

**TESTIMONY OF AMBASSADOR AKILLINO H. SUSAIA
FEDERATED STATES OF MICRONESIA**

House Committee on Natural Resources
House Committee on Foreign Relations

Hearing on Sustaining U.S. Pacific Insular Relationships

September 26, 2019
Washington, DC

Chairman Grijalva (D-AZ), Ranking Member Bishop (R-UT), Chairman Engel (D-NY), Ranking Member McCaul (R-TX), and Members of the Natural Resources and Foreign Affairs Committees, thank you for convening this joint hearing and for the opportunity to testify before you today. Both the timing of this hearing and the subject of it could not have been better.

The United States is and has been the closest friend and ally of the Federated States of Micronesia while FSM continues to grow and flourish as a young nation. The U.S. and the FSM have done much in recent months to acknowledge and celebrate the special relationship between our two countries. In May, our newly elected President, David W. Panuelo, came to Washington to meet with President Donald Trump and several cabinet secretaries. That visit reinforced the fact that we have no greater friend in the world than the United States and that the U.S. respects and values the relationship it has with the FSM. We were then delighted

to host two U.S. cabinet officials, Secretary of Veterans Affairs Robert Wilkie and Secretary of State Mike Pompeo. This was the first time our nation has been accorded such opportunities in our young history.

Secretary Wilkie's visit to the FSM to attend the joint inauguration ceremony of our political leadership was extremely important to the people of the FSM. We appreciated his statement recognizing FSM citizens who have served in the U.S. military. FSM citizens have proudly served in the U.S. military for decades, and continue to volunteer to serve in the U.S. military at per capita rates higher than most U.S. states. Some of those men and women have paid the ultimate sacrifice. Many FSM citizens who are veterans of the U.S. military are living in the U.S. and pursuing opportunities here, while many others have returned home to Micronesia to use their new skills to help in our nation building efforts.

A week after Secretary Wilkie's visit, President Panuelo was delighted to receive Secretary Pompeo to the FSM in a highly anticipated meeting. Secretary Pompeo announced during his visit that the U.S. will begin negotiations on the provisions of the U.S.-FSM Amended Compact of Free Association which are set to expire after Fiscal Year (FY) 2023. As I will discuss in a moment, the expiring provisions of the Amended Compact provide critical programs and services as well

as financial support for the FSM economy. The extension of these provisions will advance the national interests of our two countries.

Background on the Special U.S.-FSM Relationship

The U.S. and the FSM have a longstanding strategic partnership that reflects the common values of our two countries, including our commitment to promoting sovereignty, the rule of law, democracy, and regional security.

In 1986, the FSM and the U.S. entered into an agreement...the Compact of Free Association. The 1986 Compact was renewed and amended with the entry into force of the 2003 Amended Compact of Free Association, which remains in effect today.

Both the 1986 and 2003 Compacts fulfill important strategic objectives for both countries. Since the first Compact entered into force, the FSM has continuously granted the U.S. security and defense rights in the territory of the FSM, which constitutes a large section of the Pacific Ocean of key strategic importance to the U.S. This includes the right of the U.S. military to operate in the FSM, and to deny foreign militaries access to or use of FSM's territory. This

defense partnership is vital to securing and maintaining peace and prosperity in the Indo-Pacific region.

In addition, under the Compact, FSM citizens have the right to work, study and live in the U.S., and are productive and valued members of their communities. This aspect of our relationship further strengthens the bonds between our two countries.

Through the 2003 Amended Compact, the U.S. committed to provide certain key financial assistance through FY 2023, a date that is rapidly approaching. This financial assistance includes sector grants supporting areas such as health, education, and infrastructure, as well as annual contributions to the Compact Trust Fund. The Compact Trust Fund was created to help lead the FSM to long-term budgetary self-reliance. The U.S. also supports the FSM education sector through annual Supplemental Education Grants, and many U.S. federal agencies provide key programs and services in the FSM.

Looking ahead

The Federated States of Micronesia is fully committed to its relationship with the U.S., which contributes to the strength and prosperity of both our nations. We are well aware of the U.S. Government's increased attention to security in the Indo-Pacific region and the steps it has announced to work more closely with the Freely Associated States. This was further underscored by President Panuelo's visit to Washington, and the recent visits to the FSM by Secretaries Wilkie and Pompeo. We look forward to being a part of this enhanced effort to promote a free and open Indo-Pacific and to advance our defense partnership even further.

While the defense and immigration provisions in the Amended Compact will continue after FY 2023, ensuring the continued strength of our partnership, certain provisions of the Amended Compact related to programs and services and Supplemental Education Grants and Sector Grants will expire after FY 2023. U.S. contributions to the U.S.-FSM Compact Trust Fund are also set to expire after FY 2023. This financial assistance is a central pillar of our strong relationship and has further strengthened the bonds between our countries.

We were pleased to hear Secretary Pompeo's announcement last month in Pohnpei that the U.S. is prepared to work with the FSM on an extension of this support beyond FY 2023. We look forward to starting these discussions with the U.S. very soon. The potential end of this financial assistance from the United States has created uncertainty for our government and our people. These discussions and the decisions that will result will allow us to remove that uncertainty, and move forward most effectively with our strategic partnership with the U.S.

In preparation for these discussions, the FSM has established a Joint Committee on Compact Review and Planning (JCRP) that will be responsible for negotiating with the U.S. on extending U.S. assistance after FY 2023. Recently, the JCRP announced the appointment of a Chief Negotiator. The FSM is awaiting further information from the U.S. on a proposed schedule for beginning the discussions on the expiring provisions of the Compact of Free Association.

While these discussions have not yet begun, we believe that this hearing provides an opportunity to highlight the expiring provisions of the Amended Compact with the hope that the message will be made clearer that the FSM seeks an extension of the Compact of Free Association.

Federal Programs and Services

U.S. federal programs and services have a visible and profoundly important presence in the daily lives of FSM citizens. Numerous U.S. federal agencies provide programs and services in the FSM, including the Federal Aviation Administration, National Oceanic and Atmospheric Administration, U.S. Postal Service, Small Business Administration, Departments of Agriculture, Defense, Education, Health and Human Services, Interior, Homeland Security, and State. The Bank of the FSM is FDIC-insured and has been since 1986, and this FDIC insurance provides essential support to our banking sector. We look forward to working with the U.S. Executive Branch and U.S. Congress to ensure that expiring authorities for these critical services are extended beyond FY 2023.

Supplemental Education Grants

As the Government Accountability Office (GAO) noted in its 2018 report to Congress, Supplemental Education Grants, totaling over \$10 million a year, will expire after FY 2023 absent additional action by the U.S. Congress. These grants provide critical support for students in the FSM, particularly in the areas of early

childhood education and teacher training. We look forward to working with the U.S. Congress to address the continuation of these critical funds.

Additional Financial Assistance

The FSM anticipates that the discussions with the U.S. will address potential additional contributions to the U.S.-FSM Compact Trust Fund and potential additional Sector Grants. With respect to the Trust Fund, the GAO noted again last year that the corpus is projected to only be in the range of \$1 billion in 2023, far less than what is needed to provide income to support key FSM operational needs now met by Compact Sector Grants. Studies by the International Monetary Fund and the Asian Development Bank confirmed the GAO's conclusions on this issue. We look forward to working with the U.S. Congress to address the need to build the Compact Trust Fund corpus so that it can contribute to the long-term budgetary self-reliance of the FSM. We also look forward to discussions of additional Sector Grants to support the FSM economy while the corpus of the Compact Trust Fund continues to grow.

Conclusion

The FSM Government appreciates the House Natural Resources and Foreign Affairs Committees' longstanding commitment to the enduring partnership between the U.S. and FSM. Although the year 2023 may seem distant now, there is much work to be done that will require coordinated efforts among the various parts of the FSM Government and both the Executive and Legislative Branches of the U.S. Government. Given the number of issues to be addressed, and the great importance of these issues to both of our countries, we believe that this work should begin as soon as possible. We look forward to keeping the Committees informed of significant developments as this process moves forward. We hope that these negotiations can serve as an opportunity for the U.S. and the FSM to reaffirm our unique friendship, our strong partnership, and our mutual commitment to promoting security and stability in the Indo-Pacific region.

Thank you again for holding this hearing on this important topic. I look forward to answering any questions the Committees may have.