

**TESTIMONY OF LEO FALCAM, JR.
CHIEF NEGOTIATOR FOR THE
FEDERATED STATES OF MICRONESIA
IN U.S.-FSM COMPACT NEGOTIATIONS**

Senate Committee on Energy and Natural Resources

Hearing on the Compact of Free Association Amendments Act of 2023

July 13, 2023
Washington, DC

Chairman Manchin (D-WV), Ranking Member Barrasso (R-WY), Members of the Energy and Natural Resources Committee, thank you for convening this hearing and for the opportunity to testify before you today.

My name is Leo Falcam, Jr. I am the Chief Negotiator for the Federated States of Micronesia (FSM) in the current Compact talks with the United States, a position I have held since July of 2019. I also have had the privilege to serve as Chief of Staff to the last three FSM Presidents: Emanuel Mori, Peter Christian, and David Panuelo. Thank you for the opportunity to appear before you today – it is an honor to be in this position at this truly historic moment.

The U.S. and the FSM enjoy an extraordinary close relationship that continues to deepen through our broad diplomatic, economic, and military partnership and the steadfast support of the United States for the FSM's economic development and self-sufficiency. Our governments are committed to building a safe, peaceful, and democratic Indo-Pacific region. The FSM has no greater friend in the world than the United States and we are grateful that the United States similarly respects and values the relationship it has with the FSM.

Our deep bonds are reflected in our decades of close cooperation dating back to when the U.S. was designated by the United Nations to administer our region of the world after World War II. This arrangement continued for more than 40 years until the FSM became a sovereign nation in 1986. The ties between our peoples are also reflected in the fact that FSM citizens have proudly served in the U.S. military for many decades, and we volunteer to serve at per capita rates higher than most, if not all, U.S. states. Some of our citizens have made the ultimate sacrifice in the course of their service. Additionally, thousands of FSM citizens proudly live,

work, and study in the U.S., contributing economically and culturally as members of their communities across the U.S., including many of your home states. We are most grateful for this rare privilege.

As the FSM emerged as an independent nation in 1986, we simultaneously entered into an international agreement with the U.S. called the Compact of Free Association or “COFA.” The 1986 Compact of Free Association was renewed and amended with the 2003 Amended Compact of Free Association, which remains in effect today. Notably, Congress passed both prior COFA agreements with resounding bipartisan support. We are pleased and gratified that this bipartisan support has not only endured but strengthened in the current U.S. Congress.

Both the 1986 Compact and the 2003 Amended Compact fulfilled important strategic objectives for both countries. Since the first Compact entered into force, the FSM has continuously granted the U.S. security and defense rights in the territory of the FSM, which represents a large section of the Pacific Ocean of utmost strategic importance to the U.S. This includes the right of the U.S. military to operate in the FSM, and to deny foreign militaries access to or use of the FSM’s territory. This defense partnership is vital to securing and maintaining peace and prosperity in the Pacific.

Our defense ties are strong and ongoing. The Micronesian region spans an area roughly as big as the continental United States. In addition to the broad rights of strategic denial in FSM waters, which constitute a very large part of the Western Pacific Ocean spanning over 1.3 million square miles, the U.S. Embassy in the FSM includes a U.S. military attaché in constant communication and coordination with our government. U.S. military personnel frequently visit and stay in the FSM. U.S. military Civil Action Teams historically lived and worked in the FSM in support of engineering and infrastructure initiatives on the islands. Most recently, the U.S. Department of Defense expressed an interest in using Yap State’s airport and seaport facilities for U.S. military operations when needed. The U.S. is helping to fund improvements to Yap’s international airport to ensure it is up to the task, and has undertaken improvements and projects throughout the FSM to facilitate capacity for U.S. military operations and humanitarian response. Separately, in September 2023 about 100 U.S. Marines will spread out across Yap, Chuuk, Pohnpei, & Kosrae for small scale construction, medical, communications, and community engagement projects.

In addition, the U.S. and the FSM also signed in 2022 an expanded Shiprider Agreement to combat illicit maritime activity, widening the initial scope of

partnership between the U.S. Coast Guard and the FSM maritime forces. Other elements of cooperation include trainings, port visits, shoreside engagements, and boarding of foreign vessels on the high seas. As the U.S. military knows well, the FSM is prepared to do even more in partnership with the U.S.

While these defense cooperation and commitments are enduring and do not expire, we are at a crossroads on economic support by the United States. The crucial economic assistance commitments of the U.S. to our government and our people will expire in less than three months, on September 30, 2023, unless extended by Congress.

In this connection, I am pleased to note that senior negotiating teams from the FSM and the U.S. under the Trump and Biden Administrations have diligently been developing the framework for a new twenty-year period of assistance. The package that we have finalized this year has been specially designed to address the needs of our government and people as we advance toward increased economic self-sufficiency and maturity as a nation. We are pleased that the U.S. has agreed to continue its significant economic support for an additional 20-year period as we continue to grow our economy, build our institutions, and work toward a sustainable future for our people. The Compact's pledge of \$140 million a year for the FSM in annual sector grants and \$500 million in additional contributions to the Compact Trust Fund will be essential toward advancing our mutual goals.

We are extremely pleased that the proposed legislation before the U.S. Congress will ensure that FSM citizens living lawfully in the U.S. are again eligible for key public benefits as a result of the bipartisan and bicameral Compact Impact Fairness Act. We appreciate the advocacy and leadership of so many members of the Congress on this issue, including ENR Committee member, Senator Mazie Hirono (D-HI), and Senators John Boozman (R-AR) and Brian Schatz (D-HI). The proposed legislation also incorporates the bicameral and bipartisan Care for COFA Veterans Act, which will provide improvements to medical care access to veterans in the FAS, thanks to the leadership of Senators Schatz (D-HI), Hirono (D-HI), Murkowski (R-AK) and Boozman (R-AR). This package will also ensure continuing eligibility for Pell Grants and other key education benefits for FSM students - critical elements that will strengthen the future of our country for generations to come.

The majority of the assistance being offered by the U.S. are in seven sectors the two countries have identified together as essential to our growth and future self-sufficiency: education, health care, public infrastructure, environment, public

sector capacity building, private sector development, and enhanced reporting and accountability. The new U.S. assistance will build on the advances made during the last 37 years since our independence as a nation and will enable the following important developments in the upcoming Compact assistance period:

- Increasing educational opportunities for FSM children, expanding teacher training, and helping us build and maintain schools throughout the country;
- Upgrading the level of medical care provided in FSM hospitals, reducing where possible the need for patients to travel out of the FSM for treatment, and increasing access to basic healthcare in more remote sections of the country. It would also help build essential hospitals in two of our four states;
- Protecting the FSM's land and marine environment and achieve sustainable use of our natural resources. Critically, this assistance will help us prepare for and mitigate the increasing effects of climate change in our many low-lying islands facing rising sea levels, warming of ocean currents, and salinization of fresh water. Given our vulnerable geography in the Pacific, we have to treat these issues as a national security threat; and
- Developing public infrastructure, including improving roads, ports, and bridges throughout the country, and establishing safe and effective transportation and communication linkages between the country's outer islands and its main islands.

These and other FSM needs across the seven sectors have been at the center of our discussions with the U.S. in the years leading up to the agreements that our two governments signed on May 23. At this stage in our development, roughly half of key government services in the four FSM states are funded by the U.S. through the Compact. A funding lapse at the end of September 2023 of these sector grants would create an unprecedented economic and political crisis for our country and our people, and would have a destabilizing effect on the region as a whole. The consequences for our Nation if U.S. health care, education, infrastructure and environmental protection sector support were to end or even be suspended would be catastrophic.

In addition to essential sector grants continuing for the next 20 years, we are very grateful for the U.S. commitment to strengthen our Compact Trust Fund with additional funding to bolster our long-term future, and for the U.S. commitment to continue to provide access to federal programs and services that we cannot provide

on our own, such as air traffic control, weather services, disaster relief, and postal services. These are essential for our nation and our people. The U.S. and FSM have developed strong subsidiary agreements to ensure that the funds and services provided will be well managed and well spent.

We appreciate the Committee's consideration of the Compact legislative proposal transmitted by the Administration and urge Congress to advance this critical proposal before current provisions expire on September 30.

Thank you again for the opportunity to testify today. I would be pleased to answer any questions the Committee might have.