

Statement of
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to a joint hearing of the
U.S. House of Representatives Committees on Natural Resources and Foreign Affairs
on Sustaining U.S. Pacific Insular Relationships
Washington, DC
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Distinguished Leaders and Members of the Committees:

Thank you for the opportunity to testify on the priorities and concerns of the Republic of the Marshall Islands (RMI) regarding our free association with the United States of America. President Heine would have been here were it not for an important, previously scheduled meeting of our parliament. She conveys her warm *Iakwe* and thanks to the committees for this timely hearing.

From U.S. Administration to Free Association

The relationship between our nations really began when missionaries from Boston arrived in the Marshall Islands in the 1800s. This was long before the U.S. took most of the islands of Micronesia from Japan in war 75 years ago. Indelible bonds deeper than mere friendship were forged over the subsequent four decades of U.S. territorial administration.

There were sacrifices, most notably in the Marshall Islands due to the U.S. use of what had been populated islands for 67 nuclear bomb tests, with lasting, devastating effects on our people, land, and waters. The Trust Territory of the Pacific Islands was also closed off to the outside world due to U.S. security concerns, limiting economic development. Yet, after the four decades, we came to feel, as President Reagan promised in advocating insular acceptance of the Compacts of Free Association, "You will always be family to us."

The U.S. had committed to the United Nations to develop the only Strategic Trust Territory into self-government. As the U.S. later faced U.N. pressure for our independence, however, it extended Federal programs to deepen our ties and it suggested nationhood in a free association with the U.S.

Free association with the Marshall Islands, the Federated States of Micronesia, and Palau preserved U.S. strategic control over an expanse of the Pacific wider than the continental U.S. In the case of the Marshall Islands, which is just southwest of Hawaii, it is an area larger than Texas. The area includes vital shipping lanes coveted by other nations. The Compact also ensured ongoing U.S. control over foreign interactions that impact national security.

In the Marshall Islands, the Compact further gave the U.S. continued use of the Ronald Reagan Ballistic Missile Defense Test Site, which the Joint Chiefs of Staff have described as

“the world’s premier range and test site for intercontinental ballistic missiles and space operations.”

Additionally, our shared values, kinship, and appreciation for the U.S. resulted in the Marshall Islands being a U.N. member that is second only to Israel in voting with the U.S. And, throughout the Freely Associated States, our young women and men are inspired to volunteer for the U.S. military at a rate that the Pentagon says is higher than that of most U.S. States.

The Compacts with the Marshall Islands and the Federated States of Micronesia (FSM), which were approved by U.S. law and the U.N. Security Council, have been in effect now for a third of a century. The agreements were amended by U.S. law in 2003. Most financial provisions expire in Fiscal Year 2023. The Palau Compact has slightly different dates.

The U.S. Executive branch – and many Members of Congress of both parties – want to ensure continuation of the relationship long beyond 2023 , as does the current government of the RMI.

This was one of the main points of discussion between the Presidents of the Freely Associated States and President Trump in the Oval Office during the FAS Presidents Working Visit to Washington, DC this past May, the first ever such meeting. It was further discussed in a similar first ever meeting called by Secretary Pompeo in the FSM last month, after which negotiations to extend the three compacts was officially announced.

China: A Challenge to our Partnership

By far our relationship’s largest challenge comes from financial involvement and influence from the People’s Republic of China -- as was just shown by the actions taken by other Pacific island nations to end their relationships with Taiwan.

The U.S. Indo-Pacific Commander testified to the Senate Armed Services Committee in February that the Freely Associated States “are threatened by” the “use of Beijing’s economic leverage.”

The U.S. National Defense Authorization Act (NDAA) for Fiscal Year 2018 required the Secretary of Defense to submit to Congress’s defense committees an independently prepared assessment of U.S. security and foreign policy interests in the Freely Associated States, the status of U.S. obligations, and Chinese economic influence. This report highlights the substantial, growing influence and threat posed by China.

https://www.rand.org/pubs/research_reports/RR2973.html

Chinese economic activity with the Marshall Islands last year totaled \$2.2 billion. It is indisputably important to our economy and budget. By contrast, U.S. trade was only \$311 million.

Earlier this year, there was a Chinese proposal to build a port and 1,000 homes on Rongelap Atoll in the Marshall Islands – in return for the atoll’s autonomy from our national government. Even today, the PRC continues to aggressively court our leaders through visits to China.

Adequacy of the Trust Fund

A pivotal issue for the negotiations concerns the Trust Fund for the People of the Republic of the Marshall Islands established by the 2003 Amendments to the Compact. The theory was that it was to grow until 2023, at which time income from it would replace annual U.S. grant assistance.

The Trust Fund’s return on investment has been good, but its capital is insufficient for reasons that include U.S. contributions being invested almost three years late. Last year, the GAO found that the Fund would only be able to support “declining disbursements” and that there is “an increasing chance of zero disbursements” in some years (<https://www.gao.gov/assets/700/691840.pdf>). This is clearly unacceptable. It is problematic for the U.S. as well as for our people.

The Senate Energy and Natural Resources Committee held a hearing on U.S. interests in the Freely Associated States in July of this year. The statements of Administration officials and senators from both sides of the aisle were generally very encouraging. The Assistant Secretary of Defense testified that DoD and the Executive branch’s interagency group “strongly support extending Compact financial assistance.” An Assistant Secretary from another department, however, said, “the idea that the trust funds would provide the same amount was actually never in the Compact.”

No community would be satisfied with reduced essential services. It is critical that the Trust Fund be capitalized so that it can accomplish its real purpose of replacing annual U.S. financial assistance to the full extent of current U.S. grants adjusted for inflation on an ongoing basis. If not done by FY23, this certainly can be done over a 20-year Compact extension.

A joint US-RMI Trust Fund Committee has considered many possible distribution formulas from the Trust post-2023. However, none provide the intended rate of return to allow a smooth and sustainable transition from annual grant assistance to Trust distributions. All would result in the substantial likelihood of severe economic shocks to our nation’s economy; critical shortfalls for investments in the core Compact sectors of health and education; and substantial migration to the U.S., further shrinking the economy.

The 2018 GAO report recommended that the U.S. work with the RMI to find a solution that will guarantee the sustainability of the Fund. As we noted in our comments on the report, we agree with the GAO’s findings. An important first step can be taken by the U.S. by making a contribution that it previously pledged to make.

This contribution concerns an issue that dates to the original negotiation and approval of the Compact. It involves \$20 million that the U.S. specifically promised the Marshall Islands in both its 1986 and 2003 Compact laws. The grant was to be made if we could substantiate economic losses of at least that amount due to the U.S. decision to nullify tax and trade provisions of our Compact as signed by the U.S.' representative.

In 2010, the U.S. State, Interior, and Treasury Departments found that "the RMI has reasonably demonstrated net adverse impacts" to justify the \$20 million. In 2018, the GAO report recognized this finding and that same conclusion was reached in a report required of the President of the U.S.

The first reaction of some leaders in the Marshall Islands to the recent announcement of Compact extension negotiations was to recall this unfulfilled commitment.

We are, however, pleased that you and your colleagues in the House in June recognized this obligation by including \$5 million in the Interior Appropriations bill and that Chairwoman Murkowski of the Senate Interior Appropriations Subcommittee has expressed her desire to begin to provide funding.

As long as it is unresolved, however, this issue will be a diversion from and complicating factor in Compact extension negotiations that the U.S. Executive branch wants to begin just months from now.

As I noted, as of FY24, the Trust was to replace the current U.S. Compact Sector grants. These grants and the separate Supplemental Education Grants provide 25% of our national budget.

A resolution to the Trust Fund shortfall may be accomplished through a longer term of investment as well as through additional contributions. The USDA Graduate School did a study on options for making the Trust viable and sustainable in a manner that will not cause economic shocks and instability in the Marshall Islands. We have also asked that the Fund's investment advisor develop some options.

There is one other issue regarding the Trust Fund: It's ownership and management. The 2010 agreement that extended provisions of the Palau Compact made improvements in this area – within U.S.-agreed requirements. Fiscal responsibility doesn't require micromanagement, just reasonable guidelines.

Supplemental Education Grant

The elimination of eligibility for many U.S. Federal education programs that the RMI received during the term of the original Compact was addressed in 2003 through an annual Supplemental Education Grant (SEG) of \$6.1 million, adjusted for inflation. Though progress has been made on the funding, the SEG has never been fully funded. As it is not

structured as a permanent appropriation, it has been reduced to approximately \$5.5 million and it has decreased in value.

Nonetheless, the SEG is an essential part of our education sector. It currently funds our national kindergarten program. We are very concerned about the survival of the SEG post-2023 because it is not covered by the Trust Fund and it is not part of any ongoing institutionalized U.S. Federal program, although it replaced such programs.

The SEG should be a permanent appropriation and adjusted for inflation in the same manner as other financial assistance under the Compact.

Expiring Federal Programs and Services Agreement

The amended Compact provides for several Federal programs and services to be made available to the RMI by way of a separate agreement, the Federal Programs and Services Agreement (FPSA). These programs and services include those of the Postal Service; Disaster Assistance (through the Federal Emergency Management Agency); the Weather Service; the Federal Aviation Administration; and the Department of Transportation (Economic Authority). These programs were renewed in 2003 for 20 years and are set to expire at the end of FY 2023. Given our tiny economy of scale, the RMI would not be able to replace the essential services provided by these agencies.

The amended Compact also extended several other critical Federal programs. Special Education Programs and Pell Grants are now only to continue in the RMI through FY 2023. The College of the Marshall Islands (CMI) is a U.S. Land Grant institution that relies substantially on Pell Grants for its operations and programs.

Without extension of these crucial programs, essential services will be terribly compromised.

The Negotiations

Experience has taught us that there are other issues for the negotiations that are of immediate, priority concern. The pre-eminent one is the source of funding for U.S. assistance. Chairwoman Murkowski understandably made her first question to Administration representatives at the Energy and Natural Resources Committee hearing whether this had been determined. The Deputy Assistant Secretary of State acknowledged that it had not been yet.

It is logical that this was the top question: the issue was not worked out for the Palau Compact extension until seven years after the agreement was signed. None of us would want a repeat of that situation. Relatedly, you may want to address the U.S. budget baseline as soon as possible.

The funding issue relates to the divided responsibilities and interests regarding the Freely Associated States within the U.S. Executive branch: The State Department is responsible for

relations and heads the interagency group, the Interior Department provides most special financial assistance, and the Defense Department has the greatest interests.

Additionally, many other agencies operate programs, some unique and requiring special funding. The negotiations need to be conducted on the U.S. side in a way that will bring all of the agencies involved seriously to the table and appreciative of the importance of their programs.

The Compacts were negotiated by ambassadors representing the President. Special representatives at the State Department negotiated the 2003 compact extensions. The Palau extension model of regular State Department officers negotiating was problematic throughout the U.S. Executive branch and even in the State Department.

Compact Migration

I must note that a key motivation for our people approving the Compact was the right to enter, reside, work, and study in the U.S. without visas or employment authorization documents. Our population is less than miniscule compared with that of the U.S. but the rights of our citizens to enter the U.S. goes back to President Reagan's "family" pledge. It may be the greatest reason that our relationship has grown deeper since the Compact.

We appreciate the actions of Members of Congress, the President, and other U.S. Executive branch officials who enacted a special law and administratively clarified that our citizens in the U.S. are entitled to receive Real ID Act compliant documentation. We also trust that Homeland Security Department officers will be aware of and respect the rights of our citizens as they implement the new 'public charge' regulation.

An Existential International Issue

Finally, I must mention an overwhelming concern that the Compact does not address – and cannot effectively address - but must concern us all. It is an existential issue for the Marshall Islands and, because of that, it is a vital issue for U.S. military and economic security interests in our nation.

The Marshall Islands are low lying flat coral atolls only 2 meters above sea level. The rising ocean is an existential threat that can reduce the size of our nation and, then, totally wipe it off the map.

A U.S. Government study for the military found that, unless something is done, its world's best missile and space operations test site on our Kwajalein Atoll will be underwater in three decades.

Additionally, there is international and congressional concern, particularly from Hawaii, about the leakage of radioactive waste from U.S. nuclear tests conducted in our islands and buried at the Runit Dome, in Enewetak Atoll. The Runit Island "dome" has been

cracked but the biggest concern now is that radioactive material is seeping out as sea level rise has raised the water table. A provision in the House-passed National Defense Authorization Act would require a study of the Runit Dome.

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The Marshall Islands is very grateful for this opportunity to discuss its concerns regarding our free association with the United States and steps that can enhance the special and unique partnership between our nations. I greatly appreciate the attention that you, other Members of Congress, and other U.S. officials have given to our needs and issues. We hope that our relationship is further strengthened and enhanced so it can endure.

I am happy to try and answer any questions the committee may have.

Kommol tata (Thank you very much)!