

Testimony Before the House Natural Resources Subcommittee on Indian and Insular Affairs

How the Compacts of Free Association Support U. S. Interests and Counter the PRC's Influence.

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Good morning, Chair, ranking member, and distinguished members of the Subcommittee.

I am Albert V. Short, Colonel U.S. Army (retired), former Chief of Staff in the Office for Micronesian Political Status Negotiations in the NSC 1979 to 1986, and Chief Negotiator on the Amended Compacts of Free Association, in 2003. This time around, I am leaving all the heavy lifting to others, thus my remarks are my opinions and not any other person, organization, or institution.

I commend the Committee for conducting this series of hearings to focus on the strategic imperatives in the region, including renewal of the Compacts in the context of the threats posed by the People's Republic of China, (PRC) in the Indo-Pacific region.

This morning, I will address how the Compacts of Free Association support U. S. interests in the Indo-Pacific region and I'll highlight the urgency of renewing these compacts in this session of Congress.

There were two seminal events in the 1970s that shaped our relationship with the Freely Associated States, (FAS). One was the formation of the Congress of Micronesia which was the first comprehensive attempt at self-government instituted by the then Trust Territory Administration. Second, was the so-called Hilo Principles which were negotiated in Hawaii in the late 70s and set the parameters for the free association relationship with what was to become Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands.

The Hilo Principles recognized the benefits to the U.S. and the new island governments of a transition from trusteeship to sovereignty consistent with the right of independence for the Micronesian States, including their ability to carry out the functions of government in their own name and right, and to conduct their own foreign affairs, with the one caveat that the United States would be responsible for their security and defense.

Those underlying goals embodied in the so-called Hilo Principles and the Compact continue to guide our relationship now through three cycles of the compacts for nearly 50 years... so we must be doing something right.

I should note that the chairperson, Representative Radewagen, has a direct connection to the early development of democracy in the then Trust Territory. Her father, Peter Coleman, was the first Samoan graduate from Harvard University, and was at that time the acting High Commissioner and the Deputy High Commissioner in the Trust Territory when the Congress of Micronesia was formed, and the process of self-government commenced. She was raised in the Marshall Islands and Saipan, if I am not mistaken, and has first-hand knowledge and understanding of how the U. S. - Freely Associated State relationship has prospered over these many years.

One cannot examine U. S. interests in Micronesia, and the Pacific Islands in general without taking into consideration World War II where we experienced 100,000 casualties and expended hundreds of millions in capturing the islands on the march to Japan and the wars end.

I joined the U. S. negotiating team in 1979 and at that time there were still many World War II veterans in Congress and their guidance to the administration was clear: Do not bring compacts to this body that do not include strategic denial so we will not have to liberate these islands again from a new enemy.

While these memories may dim with the passage of the so-called "greatest generation" the need for security in this area has transitioned to a newer generation.

What is strategic denial? It is the ability of the United States to foreclose the area not only to the islands, but also the waters and airspace from any third party. Further, we have the right to request the Micronesian government to cease and desist from any action that we unilaterally determine is prejudicial to our defense and security responsibilities in their domain.

Thus, we have provided a security guarantee to Micronesia much more all-encompassing than we have for any other ally, including NATO.

Fortunately, we have never had to invoke our defense prerogatives in the Freely Associated States, however, with the ever-encroaching influence of the People's Republic of China (PRC) we cannot foreclose or forecast the use of this authority in the future.

The Micronesian States are sovereign. They conduct their own foreign affairs, and domestic activities and govern themselves with the one exception that the United States is totally responsible for their security and defense. They are members of the United Nations and in that context have been very helpful to the United States interests in the UN and elsewhere.

Regarding the PRC, I will make passing reference to the threat and later speakers will get into much more detail. I will focus on how the compacts directly support our interest in the region.

Why are we interested in this far-flung area in the middle of the North Pacific?

First, it is a huge area when you include the Exclusive Economic Zones (EEZs) of the three Freely Associated States. This is an area approximately 3000 miles East to West, and 1000 miles North to South that stretch stretches from west of Hawaii almost to the Philippines. It is astride the main logistical route between the United States and Asia, so anyone who controls this area controls communication to the so-called frontline States.... Korea, Japan Taiwan Philippines, and Southeast Asia.

Worldwide shipping in the Pacific either leaves North Asia, China, Philippines and Southeast Asia and transits west to the U. S. West coast or the Panama Canal via Micronesian territorial waters. Otherwise, it goes south through the South China Sea and the Straits of Malacca, and we are all aware of what the Chinese are doing in the South China Sea. We don't want to see the same sort of activity in the central Pacific.

When we consider the Freely Associated States (FAS) and the associated compacts supporting our national interests, the first issue is simply location, location, location ... It is like real estate. The FAS sit squarely on the main communications line between our West Coast, Hawaii and the Asian literal.

The compacts and their subsidiary agreements include several Military Use and Operating Rights Agreements with the principle one for the space and missile test range activity at Kwajalein Atoll in the Marshall Islands. This is our only long-range missile test facility where we can fire missiles from the U. S. West Coast or at sea into the Kwajalein lagoon. We have used this facility for many years and in 2003 we renegotiated the lease for 50 years. This is a one-of-a-kind facility and vital for testing our strategic capabilities.

Recently, the Department of Defense (DoD) has announced that they intend to develop a technical radar communications facility at Angaur island in the Palau archipelago.

We have military operating rights in all the FAS most of which have not been used over the years, but they are there should the need arise.

The United States appears to be emerging from a period when it took the Indo-Pacific Island States for granted and this has provided an opportunity for others to make gains at our expense.

The PRC threat to the Freely Associated States and ultimately the U. S. territories and the Indo-Pacific area is rather unique. In the 1980s, Khrushchev went to Vladivostok and made a statement "we are a Pacific power". Everyone got concerned about Russian expansion in the area, however that activity pales into insignificance compared to the present and potential future actions by the PRC.

In understanding the PRC threat, we must get beyond our usual binary thinking where on one hand you have peace, and on the other you have war ...this is an on/off switch. In the PRC view they deal with political warfare, a concept called "struggle". There is a continuum of actions all coordinated.... military, economic, political, social, all focused on a common goal with many intermediate activities that support the end game. We must start thinking out-of-the-box when

we are responding to, and hopefully preempting PRC activities that are detrimental to our interests.

While we address the support that the compacts provide to the United States, we also must recognize that the Freely Associated States have certain characteristics that make them vulnerable to third party exploitation:

- They are remote and geographically isolated in the central pacific,
- They have a very thin population, about 200,000,
- They lack natural resources (except fish),
- They have poor infrastructure and generally fragile governments because of the small population and weak economy.

While the Freely Associated States have made significant progress in the last 40 years, with the noted shortcomings they still will require U. S. assistance. This includes programmatic support especially in infrastructure, education, and health. The compacts as renegotiated will continue grant assistance for another 20 years again with emphasis on infrastructure, health, and education.

The Compacts of Free Association provide a framework for a relationship but that is the formal side. To be effective the relationship must be much deeper than a piece of paper and a few signatures. Over 40 years, we have built an effective relationship with the Micronesian States, but it can always be better. When we are seeking to support our long-term interests, people to people relationships-built over time and built on common bonds our key.

The Peace Corps is a classic example of relationship building. During the trusteeship, we had more Peace Corps volunteers in Micronesia than anywhere else in the world. However, that program was ended, perhaps for all the wrong reasons. It is now time to reestablish the Peace Corps in Micronesia and build grassroots relationships, as we did in the 60s and 70s.

We have U. S. embassies in all the Micronesian capitals and capable foreign service personnel and local nationals who solve low levels and sometimes high-level issues that come between any two nations on a daily basis.

CINCPAC, in Hawaii, has been a key element in building effective relations with the Micronesian States. On one hand it facilitates Micronesian recruitment for the U. S. armed forces where they serve in large numbers. It also has frequent meetings and exchanges in Honolulu and in the FAS on security and defense issues.

In these small nations, person- to- person communication is perhaps more vital then when dealing with NATO or Japan or some other world power.

Supporting U. S. interests also includes ensuring that the economic and other support that we provide to the Freely Associated States are properly spent and achieves the results for which the money was provided.

This can create a problem. On the one hand the Freely Associated State is cognizant of their sovereignty and its right to run their own affairs. On the other hand, from the U. S. perspective, we are providing significant U. S. support, and we want to ensure that it goes for the intended purpose. The issues are accountability by the donor and sovereignty on the part of the recipient.

In the first compacts, the U.S. simply wrote checks to the Micronesian governments. While there was guidance in the compacts as to where the money was supposed to go there was little oversight and accountability and the results were less than satisfactory. The result was a burgeoning bureaucracy and key elements such as education, health, and infrastructure were neglected.

In the amended compacts (2004), we developed a Fiscal Procedures Agreement based on the concept that the funds received by the FAS should be accounted for on the same basis as federal funds provided to state and local governments.

There was some resistance on the part of the FAS to this fiscal oversight, but we worked out an acceptable agreement that has been administered by the Office of Territorial Affairs in the Department of the Interior and it has worked reasonably well for the last 20 years.

The success of this oversight is not necessarily based on the agreement, but the people who implemented it, they were primarily career civil service employees in the Department of the Interior, including former Peace Corps volunteers, who worked constructively with the Micronesian governments to ensure that our funds were properly spent and accounted for.

The General Accounting Office (GAO) conducted oversight in the Trust Territory and then in the Freely Associated States for many years. As the chief negotiator in 2003, I found their reports very useful in framing the Fiscal Procedures Agreement. I understand, the GAO has cut back on some of their Micronesian oversight and it's time to reenergize them.

The first step in achieving U. S. interests in the Freely Associated States, and in the wider Indo-Pacific is to have a coordination mechanism within the executive branch, with consultation, and concurrence by the Congress on are our goals and the best methods to achieve them. Today we simply do **not** have such a mechanism in the executive branch.

Within the Department of Interior, we have the Office of Territorial Affairs which looks after territories as well as the Freely Associated States, and it has done a decent job of fiscal oversight in the last 20 years.

At the State Department when the compacts were first implemented there was an Office of Freely Associated State Affairs in the Asia Pacific Bureau established to oversee the compacts relationship and provide the long-term continuity required for oversight implementation, and accountability, etc. Unfortunately, the State Department, after a couple of years, reorganized and the office was closed. The FAS responsibility was sublimated to a desk officer whose responsibility included several other Pacific Island nations and he/she in turn was under the

umbrella of the Australia, New Zealand, and Pacific Islands Office. Also, the State Department career foreign service officers return to the U. S. for a couple of years after being overseas, but in two years they are gone, and you had a new person on the learning curve.

In the Department of Defense, you have incidental interest in the Pacific Islands except for CINCPAC, in Honolulu.

At the Washington level this begs the question, who is in charge of securing our vital interests and countering PRC influence? Right now, I simply don't know. It's time to establish, perhaps in the NSC, a mechanism to pull together and coordinate all U. S. assets and concerns in this area.

The administration has made progress on the renegotiation of the Compacts of Free Association and has signed documents with the FSM, and Palau, with RMI still holding out... I understand the goal is to present the compacts to Congress in this session for your hopefully expeditious consideration.

Summary:

What defense and Security benefits accrue to the United States from the Compacts of Free Association?

Why should the Congress approve the Compacts and how will they support our interests in the Indo-Pacific area?

- First, it will continue 40 years of tested relations with the Freely Associated States,
- Second, it will support democratic governments that serve as a role model for others in the Pacific and elsewhere,
- Third, the FAS serve as a bulwark for the defense and security in the North Pacific and protects our vital sea lines to Asia,
- Fourth, we have the right to install defense and security installations, as needed,
- Fifth, the Kwajalein facility is a key element in our space and missile deployment programs,
- Sixth, our capability to deny any third-party access to the Freely Associated States and their EEZ's effectively neutralizes a huge area of the North Pacific.

The United States is actively engaged in renegotiating the compacts, that activity in of itself demonstrates commitment and with their conclusion this year and hopeful approval by the Congress, it will set a course correction for our relationship not only with the Freely Associated States, as we go forward, but also with the entire region.

Again, I thank the chair and ranking member for the opportunity to appear before you today and I look forward to your questions thank you.