

Committee on Natural Resources
Subcommittee on Indian and Insular Affairs
Oversight Hearing
1334 Longworth House Office Building
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“Preserving U.S. Interests in the Indo-Pacific: Examining How U.S. Engagement Counters Chinese Influence in the Region.”

Questions from Rep. Westerman for Peter Watson, President & CEO, The Dwight Group:

1. Historically, what was the importance of the islands that now comprise the FAS and how does that importance show itself in the present competition for influence and control in the Indo-Pacific?

Answer: It has been observed the CCP regime that rules the PRC appears in some respects to be seeking to accomplish in the Pacific Islands during the third decade of the 21st Century what Imperial Japan attempted to accomplish in the third decade of the 20th Century. That is, to use control of Oceania as a strategic and economic bridge to gain control and dominate the Indo-Pacific region.

Imperial Japan used the League of Nations Mandate to establish a civilian governing system based in Koror, Palau, to expand its power projection to Saipan and across Micronesia to Chuuk and Majuro. PRC is using political and economic codependence to set the stage for by economic and strategic coercion as needed to achieve a dominant position throughout a region spanning 1/3 of the earth's surface.

Surrounding Taiwan is one obvious purpose, and that is an imperative in any assessment of regional economic and political security threat. But of equal if not greater long-term interest to PRC is access of sea lines of communication that run directly through the FAS waters, islands and airspace.

Just as Imperial Japan's creeping expansion across the region of small islands and big oceans included creeping militarization contrary to its LON mandate, the allies had to island hop to reverse Japanese aggression and drive imperial forces back to the homeland.

To avoid conflict that can lead to war, the U.S. and its allies in our shared region must confront the political warfare and effectively counter the political disruption, and corruption tactics the PRC is waging to end democracy, free enterprise and rule-of-law in small Pacific nations that control large ocean areas in strategic locations.

2. How important are the FAS for the future of U.S. economic presence in the Indo-Pacific, as well as countering CCP aggression?

Answer: Vitally. Together with the U.S. territories that extend the U.S. homeland into the Western Pacific, the FAS are centers of American economic and strategic national interest. U.S. economic assistance is an investment in peoples and nations that host critical military presence more important than ever to keep the peace.

Questions from Rep. Radewagen for Dr. Peter Watson

1. Dr. Watson, you mention you wished to elaborate further on the American Samoa's fishing and the American Samoa Economic Development Credit. Could you please do that?

Answer: That congress has allowed the American Samoa Economic Development Credit (ASDEC)/Section 30A to lapse is very regrettable: Indeed it is extremely short-sighted. American Samoa is critical to the U.S. mainland as its irreplaceable security platform in the southern Pacific Islands -- it's that simple.

American Samoa depends on its tuna canning industry, the territories largest private employer and economic driver. With roughly 2,300 workers, the tuna cannery in Pago Pago is the largest private sector employer in American Samoa, being responsible for nearly 20% of its workforce, and has relied heavily on the Section 30A tax credit. Local economic diversification cannot occur without a reauthorization of the tax credit. This will provide time to recover from the economic downturn and plan.

The House Ways and Means Committee has previously voted out a five-year extension, and Senator Murkowski offered an amendment for a five-year extension, but same was not taken up.

American Samoa is hopeful the Finance Committee will support a multi-year reauthorization which will help diversify its economy and give businesses the confidence to invest in American Samoa without having to worry about annual expiration.

The Finance committee solved this problem for Puerto Rico and the U.S. Virgin Islands in an earlier tax reform bill providing them with a five-year extension for the rum tax cover over, a provision which scores substantially higher than the ASDEC. This is the time to rectify to extremely prejudicial situation in American Samoa – the anchor of U.S. national security in the lower Pacific Islands.

2. Do you see any path that would allow more participation by any of the Pacific territories in the Pacific Islands Forum; and not run afoul of the U.S. Constitution or the traditional authority of the President/ Executive branch in conducting foreign affairs?

Answer: I was pleased to provide detail on this in my written testimony, but for emphasis, the U.S. federal government not only can and should facilitate a deeper engagement of the Pacific territories – especially by American Samoa, as the U.S.’s only territory in the southern Pacific -- but it should also strongly consider becoming a member itself. The U.S. had diplomatic representation in New Zealand in 1938, years before itself acquired a Pacific coast: In short it well past due the United States moved to correct these PIF membership mistakes of the past.

Questions from Rep. Case for all witnesses.

1. During my time for questions in our hearing, I misspoke when describing the Government Accountability Office’s reported fiscal impact from Compact residents on local communities. I noted that localities collectively reported \$1.8 billion in costs between 2004 and 2018 when in reality that figure in the GAO report is \$3.2 billion. If Congress were to expand the same eligibility for federal benefits to Compact migrants as are currently extended to lawful permanent residents, what uncovered costs from delivering still-uncovered services would host communities have to cover without federal aid?

Answer: Local education costs may not be covered, for just one example. Also, it has been suggested by some that there were methodical deficiencies in past enumerations by OIA and Bureau of Census for purposes of allocating annual grants under Section 104(e) of the 2003 COFA Amendments Act of 2003 (P.L. 108-188).

Specifically, the practice of OIA and the Bureau for the last 20 years has been to include U.S. citizens with origins in FAS as “qualified non-immigrants” under Section 104(e), referred to here as “Compact Migrants.” Since U.S. citizens do not enter or reside in U.S. under Section 141 of the COFA, the enumeration and costing of the program may be askew. Indeed, the record before the Subcommittee has reported that half of “Compact Migrants” are U.S. citizens, a distinction that could alter assessment on past and present costs for COFA impact payments.

GAO also reported inconsistency and administrative discretion exercised in directing enumeration that had no basis in statute. That needs to be addressed and prevented.

2. Citizens of the Freely Associated States are eligible to join the U.S. military and frequently serve in our armed forces. What proportion of the population from the Freely Associated States joins the U.S. military compared to other U.S. communities? What are the challenges

veterans in the Freely Associated States experience in accessing Department of Veterans Affairs health care and other benefits when they return home to their countries? What can be done to improve this?

Answer: Thank you. I of course respect the resources of OIA, VA and Defense can best provide an accurate response to those questions; however, on the first I am aware that the FAS – and American Samoa – have its nationals serve in the U.S. armed forces at larger percentages than the far majority of U.S. states, if indeed more than all.

3. Funding for the Compacts of Free Association is currently borne by the Department of the Interior and the Biden administration suggests moving that funding the Department of State but to keep administration of the Compacts within the Department of the Interior. Given the critical role the Compacts of Free Association to our national security and to the Department of Defense, should the Department of Defense also bear some of these costs?

Answer: Some believe Defense Department has been misinformed and misled into believing U.S. security and defense rights under COFA are “locked in” and/or binding on FAS “in perpetuity.” That is a deeply flawed narrative that in some degree may have caused Defense to believe its commitment in FAS is limited to INDOPACOM operational programs and community relations activities involving in connection therewith, but that relations with Congress, State, Interior and NSC on COFA negotiations and approval are of limited efficacy and managed at a bureaucratic level.

Defense should have a senior leadership and policy role and should be represented by full time assigned personnel in the COFA management and implementation process. The Defense budget should include contributions to the COFA economic and political package, as well as payment of operational and defense site costs as currently is the case.

Whether the funding and federal domestic program coordination in the international setting is funded through State or Interior, Defense should play a prominent role in managing relations with the FAS under COFA.

4. Last year the administration released the first ever Strategy for Pacific Island Partnership along with a more detailed Roadmap to a 21st Century U.S. Pacific Islands Partnership. How was this and recent efforts to reengage the region seen by the Pacific Islands? What role can Congress play to help implement the Pacific Islands Partnership Strategy?

Answer: U.S. engagement in region will always be welcome and appreciated. Right now the best measure is to approve a new federal law extending the COFA on terms Congress determines to best serve U.S. and FAS interests.

5. The Pacific Islands Forum, a critical inter-governmental organization in the Pacific Islands region, laid out a regional vision for development of the Pacific Islands in its 2050 Strategy for the Blue Pacific Continent. How can the United States support this strategy?

Answer: As responded to in Congresswoman's follow-up question on the Pacific Island Forum, the U.S. federal government not only can and should facilitate a deeper membership engagement there of its Pacific territories – especially by American Samoa, as the U.S.'s only territory in the southern Pacific -- but it should also strongly consider becoming a member itself. The U.S. had diplomatic representation in New Zealand in 1938, years before itself acquired a Pacific coast: In short, the way the U.S. can maximally support the development of the Pacific Islands in its 2050 Strategy for the Blue Pacific Continent is for it to become a full PIF member, and likewise have its Pacific territories have a deeper organic role in the same.