

The Freely Associated States and Issues for Congress

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Jared G. Tupuola

Analyst in Foreign Affairs

The Freely Associated States and Issues for Congress

This report provides background information and issues for Congress on the Freely Associated States (FAS)—the Republic of the Marshall Islands (RMI), Federated States of Micronesia (FSM), and Republic of Palau—and on the Compacts of Free Association that govern their relationships with the United States. The FAS are sovereign states that through bilateral Compacts of Free Association with the United States receive U.S. economic assistance and grant the United States the prerogatives to operate military bases on their soil and make decisions that affect mutual security.

The FAS and their citizens contribute to U.S. military efforts and help advance U.S. diplomatic and security interests globally and in the Pacific Islands region. Located roughly 2,500 miles southwest of Hawaii, the FAS play a role in supporting the U.S. security presence in the Pacific Islands region at a time of increasing strategic competition between the United States and its allies, on the one hand, and China, on the other. The U.S. military operates the Ronald Reagan Ballistic Missile Test Site on Kwajalein Atoll in the Marshall Islands. The United States is building a high-frequency radar system in Palau, and plans military investments and engagement in Micronesia. The Compacts allow FAS citizens to serve in the U.S. Armed Forces and to live, work, and study in the United States as lawful non-immigrants or without the status of Lawful Permanent Residents or U.S. citizens. Many have served in the U.S. military and/or migrated to U.S. states and territories.

Compact economic assistance is term-limited, while most provisions related to defense, security, migration, and other areas are indefinite. In 2023, after over two years of negotiations, the United States signed agreements with the FAS on extending economic assistance for 20 years. The agreements include grant assistance and trust fund contributions for the RMI, FSM, and Palau that total approximately \$2.3 billion, \$3.3 billion, and \$0.9 billion, respectively, for FY2024-FY2043. In addition, the agreements include \$634 million to continue U.S. Postal Service operations in the FAS. Congress approved the 2023 Compact agreements via the Compact of Free Association Amendments Act of 2024 (Division G, Title II, of the Consolidated Appropriations Act, 2024 (P.L. 118-42)).

The FAS cover a maritime area larger than the continental United States, govern over 1,000 islands and atolls, and have a combined population of approximately 200,000. The FAS economies face structural challenges similar to many of those facing other Pacific Island countries, including lack of economies of scale, small land areas, limited natural and human resources, remote locations, poor infrastructure, and vulnerability to climate change.

Congressional considerations may include U.S. policies and responses to the following issues related to the Freely Associated States: the efficiency of Compact implementation and use of assistance funds; the level of FAS integration into the U.S. security posture in the Pacific; China's influence in the FAS; the impact or effectiveness of Compact assistance on economic development in the FAS; ongoing needs related to the impact of U.S. nuclear weapons testing during the 1940s and 1950s over the Marshall Islands; other concerns for which the FAS seek greater attention from the United States; and the impact of FAS migration on U.S. states and territories.

Contents

Overview	1
Strategic Importance.....	4
Security Ties	5
U.S. Economic Assistance to the FAS and the Region.....	6
Compact Grant Assistance: 1987-2023	6
2023 Compact Agreements.....	8
Oversight	9
New Compact Provisions	9
Other Legislation	10
Nuclear Legacy Issues.....	11
Runit Dome	11
Nuclear Compensation	12
FAS Migration	14
Compact Impact Funding	14
FAS and China.....	15
Congressional Considerations	17

Figures

Figure 1. Freely Associated States.....	4
Figure 2. Pacific Subregions.....	5

Tables

Table 1. The Freely Associated States: At a Glance	1
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Contacts

Author Information.....	18
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Overview

The Republic of the Marshall Islands (RMI), Federated States of Micronesia (FSM), and Republic of Palau, known collectively as the Freely Associated States (FAS), cover a maritime area larger than the continental United States, govern over 1,000 islands and atolls, and have a combined population of approximately 200,000. (See **Table 1** and **Figure 1**.) The Freely Associated States are sovereign, United Nations-member states that have negotiated bilateral Compacts of Free Association with the United States. Under the Compacts, the FAS receive U.S. economic assistance and security guarantees, and grant the United States the prerogatives to operate military bases on their soil and make decisions that affect U.S. and FAS security.¹

Table 1. The Freely Associated States: At a Glance

	Marshall Islands (RMI)	Micronesia (FSM)	Palau
Geography	29 atolls and five isolated islands	Four main island groups	Nine inhabited islands, including one large island, and 330 uninhabited islands
Land Area	70 sq. miles (Somewhat larger than the size of Washington, DC)	270 sq. miles	177 sq. miles
Maritime Area	750,000 sq. miles	1 million sq. miles	237,850 sq. miles
Population	82,011	99,603	21,864
Government	Presidential republic	Constitutional confederation	Presidential republic
“Freedom Score” and Ranking	Free (93 out of 100)	Free (92 out of 100)	Free (92 out of 100)
GDP Per Capita and Ranking	\$6,800 (160 out of 222)	\$3,800 (187 out of 222)	\$15,800 (119 out of 222)
Economic Sectors	Copra, tuna processing, tourism, craft items	Tourism, construction, specialized aquaculture, craft items	Tourism, fishing, subsistence agriculture
Life Expectancy	75 years	75 years	75 years

Source: Central Intelligence Agency, *The World Factbook*, 2024; Freedom House, *Freedom in the World* 2024.

Notes: GDP per capita in purchasing power parity terms. Freedom House “Freedom Score” based upon political rights and civil liberties indicators.

In 1947, the Marshall Islands, Micronesia, the Northern Mariana Islands, and Palau, which had been under Japanese control during World War II, became part of the U.S.-administered United Nations Trust Territory of the Pacific Islands.² The Northern Mariana Islands chose commonwealth status in 1975, becoming the Commonwealth of the Northern Mariana Islands (CNMI).³ In 1978, the Marshall Islands, Micronesia, and Palau rejected the option of U.S.

¹ See also CRS In Focus IF12194, *The Compacts of Free Association*, by Thomas Lum.

² U.S. military forces defeated the Japanese Imperial Army in the Mariana Islands and Palau in 1944. In the Battle of Peleliu in northern Palau, nearly 1,800 American soldiers were killed and 8,000 were wounded.

³ Guam, occupied by the United States after the Spanish American War ended in 1898, became an unincorporated territory in 1950. The United States exercised authority over the eastern islands of Samoa (which became American Samoa) beginning in 1900. See U.S. Department of the Interior, “American Samoa,” at <https://www.doi.gov/oia/islands/american-samoa>.

territorial or commonwealth status and instead chose the status of *free association* with the United States.

The governments of the United States and the Marshall Islands and Micronesia signed Compacts of Free Association in 1982. The RMI and FSM Compacts were approved by plebiscites in the Marshall Islands and Micronesia and by both houses of the U.S. Congress in 1985, becoming effective in 1986.⁴ With the exception of economic assistance, most provisions extend for an indefinite period. Also in 1986, the United States and Palau signed a 50-year Compact of Free Association, which was approved by the both houses of Congress that year, but not ratified in Palau until 1993 (entering into force in 1994).⁵

Timeline

1986: Compacts of Free Association between the United States and the Marshall Islands and between the United States and Micronesia enter into force.

1995: The Compact of Free Association between the United States and Palau enters into force.

2003: Congress approves amendments to the Compacts with the Marshall Islands and Micronesia, extending financial assistance for another 20 years (2004-2023).

2004: The U.S. government finds that the Marshall Islands is not legally entitled to additional compensation for nuclear test damages.

2010: The United States and Palau reach an agreement to extend economic assistance for another 15 years (2010-2024).

2020: The U.S. government begins discussions with the FAS related to expiring economic provisions in the Compact agreements and their renewal.

2022: The Biden Administration appoints Ambassador Joseph Yun as Special Envoy for Compact Negotiations.

2023: The United States signs bilateral agreements with the FAS on extending economic assistance for 20 years.

2024: Congress passes the Compact of Free Association Amendments Act of 2024 (Division G, Title II, of the Consolidated Appropriations Act, 2024 [P.L. 118-42]), approving the 2023 Compact economic agreements between the United States and the FAS.

The U.S. government has argued that the Compacts help advance economic development and self-sufficiency among the FAS and support the national security interests of the United States and the FAS in light of Cold War geopolitical concerns related to the Soviet Union.⁶ Although the goals of democratic self-government and mutual security largely have been achieved, economic development and self-sufficiency have remained elusive, particularly in the Marshall Islands and Micronesia. In addition to economic assistance, key provisions of the Compacts include the following:

- The United States is obligated to defend the FAS against attack or threat of attack. The United States may block FAS government policies that it deems inconsistent with its duty to defend the FAS (also known as the “defense veto”).
- The United States has the prerogative to reject the strategic use of, or military access to, the FAS by third countries (the “right of strategic denial”).

⁴ P.L. 99-239, Compact of Free Association Act of 1985.

⁵ P.L. 99-658, Palau Compact of Free Association Act and P.L. 101-219, Palau Compact of Free Association Implementation Act.

⁶ See, for example, Statement of Hon. Stanley O. Roth, Assistant Secretary of State for East Asian and Pacific Affairs, Compact of Free Association with the Marshall Islands, Federated States of Micronesia, and Palau: Joint Oversight Hearing before the Committee on Resources and Subcommittee on Asia and the Pacific of the Committee on International Relations, October 1, 1998.

- The United States may establish military facilities in the FAS. The U.S. military currently operates the Ronald Reagan Ballistic Missile Defense Test Site (RTS) at U.S. Army Garrison-Kwajalein Atoll in the RMI.
- FAS citizens have the right to reside and work in the United States and its territories as lawful non-immigrants.⁷
- FAS citizens are eligible to volunteer for service in the U.S. Armed Forces.
- The FAS are eligible for some U.S. federal programs and services, both on a mandatory and discretionary basis.

An estimated 94,000 FAS citizens live in the United States, including children under age 18 who were born in the United States and hold dual citizenship.⁸ The FAS do not have their own militaries; over 1,000 FAS citizens currently serve in the U.S. Armed Forces.⁹ On a per capita basis, FAS citizens serve in the U.S. military at a higher rate than many U.S. states' citizens.¹⁰ Eighteen FAS citizens lost their lives serving in the U.S. military, mostly in the Iraq and Afghanistan wars.¹¹ The FAS have supported the United States in the United Nations (UN); the RMI and FSM have among the highest rates of agreement with U.S. positions or votes and consensus resolutions.¹²

⁷ FAS citizens are allowed to lawfully reside in the United States, but they are not considered Lawful Permanent Residents or U.S. citizens.

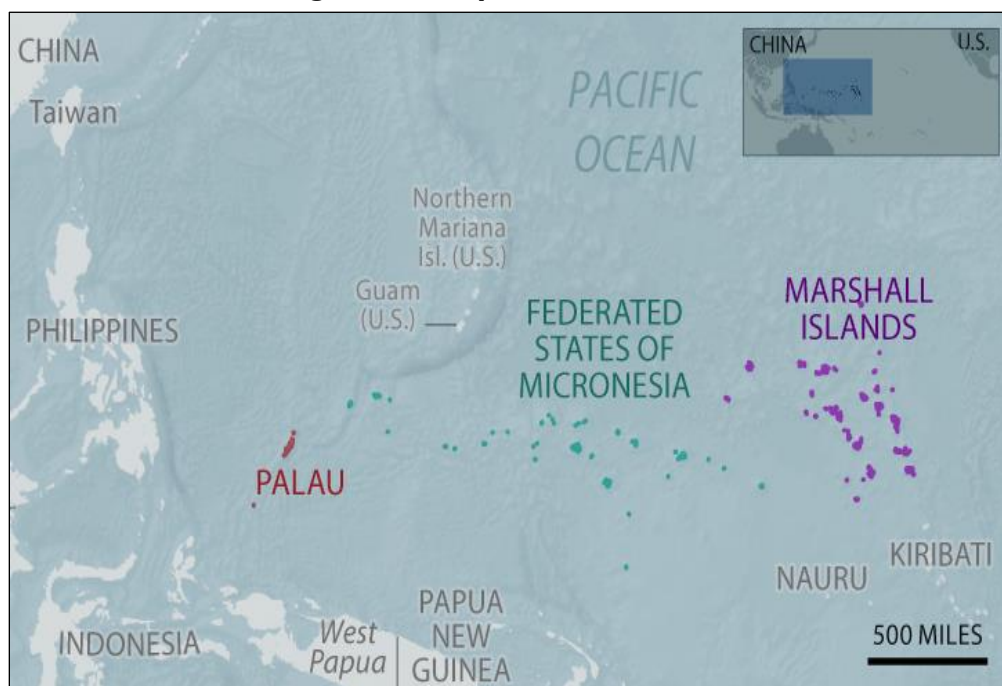
⁸ Government Accountability Office, *Compacts of Free Association: Populations in U.S. Areas Have Grown, with Varying Reported Effects*, June 2020. A recent report states that the number of migrants may be approximately 100,000. Chad Blair, "Congress Restores Federal Benefits to COFA Migrants as Part of \$7.1 Billion Aid Deal," *Civil Beat*, March 10, 2024.

⁹ Department of State, "U.S. Relations with Palau," August 24, 2022; Terri Moon Cronk, "Esper Welcomes Micronesia's President to Pentagon," U.S. Department of Defense, October 11, 2019.

¹⁰ Department of State, "U.S. Relations with Marshall Islands," December 9, 2021; Department of State, "U.S. Relations with the Federated States of Micronesia," October 19, 2021.

¹¹ Sandra Oudkirk, Deputy Assistant Secretary for Australia, New Zealand, and Pacific Islands, Department of State, Statement before the Senate Committee on Energy and Natural Resources, "Hearing on U.S. Interests in the Freely Associated States," July 23, 2019.

¹² Department of State, "Voting Practices in the United Nations 2022," March 31, 2022.

Figure 1. Freely Associated States

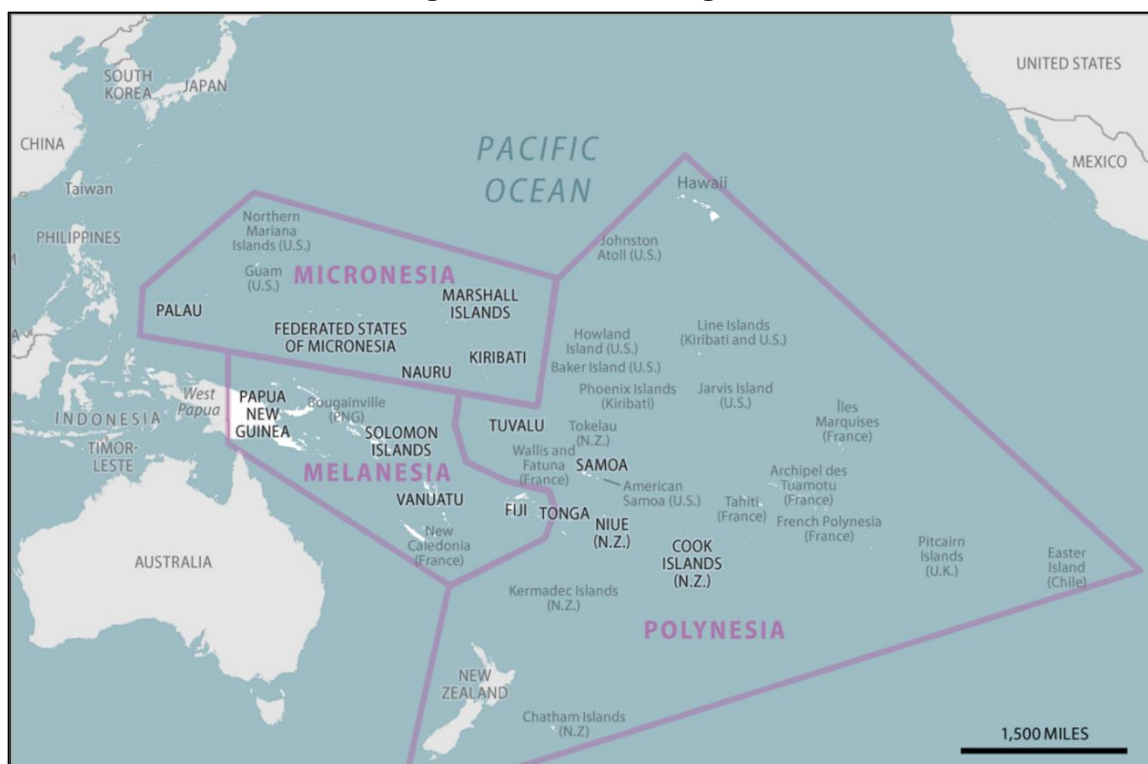
Source: Congressional Research Service.

Strategic Importance

Since the end of World War II, the United States has held a dominant economic and security presence in the Micronesian subregion of the Southwest Pacific, where the FAS as well as Guam and the CNMI are situated (see **Figure 2**).¹³ Located roughly 2,500 miles southwest of Hawaii, the FAS play a role in supporting the U.S. security presence in the Pacific Islands region at a time of increasing strategic competition between the United States and its allies, on one hand, and the People's Republic of China (PRC, or China), on the other. Some security and foreign policy experts refer to the Micronesian subregion as forming part of the so-called “second island chain” in the Pacific, which has strategic importance for both the United States and China. The “first island chain” includes southern Japan, Taiwan, and the Philippines.¹⁴

¹³ For information on Guam's role in U.S. military planning and U.S. military infrastructure on Guam, see CRS Report R47643, *Guam: Defense Infrastructure and Readiness*, by Andrew Tilghman.

¹⁴ The second island chain includes Palau, Micronesia, Guam, and the CNMI. See Andrew J. Harding, “The Pacific Pivot: An American Strategy for the Pacific Islands,” Heritage Foundation, October 1, 2024; Derek Grossman, “America Is Betting Big on the Second Island Chain,” *The Diplomat*, September 5, 2020; R. Matelski, “America's Micronesia Problem,” *The Diplomat*, February 19, 2016; Andrew S. Erickson and Joel Wuthnow, “Why Islands Still Matter in Asia: The Enduring Significance of the Pacific ‘Island Chains,’” *The National Interest*, February 6, 2016; “The Rising Strategic Stock of Micronesia,” *PACNEWS*, February 3, 2015.

Figure 2. Pacific Subregions

Source: Congressional Research Service.

Security Ties

In addition to air and naval bases on Guam, the U.S. military operates the Ronald Reagan Ballistic Missile Defense Test Site (RTS) at U.S. Army Garrison-Kwajalein Atoll in the Marshall Islands. RTS supports missile and missile defense testing, space launch, and space surveillance activities.¹⁵ The amended Compact of 2003 extended U.S. base rights on Kwajalein Atoll through 2066, with a U.S. option to continue the arrangement for an additional 20 years.¹⁶

In 2021, U.S. and Micronesian officials agreed to cooperate on building up a “more frequent and permanent U.S. Armed Forces presence” in the FSM “with the purpose of serving the mutual security interests of both nations.”¹⁷ The U.S. military reportedly plans to upgrade an airport, deploy air defense assets, and conduct military exercises on Yap Island in the FSM.¹⁸ In September 2024, U.S. and Australian military personnel paid a visit to Kosrae, FSM, as part of Pacific Partnership 2024-2. The team engaged in humanitarian and disaster relief preparedness

¹⁵ U.S. Army Space and Missile Defense Command, “Ronald Reagan Ballistic Missile Defense Test Site at Kwajalein, Fact Sheet,” at https://www.smdc.army.mil/Portals/38/Documents/Publications/Fact_Sheets/RTS.pdf.

¹⁶ Compact of Free Association Military Use and Operating Rights Agreement Between the United States of America and the Marshall Islands, April 30, 2003, Article X.

¹⁷ Embassy of the Federated States of Micronesia, “FSM-U.S. High-Level Defense and Security Talks Conclude; Actions Taken, Commitments Made, Essential to FSM and Indo-Pacific Security,” press release, July 27, 2021.

¹⁸ Mar-Vic Cagurangan, “Micronesia President Says US Beefing Up Military Capabilities in the Pacific Country,” *The Guardian*, April 9, 2024; Mar-Vic Cagurangan, “US to Deploy Air Defense Assets to Yap,” *Pacific Island Times*, August 23, 2023.

activities.¹⁹ The U.S. Air Force is building a Tactical Multi-Mission Over-the-Horizon Radar (TACMOR) transmitter facility on Palau's Babeldaob Island.²⁰ In November 2023, the Palau Senate passed a resolution rejecting a proposal for the permanent deployment of a Patriot missile defense system in Palau; the president of the Senate argued that a U.S. military buildup was in the interests of the United States rather than Palau's.²¹

U.S. Economic Assistance to the FAS and the Region

The United States provides economic assistance to the FAS pursuant to Title II of the Compacts of Free Association. Economic assistance is term-limited, while provisions related to defense, security, migration, and other areas are indefinite. The U.S. government provides Compact economic assistance pursuant to multiyear bilateral agreements between the United States and the FAS. The President submits these agreements as draft legislation to both houses of Congress, which may approve them through passing implementing legislation. The Department of the Interior (DOI) funds and administers U.S. economic assistance, also referred to as grant assistance, through mandatory or permanent appropriations.²²

Compact Grant Assistance: 1987-2023

Pursuant to the Compacts and the Compact of Free Association Act of 1985,²³ the United States provided DOI grant assistance worth approximately \$661 million to the Marshall Islands and \$1.54 billion to Micronesia during the first Compact economic assistance term (1987-2003).²⁴ Following the completion of negotiations in 2003,²⁵ Congress approved agreements amending the Compacts and extending assistance for another 20 years.²⁶ Two new features of the assistance were the establishment of trust funds to provide sustainable sources of revenue after 2023 and the creation of oversight committees with members from the U.S. and FAS governments "to strengthen management and accountability with regard to assistance provided under the Compact[s]."²⁷

During the second economic assistance term (2004-2023), U.S. grant assistance and trust fund contributions to the Marshall Islands totaled \$722 million and \$276 million, respectively. Micronesia received \$1.6 billion in grant assistance and \$517 million in trust fund contributions

¹⁹ Winslow Blow, "Pacific Partnership 2024-2 Commences Mission in Kosrae, Federated States of Micronesia," U.S. Pacific Fleet, September 18, 2024.

²⁰ Shaun Turton, "Palau-Based Radar Delayed Despite U.S. Focus on 2nd Island Chain," *Nikkei Asia*, July 26, 2024.

²¹ David Brunnstrom and Kirsty Needham, "UPDATE 1-US Missile Defense Proposal Stirs Debate in Palau," Reuters, December 20, 2023; L.N. Reklai, "Patriot Missile Plan Stirs Debate in Palau," *Radio Free Asia*, October 4, 2023.

²² See Department of the Interior, "Compact Grants Assistance," at <https://www.doi.gov/oia/compact-grant-assistance>.

²³ P.L. 99-239.

²⁴ Reported Compact economic assistance totals vary by source of information and types of assistance. These amounts do not include nuclear test-related funding and Kwajalein payments to the Marshall Islands, federal program assistance, Compact Impact funding, and other assistance using discretionary funds. See Department of the Interior, *Budget Justifications, Fiscal Year 2025, Office of Insular Affairs*, p. 69.

²⁵ The economic provisions of the Compacts with the Marshall Island and Micronesia expired in 2001. Economic assistance was extended by two years (2002-2003) while bilateral negotiations to amend the Compacts and continue economic assistance took place.

²⁶ The Compact of Free Association Amendments Act of 2003 (P.L. 108-188).

²⁷ USCompact.org, "About JEMCO and JEMFAC," at <http://www.uscompact.org/about/jems.php>.

during the same period.²⁸ Compact grant assistance targeted six sectors: education, health care, private sector development, the environment, public sector capacity building, and public infrastructure.²⁹

During Palau's first Compact economic assistance term (1995-2009), Compact assistance included grants, road construction, and the establishment of a trust fund worth \$574 million.³⁰ In 2010, the United States and Palau concluded the U.S.-Palau Compact Review Agreement, to extend economic assistance for another 15 years (2010-2024), worth \$229 million.³¹ The 2010 agreement was not fully funded by Congress until FY2018.³² The Government Accountability Office reported that in 2019, Compact sector and supplemental education grants made up 21%, and 28% of government expenditures in the RMI and FSM, respectively, while Palau relied on Compact grants as well as disbursements from its Compact trust fund amounting to 13% of expenditures in FY2019.³³

Compact economic assistance funded through DOI has amounted to roughly 75%-80% of all U.S. assistance to the Pacific Islands region.³⁴ Outside of DOI Compact economic assistance, U.S. assistance to the Pacific Islands region also has been expanding. The Trump Administration increased foreign assistance to the Pacific Islands.³⁵ The Biden Administration held two U.S.-Pacific Islands Forum Summits, in September 2022 and September 2023, during which it announced the U.S. Pacific Partnership Strategy and other new initiatives and funding, subject to congressional appropriations.³⁶ Total U.S. development assistance to the region increased from

²⁸ These amounts do not include nuclear test-related funding and Kwajalein payments to the Marshall Islands, federal program assistance, Compact Impact funding, and other assistance using discretionary funds. See Department of the Interior, *Budget Justifications, Fiscal Year 2025, Office of Insular Affairs*, p. 73.

²⁹ Listed in the order that they appear in the agreements. The Compact of Free Association Amendments Act of 2003 (P.L. 108-188), Title Two, Article 1, Section 211, "Sector Grants." The majority of funding supported the health care and education sectors. Jacob Young and Mikulas Fabry, "The Compact of Free Association and Development in the Freely Associated States," May 1, 2023.

³⁰ In addition, Palau received Compact federal services worth \$25 million and discretionary federal program assistance amounting to \$267 million. Statement of David Gootnick, Director, International Affairs and Trade, Government Accountability Office, "Compact of Free Association: Proposed U.S. Assistance to Palau for Fiscal Years 2016 to 2024," Testimony before the House Subcommittee on Indian, Insular, and Alaska Native Affairs, Committee on Natural Resources, July 6, 2016.

³¹ Department of the Interior, "Budget Justifications and Performance Information, Fiscal Year 2024, Office of Insular Affairs;" Department of State, "Agreement Between the Government of the United States of America and the Government of the Republic of Palau Following the Compact of Free Association Section 432 Review," September 3, 2010, at <https://www.state.gov/18-919-2/>.

³² The National Defense Authorization Act for FY2018 (P.L. 115-91, §1259C) approved the U.S.-Palau Compact Review Agreement and authorized remaining funding under the agreement. The Consolidated Appropriations Act, FY2018 (P.L. 115-141, Division G, Title I, §114), appropriated outstanding economic assistance pursuant to the agreement.

³³ Government Accountability Office, "Compacts of Free Association: Implications of Planned Ending of Some U.S. Economic Assistance," February 2022. In addition, the Government Accountability Office reported "other U.S. grants" to the RMI, FSM, and Palau making up 14%, 8%, and 13% to the RMI, FSM, and Palau, respectively.

³⁴ East-West Center, "The Pacific Islands Matter for America/America Matters for the Pacific Islands," 2022, and data from USAID (ForeignAssistance.gov), FY2019-FY2022 (obligated funds in current dollars). Data reflecting the most recent changes to U.S. funding for the region are not yet available. These changes would include both increased Compact funding pursuant to the 2023 Compact amendments and growing U.S. assistance to the Pacific Islands region through Department of State, Foreign Operations, and Related Programs appropriations since FY2020.

³⁵ Department of State, "U.S. Engagement in the Pacific Islands: 2020 Pacific Pledge," fact sheet, October 1, 2020; Department of State, "U.S. Engagement in the Pacific Islands: UN General Assembly Update," fact sheet, October 3, 2019.

³⁶ The White House, *Pacific Partnership Strategy of the United States*, September 2022; The White House, "Fact (continued...)"

\$26.4 million in FY2020 to \$57.6 million in FY2023, according to the U.S. Agency for International Development (USAID).³⁷ Since 2022, proposed expanded programming for the region has included support for managing fisheries and combatting illegal, unreported, and unregulated (IUU) fishing; addressing the effects of climate change; infrastructure investment; development financing; security cooperation; and digital connectivity and cybersecurity.³⁸

2023 Compact Agreements

In 2023, after over two years of negotiations between Biden Administration and FAS officials, the U.S. government signed agreements with the FAS extending economic assistance for 20 years.³⁹ Although Compact economic assistance for Palau would not expire until the end of FY2024, the United States and Palau agreed to start the next (third) term of assistance at the beginning of FY2024, along with the RMI and FSM. The 2023 Compact agreements provide for a total of approximately \$7.1 billion in Compact economic assistance for the 2024-2043 period. The agreements include grant assistance and trust fund contributions for the RMI, FSM, and Palau that total approximately \$2.3 billion, \$3.3 billion, and \$0.9 billion, respectively, for FY2024-FY2043.⁴⁰ In addition, the agreements include \$634 million to continue U.S. Postal Service operations in the FAS.⁴¹

Compact economic assistance under the 2023 amendments for the RMI and FSM is expected to focus on seven sectors—education, health care, public infrastructure, the environment, public sector capacity building, private sector development, and enhanced reporting and accountability. Sector grants for the RMI also will include support for development of Enewetak, an atoll that was affected by U.S. nuclear weapons tests during the 1940s and 1950s.⁴² The agreement with the Marshall Islands includes a \$700 million trust fund intended for various purposes, including for addressing nuclear legacy issues (see below) and for Kwajalein atoll.⁴³

Sheet: Roadmap for a 21st Century U.S.-Pacific Island Partnership,” September 29, 2022; The White House, “Fact Sheet: Enhancing the U.S.-Pacific Islands Partnership.” September 25, 2023.

³⁷ Numbers provided by USAID.

³⁸ The White House, “Fact Sheet: Enhancing the U.S.-Pacific Islands Partnership.”

³⁹ Department of State, “Secretary Blinken Witnesses the Signing of the U.S.-Palau 2023 Agreement Following the Compact of Free Association Section 432 Review,” media note, May 22, 2023; Department of State, “Signing of the U.S.-FSM Compact of Free Association-Related Agreements,” media note, May 23, 2023; Department of State, “The United States and the Republic of the Marshall Islands Sign Three Compact of Free Association Agreement[s],” media note, October 17, 2023.

⁴⁰ Department of the Interior, “Interior Department Applauds Renewed Economic Assistance for Compacts of Free Association,” March 11, 2024.

⁴¹ Department of the Interior, *Budget Justifications, Fiscal Year 2025, Office of Insular Affairs*, p. 1.

⁴² Listed in the order that they appear in the agreements. “Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the 2023 Amended Compact Between the Government of the United States of America and the Government of the Republic of the Marshall Islands,” Article II, October 16, 2023, and Government of the Federated States of Micronesia, “2023 Amended Fiscal Procedures Agreement (FPA),” Article II, May 23, 2023. See also Joint Economic Committee Democrats, “How the Renewed Compacts of Free Association Support U.S. Economic, National Security, and Climate Goals,” May 16, 2024; Department of the Interior, “Interior Department Applauds Renewed Economic Assistance for Compacts of Free Association.”

⁴³ Sen. Joe Manchin, “Manchin, Committee Receive Testimony on Compacts of Free Association,” July 13, 2023; Anita Hofschneider, “Marshall Islands Could Receive Billions Under Renegotiated Treaty,” *Civilbeat.org*, January 22, 2023; Matthew Lee, “US Nears New Cooperation Deals with Two Pacific Island Nations,” *Saipan Tribune*, January 16, 2023.

President Joe Biden transmitted the Compact agreements to Congress on December 5, 2023.⁴⁴ The Consolidated Appropriations Act, 2024 (P.L. 118-42, Division G, Title II—the “Compact of Free Association Amendments Act of 2024”), approved the Compact economic packages for the FAS. President Biden signed the bill into law on March 9, 2024.⁴⁵ Among new provisions, the Compact amendments establish an Interagency Group on the Freely Associated States (P.L. 118-42, §208(d)), authorize expanded access to Department of Veterans Affairs (VA) health care services to FAS veterans who served in the U.S. Armed Forces (§209(a)), and make FAS migrants in the United States eligible for U.S. federal programs (§209(f)). P.L. 118-42 also approved Federal Programs and Services Agreements for the FAS that extended their eligibility.⁴⁶

Oversight

To provide oversight, the Compacts with the Marshall Islands and Micronesia, as amended in 2003, established a Joint Economic Management and Financial Accountability Committee (JEMFAC) for the Marshall Islands and a Joint Economic Management Committee (JEMCO) for Micronesia.⁴⁷ Pursuant to the 2023 Compact agreements, JEMCO is to be composed of a U.S. chairperson, one other member from the U.S. government, and two members from the RMI government. JEMFEC is to be composed of a U.S. chairperson, two other members from the U.S. government, and three members from the FSM government.⁴⁸ The governments of the RMI and FSM are required to report annually on the use of Compact and other U.S. assistance.⁴⁹ The 2010 U.S.-Palau Compact Review Agreement established a joint advisory group on economic reform. The Palau Economic Advisory Group was launched in 2022.⁵⁰

New Compact Provisions

The Compact Amendments Act of 2024 authorizes expanded access to VA health care services to FAS veterans who served in the U.S. Armed Forces. Some U.S. and FAS policymakers have expressed concerns about apparent delays by the VA in consulting and entering into agreements

⁴⁴ The White House, “President Biden Transmits Compacts of Free Association-Related Agreements to U.S. Congress,” December 5, 2023.

⁴⁵ Between October 1, 2023, and March 9, 2024, three successive continuing resolutions provided some continued U.S. funding to the FSM and RMI (P.L. 118-15, P.L. 118-22, and P.L. 118-35). Palau’s economic provisions had not yet expired.

⁴⁶ Congress ensured continuation of Palau’s prior Federal Programs and Services Agreement (FPSA) until Palau’s new FPSA entered into force via an amendment to the Continuing Appropriations and Extensions Act of 2024, P.L. 118-83.

⁴⁷ See Department of the Interior, Joint Economic Management and Financial Accountability Committee (JEMFAC) of the U.S. and the Republic of the Marshall Islands, at <https://www.doi.gov/oia/compacts-of-free-association/JEMFAC-Resolutions>, and U.S. Embassy in the Federated States of Micronesia, “Joint Economic Management Committee (JEMCO), January 1, 2020, at <https://fm.usembassy.gov/joint-economic-management-committee-jemco/>.

⁴⁸ P.L. 118-42, §263 and §213. See also House Natural Resources Committee, Subcommittee on Indian and Insular Affairs, Hearing Memo, “Examining the Implementation of the Compact of Free Association Amendments Act of 2024,” September 10, 2024.

⁴⁹ Agreement Concerning Procedures for the Implementation of United States Economic Assistance Provided in the 2023 Amended Compact Between the Government of the United States of America and the Government of the Republic of the Marshall Islands (Section 215); Agreement Between the Government of the Federated States of Micronesia and the Government of the United States of America to Amend the Compact of Free Association, as Amended (Section 214).

⁵⁰ Department of the Interior, “Compact-Mandated Palau Economic Advisory Group Launched,” September 15, 2022; Agreement Between the Government of the United States of America and the Government of the Republic of Palau Following the Compact of Free Association Section 432 Review (Section 4(e)), September 3, 2010.

with the FAS on how to deliver services pursuant to the 2023 Compact Amendments.⁵¹ In September 2024, a VA official stated that VA would begin “direct coordination” with FAS governments and conduct a comprehensive review of the current state of hospital care and medical services within the FAS. Formal negotiations would likely begin during the first half of 2025, according to the official.⁵²

The Compact Amendments Act establishes an Interagency Group on Freely Associated States to coordinate U.S. implementation of the Compacts and provide related policy guidance and recommendations to federal agencies. Congress has directed the President to submit an annual report that describes the activities and recommendations of the Interagency Group during the applicable year.⁵³ Some policymakers have expressed concerns about apparent delays in the formal establishment of the Interagency Group. Two preliminary meetings have been held.⁵⁴

Other Legislation

The National Defense Authorization Act (NDAA) for FY2023 (P.L. 117-263) includes provisions (§5591) emphasizing the importance of the Compacts for U.S. national security and of renewing economic assistance to the FAS for regional security. The FY2022 NDAA (P.L. 117-81) states that the Secretary of Defense should engage with the FAS “with the goal of strengthening regional security and addressing issues of mutual concern, including protecting fisheries from illegal, unreported[,] and unregulated fishing” (§1252) and mandates a study on the Runit Dome nuclear waste site in the RMI (§3140).

The FY2024 NDAA (P.L. 118-31, §1301) states, “It is the sense of Congress that the Secretary of Defense should continue efforts that strengthen United States defense alliances and partnerships in the Indo-Pacific region ... including by ... engaging with the Federated States of Micronesia, the Republic of the Marshall Islands, [and] the Republic of Palau.” Section 5412 of the FY2024 NDAA requires the Secretary of State to consult with other federal departments and agencies to assist in the establishment of national security councils in the FAS.⁵⁵ The Further Consolidated Appropriations Act, 2024 (P.L. 118-47), authorizes an unspecified amount of funding for the FAS out of the Countering PRC Influence Fund.⁵⁶

⁵¹ P.L. 118-42, §209(a). Jessica Stone, “Six Months on, Key Measures Languish in Pacific Islands Pact with US,” *Voice of America*, September 12, 2024; Testimony of Ambassador Jackson T. Soram of the Federated States of Micronesia before the House Natural Resources Committee, Subcommittee on Indian and Insular Affairs, “Examining the Implementation of the Compact of Free Association Amendments Act of 2024,” September 10, 2024.

⁵² Statement of Miguel Lapuz, Department of Veterans Affairs, before the House Natural Resources Committee, Subcommittee on Indian and Insular Affairs, “Examining the Implementation of the Compact of Free Association Amendments Act of 2024,” September 10, 2024.

⁵³ The Interagency Group consists of the secretaries of State, the Interior, and Defense, as well as heads of relevant federal agencies, departments, and instrumentalities carrying out Compact obligations. See P.L. 118-42, §208(d)).

⁵⁴ Jessica Stone, “Six Months on, Key Measures Languish in Pacific Islands Pact with US,” *Voice of America*, September 12, 2024; Taylor Ruggles Department of State, before the House Natural Resources Committee, Subcommittee on Indian and Insular Affairs, “Examining the Implementation of the Compact of Free Association Amendments Act of 2024,” September 10, 2024.

⁵⁵ P.L. 118-31, §5412.

⁵⁶ The explanatory statement to the Further Consolidated Appropriations Act, 2024, Division F, §7043.

Nuclear Legacy Issues

From 1946 to 1958, the United States conducted 67 atmospheric atomic and thermonuclear weapons tests over the Marshall Islands atolls of Bikini and Enewetak.⁵⁷ In 1954, “Castle Bravo,” the second test of a hydrogen bomb, was detonated over Bikini atoll. The U.S. military evacuated 312 Marshallese from Bikini and Enewetak prior to the test.⁵⁸ Reported to be 1,000 times more powerful than the atomic weapon that was dropped on Hiroshima, Japan, in 1945, Bravo resulted in radioactive fallout upon the populated atolls of Rongelap and Utrik. Reportedly, 253 residents of these atolls were evacuated within days of the blast, although not all before radioactive ash had begun falling.⁵⁹

The nuclear testing resulted in hardships and health problems for many Marshall Islanders of the four most affected RMI atolls of Bikini, Enewetak, Rongelap, and Utrik. Estimations about the full extent of the effects of the nuclear tests have varied.⁶⁰ The people of Rongelap, in particular, have experienced elevated level of cancers, thyroid disorders, and birth deformities.⁶¹ Following U.S. government radiological cleanup efforts, the people of Utrik returned in 1955 and Enewetak people returned in 1980. The people of Rongelap returned in 1957 and were re-evacuated in 1985 after new studies revealed unsafe levels of radiation. The U.S. government declared Bikini safe for habitation beginning in 1968, although returnees were re-evacuated in 1978 after “alarming” radiation levels were detected in their bodies, and the atoll has not been permanently resettled.⁶²

Runit Dome

Located on Enewetak atoll, Runit Dome is a concrete roof that U.S. military personnel built over a nuclear crater, which is filled with over 100,000 cubic yards of radioactive soil from U.S.

⁵⁷ Embassy of the United States in the Marshall Islands, “The Legacy of U.S. Nuclear Testing and Radiation Exposure in the Marshall Islands,” at <https://mh.usembassy.gov/the-legacy-of-u-s-nuclear-testing-and-radiation-exposure-in-the-marshall-islands/>.

⁵⁸ Bev Keever, “Enewetak Atoll, 50 Years Ago This Week,” *Honolulu Weekly*, October 30, 2002.

⁵⁹ The U.S. government states that the U.S. military evacuated residents of Rongelap and Utrik within 52 hours of Castle Bravo, while other reports state that not all residents were evacuated until 48-72 hours after the explosion. Embassy of the United States in the Marshall Islands, “The Legacy of U.S. Nuclear Testing and Radiation Exposure in the Marshall Islands”; Dan Zak, “A Ground Zero Forgotten,” *Washington Post*, November 27, 2015; Giff Johnson, “U.S. Seriously Underestimated Marshall Islands Fallout Doses, Risk,” *Marianas Variety*, August 9, 2020.

⁶⁰ In 2004, the National Cancer Institute (NCI), in a report submitted to the Senate Committee on Energy and Natural Resources, estimated that the U.S. nuclear testing program increased the cancer rate for the entire exposed population in the Marshall Islands by about 9%. In 2010, NCI conducted a “considerably more thorough” report that lowered the estimated increase to 1.6%. See NCI, “Estimation of the Baseline Number of Cancers Among Marshallese and the Number of Cancers Attributable to Exposure to Fallout from Nuclear Weapons Testing Conducted in the Marshall Islands,” September 2004, and S.L. Simon et al., “Radiation Doses and Cancer Risks in the Marshall Islands Associated with Exposure to Radioactive Fallout from Bikini and Enewetak Nuclear Weapons Tests: Summary,” *Health Physics*, vol. 99, no. 2 (August 2010). See also Maveric K. I. L. Abella et al., “Background Gamma Radiation and Soil Activity Measurements in The Northern Marshall Islands,” *Proceedings of the National Academy of Sciences*, vol. 116, no. 31 (July 30, 2019).

⁶¹ Ibid.; Susanne Rust, “How the U.S. Betrayed the Marshall Islands, Kindling the Next Nuclear Disaster,” *Los Angeles Times*, November 10, 2019. Another study concludes, “Marshallese infants may have increased risk of specific birth defects, but estimates are unstable because of small sample size so results are inconclusive.” Wendy N. Nembhard et al., “Nuclear Radiation and Prevalence of Structural Birth Defects Among Infants Born to Women from the Marshall Islands,” *Birth Defects Research*, vol. 11, no. 16 (October 1, 2019).

⁶² Jon Letman, “Nuclear Justice for the Marshall Islands,” *The Diplomat*, July 1, 2021; Lawrence Livermore Laboratory, “Return to Rongelap,” *Science and Technology Review*, July/August 2010; Katelyn Homeyer and Saleem Ali, “Bikini Atoll: Living with a Nuclear Legacy and Mediating Conflict with the United States,” December 6, 2006.

nuclear testing.⁶³ Due to rising sea levels, water reportedly has entered the dome, which has led some local observers to fear that radioactive water could seep out.⁶⁴ In June 2020, the Department of Energy (DOE) released a report on Runit Dome pursuant to the National Defense Authorization Act, FY2020 (P.L. 116-92, §364). The report concluded that the dome itself was not in immediate danger of collapse or failure and that there were no data to suggest that there was any flow of contaminated groundwater from beneath the structure that had a “measurable adverse effect on the surrounding environment” or that would likely cause any adverse effect for up to 20 years.⁶⁵ The National Defense Authorization Act, FY2022 (P.L. 117-81, §3140), mandated a study on the impacts of climate change on Runit Dome. The findings from that report found climate change would have no potential impact to Runit Dome for increased risks to residents’ health or the environment. Furthermore, the report claims Runit Dome poses no significant radiation exposure relative to other sources of residual radioactive contamination, including naturally occurring radiological sources, within Enewetak.⁶⁶

Nuclear Compensation

The RMI government and peoples of the four most affected atolls have long argued that U.S. compensation and assistance to Marshall Islanders for personal injuries or adverse effects on health, the loss of land, and property damages has been inadequate. Under the Compact of Free Association, Section 177, the United States “accept[ed] responsibility for compensation owing to the citizens of the Marshall Islands ... for loss or damage to property and person ... resulting from the nuclear testing program.”⁶⁷ The Compact established a \$150 million Nuclear Claims Fund to provide compensation for nuclear contamination-related injuries and damages, and a Nuclear Claims Tribunal (NCT) to adjudicate claims and grant awards from the Fund. The Fund was intended to generate, through returns on investments, a perpetual source of revenue to be distributed among the 177 Health Program, trust funds for the four most affected atolls, and the NCT. Section 177 constituted a “full and final settlement” of related claims, thereby ending nuclear compensation lawsuits by Marshall Islanders against the U.S. government that were pending in U.S. courts.⁶⁸ In 2004, the U.S. government released a report evaluating a Marshall Islands petition for greater compensation pursuant to Article IX of the 177 Agreement (the

⁶³ Susanne Rust, “How the U.S. Betrayed the Marshall Islands, Kindling the Next Nuclear Disaster,” *Los Angeles Times*, November 10, 2019.

⁶⁴ Kyle Mizokami, “Congress Demands Investigation into the U.S.’s Nuclear Coffin,” *Popular Mechanics*, December 27, 2019.

⁶⁵ Department of Energy, “Report on the Status of Runit Dome in the Marshall Islands: Report to Congress,” June 2020, at <https://www.energy.gov/sites/prod/files/2020/06/f76/DOE-Runit-Dome-Report-to-Congress.pdf>.

⁶⁶ Department of Energy, “Impact of Climate Change on Runit Dome in the Marshall Islands: Report to Congress,” July 2024, at <https://www.energy.gov/sites/default/files/2024-08/Congressional%20Report%20on%20Climate%20Change%20Runit.pdf>.

⁶⁷ See P.L. 99-239, Title I, Article VII, Section 177 and the Agreement between the Government of the United States and the Government of the Marshall Islands for the Implementation of Section 177, at Section 177 Agreement, at <https://www.doi.gov/sites/doi.gov/files/section-177-agreement.pdf>.

⁶⁸ *Ibid.*

Changed Circumstances Clause),⁶⁹ concluding that there was no legal basis for considering additional compensation payments.⁷⁰

According to U.S. government sources, between 1958 and 2004, the United States provided \$531 million to the Marshall Islands for nuclear test damages, environmental cleanup and restoration, resettlement, and health and medical programs;⁷¹ this compensation grew to roughly \$600 million by 2019.⁷² The U.S. government has provided compensation pursuant to the Compact of Free Association, through congressional ex gratia payments,⁷³ and through health sector grants during the second Compact assistance term (2004-2023).⁷⁴ According to the RMI government, the depletion of the Nuclear Claims Fund (in 2009) left over \$2.2 billion in personal injury and property damages awards unpaid.⁷⁵

The RMI government continues to raise what it views as unresolved nuclear legacy issues. Nuclear legacy compensation reportedly was a sticking point in the most recent U.S.-RMI negotiations to renew Compact economic provisions.⁷⁶ In 2022, then-RMI President David Kabua advanced a formal resolution at the UN Human Rights Council, requesting assistance “in the field of human rights and to provide humanitarian assistance and capacity building” to the RMI National Nuclear Commission to advance its strategy to achieve “nuclear justice.”⁷⁷ In 2024, the UN High Commissioner for Human Rights issued a report on nuclear legacy issues in the RMI.⁷⁸

⁶⁹ Article IX states: “If loss or damage to property and person of the citizens of the Marshall Islands, resulting from the Nuclear Testing Program, arises or is discovered after the effective date of this Agreement, and such injuries were not and could not reasonably have been identified as of the effective date of this Agreement, and if such injuries render the provisions of this Agreement manifestly inadequate, the Government of the Marshall Islands may request that the Government of the United States provide for such injuries by submitting such a request to the Congress of the United States for its consideration.”

⁷⁰ U.S. Department of State, *Report Evaluating the Request of the Government of the Republic of the Marshall Islands Presented to the Congress of the United States of America*, November 2004.

⁷¹ Department of State, “U.S. Medical and Environmental Assistance to the Marshall Islands,” fact sheet, January 4, 2005, at <https://2001-2009.state.gov/p/eap/rls/40428.htm>; Department of State, *Report Evaluating the Request of the Government of the Republic of the Marshall Islands Presented to the Congress of the United States of America*.

⁷² Susanne Rust, “How the U.S. Betrayed the Marshall Islands, Kindling the Next Nuclear Disaster,” *Los Angeles Times*, November 10, 2019; Embassy of the United States, Majuro, Marshall Islands, “The Legacy of U.S. Nuclear Testing and Radiation Exposure in the Marshall Islands.”

⁷³ Congressional ex gratia payments are not compelled by legal right or formal agreement.

⁷⁴ For information about DOE programs for medical surveillance and care, environmental monitoring and characterization, and dose assessment for the peoples of the nuclear affected atolls, see Department of Energy, International Health Studies and Activities, at <https://www.energy.gov/ehss/international-health-studies-and-activities>.

⁷⁵ Marshall Islands National Nuclear Commission, “Nuclear Justice for the Marshall Islands—A Strategy for Coordinated Action, FY2020-FY2023,” 2019, at <https://rmi-data.sprep.org/system/files/RMI%20NNC%20Strategy%202019.pdf>.

⁷⁶ David Brunnstrom and Michael Martina, “Exclusive: US Negotiator Signs New Deal with Strategic Marshall Islands,” Reuters, October 16, 2023; Cleo Paskal, “Politics Risk Derailing One of America’s Most Important Strategic Agreements,” *The Diplomat*, July 22, 2023; “Marshall Islands Says Must Address Nuclear Legacy for Deal on Future Ties,” Reuters, September 20, 2023; Giff Johnson, “Marshall Islands Calls Off Talks After No US Response on Nuclear Legacy Plan,” *Radio New Zealand*, September 24, 2022.

⁷⁷ Daryl G. Kimball and Chris Rostampour, “U.S., Marshall Islands Grapple with Nuclear Legacy,” Arms Control Association, November, 2022; United Nations Human Rights Council, “Resolution Adopted by the Human Rights Council: 51/35. Technical Assistance and Capacity-Building to Address the Human Rights Implications of the Nuclear Legacy in the Marshall Islands,” October 7, 2022.

⁷⁸ Office of the United Nations High Commissioner for Human Rights, “A/HRC/57/77: Addressing the Challenges and Barriers to the Full Realization and Enjoyment of the Human Rights of the People of the Marshall Islands, Stemming from the State’s Nuclear Legacy,” September 4, 2024.

The report made several recommendations for the RMI government, the U.S. government, the UN, and the international community to address the ongoing impacts of nuclear testing.

FAS Migration

FAS citizens are allowed under the Compacts to reside, work, and study in the United States as lawful non-immigrants. They may apply to become lawful permanent residents or naturalized U.S. citizens under regular U.S. immigration laws.⁷⁹ An estimated 94,000 “Compact migrants” reside in U.S. areas, divided roughly equally between the U.S. mainland, on the one hand, and Hawaii and U.S. Pacific territories, on the other.⁸⁰ From 2009 to 2018, the number of Compact migrants living in U.S. states and territories, particularly from the Marshall Islands and Micronesia, reportedly rose by an estimated 68%.⁸¹ The jurisdictions with the largest numbers of FAS migrants, in order of FAS population size, are Hawaii, Guam, Washington, Arkansas, Oregon, California, and Texas.⁸² Reasons for migration are often varied and multicausal, but many FAS citizens noted economic opportunities, health care access, education, proximity to family, and personal freedom as drivers for migration.⁸³

Compact Impact Funding

The Compact of Free Association Act of 1985 requires the President to report annually to Congress on the impact of the Compact on U.S. territories and commonwealths in the Pacific and on the State of Hawaii, and to cover the costs “resulting from any increased demands placed upon education and social services” by FAS migrants.⁸⁴ The Compact Amendments Act of 2003 mandated \$30 million in Compact Impact funds to be allocated annually for 20 years (2004-2023) and apportioned to these entities on the basis of their FAS migrant population.⁸⁵ In FY2023, nearly 95% of such funding went to Hawaii and Guam, with the remainder to the CNMI and America Samoa. Between FY2012 and FY2023, Congress appropriated additional discretionary Compact Impact funds of between \$3 million and \$6 million annually, including \$6 million in FY2023.⁸⁶ Hawaii, Guam, and the CNMI reported a total of \$3.2 billion in estimated Compact Impact costs during 2004-2018 in the areas of education, social services, and health services,

⁷⁹ Department of Homeland Security, “Fact Sheet: Status of Citizens of the Freely Associated States of the Federated States of Micronesia and the Republic of the Marshall Islands,” November 3, 2015.

⁸⁰ This estimate includes Marshallese, Micronesian, and Palauan citizens who entered the United States after the Compacts of Free Association went into effect in their countries, and their U.S.-born children younger than 18 years, who hold dual U.S.-FAS citizenship. U.S.-born FAS children are no longer considered as Compact migrants after reaching 18 years of age, at which point they are required to decide whether to retain U.S. or FAS citizenship. Government Accountability Office, *Compacts of Free Association: Populations in U.S. Areas Have Grown, with Varying Reported Effects*, June 2020.

⁸¹ Ibid. An estimated one-third of RMI and FSM citizens reside in the United States. Derek Grossman et al., “America’s Pacific Island Allies”; Melanie Saltzman, “Marshall Islands: A Third of the Nation Has Left for the U.S.,” PBS, December 16, 2018.

⁸² Government Accountability Office, *Compacts of Free Association: Populations in U.S. Areas Have Grown, with Varying Reported Effects*.

⁸³ Ibid.

⁸⁴ P.L. 99-239, §104(e). See also Department of the Interior, *Budget Justifications, Fiscal Year 2025, Office of Insular Affairs*, p. 60.

⁸⁵ P.L. 108-188, §104(e). For costs related to non-immigrants from the Marshall Islands, Micronesia, and Palau.

⁸⁶ Department of the Interior, *Budget Justifications, Fiscal Year 2025, Office of Insular Affairs*.

while they received approximately \$509 million in Compact-related compensation during 2004-2019.⁸⁷

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA, Title IV) restricted eligibility of non-U.S. citizens, including FAS migrants, for many federal programs, and FAS migrants largely have relied upon social benefits provided by the states and territories in which they resided. In 2020, Congress restored Medicaid eligibility for FAS migrants.⁸⁸ In order to more effectively address the costs associated with FAS migration to states and territories in the Pacific and mainland United States, the Compact Amendments Act of 2024 restored most other federal benefits to FAS migrants, but ended the Compact Impact grants, noting that they were no longer necessary. Some former beneficiaries of Compact Impact funding argue that the provision of federal programs without other compensation is inadequate.⁸⁹

The Guam Host Community Compensation Act (H.R. 6273, introduced November 7, 2023) would, among other measures, extend annual Compact Impact grant funding provided under the Compact of Free Association Amendments Act of 2003 (P.L. 108-188, §104(e)) through 2043 for American Samoa, the CNMI, and Guam.

FAS and China

China's political and economic influence in the Marshall Islands and Palau is relatively limited, due largely to those governments' diplomatic relations with Taiwan.⁹⁰ Nonetheless, China is one of the principal trading partners of the Marshall Islands, based largely on the RMI's import of transport boats from China. The PRC government imposes extra fees on Marshall Islands-flagged vessels entering PRC ports, which some analysts view as a form of PRC "economic coercion."⁹¹ Between 2016 and 2020, two former PRC citizens who became naturalized Marshall Islands citizens reportedly attempted to bribe RMI officials to establish a tax-exempt "special administrative region" in the country to attract PRC and foreign tourists and offshore companies. In 2023, those individuals were tried and sentenced in a U.S. court for conspiring to violate the Foreign Corrupt Practices Act.⁹²

China and Micronesia have diplomatic relations and a "comprehensive strategic partnership," according to the PRC official press.⁹³ China has provided roughly \$250 million in assistance to Micronesia, particularly infrastructure development, since 2009, according to the Sydney-based

⁸⁷ Government Accountability Office, *Compacts of Free Association: Populations in U.S. Areas Have Grown, with Varying Reported Effects*, GAO-20-491, June 15, 2020, at <https://www.gao.gov/products/gao-20-491>.

⁸⁸ Consolidated Appropriations Act, 2021 (P.L. 118-260), Division CC, Title II, §208.

⁸⁹ Angelo Paule and Alec Weiker, "What the Compact Impact Fairness Act Means for Compact Host Governments and Migrants," *Asia Pacific Bulletin*, June 26, 2023.

⁹⁰ Of 11 countries worldwide and the Vatican that recognize Taiwan diplomatically, three are in the Pacific (RMI, Palau, and Tuvalu). The PRC does not recognize countries that have diplomatic relations with Taiwan, which it considers to be a part of China. Nauru switched relations from Taiwan to the PRC in January 2024; Kiribati and the Solomon Islands recognized China and severed relations with Taiwan in 2019. United States Institute of Peace, "China's Influence on the Freely Associated States of the Northern Pacific," 2022; Dechlan Brennan, "Nauru Switches Ties from Taipei to Beijing," *The Diplomat*, January 16, 2024.

⁹¹ United States Institute of Peace, "China's Influence on the Freely Associated States of the Northern Pacific," p. 45.

⁹² United States Attorney's Office, Southern District of New York, "Defendant Sentenced to 42 Months in Prison for Conspiring to Bribe High-Level Officials of the Republic of the Marshall Islands," May 16, 2023; Pete McKenzie, "Bribes, Booze and Bombs: The Brazen Plan to Create a Pacific Tax Haven," *Washington Post*, February 15, 2023.

⁹³ "Chinese Premier Meets Micronesian President," Xinhua, April 10, 2024.

Lowy Institute.⁹⁴ PRC entities have financed and constructed government buildings, residences for high officials, residential and sports complexes, a bridge, road, and other infrastructure, and upgraded Chuuk International Airport. Other forms of PRC engagement have included medical-, disaster-, and climate-related aid; COVID-19 assistance; agricultural support; cargo ship repair; and the provision of utility aircraft.⁹⁵

Despite close economic ties, Micronesia has opposed some PRC activities both in the region and domestically. In 2022, China proposed a sweeping diplomatic, economic, and security pact between the PRC and 10 Pacific Island countries with which it has diplomatic relations.⁹⁶

Micronesia and several other Pacific Island countries opposed the agreement, causing China to shelve the proposal. In a letter to other Pacific Island leaders, then-FSM President David Panuelo stated that the agreement would draw signatories “very close into Beijing’s orbit, intrinsically tying the whole of our economies and societies to [China].”⁹⁷

In 2023, outgoing President Panuelo wrote a letter to FSM national and state leaders detailing what he claimed were PRC efforts at economic coercion, bribery, espionage, surveillance, and harassment in Micronesia, including PRC diplomats applying pressure on him personally.⁹⁸ Current FSM President Wesley Simina reportedly has aimed to avoid causing tensions with China, although he has pledged to oppose security cooperation with the PRC, PRC loans, and major PRC investments (such as one PRC company’s proposals to build a “mega resort” in Micronesia’s Yap Island).⁹⁹ Some current and former Micronesian leaders suggest that PRC economic assistance is welcome and is unlikely to undermine U.S. influence or the Compact relationship.¹⁰⁰

In late 2017, Beijing “effectively” banned PRC visitors to Palau, which at the time accounted for over half of all foreign tourists in Palau. Some observers point to this as evidence that China has attempted to pressure Palau into switching diplomatic relations from Taiwan to the PRC.¹⁰¹ In 2019 and 2020, Palau law enforcement detained and deported hundreds of mostly PRC citizens engaged in illegal online gambling operations.¹⁰² China recently has offered Palau economic

⁹⁴ Data compiled by the Lowy Institute. The “Pacific Aid Map” and data are accessible at <https://pacificaidmap.lowyinstitute.org>.

⁹⁵ Ibid.

⁹⁶ “China Wants 10 Small Pacific Nations to Sign on to ‘Game-Changing’ Security Agreement,” Associated Press, May 25, 2022.

⁹⁷ Kirsty Needham, “China Seeks Pacific Islands Policing, Security Cooperation—Document,” Reuters, May 25, 2022; “China Wants 10 Small Pacific Nations to Sign on to ‘Game-Changing’ Security Agreement,” Associated Press, May 25, 2022. See also United States Institute of Peace, “China’s Influence on the Freely Associated States of the Northern Pacific.”

⁹⁸ The letter, dated March 9, 2023, is accessible at <https://www.vermilionchina.com/p/primary-source-president-panuelos>.

⁹⁹ Joyce McClure, “Falan: Chinese Company Came to Yap with Lots of Promises but No Clear Plan,” *Pacific Island Times*, March 10, 2021; Derek Grossman et al., “America’s Pacific Island Allies,” RAND, 2019.

¹⁰⁰ Dave Lawler, “China’s Push for Influence in Micronesia Tests U.S. Power in the Pacific,” *Axios*, November 29, 2023.

¹⁰¹ Stephen Dziedzic, “Beijing Intensifies Lobbying of Pacific Nations to Recognize Taiwan as Part of One China,” *Australian Broadcasting Corporation*, February 13, 2019; Lauren McMahon, “Island Paradise in Peril After Incurring Wrath of China,” *New Zealand Herald*, August 21, 2018; “Palau Seeks Help from US and Japan to Counter China’s ‘Tourist Ban’ over Its Links to Taiwan,” *Hong Kong Free Press*, July 26, 2018; Edward White and Nicolle Liu, “Palau Holds Out as China Squeezes Taiwan’s Allies,” *Financial Times*, December 29, 2017.

¹⁰² Bernadette Carreon et al., “Pacific Gambit: Inside the Chinese Communist Party and Triad Push into Palau,” Organized Crime and Corruption Reporting Project, December 12, 2022. For more analysis on China’s influence in the Pacific, see Gordon Peake and Camilla Pohle, “Financially Weak Pacific Island States Are Vulnerable to China,” United States Institute of Peace, January 18, 2024.

investment if its government were to sever diplomatic ties with Taiwan, according to Palau President Surangel Whips.¹⁰³ In April 2024, DragonForce, a ransomware group, reportedly hacked into Palau government documents and posted them on the web. The documents reportedly included information related to U.S. defense plans in the country and Palau's relations with Taiwan. Palauan officials stated they believed China was behind the incident.¹⁰⁴

Congressional Considerations

- Congress may consider whether the FAS and U.S. governments are effectively implementing and investing U.S. Compact grant assistance and trust fund contributions provided to the FAS, and whether there is sufficient oversight to prevent waste or fraud.
- Congress may consider the level of strategic importance of the FAS to the U.S. security posture in the Western Pacific, and whether and how the FAS might further enhance U.S. security. Congress may consider role of the FAS in U.S. strategic planning in the Pacific Islands region, and compare the FAS to alternative locations for U.S. military facilities.
- Congress may consider the level of focus and types of U.S. military engagement, investment, and/or deployment in the FAS, if any, that the U.S. military should focus on. Congress may examine any limitations of, or constraints to, such engagement. Congress may support bilateral dialogues with the FAS that aim to raise U.S. concerns or respond to the preferences or concerns of FAS policymakers.
- Congress may examine the levels and types of PRC influence in the FAS and consider whether or how the United States and/or its allies in the Pacific might further compete with China in this regard. Congress may consider whether and how it might involve Taiwan in helping to further U.S. and FAS economic, political, or security interests.
- Congress may consider whether or not Compact sector grants to the RMI and FSM effectively address social and economic needs and other U.S. objectives. It may consider to what degree there is a correlation between grant and trust fund assistance and economic development objectives in the FAS, as well as U.S. national priorities.
- Congress may consider the functions of oversight mechanisms such as the U.S.-RMI and U.S.-FSM joint economic management and joint trust fund committees and the Advisory Group on Economic Reform for Palau, and whether and how effectively the FAS and U.S. governments have carried out any recommendations. Congress may seek to track whether the Secretary of the Interior and Comptroller General have provided reports to Congress on the administration of Compact assistance and economic performance of the FAS, and what their findings are.

¹⁰³ Ray Chung, "China Lures Palau with Economic Incentives to Break Ties with Taiwan," *Radio Free Asia*, February 29, 2024.

¹⁰⁴ Jacob Judah, "A Pacific Island with Ties to Taiwan Was Hacked. Was It Political?" *New York Times*, June 2, 2024.

- Congress may examine the economic and other drivers that compel FAS citizens to live in the United States, and consider whether and to what degree U.S. policy should focus on providing greater incentives for FAS citizens to live in their home countries.
- Congress may consider how social welfare needs are being met among FAS migrants in the United States under the Compact of Free Association Amendments Act of 2024, which restored U.S. federal program eligibility to FAS migrants, but terminated Compact Impact funding to Pacific territories and Hawaii. Congress may investigate how the change in policy has affected jurisdictions impacted by FAS migration, and whether it should consider restoring a level of Compact Impact funding.
- Congress may consider whether or not the U.S. government should provide further compensation for damages and injuries related to U.S. nuclear weapons tests carried out over the Marshall Islands during the 1940s and 1950s. It may consider the proper levels of compensation, environmental cleanup and remediation for the affected RMI atolls, what kinds of related environmental, resettlement, health and medical programs the U.S. government currently provides, and whether further support is necessary.

Author Information

Jared G. Tupuola
Analyst in Foreign Affairs

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