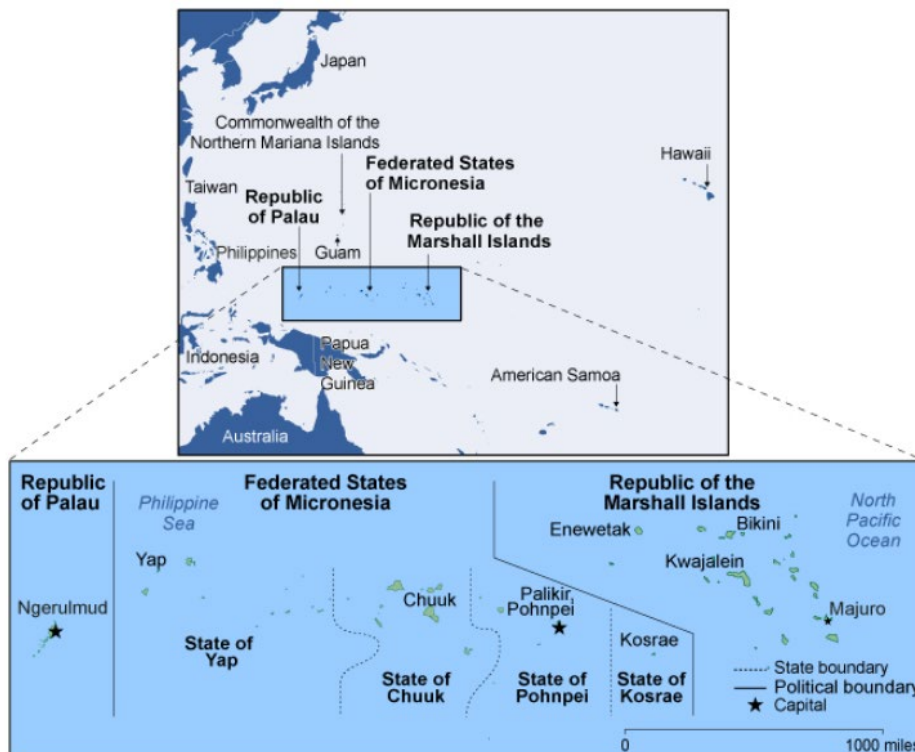


How the Renewed Compacts of Free Association Support U.S. Economic, National Security, and Climate Goals

The Compacts of Free Association (COFAs) grant the United States unfettered, [exclusive](#) military access to a strategic area in the Indo-Pacific, allow Freely Associated States (FAS) citizens to live and work in the United States and its territories as lawful non-immigrants, and provide economic [support](#) and security assistance for the FAS. The COFAs govern the relationships between the United States and the three sovereign nations collectively known as the FAS: the Republic of the Marshall Islands (RMI), the Federated States of Micronesia (FSM), and the Republic of Palau. In March 2024, President Biden and the U.S. Congress affirmed this relationship for the next 20 years by renewing the COFAs and providing [\\$7.1 billion](#) in economic assistance agreements.

By renewing the COFAs, the United States affirms its relationships with the FAS, asserting a strategic position in the Indo-Pacific region to deter Chinese government influence and provide economic assistance for health care, education, infrastructure, the environment, and climate change adaptation. This benefits not only the FAS but the U.S. economy and national security as well.

The Freely Associated States Location and Distribution



Source: GAO [Report](#) on Freely Associated States

Economic assistance through the COFAs over the last several decades has directly supported FAS' economic development and helped address economic risks

- The U.S. Department of Interior administers economic assistance to the FAS through COFAs. These grants [target](#) education, health care, economic development, public sector capacity building, public infrastructure, and environmental protection. The COFAs also provide contributions to a [trust fund](#) that can provide long-term budgetary support after grant assistance ends.
- Past U.S. economic [assistance](#) provided one-third to nearly one-half of the FAS' government spending, including funding to continue the U.S. [Postal](#) Service on the islands and [weather](#) stations operating on FSM and RMI – both essential services.
- The [Compacts](#) also support disaster preparedness and response, as well as telecommunication, civil aviation, and weather services.

The most recent COFAs signed into law provide greater socioeconomic support and support for climate resilience

- New [economic](#) assistance provisions under the renewed COFAs include funding for capacity building and emergency preparedness – with climate resilience at the forefront.
- The FAS [plan](#) to use these funds for food security, freshwater resilience, and energy development. They are also prioritizing climate resilient infrastructure investments like building sea walls, relocating schools, and fortifying medical facilities.

Along with these economic benefits, our relationship with the FAS strengthens national security and counters malign influence from the government of the People's Republic of China

- The COFAs help the U.S. implement its [National Defense Strategy](#) of pursuing a free and open Indo-Pacific region. Continued support from the United States also helps counter the Chinese government's efforts to use economic [leverage](#) to pressure the FAS to cease diplomatic relations with Taiwan.
- The renewed COFAs allow the United States to continue to provide [strategic denial](#) rights for the FAS, meaning the U.S. military can deny potential adversaries access to these countries' territory, airspace, and waters.
- In December 2022, the U.S. Department of Defense announced the award of a \$118 million contract to build a [radar site](#) in Palau, indicating its continued investment in the region.

Additional policy solutions will provide economic, strategic, and climate benefits for both the United States and the FAS

- The United States and the Pacific Islands Forum Fisheries Agency signed a new 10-year, \$600 million [agreement](#) to support sustainable management and development of local fisheries.
- The U.S. Department of Agriculture is funding \$8.5 million for the FAS' urban community [forestry](#) and invasive species science and management. The U.S. Agency for International Development is also working to strengthen Pacific Island disaster preparedness and recovery, like continued support for Micronesia's recovery from Typhoon Wutip in 2019.

More data can better inform effective decision making

- The U.S. Department of Defense (DoD) published a [Climate Adaption Plan](#) and launched the [DoD Regional Sea Level \(DRSL\)](#) tool to understand and assess site-specific scenarios of future sea level rise; although, this information for the FAS is not currently available.
- Since there is a lack of recent economic and climate data for smaller island states like the FAS, the United States can also support more and better data collection to give policymakers more information about regional needs and policy effectiveness.

The FAS' economies face several challenges tied to climate change and environmental risks

- The Marshall Islands and Micronesia rely heavily on [agriculture and fishing](#) exports for revenue –all the FAS are members of the [Nauru Agreement](#) that collectively harvests 30 percent of the world's tuna supply. However, illegal, unreported, and unregulated [fishing](#) and [climate](#) change threaten local food security and livelihoods in the FAS.
- Tourism is important to Palau's economy, with about [40%](#) of its Gross Domestic Product and 25% of its employment coming from tourism pre-pandemic. Expanding [sustainable](#) and responsible tourism in Palau would help preserve their environment while they face other losses in essential tourism [revenue](#). After building up reliance on tourism from China (from 634 people in FY2008 to over [91,000](#) in 2015) the Chinese government [delisted](#) Palau as a China-approved tourist destination due to its continued ties with Taiwan, resulting in a drastic decrease of Chinese tourists to less than 60 people in FY2021 and FY2022.
- Most of the Roi-Namur island in the Marshall Islands is at risk of substantial flooding that would [damage](#) critical infrastructure and DoD [facilities](#), including the Reagan Test Site for missiles.

Renewing COFA supports both the FAS and American economies while mitigating national security and climate risks.