

OPENING STATEMENT

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SPECIAL PRESIDENTIAL ENVOY FOR COMPACT NEGOTIATIONS

SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES

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Chairman Manchin, Ranking Member Barrasso, distinguished members of the Senate Energy and Natural Resources Committee: thank you for this opportunity to testify before you today. I am grateful for the bipartisan approach of this committee regarding the Compacts of Free Association (COFA) with the freely associated states (FAS) – the Federated States of Micronesia (FSM), the Republic of Marshall Islands (RMI), and the Republic of Palau.

Our history with the freely associated states began nearly 80 years ago. After World War II, the United Nations assigned the United States as administering authority over the Trust Territory of the Pacific Islands, which included FSM, RMI, and Palau. The Compacts grew out of this relationship with the Trust Territory, with our Compacts with FSM and the Marshall Islands entering into force in 1986 and with Palau in 1994. The Compacts reflect that the countries are sovereign nations in free association with the United States. The FAS governments conduct their own foreign relations, and, under the Compacts, the United States has full authority and responsibility for defense and security matters in and relating to the FAS. FAS citizens also serve in the U.S. Armed Forces and volunteer at per capita rates higher than many U.S. states.

Our respective Compacts underpin our partnership with each FAS country and are the bedrock of our strategy in the Pacific. These Compacts allow the United States to ensure long-term strategic and defense interests. The three Compacts do not expire, though each can be terminated in accordance with applicable provisions. However, our mutually beneficial relationships are also strongly tied to economic assistance provisions in each Compact and relevant subsidiary agreements, including certain federal programs and services that, absent successful negotiations and congressional approval, will end after Fiscal Year 2023 for the FSM and RMI, and Fiscal Year 2024 for Palau. 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 by other nations. 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 and other countries to exert greater influence in the FAS and Pacific region more broadly.

We have coordinated closely across the interagency to develop robust proposals to continue assistance to all three countries. These agreements are complex and have required extensive consultations to reach the best agreement for all parties. Earlier this year, the U.S. Compact team signed MOUs with each of the Freely Associated States that reflected our shared understanding on levels and types of future U.S. assistance each country requested. On May 22, we concluded negotiations on a number of agreements. Minister Kaleb Udui of Palau and I signed the 2023 Palau Compact Review Agreement during the U.S. Pacific Island Islands Forum Leaders Dialogue in Port Moresby. On May 23, U.S. Chargé d'Affaires Alissa Bibb and FSM negotiator Chief Leo Falcam signed a new Fiscal Procedures Agreement, a new Trust Fund Agreement, and an agreement outlining the economic assistance in front of President Simina in FSM. Negotiations continue with the RMI on agreements relating to future economic assistance and with the FSM and Palau on their respective Federal Programs and Services Agreements. On June 16, we transmitted the Administration's proposed COFA implementing legislation to both chambers of the U.S. Congress.

As we continue to work diligently to finalize the remaining agreements, we are grateful for the opportunity to work with Congress on the necessary authorizations and appropriations to avoid any lapse in U.S. assistance to these important partners. To that end, our proposed implementing legislation includes \$7.1 billion over 20 years to implement extended economic assistance under the new agreements. This total includes \$6.5 billion over the next twenty years for direct economic assistance and \$600 million for the unfunded costs of extending U.S. postal services to the FAS. The legislation also provides authorities under U.S. domestic law for several U.S. agencies to offer services in the FAS like veterans' services and national health service corps.

This investment is key to maintaining the stability and prosperity of our closest Pacific Island neighbors and partners and demonstrating to the rest of the Indo-Pacific region that the United States' commitment is enduring.

We appreciate your continued support for ongoing negotiations with the FAS and welcome the opportunity to work with Congress to secure long-term U.S. strategic impact in this vital region.

