



JOINT COMMITTEE ON COMPACT REVIEW AND PLANNING (JCRP)



LOOKING AHEAD TO 2023

Q&A About the Amended Compact

Q. Does the Compact expire in 2023?

A. No. The Amended Compact of Free Association between the United States and the FSM does not have an expiration date. The agreement continues indefinitely and neither government intends to terminate it. Certain financial and economic assistance provisions will expire in 2023 and the FSM and U.S. are about to negotiate those terms.

Q. Which provisions continue indefinitely?

The following fundamental provisions of the Amended Compact continue indefinitely unless terminated by one or both governments:

- *Strategic alliance.* The United States has committed to defend the Federated States of Micronesia and its people from attack or threats thereof. The U.S. and FSM have a strategic alliance of fundamental importance to both governments. As part of this alliance, FSM citizens will remain eligible to serve in the U.S. Armed Forces.
- *Immigration rights.* Because of the special and unique relationship that exists between the U.S. and the Federated States of Micronesia, FSM citizens may be admitted to lawfully engage in occupations, study and establish residence as non-immigrants in the U.S. and its territories and possessions.

In addition, certain U.S. federal programs will continue under legal authorities that are separate from the Amended Compact. For example, FSM students will remain eligible for federal financial assistance in the form of Pell Grants and the FSM will remain eligible for many competitive grants administered by the U.S. Department of Health and Human Services.

Q. Which provisions will expire in 2023 unless extended?

A. The following provisions of the Amended Compact are scheduled to expire in 2023:

1. Sector grant assistance as set forth in Title II. These are grants that have been provided to the FSM to assist in various areas, especially health, education and infrastructure.
2. Supplemental education grants provided through the Compact Act (U.S. Public Law 108-188).

3. Some U.S. federal programs and services for which eligibility was extended to the FSM and its citizens and would need to be renewed to continue beyond 2023. These include services provided by the U.S. Postal Service (USPS), FDIC coverage for the Bank of the FSM, disaster relief through FEMA/USAID, and a number of other smaller programs provided to the FSM under the authority of U.S. Public Law 108-188.

Q. Will proceeds from the Compact Trust Fund replace direct assistance from the US beginning in 2023?

A. Under the Amended Compact, the FSM made an initial contribution to the FSM Compact Trust Fund of \$30 million. The U.S. has made, and will continue to make through 2023, annual contributions to the fund under a schedule of payments agreed to by the U.S. and the FSM when the Amended Compact entered into force in 2003.

In 2023, when the current U.S. contributions end, the Compact Trust Fund is currently projected to have \$900 million to \$1 billion in an account for the benefit of the FSM (also known as the Fund's "corpus"). This amount is smaller than had been projected for this point in time when the Amended Compact was agreed in 2003. The projected shortfall is due to several reasons, including administrative delays with the Fund's creation and a reduction in its value during the global financial crisis of 2007-2008.

The FSM and the U.S. originally hoped that annual distributions from the Fund would serve as a full substitute for sector grant assistance beginning in 2023. Because the Compact Trust Fund will not be as large as expected, distributions from the Fund will need to be augmented with funds from other sources to adequately substitute for the sector grants. In the upcoming negotiations with the United States, the FSM will propose that the two sides examine ways to bridge the gap between anticipated proceeds and revenue that will be earned from the Fund in 2023. The FSM hopes that the U.S. will continue to provide key economic support after 2023 to bridge this gap.

Q. Can the Compact be terminated?

A. Like any treaty agreement, the Compact has a termination provision. However, it is important to recognize that, in the more than thirty years the agreement has been in force, neither side has ever seriously contemplated termination. Indeed, support for continuation of the U.S./FSM relationship is stronger today than ever before.