

**Questions for the Record Submitted to
The Hon. Joseph Yun, Special Presidential Envoy for Compact Negotiations
by
Representative Westerman (No. 1 to No. 3)
House Committee on Natural Resources Subcommittee on Indian and
Insular Affairs
October 19, 2023**

Question 1:

Leadup: The most significant benefit of the COFA agreements for the U.S. is that the U.S. gains extraordinary and exclusive security rights from the FAS. However, these rights do not expire and so it is not immediately clear as to why U.S. economic assistance to the FAS is necessary.

Can you explain to us how exactly U.S. economic assistance is critical to U.S. interests and ensures our ability to exercise our security rights?

Answer 1:

Extending COFA-related assistance is a critical component of the Administration's Indo-Pacific, Pacific Partnership, and National Security Strategies. Our special and historic relationships with the Federated States of Micronesia, the Marshall Islands, and Palau, underpinned by the Compacts, support freedom, security, stability, and prosperity in the Indo-Pacific. The security and defense provisions continue in perpetuity, unless terminated in accordance with their terms.

Ongoing funding demonstrates our long-term commitment to the FAS, strengthens our broader bilateral relationships with each country, and fosters economic prosperity and stability that forms the foundation of our strategic interests in the Indo-Pacific region. Absent this funding for and focus on the FAS individually, as a group, and as an integral part of the Pacific Partnership Strategy, the United States risks its relationships and influence in this strategically vital region.

To maintain our status as a committed preferred partner in the Pacific, we must enhance our enduring relationships, especially with these nations. The total \$6.5 billion for direct economic assistance to the FAS is a critical investment in ensuring the stability and prosperity of our closest Pacific Island neighbors and partners, and sends an important signal to our allies, partners, and competitors that the U.S. commitment to the FAS is iron-clad.

Question 2:

Leadup: Section 8(i) establishes a Unit for the FAS in the Bureau of East Asian and Pacific Affairs of the Department of State.

What is the importance of establishing this Unit? How will it improve COFA implementation?

Follow-up: Do you believe this will help strengthen U.S. diplomatic presence in the FAS and address the concerns about the lack of engagement?

Answer 2:

The Department of State has taken a number of measures to reflect the priority we place upon the relationship with Pacific Island nations writ large and with the Freely Associated States (FAS) specifically. The Office of Australia, New Zealand, and Pacific Affairs (ANP) within the Department's Bureau of East Asian and Pacific Affairs now has a Pacific bilateral team and a Pacific regional team to increase available resources that address this priority, which includes planning for the implementation of the latest Compact of Free Association-related agreements. Subject to the availability of resources, the Department is open to exploring the creation of a dedicated unit for the FAS within ANP. ANP team members provide leadership including through membership on and staffing for the joint economic management and trust fund committees.

Question 3:

Leadup: This discussion draft would require U.S. members of the FSM's and RMI's joint economic committees and the joint trust fund committees to have a strong background in finance and accounting. It also places five-year term limits on the U.S. members. There are similar provisions for U.S. members of Palau's Economic Advisory Group.

How will this improve U.S. government oversight on the implementation of the Compacts and help the FAS improve their economic growth and resiliency?

Answer 3:

The Compacts and their related agreements, including the Fiscal Procedures Agreements and Trust Fund Agreements for the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI) and the Compact Review Agreement (CRA), as amended, for Palau, provided oversight mechanisms for the economic assistance the United States government has provided under the Compacts to the FAS. These oversight mechanisms have been integral to the assistance the United States has provided under the Compacts, as amended, with the FSM and the RMI, and under the CRA, as amended, with Palau.

Through its negotiating efforts, the U.S. government worked to maintain a robust oversight regime pertaining to financial assistance to the FAS, ensuring responsible use of U.S. taxpayer dollars. The recently signed agreements with the FAS continue to provide for strong oversight mechanisms, including through the FSM's and RMI's joint economic management and trust fund committees and required annual economic

consultations with Palau. We do not see proper oversight as necessarily derived from, or guaranteed by, a certain limited set of qualifications for committee members. Such specific requirements cannot by themselves ensure proper oversight, which also calls for policy input and regional expertise, and thus should be considered among a broader range of potential qualifications and governance models. The U.S. committee members will also work with subject matter experts in the U.S. government as they carry out their committee duties, and thus have access to relevant expertise and expert support.

**Questions for the Record Submitted to
The Hon. Joseph Yun, Special Presidential Envoy for Compact Negotiations
by
Representative Dunn (No. 4 to No. 6)
House Committee on Natural Resources Subcommittee on Indian and
Insular Affairs
October 19, 2023**

Question 4:

There were three agreements signed on October 16th between US and Marshalls on the financial and services aspects of the Compacts of Free Association. In the "Agreement Between the Government of the Republic of the Marshall Islands and the Government of the United States of America Regarding the Compact Trust Fund", Article 17, Section 2(b) there is reference to: Such dividends shall be paid in equal amounts on a per capita basis to all Eligible Recipients on at least a quarterly basis." Does this mean there is the option for a universal basic income for Marshall Islanders, paid out of a trust fund largely funded up by the taxpayers of the United States? If so, what is the rationale? What is the size of the endowments? Who is responsible for directing the spending? How is it decided what the endowment money is spent on?

Answer 4:

The new Compact Trust Fund agreement was negotiated to provide greater flexibility to the RMI to propose how best to meet the priority needs of people in the Marshall Islands, whether through sector programming or payments to eligible individuals. The existing trust fund was valued at \$682,341,829 as of September 30. The Trust Fund Committee, where the

U.S. has a majority vote, is responsible for managing the trust fund and approving distributions consistent with the terms of the 2023 Trust Fund Agreement.

Should an individual dividends program be proposed, eligibility requirements for who may receive individual dividends must be mutually decided between the RMI and the U.S. government; such requirements may include such factors as citizenship, residency, or annual income requirements. The RMI and U.S. governments must also decide on the amount that could be used for administrative expenses related to the payment of individual dividends. Before the Trust Fund Committee approves any distributions for the payment of dividends to eligible recipients, the RMI must establish, with the concurrence of the U.S. government, a mechanism and procedures for the payment of individual dividends. The payment of individual dividends would also be subject to the auditing and oversight requirements that apply, per the terms of the 2023 Trust Fund Agreement, to all distributions.

Question 5:

Does the U.S. have a political competition plan for the Pacific?

Answer 5:

Yes, the Pacific Partnership Strategy. The Biden-Harris Administration elevated broader and deeper engagement with the Pacific Islands as a priority of its foreign policy. In conjunction with the first ever U.S.-Pacific Island Summit in September 2022, the Administration released the Pacific Partnership Strategy. This national strategy, the first-ever from the U.S. government dedicated to the Pacific Islands, both reflects and advances that commitment. It supports the Indo-Pacific Strategy of the United States and is aligned with the goals of the Pacific Island Forum's 2050 Strategy.

Discrete initiatives within this strategy strengthen and support U.S.-Pacific Islands partnerships, such as identifying and training future Pacific leaders; building U.S. capacity in the region, including opening new embassies; promoting coordination with allies and partners; and advancing U.S.-Pacific Islands cooperation across various sectors, including digital connectivity and cybersecurity; trade, investment, and infrastructure; energy and environment; and maritime protection.

Question 6:

How do the agreements help the FAS fight corruption?

In one recent case two people who came from China and took Marshallese citizenship under opaque circumstances were found guilty in the U.S. of bribing Marshallese officials. One was deported back to the Marshalls. Will the U.S. provide the case details necessary for the Marshall Islands Attorney General to decide if he wishes to prosecute them and the officials they bribed? Does the U.S. intend to deport the other guilty party back to Marshalls as well once his time is served in the U.S.? How does this help U.S. and Marshallese security?

Answer 6:

With regard to law enforcement matters generally, we would note that there is a separate agreement between the United States and the RMI regarding mutual assistance and cooperation in law enforcement matters. We would refer you to the Department of Justice regarding details of this case and the Department of Homeland Security regarding deportation matters.