

Statement for the Record

September 10, 2012

Chairman Fleming, thank you for allowing me the opportunity for me to address the Subcommittee. The revised Compact of Free Association agreement with the Republic of Palau is a significant topic of discussion, and I am grateful your Subcommittee is holding this hearing to bring more attention to the issue.

The Compact with Palau was negotiated in the 1980s at the height of the Cold War with the goal of establishing democratic self-governance and economic self-sufficiency in Palau, while preserving strategic control of the Western Pacific. Although it was completed in 1986, it did not enter into force for another eight years. Thus in 1994, the United States and the Republic of Palau implemented a Compact of Free Association ending 49 years of direct American administration under the auspices of the United Nations' Trust Territory of the Pacific Islands.

The Compact provided for several types of assistance, including direct economic assistance for 15 years to the Palau government, establishment of a trust fund to provide Palau \$15 million in annual payments from 2010 to 2044, infrastructure investments, and the provision of federal services such as postal, weather, and aviation. The Government Accountability Office, which is represented here today, estimated that Palau received a total of \$852 million between 1995 and 2009.

In late 2010, the Administration completed a 15-year review of the Compact, as required under the terms of the agreement, and intended to provide Palau a total of \$215 million through the next 15-year agreement period. This revised agreement does not change the fundamental provisions of the original Compact; however, it does gradually reduce the financial support provided by the U.S. and extends the life of the agreement to 2024. More importantly, the revised agreement greatly improves the likelihood of the existing trust fund's ability to sustain payments through to 2044, as originally planned. It also requires visitors from Palau to have a machine readable passport to enter the U.S., and it conditions future financial assistance on Palau's progress in achieving key economic reforms.

In late June of this year I introduced H.R. 6040, which will approve the revised Compact agreement, certify the United States' commitment to Palau, and secure our vital interests in the Western Pacific. It is with utmost urgency that your committee moves this bill forward and helps push the approval of the Compact with Palau out of its nearly two-year deadlock in Congress.

Palau is an important friend in the Asia-Pacific region. It is one of six Pacific Island nations to have diplomatic ties with Taiwan rather than China. According to the Department of Defense, Palau is irreplaceable because it covers a strategic expanse of the Pacific as large as Texas and gives the U.S. the right to deny other nations access to Palau's land and waterways. This prevents nations like China from using sea-lanes that it wants to develop its economic and military projection in the region. In addition, Palau supports the U.S. on 90 percent of the votes regarding Israel at the United Nations.

In a letter to President Obama, President Toribiong of Palau describes that during the 21 months that have lapsed since the agreement was signed, an increasing number of Palauans have begun to question the United States' commitment to the relationship, resulting in the temptation to accept assistance offers from China, various Arab nations, or Cuba. I request that this letter be included in the record and stress that we cannot let this happen.

Over the past few decades, the relationship with Palau has evolved into a strong partnership with people who share American values and closely identify with the U.S. With a number of leaders on both sides of the aisle in both chambers of Congress supporting the agreement, it is critical that Congress approves the agreement, outlined in H.R. 6040, to ensure the relationship stays steadfast and strong.

Chairman Fleming, thank you again for your continued support and I look forward to working with you in the near future to finally approve the revised Compact of Free Association with Palau.



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The President of the United States of America
The White House
Washington, DC, USA

Dear Mr. President:

I am writing to respectfully request that your Administration identify the relatively small cost offsets necessary for the Congress of the United States to approve the Compact Review Agreement that I signed on September 3, 2010 with the United States. The Agreement, which would phase out direct assistance to Palau, provides the terms for a continuation of the Free Association between Palau and the United States through fiscal year 2024. Under the Compact, our country gives the United States strategic and exclusive control of an expanse of the western Pacific the size of Texas that the United States Department of Defense terms "critical" to United States' security and interests. As one of the closest allies of your country, Palau has also voted with the United States in the United Nations more than any other member.

The Compact Review Agreement was made possible due to the efforts of Secretary Clinton, then Deputy Secretary of State Lew, Deputy Secretary of the Interior Hayes, and other officials of your Administration. I was encouraged by United States officials to sign the Agreement by the date I did so that the last Congress could approve it. It was not submitted for congressional approval, however, until this Congress. This subjected the approval legislation to new offset requirements imposed by Congressional Republicans.

More than a year ago, officials of your Administration made offset suggestions in Department of the Interior programs that had previously been proposed in other contexts. The leaders of both parties of the committees of jurisdiction in both Houses of the Congress have reiterated that the suggestions cannot pass their committees, and Appropriations Chairmen in both Houses have said that the suggestions cannot be used as offsets for the necessary legislation. All of these Congressional leaders and others have said that they support the Agreement, with Republicans saying that they will act to approve it if acceptable cost offsets are provided.

The United States Department of Defense has advised that the "[f]ailure to follow through on... commitments to Palau, as reflected in the proposed legislation, would jeopardize" the "defense posture" of the United States. The twenty-one months that have elapsed since the Agreement was signed has caused an increasing number of Palauans to question the Agreement and the

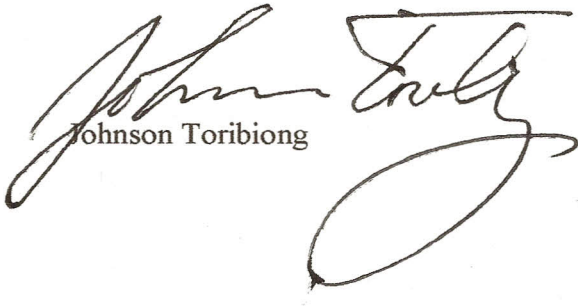


commitment of the United States to the Free Association relationship of our countries. It has resulted in some Palauans being enticed by the potential of assistance from China and offers of funding from Arab nations. I am not among this number. Palauans are generally very grateful for being liberated from Japan by the United States during World War II and for the generosity of the United States during its administration of our islands for half a century afterwards and during the years of Free Association since then. But those Palauans who think we should now look elsewhere are a growing challenge, a disturbing trend in my view.

I hope that your Administration will work with the committees of jurisdiction of the Congress to identify offsets for the small cost of the Compact Review Agreement that can pass the committees of jurisdiction and enable the Agreement to be approved before the end of this fiscal year.

With appreciation for your leadership, I am

Sincerely yours,

A handwritten signature in black ink, appearing to read "Johnson Toribiong". The signature is stylized and fluid, with a large loop at the end.
Johnson Toribiong