

Statement of  
**His Excellency Surangel S. Whipps, Jr.**  
**President of Palau**  
**to the United States House of Representatives**  
**Committee on Natural Resources Indo-Pacific Task Force**  
on the  
**U.S. Executive Branch Draft Joint Resolution**  
**to Approve the 2023 Palau-U.S. Compact Review Agreement**  
Washington, DC \* July 18, 2023

Chairwoman Radewagen, Co-Chair Sablan, and other Distinguished Members,

Thank you for this hearing.

I am accompanied by Palau's Chief Negotiator, Finance Minister Kaleb Udui, Jr.; representatives of Palau's Senate and House of Delegates, Senator Kazuki Topps Sungino and Delegate Mengkur Rechelulk, Chairman of the Committee on Ways and Means; and Palau's Ambassador to the United States, Hersey Kyota, the Dean of the Diplomatic Corps in the U.S.

The relationship between the U.S. and Palau began 79 years ago with battles that completely decimated our islands, but liberated our people and were the final step towards retaking the Philippines.

The U.N. was founded to end colonialism as well as to secure peace. So, Palau and the other Pacific islands taken from Japan were entrusted to the U.S. as the only "Strategic Trust" of 11 U.N. territories to develop into a self-governing status.

Later, when the U.N. pressed for this, the U.S. sought to preserve its strategic control over an expanse of the Pacific as large as the 48 contiguous U.S. States from Hawaii to the Philippines with financial and domestic programs assistance.

Palauans wanted self-government, but had grown to admire and feel a deep kinship with the U.S.

The solution was national sovereignty but in a unique free association with the U.S. President Reagan, in urging acceptance, said, "You will always be family to us."

Palau is the freely associated state closest to Asia and provides land needed for its defense. This is why a senior U.S. military commander said Palau is part of "the homeland." The U.S. has put its closest-to-Asia, early warning radar in Palau, and is preparing for air facilities and considering a seaport.

We let the U.S. control our borders against forces of other nations, and we refrain from interactions with other nations that the U.S. says would compromise its security. The concessions are vital to a free and open Indo-Pacific.

The Compact of Free Association provided financial assistance, primarily through a Trust Fund that was to last for 50 years – but which both governments now agree was inadequate, a number of domestic programs, and free access to the U.S. for our small population.

The Compact also, however, recognized that our needs might be greater over time. It required periodic joint reviews of the entire relationship as well as Palau's needs, with a U.S. commitment to act on the conclusions.

The legislation requested by the U.S. Executive branch would implement an international Agreement that is the product of the 30<sup>th</sup> Anniversary Review. I strongly support it, and Palau's National Congress has already approved it in a resolution attached to my statement. I respectfully request that you and your colleagues enact legislation to implement it by the negotiated date of September 30<sup>th</sup>.

The legislation would eliminate a fundamental inequity and unrealistic aspect of the relationship. This is the U.S. having strategic rights without end but only providing for funding for 50 years. It would not only provide needed assistance over the next 20 years but provides a basis for financial and programs assistance continuing on the same terms after. It would repurpose the Trust Fund to be available for needs that would otherwise not be met.

Palau and the U.S. are 'joined at the hip.' Palau also recognizes Taiwan's right to exist.

Continuation, however, cannot be taken for granted. The majority of Palauans and I want it to maintain our alliances, but the competition is working overtly and subtly to change this.

Palau is being subjected to extreme economic 'carrots and sticks' to shift its alliances. Tourism is our largest industry. China, which had been our largest source of tourists, cut off visits when we did not shift. This, along with the pandemic ending other tourism, shrank our economy more than 30% in just five years.

That means real pain for people as well as public service challenges. It forced us to cut our budget, improve revenues, and borrow to continue essential government operations. Then, China offered to send more tourists than ever and make a huge investment in a new industry if we shift.

It is also working through investments with individuals to change views over the long-term.

The U.S. does not have a command economy.

It also has not sufficiently recognized the influence slowly being gained by China. Until recently, policy-level attention has not been given between 15-year Reviews and, even then, its general approach was based on past, not current, needs.

Consistent with my request, however, this Agreement is also geared towards growing Palau's economy, not only through its assistance, but through a more robust joint Advisory Group making recommendations to both governments and in Annual Economic Consultations.

The relationship was also significantly undermined by the failure to approve the 2010 Review Agreement for eight years for internal U.S. reasons, not any question about the Agreement, even though interim assistance was continued at the 2009 level.

In short, these are the reasons why enacting the legislation by September 30<sup>th</sup> is so critical to both of our nations.

There are, though, three additional, crucial measures that you should also take.

One is to re-establish an Office of Freely Associated States Affairs at the level of the State Department's Office of Australia, New Zealand, and Pacific Islands Affairs, ANP. The Director should be appointed by the Secretary of State and have Coordinators appointed by the Secretaries of the Interior and Defense. It would staff the Interagency Group on Freely Associated Affairs that the bill would continue – really revive – and should report to the National Security Council.

The Congress insisted on such an Office in initially acting on the compacts. It was established by Executive order, however, and the State Department got rid of it some years later and relegated the Freely associated states to a desk officer or two in ANP. This is not a comment aimed at ANP staff, but we would probably would not have had some of the problems we have had if the Office had been continued.

Some at State have wanted to treat us as much as possible like the other island nations for which ANP has responsibilities. Our relationships, however, are totally different and much closer than the U.S. has with any other nation.

\* None let the U.S. exercise fundamental aspects of their sovereignty, doubling the size of the 48 States for strategic purposes.

\* None is part of "the homeland" next to Asia.

\* Domestic programs apply in none.

Also, Interior as well as Defense have greater equities in the relationship than State.

The current Review stalemated when it was led by ANP. The first Review did, too.

The first reached agreement after Palau appealed to Secretary of State Clinton personally and she assigned top deputies to get it on track.

This Review succeeded after Members of Congress of both parties and the NSC's Indo-Pacific Coordinator, Kurt Campbell, agreed with my request for a presidential envoy who could ensure attention from top decisionmakers across the Executive branch and Joe Yun was appointed. He is an extraordinarily perceptive, creative, and skilled – but tough – representative of the U.S. He dug into the issues and worked out fair compromises.

Envoy Yun is irreplaceable, but we need constant policy-level attention. We are on the frontline of the competition -- and not just because the early-warning radar makes us a first target.

Thus, my second request: That you urge the Administration begin and do all possible to complete negotiations on the necessary U.S. programs agreements while Envoy Yun is in office and that you approve the agreements in this legislation.

Finally, I request provisions for disaster assistance, preferably by restoring FEMA coverage. We – and, ultimately, the relationship – are extremely vulnerable to just one natural disaster. Our people know that our neighbors, Guam and the Northern Marianas, have recovered from typhoons because of FEMA. We are no longer covered, and our people – and potential investors – lack the security it provides. Other nations have done more for us after typhoons than the U.S.

Thank you for your attention, consideration, and action.