

TESTIMONY OF
KEONE J. NAKOA
DEPUTY ASSISTANT SECRETARY FOR INSULAR AND INTERNATIONAL AFFAIRS
U.S. DEPARTMENT OF THE INTERIOR
BEFORE
THE INDO-PACIFIC TASK FORCE
COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON D.C.

PROPOSED COMPACT OF FREE ASSOCIATION AMENDMENTS ACT OF 2023

JULY 18, 2023

Chair Radewagen, Co-Chair Sablan, and distinguished members of the Indo-Pacific Task Force, the Department of the Interior welcomes the opportunity to join Congress today to recognize the importance of the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI), and the Republic of Palau (collectively, the freely associated states or FAS) to U.S. national interests in the Indo-Pacific for more than 75 years.

A month ago, on June 16th, the Administration submitted a legislative proposal, the *Compact of Free Association Amendments Act of 2023*, to the U.S. Congress. The proposal contains funding and related provisions necessary to implement agreements related to the Compacts of Free Association (COFAs) that the United States negotiated with FSM and Palau. The proposal also includes funding for agreements relating to future assistance to be negotiated with the RMI based on a Memorandum of Understanding signed in January 2023. This full legislative package would deepen our relationships with the FAS over the coming decades and serves as a clear signal of the United States' commitment to achieving and maintaining a free and secure Indo-Pacific region.

The Department of the Interior carries out responsibilities to islands in the Pacific, including the U.S. Territories of Guam, the Northern Mariana Islands, and American Samoa, as well as the strategically vital freely associated states. Additionally, from 1951 to 1986, the Interior Department was also the lead federal agency with primary and comprehensive responsibility when the United States was the administering authority under a U.N. trusteeship for jurisdictions that have since become the sovereign freely associated states.

Among the bedrock provisions of the original Compacts, eligible FAS citizens are granted the opportunity to come and go between their islands and the United States, and have since then contributed to the fabric of our country.

According to the U.S. Government Accountability Office, in 2018, after over 70 years of close social, political, economic, and cultural ties first under the U.N. trusteeship and then as sovereign nations in free association with the United States, there were an estimated 94,000 FAS

individuals living in the United States, with a presence in nearly every state and territory, including about 25,000 in Hawaii, 6,000 in Arkansas, and 4,000 in California. To put this in perspective, 94,000 is equivalent to about half the total population of the three nations. Moreover, roughly half of the FAS population in the United States are now U.S. citizens.

These FAS communities serve in the U.S. military at among the highest rates per capita, and they live, work, and pay taxes throughout the United States. For the past 35 years, the Compacts have been a foreign policy, national security, and people-to-people success story. The Administration's *Compact of Free Association Amendments Act of 2023* proposal builds on this success story.

The Administration's proposal includes supplemental provisions that rectify two long-standing challenges for FAS citizens. First, our proposal adopts language from the bipartisan Compact Impact Fairness Act (S. 792/H.R. 1571), as introduced in the 118th Congress, which restores eligibility for key Federal public benefit programs for FAS individuals while they are lawfully present in the United States - an important long-term solution to the financial impacts of these communities on U.S. state and territorial governments. Restoring access to federal public benefits would not only make a difference to these families, it also would allow the federal government to rightfully share in covering a significant portion of the financial burden currently placed on impacted state and territorial governments for hosting these small, but unique, communities without a significant additional administrative burden. Further, the benefits and compensation from the federal government would follow these FAS communities in whichever state or territory within the United States they choose to live.

Second, our proposal also includes language to achieve the same goals as another bipartisan bill (S. 1913/H.R. 3948) to provide U.S. military veterans residing in the FAS with improved access to the Department of Veterans Affairs benefits they earned and rightfully deserve for their service. As mentioned above, FAS citizens serve in the U.S. military at among the highest rates per capita. However, the brave FAS citizens who have chosen to return home after their service, face disproportionate challenges to receiving their full benefits from their Pacific islands. These provisions would remove various restrictions from the Secretary of Veterans Affairs that currently impede the offering of medical care to these service members.

Special Presidential Envoy Yun and his fellow Chief Negotiators from our FAS partners have reached agreements or understandings for future Compact assistance for each country that continues U.S. assistance in a reasonable and prudent manner. That includes assistance for education, health, environmental issues, and infrastructure.

The United States and FSM agreed to a package that will provide \$2.8 billion in grants over 20 years for core public services and infrastructure. Additionally, our countries agreed to bolster the long-term health of FSM's Compact Trust Fund through a combination of \$500 million in new contributions and limiting withdrawals over the next 20 years.

The United States and Palau agreed to a package that will provide \$729 million in grants

over 20 years for core public services and infrastructure. Our countries agreed to bolster the long-term health of Palau's Compact Trust Fund through a combination of \$100 million in new contributions and limiting withdrawals over the next 20 years. The United States will also provide Palau with \$60 million to lighten Palau's debt burden resulting from the campaign of economic pressure by the People's Republic of China (PRC) and the COVID-19 Pandemic—the combination of which decimated Palau's tourism-based economy.

While the United States and RMI have yet to complete negotiations on a full suite of agreements, we signed a Memorandum of Understanding on January 11th of this year reflecting an understanding that we would offer future assistance totaling \$2.3 billion. The United States and RMI negotiators have committed to finalizing agreements expeditiously so our respective legislatures can consider them in a timely fashion.

Under the leadership of the White House, led by Special Presidential Envoy Yun, my team and I worked tirelessly with colleagues from across the United States Government and our counterparts in the FAS to negotiate the robust terms of these agreements, particularly the accountability and oversight provisions in the Fiscal Procedures Agreement and the Compact Trust Fund Agreement with the FSM, and the Compact Review Agreement, including its appendices, with Palau. As a result of that work, the negotiated terms and procedures governing both financial assistance and the Compact trust funds maintain strong U.S. oversight over every taxpayer dollar being proposed. At the same time, we have carved out room to accommodate FSM and Palau requests for more autonomy and flexibility in framing the annual budget proposals for the effective expenditure of economic assistance.

While some may argue that the United States is expending too many resources to secure renewed engagement through these Compact-related agreements, others will counter that the United States, as a Pacific nation itself, cannot afford to abandon decades of investment in these special relationships at such a critical time for the Indo-Pacific region. I am firmly in the latter group.

As Secretaries Halaand and Blinken noted in their letter transmitting the Compact of Free Association Amendments Act of 2023 proposal to Congress last month:

Our strategic competitors are well aware that the scheduled end of U.S. economic assistance is fast approaching—now is not the time to leave the FAS open to predatory and coercive behavior. 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) and other countries to exert greater influence in the FAS. 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. Under the Compacts, 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 FSM, RMI, 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 them on foreign policy matters that we determine relate to them.

The Compact-related packages will be debated in the United States Congress and national legislatures of our Compact partners. Now is the time to send a clear signal across the Pacific that these Compacts, and their related agreements, are a cornerstone of U.S. national interests in the Pacific.

The Department of the Interior urges Congress to swiftly introduce and approve this Compact-related implementing legislation. Let us productively debate any issues in the most celebrated of deliberative bodies of our time. And finally, let us conclude our work with Congress and for the American people to secure a bipartisan success that lays to rest how committed the United States is to the Pacific and to remain the preferred partner for our friends and cousins in the Pacific Islands.