

**Statement of the H.E. Johnson Toribiong
President of the freely associated state of Palau
before the U.S. Senate Committee on Energy and Natural Resources
on S. 343, a bill
to Approve the Agreement reached in the 15th Anniversary Review of
the Compact of Free Association between the United States and Palau
June 16, 2011**

Chairman Bingaman, Ranking Minority Member Murkowski, and Distinguished Members: Thank you for this opportunity to testify on S. 343, the bill introduced by Senators Bingaman and Murkowski to approve the Agreement Between the United States and Palau reached in the 15th Anniversary Review of the relationship between the United States and Palau and Palau's assistance needs required by Section 432 of the Compact of Free Association between our states. I am here to urge its expeditious approval.

Mr. Chairman, I wrote you in February expressing my deep appreciation for your attention to Palau over the years, your sponsorship of this bill, and your leadership in continuing assistance to our islands while the Congress considers the Agreement. I reiterate this appreciation today.

Senator Murkowski, you are also owed Palau's profound gratitude for your leadership regarding the Agreement.

Committee staff members Allen Stayman and Isaac Edwards are as well.

Palau's thanks apply for the letters that the Committee's bipartisan leadership sent United States executive branch officials asking about the importance of the Compact and the Agreement to United States security interests and requesting a proposed amendment to the legislation to provide the budgetary offset that is needed under United States law and congressional rules to enable the legislation to be considered.

In response, the Departments of Defense and State wrote that the legislation is "vital" to United States security, also using words such as "critical," "increasingly important," and "invaluable." In the words of the Defense Department, a failure to pass it would "jeopardize" United States defense—which understands the situation in Palau. The State Department also wrote that the Department of the Interior has assured that congressional budget requirements would be met.

I hope that the Interior Department makes a proposal for this purpose soon.

To help explain why and why this legislation is needed, I will outline the background of the relationship between the United States and Palau and the Agreement that the bill would approve.

It began with the Battle of the island of Peleliu in 1944 when the United States liberated Palau from Japan in one of the bloodiest battles of World War II. Originally expected to be over in four days, it lasted for more than two months, also resulting in casualties on Angaur and Ngesebus, two other islands of Palau. All told, the United States Armed Forces, consisting of 1st

Marine Division, later relieved by the Army's 81st Infantry Division, suffered a total of approximately 9,500 casualties in Palau, including almost 2,000 killed in action.

Through this, valiant Americans liberated Palau from the yoke of colonialism that had weighed heavily on my people for almost 100 years, from the time that the Spanish wrenched freedom from our ancestors, through the era of German rule, and lastly, under the Empire of Japan. Liberation also set in motion events that 50 years later would lead to Palau regaining its sovereignty.

Nevertheless, the gargantuan battle devastated our islands and left our people destitute. Many Palauans were killed. At the end of World War II, fewer than 5,000 Palauans remained alive.

Having taken Palau, the United States governed it; first, under Naval Administration and then as a part of the United Nations Trust Territory of the Pacific Islands. The territory was the U.N.'s only strategic trusteeship at the request of the United States. This made it the only trusteeship subject to U.N. Security Council as well as Trusteeship Council jurisdiction. A Trusteeship Agreement committed the United States to develop Palau socially, economically, and into a self-governing status—but also gave the United States complete control over the islands for which so many Americans had lost their lives and which had tremendous continuing strategic importance to the United States and international peace.

At first, the territory was governed under a policy that closed the islands off from the world, invested little, and only permitted a subsistence economy. As the years went on, however, the United States began to be pressured by the inherent conflict between its obligation to develop Palau into self-government and its desire to maintain military control over a vast, strategic expanse of the Pacific.

The Kennedy Administration's two-pronged solution—continued by succeeding administrations—was, one, to extend substantial assistance, particularly several domestic United States programs, to bind the islands to the United States, and, two, to encourage the idea of free association instead of independence. This status would enable the territory to become self-governing, but retain for the United States full military authority almost as if the islands were United States territory. Compacts of Free Association were negotiated with Palau and two other groups of islands of the Trust Territory.

The Compact with Palau, which was signed in 1985, ultimately made Palau a nation, but gave the United States the desired control over a strategic expanse of the western Pacific the size of Texas between the Philippines, Guam, and Indonesia, as well as military basing rights for 50 years. In consideration, it also committed to give Palau budgetary, developmental, and program assistance, and permits Palauans to enter and work in the United States, as well as to join the United States Armed Forces as—many do.

The Compact as negotiated was not universally embraced in Palau. It took two United States laws, the second enacted in 1989 addressing concerns of many of our people, and seven referenda in Palau before it was finally approved in our islands.

And then it took years to obtain United Nations Security Council approval because of questions as to whether the Compact's United States military rights were more extensive than can exist in another sovereign nation and inconsistent with the fundamental principle of free association.

Palau finally became a state in free association with the United States on October 1st, 1994.

The Compact specified assistance for 15 years and provides, in Section 432, that subsequent assistance for at least the duration of the 50 years of base rights would be determined in periodic joint reviews of Palau's needs. Some of Palau's needs during Years 15 through 50 of free association were to be met through a trust fund. But the framers of the Compact wisely recognized that more would be needed and Palau's needs could not be projected so far into the future. The reviews were also mandated so that both of our freely associated states could re-evaluate the relationship as a whole on a periodic basis. So, the Compact provides for assessments of our association and of the assistance that Palau needs at the 15, 30, and 40-year marks. It also commits the United States to act on the needs of Palau identified in the reviews.

The 15th anniversary of the Compact occurred on October 1, 2009. Because the assistance specified in the Compact was to expire September 30, 2009, Palau sought to begin the 15th Anniversary Review in 2008. However, although some United States officials agreed to take steps in this regard, the effort failed.

The process did not get seriously started until early 2009 when I visited new Secretaries Clinton and Salazar. Then, beginning in May 2009, my Compact Review Advisory Group began to meet with a team of United States representatives led by the Department of State.

The Review was protracted due to delays on the United States side. This necessitated a continuation of assistance to Palau for essential government services in Fiscal Year 2010 based on Fiscal Year 2009 funding which you, Mr. Chairman, others, and, then, the United States Administration requested.

Agreement was finally reached last September 3rd after the personal involvement of Secretary Clinton, Assistant Secretary of the Interior Babauta, Deputy Secretary of the Interior Hayes, then Deputy Secretary of State Lew, Deputy Assistant Secretary of State Reed, and others, and constructive work done by all involved with the United States team.

Senior United States officials encouraged me to sign the Agreement last summer so that it could be approved by the United States Congress in time for Fiscal Year 2011 appropriations. Ultimately, however, it was not submitted to you for approval until this past January. This necessitated another continuation of assistance to Palau for essential services based on Fiscal Year 2009 funding, which I appreciate you, Mr. Chairman, urging and Chairman Inouye of the Appropriations Committee insisting upon.

It also resulted in new requirements regarding the Agreement's approval in the United States Congress. The assistance that the Agreement would provide would be considered mandatory appropriations. Last year's PAYGO Act created a requirement that the cost be offset. New House rules require that the offset be in the form of a reduction in other mandatory spending to

make the legislation even eligible for consideration—and leaders of the new House majority have made clear that this is important politically as well.

Under the Agreement, Palau would be provided assistance totaling \$215.75 million from Fiscal Years 2011 through 2024—although more than \$13 million of this was already appropriated in the continuing appropriations for Fiscal Year 2011.

The total amount is critical for Palau but it is much less than what was provided during the first 15 years of the Compact. In addition, the Agreement would, in response to demands of the United States negotiators, phase out assistance for essential government services and infrastructure by Fiscal Year 2024, with assistance for government services totally ending in Fiscal Year 2023, a year before the next review.

There are other issues: There is no provision to adjust amounts for inflation as in the Compact and the revised compacts with the other freely associated states; the subsidy for the United States Postal Service would continue even if institutes international rates for Palau delivery; and Palau would have to begin paying for audits the United States wants.

The Agreement would also require mutually and expertly determined substantial Palauan spending and revenue reforms. These reforms will require tough measures but are intended—and needed—to strengthen Palau’s budgetary practices and its economy. The reforms would ultimately lessen our islands’ absolute need for United States assistance. This will create a stronger, more self-reliant Palau, which is what our islands should be and which would be a better partner for the United States.

Finally, the Agreement would also make changes in United States programs and services in response to requests of various United States agencies in areas including civil aviation, postal service, telecommunications, and weather reporting, amending seven of the Compact’s subsidiary agreements. The Agreement would, additionally, amend the Compact to reflect Palau’s current practice of issuing machine-readable passports, which enhance United States border security.

Strategic control of Palau and its extensive waters and base rights are not all that are at stake for the United States. Our relationship is based upon our common interests and ideals. For example, year in and year out, Palau votes with the United States in the United Nations more than any other member state. It has stood alone with the United States on key votes, including those concerning Israel and Cuba, despite pressure and entreaties from other nations that have offered friendship.

The Government of Palau’s agreement to the request of the United States that we provide a home for Chinese Muslims that the Bush Administration determined it had erroneously detained at Guantanamo is another example of the unmatched alliance between Palau and the United States. We agreed to provide this sanctuary when no other nation would. Many Palauans had strong reservations, however, and we also did so over the strong objections of the Government of China, which had made economic overtures to our islands. In fact, Palau has provided third-

country refuge to more former Guantanamo detainees than any nation other than predominantly Muslim Albania to assist the United States.

And there is no more telling demonstration of the closeness Palau feels to the United States than the record of Palauans serving in the Armed Forces of the United States, which I have been told is at a higher rate than any other state of or associated with the United States. Palauans have fought alongside their American comrades-in-arms in Lebanon, Vietnam, Iraq, Afghanistan, and in other theaters of war, and have given their lives and limbs in this service. Just last month, I attended the funeral of another young Palauan who was killed in the Afghanistan. Three of his siblings continue to serve in the United States Army.

Palau is the United States' closest and most loyal ally. The vast majority of Palauans are happy and proud to be able to help the United States and give back to a nation that has done so much for them.

But there are elements that who would use any failure of the United States to live up to its commitments under the Compact to try to diminish the confidence of Palauans and others in the strong relationship between our freely associated states and to encourage Palau in a different direction.

A failure of the United States Congress to approve this Agreement or an undue delay in assistance which now constitutes 24% of Palau's budget would encourage some—including some in Palau who questioned the Compact even when it was approved—to argue that Palau should move away from the United States and look elsewhere.

And if there is no agreement or an end to essential assistance, many Palauans would insist on an end to the United States military rights under the Compact that the Department of Defense has advised are essential to United States security and for maintaining regional peace.

Already some Palauans are enticed by the new economic power of China, which clearly wants more influence in Palau. We all want greater economic interaction with China, but it should be without compromising the close alliance between Palau and the United States

I, personally, have a fundamental and enduring commitment to strengthen the relationship between Palau and the United States. This reflects the real desires of the majority of my people. But we will all face a very serious challenge if this Agreement is not approved, and it is simple logic that United States military rights under the Compact and other Palauan support for the United States under the current association could not be expected to continue if the United States does not continue to meet the promise of the Compact.

The relationship will also be significantly—and very unadvisedly—undermined if assistance that the Government of Palau absolutely needs to continue critical services to its people is allowed to lapse even if the Agreement is subsequently approved by the United States Congress. In this regard, United States officials should plan to continue assistance on at least the current basis if they do not act to enable the Agreement to be approved by United States law soon.

The delay in United States action on the Agreement has already led to substantial questions about it being raised by influential leaders of our island. The danger of the growing doubts should be recognized by United States officials. The history of the Compact in Palau should not be forgotten.

I am, however, hopeful that this hearing will be at a catalyst for the United States executive branch and congressional action needed to approve the Agreement, and am confident that Palau will reflect its appreciation for the United States by approving the Agreement.

I respectfully request the Committee to favorably report the bill and lead the Congress in its enactment.

Thank you for your attention and consideration.