and the Department of Defense work with the Envoy on Compact Negotiations?

DoD is committed to working closely with Ambassador Yun and the negotiation team to achieve a successful conclusion of the Compact negotiations. DoD has supported the negotiators as they have engaged with COFA partners in early discussions. DoD will continue to emphasize the strategic importance of the Compacts and U.S. defense and security interests with the COFA states.

Question 2: Will the Department be formally engaged in the Compact negotiations?

DoD will work closely with and support the negotiation team and is prepared to provide the strategic rationale for the new economic provisions of the Compacts.

Question 3: Will the Defense Department contribute personnel to the Envoy's team? If so, at what level?

DoD is in regular communication with Ambassador Yun regarding the negotiations and will make decisions on staff support based on requirements and available resources.

Question 4: What happens if the Compact negotiations are not completed in time for Congress to pass a budget that includes economic assistance for the Marshall Islands, Micronesia, and Palau? And, what are Congress' options for maintaining economic assistance to the Freely Associated States in the meantime?

DoD defers to the Department of State and the Department of the Interior on questions of budget timing and options to maintain economic assistance to the Freely Associated States.

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Questions for the Record Submitted to Dr. Siddharth Mohandas

Questions from Ranking Member John Barrasso

Question 1: Dr. Mohandas, please explain what the Department of Defense's role is in the Compact negotiations, compared to the Department of Interior and the Department of State. Do you believe that the Departments of Interior and State share your priorities and goals?

The Departments of Defense, State, and Interior share the same priorities and goals. DoD is working closely to support the Compact negotiation team and provide the strategic defense rationale for successful negotiations relating to the economic provisions of the Compacts. DoD has also engaged with senior Freely Associated States (FAS) leaders on the importance of successfully concluding the Compact negotiations. Secretary Austin met with President Surangel Whipps Jr. of Palau last August, where they discussed the importance of the U.S.-Palau Compact of Free Association. Although DoD does not fund or administer the economic assistance provisions of the Compacts, we will be as supportive as possible in the negotiations.

Question 2: Dr. Mohandas, please describe the scope of U.S. military activity in each of the FAS? Other than the missile test site in the Marshall Islands and radar stations in Palau, are any additional U.S. facilities planned or envisioned in each of the FAS?

The Compacts facilitate a strategic partnership with each of the FAS, which provide DoD access, basing, and overflight in the FAS. They also afford DoD the ability to deny these to third-country militaries. DoD is invested in the Ronald Reagan Ballistic Missile Test Site at the U.S. Army-Kwajalein Atoll and the Tactical Multi-Mission Over-the-Horizon Radar (TACMOR) in Palau. In addition to our defense and security responsibility to these partners, DoD's posture initiatives in the FAS facilitate and are supportive of our contingency plans and war-fighting concepts. DoD operations, activities, and investments also help our partners build resiliency, with particular focus on maritime matters and maritime domain awareness. DoD will continue to explore new opportunities with the strategic geography of our FAS partners. These include providing increased flexibility and resilience to U.S. forces through divert and expeditionary operating locations. DoD will consult with Congress on future posture concepts in the FAS.

Question 3: Dr. Mohandas, in response to a bipartisan letter dated April 22, 2012, from the Committee to Secretary Blinken and Secretary Haaland emphasizing the national security importance of the Compacts of Free Association (COFA), the Committee received a response from the Assistant Secretary of State for Legislative Affairs dated May 20, 2012. In that response your department stated:

*"While the security and defense provisions continue **in perpetuity**, we can enhance our broader bilateral relationships by negotiating agreements related to economic assistance and access to certain U.S. federal programs and services that are set to expire..."*

Does the Compact or its subsidiary agreements on security and defense state that our Compact partners have delegated defense and mutual security rights and powers other U.S. "in perpetuity" as this letter states? Is that term that was used in Compact provisions on security and defense?

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U.S. Senate Committee on Energy and Natural Resources

March 29, 2022 Hearing: *The Strategic Importance of the Freely Associated States to the United States and Our Allies in the Indo-Pacific region, including the Compacts of Free Association with the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau*

Questions for the Record Submitted to Dr. Siddharth Mohandas

As amended, the Compacts do not have end dates; while they do not use the term, they last in perpetuity unless proactively terminated in accordance with the terms of the relevant Compact. The terms of the Compacts, as amended, vary slightly amongst the three Compacts, but generally allow for termination by mutual consent, unilateral termination by the United States with six months' notice, or unilateral termination by each of the FAS if they vote to do so in a plebiscite or, in the case of the FSM, another constitutional process that is also mutually agreed between the United States and the FSM. Even in the event of termination, by the terms of the Compacts, as amended, certain provisions survive. In addition, the subsidiary agreements may survive in accordance with their terms.

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U.S. Senate Committee on Energy and Natural Resources

March 29, 2022 Hearing: *The Strategic Importance of the Freely Associated States to the United States and Our Allies in the Indo-Pacific region, including the Compacts of Free Association with the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau*
Questions for the Record Submitted to Dr. Siddharth Mohandas

Questions from Senator Ron Wyden

Question 1: It is in my understanding that in discussing a U.S. proposal to extend programs of the Federal Deposit Insurance Corporation to freely associated states – which was proposed to ensure the integrity of the banking system for the benefit of the U.S. as well as the FAS – the legal adviser to the just replaced State Department Negotiator rejected an FAS request to extend the program for more than 20 years saying that proposals for longer than 20 years would not be discussed. The Marshall Islands has formally proposed provisions for more than 20 years to strengthen the association between our nations. Who determined the 20-year limitation – and why? Were the National Security Council and Defense Department in this Administration consulted? Do we think that China will not be a competitor or threat for more than 20 years?

DoD shares the Pacific Islands’ and other like-minded allies’ and partners’ concerns about increasingly assertive People’s Republic of China (PRC) behavior throughout the region. We are confident that we remain the partner of choice for each of the FAS.

The negotiating offers made to the FAS represented interagency-agreed U.S. positions. The negotiation team will continue to get interagency concurrence for any significant modifications or new offers.

Question 2: You testified that under the Compacts of Free Association, the ability of the United States to deny access to the waters and airspace of the Freely Associated States – which are larger than the 48 contiguous United States – continues in perpetuity. Free association by definition is a relationship between sovereign nations that can unilaterally terminate, which is inherent in national sovereignty. Palau has taken a similar position. Is it realistic to think that the FAS would continue to let the U.S. exercise their sovereign rights to control their borders and foreign interactions if the U.S. does not reasonably address new major challenges that they say must be addressed?

The security and defense provisions do not have end dates. They last in perpetuity unless proactively terminated in accordance with the terms of the relevant Compact. The United States is an Indo-Pacific nation and we share a common set of values and interests with each of the FAS. DoD strongly supports the negotiation process aimed at addressing challenges identified by the FAS and extending the economic provisions of the Compacts.

Question 3: Do you think that China would not rush in to fill the gap if the U.S. does not ensure funding at least equivalent to what has been provided and reasonably address new major challenges that the FAS say must be addressed?

DoD is seeing increased PRC activities that seek to erode the autonomy of the FAS and the broader Pacific Island region. China will likely use economic assistance to attempt to expand its influence in the region. Although the Compacts, including the defense and security provisions, continue in perpetuity unless terminated in accordance with their terms, a failure to reach an agreement would prevent new economic assistance from being distributed and create a gap that China could seek to exploit.

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U.S. Senate Committee on Energy and Natural Resources

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Questions for the Record Submitted to Dr. Siddharth Mohandas

Question 4: Despite what the Compacts say, can the Freely Associated States not reclaim full control over their borders, unless the U.S. somehow maintains control by force, over their objections?

The security and defense provisions do not have end dates. They last in perpetuity unless proactively terminated in accordance with the terms of the relevant Compact. The United States is an Indo-Pacific nation and we share a common set of values and interests with each of the FAS and will use that to guide our interactions.

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U.S. Senate Committee on Energy and Natural Resources

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Questions for the Record Submitted to Dr. Siddharth Mohandas**Questions from Senator John W. Hickenlooper**

Question 1: To what extent will addressing climate change factor into future COFA negotiations? What sorts of climate adaptation and resilience investments are of greatest value to the Freely Associated States? What assistance in this regard do you anticipate may be requested by the Freely Associated States?

As Secretary Austin has emphasized, “no nation can find lasting security without addressing the climate crisis.” DoD is committed to doing our part, especially in upholding our security and defense provisions in the Compacts. The FAS view climate change as an existential threat to their security and put a priority on resilience. The United States welcomes FAS views on their priorities for future economic assistance.

Question 2: Fishing is one of the primary industries in the Freely Associated States. Unfortunately, illegal, unreported, and unregulated (IUU) fishing is on the rise, threatening the economies and fragile ecosystems of these coastal nations. Can you speak to U.S. efforts within the Department of State, Department of Defense, and the Department of the Interior, respectively, to combat IUU fishing in the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau?

DoD has implemented \$20 million of Sec. 333 funding to build maritime security capacity and increase maritime domain awareness with all three of the FAS. The United States also had Shiprider Agreements with all three of the FAS to combat IUU fishing and enhance maritime security. These agreements allow local law enforcement officers to embark on U.S. Navy and Coast Guard vessels, including to board and search vessels suspected of violating laws or regulations. These programs help combat the practice of IUU fishing in the FAS.

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United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

NOV 17 2022

The Honorable Joe Manchin
Chairman
Committee on Energy and Natural Resources
United States Senate
Washington, DC 20510

Dear Chairman Manchin:

Enclosed are responses prepared by the Office of Insular Affairs to the questions for the record submitted to the Department of the Interior's witness, Keone Nakoa, Deputy Assistant Secretary for Insular and International Affairs, following his appearance at the March 29, 2022, oversight hearing on the Freely Associated States. We apologize for the delay in our response.

Thank you for the opportunity to respond to you on this matter.

Sincerely,

Christopher P. Salotti
Legislative Counsel
Office of Congressional and
Legislative Affairs

Enclosure
cc: The Honorable John Barrasso
Ranking Member

Questions for the Record
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Questions from Chairman Manchin

Question 1. How will you and the Department of the Interior work with the Envoy on Compact Negotiations?

Response: In March of this year, the Administration named Ambassador Joseph Yun to serve as Special Presidential Envoy of Compact Negotiations (SPECN or Envoy) with the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau (Palau), collectively the freely associated states (FAS). SPECN coordinates and is supported by the National Security Council (NSC), State, and Interior staff on all policy, program, fiscal, and bilateral aspects of the Compact of Free Association (COFA or Compact) renewal negotiations.

As a result, the Administration has improved coordination of Interior and State Departments for reengagement with the FAS by SPECN Yun in negotiations on amendments to strengthen relations under the Compacts. In addition, SPECN Yun – on behalf of President Biden and with strong Interior and State support – leads a broad interagency group and has already made significant progress to establish more productive United States positions and authorities, coordinate the federal programs and services package for each of the three Compacts, and address COFA funding needs for this next term of COFA. SPECN Yun has also prioritized consulting with Congress on behalf of the Administration for all these purposes.

Question 2. Will the Interior Department contribute personnel to the Envoy's team? If so, at what level?

Response: Following her confirmation as the Assistant Secretary for Insular and International Affairs, Ambassador Carmen Cantor assumed duties that include direction of Office of Insular Affairs (OIA) participation in the COFA negotiations. Deputy Assistant Secretary, Insular and International Affairs, Keone Nakoa previously served as the Interior's Compact team leader and continues to play an active role supporting Assistant Secretary Cantor and the Special Presidential Envoy's mission. OIA also has two senior professional policy advisors assigned to serve as staff support and members of the Envoy's policy and negotiating team as he directs. The entire OIA budget and policy staff as well as attorneys from the Department of the Interior's Office of Solicitor also perform work as needed to support the Envoy's mission, including traveling to participate in bilateral negotiation meetings.

Question 3. Do you agree that successful international negotiations first settle on the scope and goals?

Response: It is often very helpful in any negotiation for parties to agree on logistics, process, and objectives. With that in mind, negotiations with FSM have progressed well with a mutual understanding of the timeline for the negotiations and shared goals, including renewal of the expiring provisions of Title Two and need for other amendments to strengthen relations under the Compacts. With regard to RMI and Palau, as Deputy Assistant Secretary of State Mark Lambert testified at the Committee's hearing on March 29, 2022, confirming that SPECN Yun is authorized to discuss any issue the RMI (or Palau) chooses to raise in the Compact negotiations. As a result, we travelled to RMI for our first in-person negotiations in June 2022 and SPECN Yun and Assistant

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Secretary Cantor led comprehensive back-to-back three-day meetings with Chief Negotiators for each of the FAS governments from July 29 to August 8.

Question 4. Has the United States and each Freely Associated States reached an agreement on the scope and goals of the Compact negotiations? Please elaborate.

Response: To restore confidence in the negotiating process the United States has agreed not to limit the issues and topics that can be discussed and addressed for inclusion in the scope of negotiations. In that context, all three Compact partner governments recently have provided comprehensive written statements regarding issues of high priority each seeks to address.

It is expected that the scope of negotiations and shared goals of the parties will expand and retract as a mutually acceptable agendas are finalized and discussed in bilateral talks that are now on-going. But timely agreement on the expiring economic assistance provisions of the Compact continues to be the United States' priority.

Question 5. Are there any issues or Compact provisions that are “off the table” or that the United States is not willing to address in the Compact negotiations? Please be specific for Micronesia, the Marshall Islands and Palau.

Response: While it is likely not all past, current or future proposals from the U.S. or the FAS will be incorporated into the final Compact, out of respect for our partner governments in the Pacific, the Envoy has confirmed that no issue will be precluded from being proposed for consideration in negotiations. That commitment was honored in the July-August meetings just concluded.

Question 6: What happens if the Compact negotiations are not completed in time for Congress to pass a budget that includes economic assistance for the Marshall Islands, Micronesia and Palau? And, what are Congress's options for maintaining economic assistance to the Freely Associated States in the meantime?

Response: If any current 2022 negotiation with a COFA partner government does not reach timely culmination and agreement by the end of FY2023 for FSM and RMI and FY2024 for Palau, then under current Compact provisions and U.S. law, the mandatory economic assistance provisions would sunset and the Compact Trust Fund provisions, including distributions, would go into effect.

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Questions from Ranking Member Barrasso

Question 1. Deputy Assistant Secretary Nakoa, what are the challenges and prospects for economic self-sufficiency among the FAS? What economic areas are the most promising, and what kinds of assistance, if any, are needed?

Response: This is a difficult question complicated by some of the most prescient generational issues today, which also disproportionately affect the Pacific Islands and are compounded by climate change and the effects of a global health pandemic. Nevertheless, on-going internal and bilateral discussions on this very question are being held. Underlying these discussions is the concept that the goal of increased self-sufficiency—at least where possible in the FAS sectors—must also be tied to strategies for sustainable economic development rather than simply self-sufficiency in the near term and at any cost.

With that in mind, the economic return from responsible management of fisheries resources under policies and standards consistent with sustainable practices, current international ship registry enterprises, and tourism remain the primary sustainable economic sectors. And for that reason, they consistently attract the most domestic and foreign investment in the private and public spheres of the Compact partner economies.

Unfortunately, recent events have demonstrated the volatility of these sectors. In the case of Palau, the global pandemic all but shut down their tourist industry resulting in significant damage to their economy. In one effort to address Palau's economic development, including its transition from a developing to a middle-income country, the United States is currently taking action to activate the Palau Economic Advisory Group mandated by Section 4(e) of the 2010 Palau-U.S. Compact Review Agreement. To jump start that sustainable developmental economics strategic planning group, Palau nominated, and on behalf of the United States Government, SPECN Yun, approved respected United States economist James K. Galbraith to serve as the jointly appointed member of that body. In addition, the two United States members of that body approved on behalf of the United States Government by the Secretary of the Interior are Dr. Peter S. Watson, former Chairman of the U.S. International Trade Commission, and Dr. Denise Eby Konan, Dean of the College of Social Sciences and Professor of Economics for the University of Hawai'i at Mānoa. We are looking forward to reviewing the economic recommendations proposed by this Commission.

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Questions from Senator Wyden

Question 1. The number of migrants from the Freely Associated States (FAS) – Republic of the Marshall Islands, Republic of Palau and Federated States of Micronesia – has grown exponentially over the past decade, with a significant population now residing in the State of Oregon. The increased migration of COFA residents in the U.S. – as well as our shared history and geopolitical realities - compel the U.S. to ensure that FAS children begin their lives on a strong foundation of good health and a first-rate education so that they can better contribute to their new communities in Oregon and across the country. Unfortunately, today FAS children lack access to adequate healthcare, nutrition and education. In 2020, the World Bank reported that 35 out of 100 children in the Marshall Islands experience stunted growth, placing them at risk of cognitive and physical limitations that can last a lifetime.

Given the documented needs of the children in the FAS and the importance of job training for these migrants to set them up for lives of success and contribution to their communities, what enhancements in the areas of healthcare, nutrition and education are being considered for inclusion in the renewed compacts? Specifically:

- a. A GAO report released last month concluded that “[a]bsent changes to current law, FSM and RMI will not be eligible after FY2023 and Palau will not be eligible after FY2024 for job training programs and Head Start early education programs, according to agency officials.” (GAO-22-104436, page 127) Is extending these federal programs to the FAS being considered as part of the Compact renewals?

Response: Yes.

- b. In 2003, numerous programs within the Department of Education that had applied to the FSM and RMI were consolidated into a block grant – the Supplemental Education Grant (SEG). Regrettably, this block grant was for an amount less than the value of the original programs and then was not fully funded, depriving the RMI and FSM of expected resources and causing some to question U.S. commitment. Given the unfulfilled funding of the SEG, are there plans to: (a) end the SEG in 2023 and return to the original federal education programs, and (b) pay the SEG funding contained in the 2003 compact that was never appropriated to FSM and RMI?

Response: From FY 2004 to FY 2023, the SEG program funding was included in the U.S. Department of Education budget and transferred to the Department of the Interior for payment to the FSM and RMI COFA nations pursuant to Section 105(f)(1)(B)(iii) of the COFA Amendments Act of 2003. Those SEG provisions were authorized for Palau under Section 105(f)(1)(B)(ix), and the latter authorization of Palau was extended to 2024 at 48 U.S.C. 1921d(f)(1)(B)(ix); Dec. 12, 2017, Section 1259C, National Defense Authorization Act for Fiscal Year 2018 (P.L. 115-91, 131 Stat. 1687).

To date, neither the FSM nor RMI has requested for the SEG to return to the original federal education programs after 2023. However, both the FSM and RMI have requested additional funding to account for

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funding that was not appropriated. These requests are being considered in the ongoing Compact negotiations with both countries.

- c. **Citizens from the Marshall Islands, Palau and the Federated States of Micronesia have not been able to access safety net programs available to other legal, long-term residents, as they lost their access to the benefits through the 1996 Welfare Reform Act. Would the Department of the Interior be supportive of restoring these federal lines of support, such as providing access to the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance to Needy Families (TANF)?**

Response: The Administration will consider these matters and consult with Congress as appropriate to consider the requests and views of leadership and members about these programs as well.

- d. **Similarly, would the Department of Interior be supportive of extending COFA/FAS students access to student loans, such as Stafford Loans and Graduate PLUS Loans? Currently, COFA/FAS students only have access to Pell grants. Expanding their access to these loans would allow students to more easily achieve their higher education goals and contribute to their communities.**

Response: As indicated in the previous response, the Administration will consider these matters and consult with Congress as appropriate to consider the requests and views of leadership and members about these programs.

Question 2. The 2010 Compact Amendments with Palau established an Economic Advisory Group to advise Palau on governmental reforms and economic opportunities at the request of our government. The president of Palau names two Members and our Government names two. The fifth of the five seats is to be chosen by our Government from a list of three submitted by Palau's President unless none are acceptable. President Whipps submitted three names for the fifth seat more than two and a half months ago; Professors James Galbraith, Martin Luby, and Norio Usui. They are all distinguished experts. Dr. Galbraith, for example, was Executive Director of Congress' Joint Economic Committee. A Government Accountability Office report recently noted the need for Federal action on the Group. Why hasn't President Whipps received a reply?

Response: We are pleased to report that President Whipps has been informed that the United States is currently taking action to activate the Palau Economic Advisory Group mandated by Section 4(e) of the 2010 Palau-U.S. Compact Review Agreement. To jump start that sustainable developmental economics strategic planning group, Palau nominated and on behalf of the United States Government, SPECN Yun, recently approved respected United States economist James K. Galbraith to serve as the jointly appointed member of that body. Furthermore, the two United States members of that body recently approved on behalf of the United States Government by the Secretary of the Interior are Dr. Peter S. Watson, former Chairman of the United States

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International Trade Commission, and Dr. Denise Eby Konan, Dean of the College of Social Sciences and Professor of Economics for the University of Hawai'i at Mānoa. We are looking forward to reviewing the economic recommendations proposed by this Commission.

Question 3. Some 14 Departments and agencies have programs in the freely associated states. Key decisions are needed from OMB. An inability to obtain adequate cooperation and positions by some agencies was one of the reasons for the failure of the effort led by the State Department's last Compact Negotiator, her legal adviser, with some Interior personnel. Now, the U.S. has a Special Presidential Envoy. How have departments and agencies been directed to work with the Envoy? Please tell me what documents establish the position and define his authority, mission, and please provide copies. Please also identify to whom he will report.

Response: The Special Presidential Envoy for Compact Negotiations represents and reports to the President through the Executive Office of the President. These arrangements are consistent with the previous arrangements made in 1976 for negotiation of the political status of the Northern Mariana Islands, as well as the 1978 through 1986 negotiations leading to the Compact of Free Association for FSM, RMI and Palau.

The appointment of a representative of the President for the COFA negotiations was determined by the Administration to be appropriate and consistent with the high priority the Administration puts on timely agreements to extend, renew, and strengthen the Compacts. This decision was made after communications from and consultations with Congress and the COFA partner governments.

The reasons for restoration of presidential representation for Compact negotiations include the need for enhanced interagency coordination of policy on issues that arose during the 2020 COFA negotiations as mentioned in this question. One lesson learned from the 2020 negotiations was that EOP authorization and direction of COFA chief negotiators has been a more successful management model for COFA negotiations than processes delegated to the Departments of the Interior and State. With the SPECN, we have had broad engagement and strong coordination from federal agencies with equities in the FAS.

Question 4. The State Department's prior Compact Negotiator complained about a lack of staff. She and her legal adviser were not successful in their efforts. What staff will the new Envoy have? Will the prior Negotiator and legal adviser be advising the Envoy? For how long, specifically?

Response: Both the Interior and State Departments have added new professional staff members assigned to support the interdepartmental staff already playing direct roles on the COFA Team and work of the SPECN. The former State Department co-negotiator in 2020 was retained as a senior advisor during the transition to SPECN to chief negotiator position. The State Department Office of the Legal Advisor assigns staff attorneys to support COFA negotiations as needed.

Additionally, before confirmation of Ambassador Carmen Cantor as the Assistant Secretary for Insular and International Affairs, Deputy Assistant Secretary, Insular and International Affairs, Keone Nakoa served as

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Interior's lead representative supporting the Envoy's mission. OIA also has two senior professional policy advisors assigned to serve as staff support and members of the Envoy's policy and negotiating team as he directs. The entire OIA budget and policy staff as well as attorneys from the Department of the Interior's Office of Solicitor also perform work as needed to support the Envoy's mission, including traveling to participate in bilateral negotiation meetings.

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Questions from Senator Hirono

Question 1. Last year, I introduced legislation that would reinstate access to all federal benefits – not just Medicaid – for COFA citizens. While this is primarily an issue of ensuring individuals that need support are able to access it, it is also an issue of relieving the pressure on states who foot the majority of the bill for providing that support. Does the administration support correcting the change made by the 1993 welfare bill that excluded COFA citizens from accessing these benefits? Is it the position of the administration that states should continue to provide these services, despite repeatedly communicating to multiple administrations that Compact Impact funding was insufficient to reimburse those costs?

Response: As I said in response to this question at the hearing, I know that this is an issue that is important to you. Assistant Secretary for Insular and International Affairs Carmen Cantor was sworn in to her position at the Department in August, and now that the Department's leadership on matters relating to the territories is in place we will ensure that this issue, and your legislation, are appropriately reviewed.

Question 2. I understand that my staff have been in contact with DOI to receive updates on the negotiations thus far. As the renegotiation process continues, is it the position of the administration that the states with substantial, measurable populations of COFA citizens are stakeholders in these conversations? To what degree will the needs of those states be considered moving forward?

Response: The negotiation of international agreements is in the first instance an Executive Branch responsibility constitutionally and Department of State authority under applicable legal authorities. States with FAS citizen populations that impact state services and programs are stakeholders in the promulgation of federal domestic laws addressing the impact of COFA migration. The Administration will address COFA impact issues in that context. The Department has had conversations with your staff about the ongoing negotiations and the needs of Hawai'i and other impacted states and territories. We value your input and would like to continue our engagement as COFA negotiations progress, and we move closer to the formulation of the domestic aspects of the Compacts.

Question 3. On March 1, in honor of Nuclear Victims Remembrance Day in the Marshall Islands, Senator Markey and I introduced a resolution formally apologizing to the people of the Republic of the Marshall Islands for the US nuclear testing program, and affirming the importance of the Compact of Free Association. Does the administration support formally apologizing to the people and government of the Republic of the Marshall Islands for the damages caused by our country's nuclear testing program?

Response: The Administration is not opposed to the proposal to offer an apology to the people of the RMI for the injury and damaged caused by the nuclear testing program. However, the Administration does not want to apologize without it being in the context of addressing RMI proposals for additional measures contributing to resolution of the nuclear testing legacy. The RMI has indicated it intends to explore such further measures as the negotiations are resumed in the weeks and months ahead. We look forward to working with the RMI on this healing process that we hope will bring our countries closer.

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Questions from Senator Hickenlooper

Question 1: To what extent will addressing climate change factor into future COFA negotiations? What sorts of climate adaptation and resilience investments are of greatest value to the Freely Associated States? What assistance in this regard do you anticipate may be requested by the Freely Associated States?

Response: Climate change impact mitigation and resilience are topics that have been raised by the FAS governments in our COFA consultations. The United States is expecting and preparing for further consultations on how we can support FAS climate change initiatives.

Question 2: Fishing is one of the primary industries in the Freely Associated States. Unfortunately, illegal, unreported, and unregulated fishing (IUU) is on the rise, threatening the economies and fragile ecosystems of these coastal nations. Can you speak to U.S. efforts within the Department of State, Department of Defense, and the Department of the Interior, respectively, to combat IUU fishing in the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau?

Response: The issue of illegal, unreported, and unregulated fishing (IUU) has not been raised in the context of administering Compact funding through Interior by any of the three FAS. However, there are occasions where Interior's Technical Assistance Program (TAP) and Maintenance Assistance Program (MAP) funding may indirectly support the larger mission to combat IUU in the FAS. In fiscal years 2021 and 2022, for example, OIA TAP and MAP funding was provided to the Pacific Mission Aviation (PMA), to maintain and update small aircraft engine avionics and engines, purchase supplies, and repair a hangar used for air transportation services between Guam, Palau, and Micronesia. The PMA, a non-profit organization, is one of the only organizations that provides regular air transportation support to the smaller, less-accessible islands in the region. PMA also works closely with United States partners and FAS governments in support of exclusive economic zone (EEZ) surveillance for illegal activities, search and rescue efforts, and general emergency needs and readiness in the Western Pacific.

Interior defers to the witnesses from the Department of Defense and the Department of State to comment on their efforts.

Question 3. Congress will need to approve the extension of programs, services and economic assistance for the Freely Associated States that end of FY23. Do you think the Administration will be in a position send Congress a proposed legislative package later this year? Can you share with the Committee information on the Administration's commitment to continue existing programs and services—US Postal Service, Supplemental Education Grants, disaster preparedness, Pell Grants, to name a few—for the next 20-year-period?

Response: Under the new leadership and interagency coordination of SPECN Yun, we have already made significant progress in our Compact negotiations with the FSM, including a robust round of negotiations at the

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end of June 2022. We re-engaged with the RMI's new Compact negotiation lead and team at in-person meetings in Kwajalein in June 2022 as well. And, we have had some progress with Palau, including meeting with President Whipps and appointing the U.S. members of a bilateral economic advisory group created by Section 4(e) of the 2010 Palau-U.S. Compact Review Agreement. With this progress and the priority support from the White House and across agencies, we are hopeful to be able to send mutually agreed packages to Congress later this year indeed – that is, as long as we continue to see this level of cooperation from the FAS governments.

While it is premature to comment on how the negotiations with all three FAS will conclude regarding all of the aforementioned federal programs and services, we have been working very closely with the FSM on many aspects of the current Federal Programs and Services Agreement of the Compact with much progress already made. It is the Department's hope that we will be able to reach agreements with all three FAS to be able to continue offering these valuable federal programs and services to the FAS.



EMBASSY OF THE REPUBLIC OF THE MARSHALL ISLANDS

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April 8, 2022

The Honorable Joe Manchin
Committee on Energy and Natural Resources
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Thank you for having the Committee conduct a hearing on the negotiations that both of our governments want to renew and extend their free association.

Thank you as well for what you said and asked at the hearing and for the letters that you and Ranking Member Barrasso sent Secretaries Blinken and Haaland regarding the impasse in the negotiations. Your words have been of incalculable value with the U.S. Executive branch.

As you know, days before the hearing, President Biden named a Special Presidential Envoy to take over the U.S. representation and develop the necessary focus and understanding in all offices and agencies of the Executive branch with responsibilities for negotiations matters.

Much of what was said by the U.S. State, Interior, and Defense Department witnesses was encouraging. Some statements, however, require clarification or vary from fact.

Most misleading was the description by one of the witnesses of my government's signed proposal for an initial agreement as "conceptual." In fact, it contained more than a dozen specific financial and programs measures, and only a few could be fairly described the way that it was. Fifteen months later,

there has not been a response. Thus, the RMI is not among the freely associated states that “need to come forward with their proposals.”

That witness also asserted that the negotiations were “hampered by the determination of some of the FAS to address unresolved issues relating to the current implementation of both the Compacts as amended and U.S. law as well as issues settled in the 1986 Compact that the RMI wishes to revive from the second round of the COFA negotiations in 2003.”

When then-Secretary of State Pompeo announced negotiations to extend the compacts of free association, some in the Marshall Islands questioned doing so, citing unfulfilled U.S. promises. As the RMI’s Co-Lead Negotiator, Minister of Foreign Affairs and Trade Nemra, explained many times, for the negotiations to have the necessary credibility in the RMI, the U.S. Executive branch needed to adequately address two areas in which it had failed to request from the U.S. Congress funding pledged by U.S. law.

One of these irritants in our association dated to the initiation of free association in 1986 and was committed to again when the Compact was amended in 2003. It was to compensate for trade and tax incentives in the Compact for U.S. investment nullified by the U.S. after the Compact was signed by the President’s Personal Representative and approved by the people of the Marshall Islands. The other problem was funds promised in 2003 in lieu of continuing seven education and job training programs ranging from Head Start to the Job Corps (The “Supplemental Education Grant”). The only year for which the U.S. Education Department requested the agreed-upon amount – until the FY2023 Budget – was the first, FY 2005. That followed the U.S. House of Representatives passing legislation to provide the agreed-upon amount for FY22. Similarly, the U.S. Interior Department only requested the agreed funds for the unilateral U.S. changes to the Compact after Congress began providing the funds. The unwillingness of the then State Negotiator to address these unfulfilled promises delayed and chilled the Compact talks, as did her unwillingness to address any matter raised by the RMI.

Further, when the State Department initiated the negotiations, it asked the RMI to identify its “priorities, considering lessons learned.” The RMI responded from the first that among the matters that must be addressed are issues relating to the U.S. exploding in the Marshall Islands – while it governed us as a trustee – nuclear bombs with three-fifths of all of the radiation released by its entire nuclear testing program and unsafely disposing in our islands nuclear waste from bomb tests in Nevada as well as from the detonations in our islands. Although a litigation question related to this horrible legacy may have been settled by the original Compact, not all issues have been, as contended by another of the witnesses in addition to the one I quoted above. In fact, the 1986 Agreement on the matter specifically provides for our governments to address it further, and the U.S. laws on the Compact authorize additional appropriations. The insistence of the then State Negotiator and her legal adviser that all of the issues have been settled was a major impediment to the talks. As President Kabua and Minister

Nemra have emphasized, the unsettled issues related to nuclear bomb tests and waste must be addressed in the negotiations to renew our free association.

The second of these witnesses said that the State Department had conveyed that it was ready to resume negotiations but "had not received a response back," and the first said that they "were hoping to have negotiations with the lead negotiator" the week of the hearing. The RMI has always been willing to negotiate, but, after numerous fruitless meetings with the previous State and Interior Negotiators, it has said further talks with them were pointless since they said they lacked the authority to discuss any of the issues raised by the RMI, would not seek it, and were unable to obtain adequate decisions from policymakers. Further, no meeting with our Chief Negotiator was planned for the week of the hearing. In clarifying this, however, I must note that the issue has been mooted by the appointment of Envoy Yun.

The second of these witnesses also contended that U.S. postal services, the Supplemental Education Grant, and FEMA assistance were not part of the Compact negotiations. In fact, all of these programs and services and others are rooted in the Compact and are essential.

The third witness said the U.S. can exercise what are sovereign rights of the freely associated states "in perpetuity." Although the Compact allows the U.S. to do so indefinitely, this is not without limits. The RMI can withdraw its consent. If not, it would be a captive rather than a sovereign, freely associated nation. The RMI permits the U.S. to exercise the rights in return for the U.S. ensuring that its essential needs will be met. The negotiations focus on the latter question (including any financial terms that would undermine the ability of the RMI to exercise its rights) but both elements of the equation are at stake. Free association, including U.S. security benefits, depend upon the continuing will of both nations.

As I wrote above, there were many encouraging statements from the witnesses and the most positive development has been the appointment of the Presidential Envoy. I only point out the most egregious misstatements in the hearing to prevent the Committee from being misled. For the benefit of all, I will send identical letters to all of the senators and witnesses.

Respectfully,


Gerald M. Zackios
Ambassador