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DEPARTMENT OF STATE  
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Chairman Manchin, Ranking Member Barrasso, distinguished members of the Committee, thank you for the opportunity to appear before you today to testify on the importance of the Freely Associated States to the United States as well as our allies and partners in the Indo-Pacific region. I am very pleased to be here today with Deputy Assistant Secretary Keone Nakoa of the Department of Interior, and Deputy Assistant Secretary of Defense for East Asia, Dr. Siddharth Mohandas.

As the most dynamic and fastest-growing demographic area on earth, the Indo-Pacific is a vital region that is a leading priority for the Biden-Harris Administration. The United States will work with our allies and partners toward our positive vision of a free and open Indo-Pacific that is more connected, prosperous, secure, and resilient.

The publication of the United States Indo-Pacific Strategy, the first regional strategy released by the administration, and Secretary Blinken's visit to Fiji on February 12 to meet with Pacific Island leaders, are testaments to the importance we place on the region. The Indo-Pacific Strategy reflects renewed U.S. commitment to deepen our engagement in the region and build innovative links with local allies, partners, and institutions, so we can collectively address the urgent challenges that face the Pacific Islands. As Secretary Blinken said on his recent trip, our focus on the Indo-Pacific now, even as we continue to work relentlessly to support Ukraine as it defends itself against Russian aggression, is a demonstration of our commitment to staying committed to the Indo-Pacific region. And that includes the Pacific Islands.

Our allies and partners across the Indo-Pacific provide unmatched capabilities of their own and support our presence; as such, they are central to achieving our collective goals in the region. We will revitalize our longstanding alliances, including with Australia, Japan, the Philippines, South Korea, and Thailand, and deepen our cooperation with other close partners, including India and New Zealand. We will pursue closer cooperation in priority areas including regional security, technology, democratic resilience, human rights, the climate crisis, and pandemic preparedness and response efforts.

The United States is a Pacific nation, and we have deep and long-standing ties to the countries of the Pacific, who are not only our neighbors but also our friends.

Our relationships with the Republic of the Marshall Islands (RMI), the Federated States of Micronesia (FSM), and the Republic of Palau, collectively referred to as the Freely Associated

States (FAS), have, since World War II, contributed to a secure, stable, and prosperous Western Pacific, and a strategic location for the United States in the larger Indo-Pacific region. Together these three countries form a strategic bridge that stretches from Hawai'i to the Philippines, an area that is geographically larger than the continental United States. Traveling west from the Marshall Islands (RMI) over the Federated States of Micronesia (FSM) to Palau is like traveling by airplane from Washington, DC to California.

Our shared values and commitment to democracy and human rights are reflected in our respective Compacts of Free Association. This bedrock underpins our strong relationships and our close cooperation.

We have full responsibility and authority for security and defense matters in or relating to these three countries. We can deny other countries' militaries access to the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau. Recognizing our responsibility and authority for defense and security matters, these three countries consult closely with us on their foreign policies and recognizing the sovereign foreign affairs authority of each of these three countries, we consult with each of the three countries on foreign policy matters that relate to them. All three countries also have a long tradition and high rate of service by their citizens in the United States armed forces, which contributes to our mutual security.

We work closely with the Marshall Islands, Federated States of Micronesia, and Palau on the full range of law enforcement issues through Department of Homeland Security, U.S. Coast Guard, DEA, and FBI through law enforcement training in all three countries, including cooperating on law enforcement investigations. The Freely Associated States' own efforts in law enforcement include jointly exercising our maritime law enforcement agreements to combat illegal, unreported, and unregulated fishing, securing their respective ship registries from illicit use by bad actors, and membership in the Proliferation Security Initiative that works to prevent illicit transfer of weapons of mass destruction. Together we are also working to secure our respective borders, including our shared maritime boundaries with the Freely Associated States.

Reflecting the unique and longstanding relationship between the United States and the FAS, the U.S. Department of Health and Human Services provided the FAS with enough vaccines for their entire eligible populations, as well as personal protective equipment and technical and financial assistance to combat COVID-19. Since December 2020, the U.S. Centers for Disease Control and Prevention has delivered more than 170,000 doses of the Moderna, Johnson & Johnson Janssen, and Pfizer COVID-19 vaccine to the FAS. As a result, Palau has vaccinated approximately 100 percent of the total eligible population; RMI approximately 55 percent; and FSM 51percent of their total eligible population.

The Marshall Islands, Federated States of Micronesia, and Palau are historically among the United States' strongest supporters at the United Nations, as closely aligned with us as some of our closest partners, including Australia and the United Kingdom. Most recently, all three countries stood alongside the United States and made strong statements at the United Nations in

support of Ukraine. All three countries presented forceful statements on the UN floor denouncing Russia's ongoing aggression towards Ukraine. On the bilateral front, the Federated States of Micronesia severed its diplomatic relations with Russia and was subsequently included by Moscow on its list of "unfriendly" countries.

The Marshall Islands and Palau, which has an open ship registry, are key partners in deregistering and reporting vessels or taking action to investigate companies that have used their flags or companies in their jurisdiction for sanctions evasion. Both have moved to deregister vessels and companies suspected of involvement in illicit ship-to-ship transfers of oil to North Korean vessels. The Federated States of Micronesia also has taken action against entities falsely using their flag. In addition, we are working with the Federated States of Micronesia through the U.S. Coast Guard to improve counterterrorism and other measures at its ports. We are supporting regional capacity building for Pacific shipping registries, in partnership with Australia, New Zealand, and the Pacific Islands Forum Secretariat, as well as other likeminded partners.

Our embassies continue to strengthen democratic institutions in the Pacific Islands. U.S. Embassy Majuro recently provided training to over 30 journalists from the Marshall Islands, Federated States of Micronesia, Fiji, and Nauru on investigative reporting and journalism. Participants unequivocally agreed on the need for greater regional journalistic collaboration in the Pacific Islands region and on the importance of serving as watchdogs for society. The journalists' desire to tackle the complex regional issues of IUU fishing, the impact of climate change, human trafficking, and freedom of the press, amongst other themes, was an inspiration to us. USAID democratic governance programming is supporting local civil society organizations in the Federated States of Micronesia and the Republic of the Marshall Islands so they can advocate good governance and develop the practice of constituency building and citizen engagement. It will also support the national elections of the Marshall Islands by providing technical assistance on election administration and voter education. Palau is another great partner, and together we are co-hosting the 7<sup>th</sup> Our Ocean Conference, which is just days away. The conference could have been held elsewhere, but after Palau raised its hand for the region and world to lead on ocean protection and climate change by hosting the conference, we knew partnering with them was the right decision.

With some Pacific Island nations only six feet above sea level, many Pacific Island countries are particularly vulnerable both to the subtle environmental changes from climate change and debilitating natural disasters - sea level rise, coastline erosion, storm surge, droughts, volcanoes, cyclones, and typhoons, along with changes in the marine ecosystems that are part of their economies and cultural heritages - but also among the least able to respond. The United States, through USAID, is supporting the FAS to combat climate change, strengthen environmental stewardship including protecting coastal fisheries, addressing IUU fishing, addressing marine plastic pollution, and increasing and sustaining their disaster resilience/response capabilities. USAID assistance in the FAS has helped to unlock access to an estimated \$57 million from various international climate finance mechanisms such as the Green Climate Fund, Global

Environmental Facility and the Adaptation Fund. USAID and Federal Emergency Management Agency funding supports disaster response and recovery efforts across the FAS.

The United States, alongside our partners Japan and Australia, is expanding reliable and secure digital connectivity in the Pacific under the Trilateral Infrastructure Partnership. The first project under this partnership—the construction of an undersea fiber optic cable to the Republic of Palau—officially broke ground in December 2021. This cable will provide Palau with the redundancy it needs to realize the economic and development benefits of increased and strengthened digital connectivity. Additionally, the United States has been working closely with the Federated States of Micronesia on the East Micronesia Cable project.

Palau and the Marshall Islands are two of the 14 countries that maintain diplomatic ties with Taiwan. Taiwan also has diplomatic ties with two other Pacific Island countries (Nauru and Tuvalu). In 2020, Taiwan provided more than \$500 million in official development assistance globally, primarily to its diplomatic partners. Taiwan’s diplomatic partners, in turn, are a crucial source of support for Taiwan in the international community, including at the United Nations. These relationships are under enormous pressure from the PRC. Taiwan has lost eight diplomatic partners since the 2016 election of President Tsai Ing-wen, when Beijing ended an eight-year “diplomatic truce” due to its view that Tsai’s policies are less friendly to its interests. In December 2021, Nicaragua broke ties with Taiwan, the first country to do so in more than two years. The small size and proximity to the PRC of Taiwan’s four Pacific Island diplomatic partners, coupled with their heavy reliance on foreign assistance, make them especially susceptible to Beijing’s economic pressure. The U.S. government is working with Taiwan, under the auspices of AIT and TECRO, to counterbalance this influence and shore up Taiwan’s relationships in the Western Pacific.

A unique feature of our relationship with the Freely Associated States is that eligible citizens of all three Freely Associated States do not require visas to live, work, and study in the United States. The depth and breadth of our people-to-people relationships is one of the strongest foundations of our relationship, and it is growing stronger every year.

The United States’ relationships with the next generation of leaders in the Freely Associated States contribute to a continued shared understanding of our countries’ mutual interests. We are committed to working with the next generation of Pacific leaders, enabling them to drive positive change in their home countries. A key way in which the State Department advances this goal is through the annual Young Pacific Leaders (YPL) conference, which gathers emerging leaders from Pacific Island nations to discuss issues of regional concern. The Young Pacific Leaders Initiative, of which this conference is a part, now has numerous alumni with diverse backgrounds, including diplomats, government officials, teachers, NGO leaders, and journalists. The YPL program features a small grants competition for participants to transform ideas into action. In addition, Peace Corps has partnered with the FAS over sixty years with over 4,500 Volunteers until its departure in 2018. Peace Corps has had over 13,000 Volunteers in 12 Pacific Island nations over the past sixty years and plans to have approximately 120 per year total in Fiji,

Samoa, Tonga, and Vanuatu with the return to service by Volunteers there in late 2022 and early 2023.

Embassy Majuro continues to implement the Under Secretary of State for Public Diplomacy and Public Affairs'-funded (\$2+ million) women's empowerment program which ends in October 2022. This program, implemented by the International Organization for Migration, engages all three FAS. In addition, S/GWI recently launched Building Economic Inclusion via the Blue Economy (BELUU) program, being implemented in Marshall Islands, Palau, Tuvalu and Nauru by Grameen Foundation USA (Grameen) from October 1, 2021-September 30, 2024. BELUU focuses on the power of the blue and green economies to deepen the market participation of women entrepreneurs in these island nations which all have diplomatic ties with Taiwan. Taiwan has committed to provide 500k alongside S/GWI innovation funding of 600k for the project.

Our relationship with the Freely Associated States - underpinned by our respective Compacts - is a strategic component of our position in the Indo-Pacific. These relationships allow the United States to guard long-term defense and strategic interests. Our partnerships and engagement in the region matter greatly and generate outsized results. Nevertheless, the United States must continue to deepen our engagement not only with the Freely Associated States, but with Pacific Islands broadly. 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 (PRC), Russia, and other countries seeking to exert greater influence, in the Freely Associated States and across the larger Pacific region. The three Compacts do not expire but each can be terminated by either signatory government, subject to applicable provisions. However, our mutually beneficial relationships are also strongly tied to economic assistance provisions within each Compact and relevant subsidiary agreements, including certain federal programs and services which, absent successful negotiations, will end after 2023 for the FSM and RMI, and 2024 for Palau. Our strategic competitors are well aware that the scheduled end of U.S. economic assistance is fast approaching, so we must also recognize that now is not the time to leave the FAS open to their predations.

In light of the critical nature of these complex negotiations, President Biden has appointed Joseph Yun as Special Presidential Envoy for Compact Negotiations. Ambassador Yun has more than 33 years of diplomatic experience, including as the U.S. special representative for North Korea policy and as the United States Ambassador to Malaysia.

Our vision for the Indo-Pacific excludes no nation. The United States and the PRC are not zero-sum competitors. We welcome opportunities to collaborate with partners, including the PRC, on mutual interests and development goals in the Pacific islands, and to expand efforts with international institutions to tackle key global development challenges. The United States is committed to economic development that respects national autonomy and builds regional trust. This occurs when infrastructure and other areas are physically secure, financially viable, environmentally sound, and socially responsible. We encourage the PRC to promote and uphold these best practices in infrastructure development and financing, effective environmental and social safeguards and to adopt an open and inclusive approach to its Belt and Road Initiative

(BRI)-affiliated overseas infrastructure projects as it pursues economic cooperation with countries in the region and beyond.

In recent years, the PRC has expanded their engagement with the Pacific Islands. They have focused on increasing development aid, investments, and military assistance. Between 2006 to 2018, PRC provided \$1.8 billion in assistance to the Pacific Islands, which would put them third in the region after Australia (\$7.7 billion) and the United States (\$1.9 billion)

While PRC's trade relationship with the Freely Associated States grows, we remain a top trading partner in the Freely Associated States and have trade surpluses in goods with all three countries totaling approximately \$300 million in 2021. In 2020, trade in goods between the PRC and the Federated States of Micronesia was \$27.6 million in contrast to \$60.6 million with the United States. For the Marshall Islands, trade in goods with the PRC was \$3.29 billion while trade with the United States was \$150.8 million. For Palau, trade in goods with the PRC was \$24.4 million while with the United States it was \$21.6 million.

Against a backdrop of growing competition, there is uncertainty from our partners about the United States' willingness - and ability - to sustain our robust presence that has been a hallmark of much of the 20th century and that has contributed to peace, stability, and prosperity in the region. Our allies, partners, and other Pacific Island countries see our relationships with the Freely Associated States as a signal of our commitment to the Indo-Pacific.

The Biden-Harris Administration is prioritizing Compact negotiations with the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau as a U.S. foreign policy and national security objective. We are coordinating closely across the interagency to evaluate a range of options to promote continuing assistance to all three countries. These agreements are complex and require a thoughtful approach with extensive consultations to make sure that we get them right.

The U.S. Compact team is focused on continuing with productive talks in order to complete these negotiations in a timely fashion. To date, the negotiation team has consulted on subsidiary agreements under the Compact with each of the FAS covering certain federal programs and services and direct economic assistance, contingent on the availability of funding. The U.S. Compact team has held numerous negotiations and discussions with representatives from the Federated States of Micronesia. After initial discussions and negotiations with the Marshall Islands, we are ready to re-engage with the Marshall Islands representatives in light of work and progress made informally.

Likewise with Palau, we remain ready to engage in the required Compact Review that already is broad in scope and flexible, and we are also ready to resume negotiations on economic assistance after FY 2024 that as in the case of FSM and RMI has been a core element of the overall Compact relationship. As noted, the Administration announced the appointment of Ambassador Joseph Yun as the new Special Presidential Envoy for Compact Negotiations on March 22, 2022.

As part of our most recent engagement efforts, we have proposed in-person meetings with each country to further negotiations and address issues that remain. The negotiation team is working

diligently and in close cooperation with the NSC and a range of interagency stakeholders to facilitate progress on these complex negotiations.

As I noted, negotiators seek to complete negotiations in a timely fashion, understanding that Congress needs sufficient time to enact legislation as needed before any agreements amending the Compacts are brought into force and to provide Congress the opportunity to appropriate funds to avoid any lapse in U.S. assistance to these important partners.

To that end, we look forward to engaging with our Congress as negotiations with the FAS progress. We understand that successful negotiations are crucial to deepening our strategic partnerships with Pacific Island countries in support of a free, open, and secure Indo-Pacific. 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 interests in this vital region.

Chairman Manchin, Ranking Member Barrasso, distinguished members of the Committee, thank you for the opportunity to appear before you today, and we look forward to again working closely with Congress to ensure that the United States can effectively secure U.S. interests in the Indo-Pacific.