

**PRESERVING U.S. INTERESTS IN THE INDO-
PACIFIC: EXAMINING HOW U.S. ENGAGE-
MENT COUNTERS CHINESE INFLUENCE IN
THE REGION**

OVERSIGHT HEARING

BEFORE THE
SUBCOMMITTEE ON INDIAN AND INSULAR AFFAIRS
OF THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS
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**OVERSIGHT HEARING ON PRESERVING U.S.
INTERESTS IN THE INDO-PACIFIC: EXAM-
INING HOW U.S. ENGAGEMENT COUNTERS
CHINESE INFLUENCE IN THE REGION**

**Tuesday, May 16, 2023
U.S. House of Representatives
Subcommittee on Indian and Insular Affairs
Committee on Natural Resources
Washington, DC**

The Subcommittee met, pursuant to notice, at 2:25 p.m., in Room 1334, Longworth House Office Building, Hon. Harriet M. Hageman [Chairwoman of the Subcommittee] presiding.

Present: Representatives Hageman, Radewagen, LaMalfa, González-Colón, Carl, Moylan, Westerman; Leger Fernández, Sablan, and Case.

Ms. HAGEMAN. The Subcommittee on Indian and Insular Affairs will come to order.

Without objection, the Chair is authorized to declare a recess of the Subcommittee at any time.

The Subcommittee is meeting today to hear testimony on preserving the United States' interests in the Indo-Pacific: Examining how U.S. engagement counters Chinese influence in the region.

Under Committee Rule 4(f), any oral opening statements at hearings are limited to the Chairman and the Ranking Minority Member. I therefore ask unanimous consent that all other Members' opening statements be made part of the hearing record if they are submitted in accordance with Committee Rule 3(o).

Without objection, so ordered.

I will now recognize myself for an opening statement.

**STATEMENT OF THE HON. HARRIET M. HAGEMAN, A REP-
RESENTATIVE IN CONGRESS FROM THE STATE
OF WYOMING**

Ms. HAGEMAN. I am Harriet Hageman, and I am the Chairman of the Subcommittee on Indian and Insular Affairs.

The United States is a Pacific power through its territories of Guam, Northern Mariana Islands, and American Samoa. These territories are home to over 200,000 American citizens and, as such, the United States has an interest in a free and open Indo-Pacific that is free from a malign influence.

Furthermore, the United States holds special relationships with three Pacific Island nations known as the Freely Associated States, or FAS. These three countries are the Republic of Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia. Through compact agreements with these countries, the

U.S. gains extraordinary security rights in return for U.S. economic assistance.

The U.S. Department of the Interior, through the Office of Insular Affairs, manages Federal relations with the U.S. territories and FAS under the Compacts of Free Association, including administration and monitoring of grants, economic assistance, and Federal programs as prescribed by Federal statutes, and applicable agreements enacted into law. These interests and relationships are why we are here today.

The People's Republic of China, or the PRC, is actively seeking to increase its influence in the region and undermine U.S. interests. The PRC has adopted a strategy of disruption and destabilization aimed at what I am told by one of our witnesses has described as political and social entropy in small, vulnerable nations. I hope we can hear more about this today and shine a light on what China is doing within the Indo-Pacific Region.

Whatever the answer to the question about what China's intentions may be, what the world now knows is that Beijing is taking actions to assert or seize effective political control throughout the Indo-Pacific Region. It also has escaped no one's attention that the PRC seemingly has adopted a century-old game plan to dominate the Pacific Islands and use them as a platform to expand the Chinese Communist Party's malign influence.

In furtherance of that strategy, China is aggressively threatening political stability in the Pacific Island nations through political warfare and economic coercion. These actions serve to challenge U.S. influence, interests, and values in the region.

America has not forgotten the lessons of World War II and the Cold War. The United States will not stand idly by in the face of PRC political provocation, attacking the sovereignty of our Pacific allies and interference in U.S. Pacific Island territories. America is renewed in our determination to restore a stable international order in the region that respects the integrity of democratic self-government for all island peoples. To that end, we will appreciate any insights on how U.S. engagement will contribute to stability in the region and counter China's malign influence on our friends and our allies.

I want to thank the witnesses that are here, and I look forward to their testimony.

The Chair now recognizes the Ranking Minority Member for any statement.

STATEMENT OF THE HON. TERESA LEGER FERNÁNDEZ, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW MEXICO

Ms. LEGER FERNÁNDEZ. Thank you, Madam Chair, and thank you to our witnesses, and my apologies for being a little late. We had to have a moment of silence on the Floor of the House today because of the loss of three beautiful souls to gun violence, and the heroic work of our law enforcement officers, two who also ended up in the hospital. So, my apologies.

But there is something about when we think about, from places as small and far away as Farmington, New Mexico, to the islands, the Freely Associated States, that we are all connected with each

other, and we are all seeking to hold each other together and to look to see how we work together to make sure that we are stronger, and to make sure that we can bring peace to our communities and peace to the region in which you spend your time.

Today's hearing on preserving U.S. interests in the Indo-Pacific will include a good discussion on the Compacts of Free Association of the United States and the Freely Associated States, of the Federated States of Micronesia, and the Republics of Marshall Island and Palau.

And, yes, we have maintained a special relationship with the Freely Associated States for more than seven decades. Through Compacts of Free Association entered into the 1980s, these nations, your nations, allowed the United States to have military access to the most strategic part of the Northern Pacific between Hawaii and the Philippines.

Residents of the Freely Associated States are not citizens of the United States, but are granted residence and other privileges through their compacts, including the ability to reside and work in the United States and its territories indefinitely as lawful non-immigrants.

The initial compacts went into effect in the 1980s and renewed in 2003 for 20 years. They had three main goals: (1) end the U.N. trusteeship for securing full self-government for the islands; (2) continue a close defense relationship; and (3) assist the FSM and the RMI in their efforts to advance economic self-sufficiency. Economic sovereignty is key.

With the People's Republic of China's increased presence in the Pacific in recent years, it is a top bipartisan, I believe very bipartisan, strategic priority to renew the financial provisions of the FAS compacts when they expire at the end of Fiscal Year 2023. In fact, I was in a Rules Committee hearing just last week on the PRC's coercive economic tactics. During the hearing, we heard about the need for collective resilience to more effectively curb bad actors like the PRC.

In other words, collective resilience, we need to work together with our allies and our partners. That is how we strengthen our position. But if we let the economic assistance to the Freely Associated States end, we run the risk that the PRC will fill the vacuum in the region. So, this is a matter of defense, security, and economic opportunity, both for the United States and the FAS.

Thankfully, the Biden administration's Special Presidential Envoy for Compact Negotiations has successfully negotiated and secured signed memorandums of understanding with all three compact nations to extend financial assistance for an additional 20 years. We expect the parties to sign the final agreements and transmit them to Congress in the coming weeks.

Thank you once again, Madam Chair, for holding today's hearing. I look forward to hearing our witnesses explain the need of Congress to swiftly pass the COFA agreements once they are transmitted, and to highlight any issues that we need to learn more about. I am very much enjoying the educational experience of sitting and listening to such experts on these matters.

Thank you very much, and I yield back.

Ms. HAGEMAN. Thank you.

Now I will introduce our witnesses: Mr. Peter Watson, President and CEO, The Dwight Group, LLC, Washington, DC; Mr. Alexander Gray, Managing Partner, American Global Strategies, LLC, Oklahoma City, Oklahoma; Mr. Derek Grossman, Senior Defense Analyst, The RAND Corporation, Santa Monica, California; Mr. Emil Friberg, Former Assistant Director and Senior Economist, International Affairs and Trade, Government Accounting Office, Washington, DC; and Ms. Cleo Paskal, Non-Resident Senior Fellow, Foundation for Defense of Democracies, from Washington, DC.

Let me remind the witnesses that under Committee Rules, they must limit their oral statements to 5 minutes, but their entire statement will appear in the hearing record.

To begin your testimony, please press the talk button on the microphone.

We use timing lights. When you begin, the light will turn green. When you have 1 minute left, the light will turn yellow. And at the end of 5 minutes, the light will turn red, and I will ask you to please complete your statement.

I will also allow all witnesses on the panel to testify before Member questioning.

The Chair now recognizes Mr. Watson for 5 minutes.

STATEMENT OF PETER WATSON, PRESIDENT AND CEO, THE DWIGHT GROUP, LLC, WASHINGTON, DC

Mr. WATSON. Thank you very much, Chairman Hageman, Ranking Member Leger Fernández, and distinguished members of the Subcommittee. Thank you indeed for the privilege and honor of inviting me to visit with you today.

My written statement, of course, addresses the interrelated economic, social, and political development challenges that the Pacific Islands have faced in the past and will continue to face as we enter what one hopes will be a new era of deepening engagement by the United States, Japan, Australia, New Zealand, and indeed, other developed democracies of the world in the Pacific Islands Region, as represented by the Pacific Islands Forum nations, or PIF, as you wish, as an acronym.

The PIF community, of course, includes the Freely Associated States of FSM, Federated States of Micronesia, Marshall Islands, and Palau. And my most recent experience with the Palau Economic Advisory Group informs the narrative of my written statement.

My prepared statement also includes an analysis of the critical need for the U.S. national vigilance in protection of the freedom and security of all three U.S. Pacific Island domestic territories: Guam, CNMI, and American Samoa, which I want to spend some time focusing on, the latter indeed needing fisheries security enforcement to be urgently prioritized.

Of course, as I learned initially during my tour of duty at the National Security Council, where, like Alex, I was responsible for the Pacific Islands, I realized the fullest possible development potential by the Pacific Island community also serves the individual and collective strategic imperatives of the United States and our allies.

Accordingly, to understand how the COFA for the FSM, RMI, and Palau became successfully included in this complex partnership, it is axiomatic that every president since Truman and every U.S. Congress since 1946 has acted consistent with one overarching and immutable principle. It has been the strategic denial of the islands now comprised by the FSM, RMI, and Palau to the military forces of any nation, unless by agreement of the United States, and that is unsurpassed by any other strategic imperative in U.S. relations with those islands.

From 1947 to 1986, as we all know, the U.S. administration of these islands was pursuant to the decision of the president and Congress to reject annexation and to place the islands in the U.S. trusteeship system. The trusteeship agreement expressly provided for the United States to combine international standards of self-determination and application of the same domestic laws Congress applied in the U.S. territories, including nearby Guam.

It was during the four decades of the trusteeship that the United States encouraged the peoples' also traditional and elected leaders to embrace the standard of living that includes, for example, social, political, and economic reliance on dependable and safe modern commercial civil aviation possible through the same FAA en route aviation safety system provided in the U.S. states and territories, which continues under COFA.

The same was true of the U.S. Postal Services, the U.S. Department of Education scholarship and early childhood education programs, U.S. weather services, a combination of FEMA and USAID disaster relief programs, FDIC, and over a dozen other Federal programs and services otherwise only provided in U.S. states and territories.

Again, the United States actively encouraged this dependence during the trusteeship, when the islands played a crucial and irreplaceable role in America's arms race with the USSR and the success of nuclear deterrence strategy that prevented nuclear war for decades. And the return on U.S. investment in these islands during the Cold War and trusteeship was matched under COFA by the benefits to America during the war on terror of the missile defense system that could not have been otherwise developed without COFA.

In close, Madam Chair, as we now face PRC competition and threats that come with it, the COFA nations and our territories are even more vital than ever to America's strategic repositioning. In addition to the strategic denial and basing and operating rights from Kwajalein to Angkor, the citizens of the Freely Associated States serve under COFA in the armed forces in the United States at a higher rate than most states in the same uniform and battles as our fellow Americans, as do the U.S. territories, especially American Samoa.

Thank you, Madam Chair. These points are not the end of the discussion that we will have about the COFA for the months ahead. But it is part of the beginning of that discussion, and I thank you for giving me and my colleagues the opportunity of sharing these thoughts with you today.

[The prepared statement of Mr. Watson follows:]

PREPARED STATEMENT OF DR. PETER S. WATSON

Introduction

“The Witness appreciates the invitation to appear before this distinguished Subcommittee. The subject matter of the Subcommittee’s hearing is both a timely and an important one.”

That I place the above in italicized quotation marks is an affectation, as I am actually quoting myself, not high manners—but I do so to reference the same was from my testimony some thirty-seven years ago—September 10, 1986—on the subject of *“Developments in the South Pacific Region,”* before Chairman Solarz’s Asian and Pacific Subcommittee of the House Committee on Foreign Affairs.

And as we look back on all the testimony presented that day—available at https://books.google.com/books?id=yxuBCg7XnUgC&pg=PP3&source=gbs_selected_pages&cad=2#v=onepage&q&f=false—it’s not unfair to observe that, in the intervening years, while the U.S. has had important regional successes ~ notably the conclusion of the Compacts of Free Association ~ it also had vital engagement opportunities lost or squandered, notwithstanding China therein identified as a burgeoning threat in the Solarz hearing—high hubris on open display in the interim.

As described below, some engagement gaps in U.S. attention have more recently been addressed—but Pacific Island leaders are no doubt wondering whether their nations are simply of more priority now due to the pervasive Chinese presence which my fellow panelists compellingly describe.

Meanwhile, reading the news releases, many would be forgiven for believing the U.S. Pacific Island Leaders’ Summit recently convened by President Biden in September last year (the Summit) was a historic first. Indeed, that credit goes to President H.W. Bush, who on October 27, 1990, convened the initial U.S. Pacific Islands Summit in Honolulu, when meeting with the Heads of State of the Solomon Islands, Tonga, Tuvalu, the Cook Islands, Papua New Guinea, Western Samoa, Fiji, Nauru, Micronesia, the Marshall Islands, and Kiribati: <https://www.presidency.ucsb.edu/documents/remarks-the-conclusion-the-pacific-island-nations-united-states-summit-honolulu-hawaii>

However, the principal deliverable of that first summit, the ‘Joint Commercial Commission’ never came into sufficiently funded fruition to meet the original expectations, thus left many Island leaders feeling, rightly or otherwise, the U.S. was unwilling or unable to fulfill its commitments.

The gaps in U.S. engagement in the Pacific Islands in recent years belies its history there. The United States had some of the earliest western commercial and diplomatic contacts across the span of the Islands. In the first decades of the nineteenth century, American sealers, whalers and explorers traversed the Pacific. Many of the South Pacific Islands became ports of call. Indeed, the United States was involved in South Pacific trade well before it acquired itself a Pacific Coast in 1846.

The U.S. had, for example, full consular representation with New Zealand in 1838—a full year before Great Britain had such representation in 1839. And yet, in recent times, the U.S. had allowed such subtle, yet profound, engagement modalities as the Peace Corps to atrophy and dissipate in the Pacific Islands, just as China was quietly yet pervasively inserting itself there in the profoundly disturbing ways we see.

The Pacific U.S. Territories of American Samoa, Commonwealth of the Northern Mariana Islands (CNMI) and Guam, together with the Freely Associated States of Federated States of Micronesia, Republic of the Marshall Islands, and Republic of Palau all have embedded important levels of federal government economic engagement; however, as detailed by other panel members, this has not prevented the near-catastrophic Chinese intrusions seen in Rongelap (RMI), in the FSM, and with Palau not free from related challenges.

Why Dollar Diplomacy is Not Enough:

As further described below, out-competing China requires an intelligent increase in the level of US direct economic assistance to the Pacific region, and to individual Pacific Island nations. More proof is not needed regarding the relentless implementation and expansion of the “Belt and Road Initiative” wherever it gains a foothold of access to provide grant or loan-funded infrastructure projects.

Projects funded by China tend to be highly visible. Countless diplomats from the U.S. and like-minded nations have commented on the high visibility of China-backed projects. Those same diplomats bemoan the struggle to achieve a higher level of visibility of the economic assistance provided by their nations “in the

trenches,” so to speak, of health, education, environment and other sectoral projects and programs.

Pacific Islanders can’t help but be impressed by the scale and visibility of China-backed projects. Notably, the quality of those projects is often sub-par, and in some cases the projects fail with the same visibility that China enjoyed at the ribbon-cutting stage. We could look at Pohnpei, the host island of the Capitol of the Federated States of Micronesia (FSM), for a highly visible failure. The state’s government administration building was built on a prominent Kolonia-town location with aid and labor from China. The large building allowed for the co-location of the Governor’s office with much of the state’s administration.

Unfortunately for the people of Pohnpei, the building’s poor design, poor quality, and foreign electrical and plumbing systems led to regret on the part of the state and embarrassment—one must presume—on the part of the donor. At this moment China is re-building the Pohnpei Administration building and they have redressed quality problem at other venues on the island of Pohnpei.

So, counting on China to fail to learn lessons and improve the quality of its funded projects in the future would be unwise on the part of the U.S.

The U.S. seeks to enhance the level of effective economic assistance it provides to Pacific Island nations, and we would do well to try to elevate the visibility and promote the high-quality of our targeted economic assistance projects and programs. We must expand collaboration and seek deeper opportunities to partner synergistically with like-minded donor partners in the Pacific.

But we clearly must also be prepared for the response to be greater and greater spending by China in the Pacific. So, it unlikely we can fully counter the influence of China through enhanced spending alone. What’s needed is a three-part strategy that goes beyond enhanced spending alone.

Expanding Engagement to Improve Stability and Security in the Pacific:

The U.S. needs to do more to maintain our desired outcome of a “Free and Open Indo-Pacific.” In addition to increasing the effective level and visibility of our economic assistance, second, we need to significantly enhance our economic-related engagement throughout the Pacific; and third, we need to enhance people-to-people engagement throughout the Pacific.

As detailed below, enhanced economic assistance will achieve better and less volatile regional economic growth outcomes, and allow Pacific Island nations to sharpen their fiscal and economic policies to improve resilience in the face of periodic shocks to which each nation must adjust and broaden its economic base. Palau, for example, must avoid returning to the excessive reliance it had for several years on tourists from China.

This paper will identify important new economic engagement initiatives that Washington is introducing into the Pacific Island region. Due to its early catalytic role, particular emphasis is given to the activities of the U.S. Trade Development Agency: <https://ustda.gov/> (TDA), with important mention to its partnering with the Japanese Bank for International Cooperation: <https://www.jbic.go.jp/en/index.html> (JBIC). Likewise important is JBIC’s teaming with the U.S. Development Finance Corporation: <https://www.dfc.gov/> (DFC) with its critically-expanded finance facilities, and their joint teaming with Australia’s Department of Foreign Affairs and Trade (DFAT).

Enhanced economic engagement should, at a minimum, involve greater commercial interaction throughout the Pacific. We need to find direct and indirect ways to achieve increased trade and direct investment from the U.S. and from investors from like-minded nations including, of course, Japan and Australia. The US has long declared its desire to promote the objective of increased trade and investment; however, we need to undertake a serious review of the quality, quantity, and consistency of our efforts to achieve such an objective. A restart of some initiatives together with initiation of more and better programs would be a good start.

Important economic engagement focus will be placed here on the activities of the Palau Economic Advisory Group (EAG). In particular, the EAG brings a comprehensive approach to assisting Palau to: (i) achieve better results with the economic assistance it receives, (ii) benefit from additional programs and partnerships to increase trade and investment from the US and like-minded nations, and (iii) to restore, enhance, and introduce programs that promote enhanced people-to-people engagements in Palau and in the U.S. However, allow me an immediate caveat here: I appear here today strictly in my private capacity, not as a U.S. delegate of the Palau EAG, nor as a member of the EAG itself. Accordingly, all EAG-related comments here are strictly and exclusively my own, and not in any way to be attributed to the EAG, or either of its bi-national founders.

Of great concern to broader U.S. economic and national security interests is the degradation of the U.S. Tuna Fleet, with a review of the same, with specific reference to the need to enhance and secure the economy of American Samoa. And, as we consider the further regional engagement of American Samoa, the CNMI and Guam, the reference to French Polynesia's Forum Associate Membership in the Pacific Island Forum (PIF) suggests consideration of a similar membership for our Pacific jurisdictions.

Modalities of Expanded U.S. Economic Engagement in the Pacific Islands:

i. The Role of TDA.

One of the many positive outcomes of the Summit was the release of very useful new U.S. economic engagement programs. In this regard, a central outcome of the Summit was the White House's designation of TDA as the lead implementing agency of its newly created Pacific Island Strategic Infrastructure Initiative (PISII) and co-lead of the Transportation Partnership with the Pacific Islands (TPPI). These economic engagement initiatives aim to catalyze sustainable, climate-smart infrastructure investment throughout the Pacific Islands using TDA's project preparation and partnership-building toolkit in sectors including clean energy, transportation, digital and healthcare infrastructure.

To help fulfill these commitments, in late February 2022 and early March 2023, TDA engaged in scoping missions to the Pacific Islands, with stops in Federated States of Micronesia, Fiji, Palau, the Republic of Marshall Islands, Samoa, and Tonga. These scoping missions served as opportune visits to establish new engagement partnerships and directly solicit infrastructure proposals from key Pacific Island markets.

As known, these island countries face unique challenges, including pronounced climate change impacts, severe weather events, limited digital and transport connectivity, supply chain disruptions, and food security issues, among others. Discussing these challenges firsthand enabled TDA to assess current infrastructure needs and discuss potential ways to partner with local public and private sector entities to advance sustainable infrastructure solutions.

TDA participated in the U.S.-Pacific Islands Trade and Investment Dialogue Senior Officials Meeting, led by the Office of the U.S. Trade Representative, and met with ministries and private sector partners across the Pacific Islands to discuss potential areas of cooperation. They are now evaluating potential project leads for the modernization and buildout of ports and airports, cold storage facilities, digital infrastructure, telemedicine and healthcare solutions, electrical grids and clean energy.

During the scoping missions, TDA announced the expansion of its signature regional aviation initiative, which is now called the U.S.-Southeast Asia and Pacific Islands Aviation Cooperation Program. The initiative will now undertake dedicated programming across the Pacific Islands. Looking forward, USTDA will also host a Pacific Island Country delegation to the United States for a Ports Modernization Reverse Trade Mission, scheduled for fall 2023.

TDA bookended its scoping missions with visits to New Zealand and Australia, with whom the Agency has partnered to jointly support quality infrastructure and human capacity building to advance the resilience and prosperity of the Pacific Islands. TDA is also supporting an open **Call for Proposals for the Pacific Islands**: Through the Pacific Islands Strategic Infrastructure Initiative, TDA issued this call for proposals to utilize the full breadth of its toolkit to match the infrastructure priorities of Pacific Island countries with the technical innovation of U.S. companies.

In a short amount of time, TDA has catalyzed new partnerships, to importantly include JBIC, concurrent with deepening its existing relationships in the Pacific Islands. Their efforts will soon lead to an expanded portfolio of project preparation and partnership-building activities that will promote sustainable infrastructure and greater economic resilience across the region, while introducing high-quality U.S. solutions. In short, TDA is on the front lines of Washington's engagement efforts to strengthen the U.S.-Pacific Partnership.

ii. The Role of Regional Engagement between TDA—DFC—JBIC—DFAT

As China's intrusion in the region was more fully internalized in Washington, it was recognized that the U.S. needed to expand the mandate and funding of TDA's sister agency, the Overseas Private Investment Corporation (OPIC). As a consequence, OPIC was morphed into DFC, its role in assisting regional alliance

engagement to contest the China threat is well-described here by DFC's CEO Scott Nathan: <https://www.dfc.gov/media/speeches-testimony/testimony-dfc-ceo-scott-nathan-house-committee-foreign-affairs-0>.

TDA, for its part, not only provided catalytic support for DFC's regional project developers, but also expanded its reach there in May 2022 by concluding a teaming arrangement with JBIC, which, in turn, was able to pivot off JBIC's equity and debt facilities, a significant capital multiplier outcome: <https://ustda.gov/ustda-jbic-formalize-global-partnership-on-infrastructure/>

The TDA tie-in with JBIC was preceded by JBIC's November 8, 2017 teaming with OPIC, which was subsequently converted into an agreement with the new DFC on December 14, 2021: <https://www.jbic.go.jp/en/information/press/press-2020/0114-014177.html>

An even further expansion of regional finance capability took place on October 16, 2022 when DFC, JBIC, DFAT and Export Finance Australia (EFA) enhanced their collective collaboration: <https://www.dfc.gov/media/press-releases/joint-statement-united-states-japan-and-australia-renewal-trilateral>

The benefit of this collective finance engagement took place in November 2022 at the Partnership for Global Infrastructure and Investment (PGII) event at the G20 Summit, where it was announced that DFC, JBIC and EFA would provide USD \$50 million each provided to support Telstra's acquisition of Digicel Pacific. Digicel Pacific is the leading telecommunications operator in the Pacific, with over 2.5 million subscribers in Papua New Guinea, Fiji, Vanuatu, Samoa, Tonga, and Nauru, with Telstra's acquisition of the same precluding a threatened Chinese acquisition of the same: <https://www.whitehouse.gov/briefing-room/statements-releases/2022/11/15/united-states-australia-japan-joint-statement-on-cooperation-on-telecommunications-financing/>

iii. The Role of a Significant American Tuna Fleet:

Maintaining an active and viable U.S. tuna purse seine fleet operating in the strategically important central Pacific Ocean is vital for a number of reasons. First the fleet is based in American Samoa and supports the local economy by delivering tuna to the StarKist facility there, the largest private sector employer in the territory and by utilizing a range of goods and services provided by local businesses.

The economy of American Samoa is overwhelmingly dependent on the tuna industry and the related service industries that support both the StarKist facility and vessels based there. The future of the U.S. purse seine fleet and the future of American Samoa are inextricably and undeniably linked.

The activities of the fleet provide a critical counterbalance to China's growing influence across the region. As known, China has focused strategically on developing direct commercial ties with several Pacific Island States through investments in the fisheries sector, both through the activities of its vessels as well as shoreside investments. China understands that building commercial and industry ties is a the single most important vector for political and economic engagement.

As a result, maintaining a viable American Samoa-based purse seine fleet operating in the Pacific Ocean contributes not only to the United States and American Samoan economy, but to regional food security, national security, and other vital national interests. The fleet also operates as numerous additional sets of "eyes and ears" across vast reaches of the Western and Central Pacific Ocean.

And yet, the American Samoa-based fleet faces a number of challenges that risk further significant reductions in the number of vessels operating in the region. Frankly speaking, the fleet operates on an increasingly uneven playing field with respect to its international competitors, in particular China. China and other flag states are able to exempt their vessels from a range of international regulatory requirements by reflagging or entering into charter arrangements with Pacific Island States who themselves are exempt from these requirements.

Moreover, although the underlying Convention requires that "Participating Territories" such as American Samoa be afforded the same treatment as the Pacific Island States, the America Samoa-based fleet is not afforded these same exemptions creating a vastly disproportionate burden on the American Samoa economy.

Finally, the fleet faces a number of regulatory challenges on the domestic front as well. Current initiatives being considered by the Administration would further limit access by the fleet to fish on the high seas, and potentially close remaining U.S. waters, that are not already closed to fishing, under an expanded Pacific Remote Islands National Marine Sanctuary.

It is often said, because it is undeniably true, that fisheries are as central to the politics of the Pacific as oil is to the Middle East. Unless the United States is prepared to withdraw completely from engagement with the Pacific Island States on these strategically important fisheries issues, these trends affecting the American

Samoa-based fleet must be addressed and reversed, and soon. (In parallel, another burden to American Samoa's economy needs to be early addressed, that is raising the hourly wage there to the federal level.)

Finally, another approach to adding fisheries value to American Samoa is to benefit from such as the Marshall Islands relationship with Taiwan and U.S. One innovative approach here is to have Taiwanese Bumblebee send fish it catches in Marshallese waters to American Samoa for processing, then export them from there—this simultaneously bringing RMI closer to controlling their fisheries.

Enhanced people-to-people Engagement:

While certain US policy initiatives are already underway to enhance regional people-to-people engagement, an additional/intentional focus will be required to achieve lasting results. Plans for the return of the Peace Corps to many Pacific Island countries are well advanced, but final arrangements are still awaited for in Palau, the FSM and the Marshall Islands—the same being warmly welcomed and a strong signal of U.S. commitment.

Similarly, continuation and even enhancement of the resident Civic Action Team in Palau, and a return to FSM and RMI, would bring very positive, mutually beneficial results.

The US Department of Veterans Affairs should be encouraged to expand ways to improve access to VA health benefits for the substantial and growing number of veterans in the FAS.

Another set of programs to consider were highlighted during the COVID-19 response in which US resources from HHS, CDC and other agencies, were deeply appreciated and highly effective. Making some such interactions more frequent or even permanent on the ground could yield equally admirable and long-lasting benefits.

Programs to improve education in the FAS and to make US higher education affordable for FAS citizens would continue to enhance our linkages. Finally, the U.S. must improve its focus upon the rights and benefits FAS citizens enjoy while legally and productively residing in the U.S. and in U.S. territories. Fixing the mistakenly excluded Medicaid benefit was a good step.

Addressing the Real ID problems faced for a period of years was another step. But too often Compact citizens living in the US face challenges green-card holders so not face. A pathway to citizenship afforded to immigrants from non-Compact nations is not afforded to Compact immigrants. The U.S. can and should address and redress inequities when possible, to further bolster US-FAS people-to-people engagement outcomes.

In present close in this section relating to the importance of personal relationships, it useful to note the coincidence that, at this moment, the two most important women leaders in the Pacific are, respectively, the Prime Minister of Samoa, Fiamē Naomi Mata'afa, and the Congresswoman from American Samoa, Aumua Amata Coleman Radewagen, who naturally graces this body.

Expanded Engagement in the Pacific Island Forum:

Regarding expanded U.S. engagement in the region, it is noted that the Governor of Guam was the only U.S. territory Chief Executive to participate in the proceedings of the 2002 U.S. Pacific Islands Summit in Washington D.C., and after its conclusion the Governor announced that her local government administration would unilaterally seek Associate Membership in the Pacific Islands Forum (PIF).

The U.S. historically has advised Guam and the PIF Secretariat that Observer status in that international organization is the only appropriate participation for Guam, American Samoa and the Northern Mariana Islands. That is, given the requirements of the American system of constitutional federalism, under which the President is the sole national voice in foreign affairs, with the result that neither states nor territories can go beyond participation as civil society observers in international proceedings in which foreign policy matters are deliberated.

One wonders if this is not a constitutional cage of our own making.

It is noted that the U.S. and France are among 19 nations that are not PIF members but allowed to participate as countries "engaged" in the region in the capacity of Forum Dialogue Partners. Yet, two French territories that had Observer status became Associate Members as a springboard to Full Member status. That includes New Caledonia, which like Guam is not fully self-governing, and French Polynesia, classified as an "overseas country."

Meanwhile, Wallis and Futuna is still a French possession in Observer status, demonstrating that one size does not fit all for France and PIF, just as it need not for U.S. and its other territories, especially if there are good domestic and/or international law reasons for differentiation.

Similarly, Cook Islands and Niue are territorial dependencies of New Zealand, given the “Free Associated State” designation and PIF full membership, while Tokelau, New Zealand’s small territory (population 1,383), is an Associate Member of PIF.

While Australia and New Zealand have managed to expand beyond their colonial past and the French territories have been accepted by PIF despite France’s nuclear testing legacy, the U.S. Pacific seems to be having an identity crisis about being a Pacific nation, and thereby precluding its small Pacific territories from regional roles that seem natural.

If U.S. territories are not fully integrated into the U.S. constitutional system as are states, why should they not exercise some degree of international personality and integration in the regional community? Or, what if the U.S. applied for PIF membership and made Guam, American Samoa and Northern Mariana permanent members of the U.S. delegation? The people of the Pacific who remember that 100,000 Americans died freeing them from brutal tyranny know the U.S. is a Pacific nation, but has the U.S. fully considered the benefits of either itself, or its Pacific Island Territories, in a far closer engagement with the PIF?

Palau: A Case-study in Enhanced U.S. Engagement:

The Compacts of Free Association with the FSM, the RMI, and Palau present unique opportunities and unique challenges resulting from our history during the Post-World War II period.

In particular, reference to Palau can show the Biden administration recognizing its importance by launching the Palau Economic Advisory Group on September 15th 2022: <https://www.doi.gov/oia/press/Compact-Mandated-Palau-Economic-Advisory-Group-Launched>

In proceeding with the EAG launch, the administration reversed twelve years of earlier inaction, with the EAG being (notionally) established on September 3, 2010, under the Agreement reached during the 15th Anniversary Review of the Compact of Free Association between the U.S. and Palau. In so launching the EAG, the administration has demonstrated its ability to move past periods of relative neglect.

For its part, Palau appreciates the focus and attention on military relations as evidence by the consistent, twice-yearly meetings that provide a conducive environment and an opportunity to ensure mutually beneficial interactions. Palau appreciates the high-level visits it has received, including, among others, from the Secretary of Veteran’s Affairs. The Secretary acknowledged the sacrifices—and the ongoing sacrifice—of Palauan citizens in the US military serving at a rate in proportion to population unmatched by any state of the United States ~ likewise true of the FSM and Marshall Islands.

So, what are my (again, strictly personal) observations as a member of the EAG? I see a nation that is a proud partner of the U.S. I see a nation that has broad and deep linkages with the U.S. as evidenced by the many Palauans alive today are resident in the U.S. mainland or a U.S. territory. I see a country that has been economically damaged by China’s intentional ban on visitors from China to Palau, from a peak of over 90,000 visitors or 54 percent of the total in FY2015 to virtually none in a few years.

I see a country which has been further damaged by the impact of COVID-19 on its tourism industry, causing economic activity to decline by nearly 30 percent from its peak. I see a country forced to borrow, albeit on concessional terms, to manage its way through the COVID-19 pandemic while keeping its tourism industry on life support to survive until now. I see a country with inadequate and declining quality of its infrastructure—however the same is beginning to attract the attention of TDA/DFC/JBIC/DFAT-EFA.

Accordingly, for the relevant reasons, I see a country poised to recover and prepared to deliver improved livelihoods to its current population, and to do its best to attract Palauans to return home with the education, skills and experience they have developed abroad ~ mostly in the U.S.

I welcome those with an interest in the comprehensive activities of the EAG since its launch to take a moment to review its First Annual Report, to appear when released on its web-site: <https://pitiviti.org/eag-meetings-reports>

Conclusion:

The United States has recently emerged from a period where it took its place and engagement in the Pacific Islands largely for granted. Many negative interests have taken full advantage of this period of hubris, clearly not least China. Armed with the knowledge of the profound negative effect of this laissez-faire, the U.S. has recently demonstrated it has a comprehensive range of economic engagement tools to bring to bear, not least that of TDA and DFC.

And while this Hearing is not focused on the Compacts under ‘present hoped-for closure’, the same when concluded will clearly be the signal to all parties how seriously the U.S. has reengaged. The administration’s launching of the Palau Economic Advisory Group is a further strong positive signal the U.S. is fully committed in its regional role and status.

QUESTIONS SUBMITTED FOR THE RECORD TO PETER WATSON, PRESIDENT & CEO, THE DWIGHT GROUP

Questions Submitted by Representative Westerman

Question 1. Historically, what was the importance of the islands that now comprise the FAS and how does that importance show itself in the present competition for influence and control in the Indo-Pacific?

Answer. It has been observed the CCP regime that rules the PRC appears in some respects to be seeking to accomplish in the Pacific Islands during the third decade of the 21st Century what Imperial Japan attempted to accomplish in the third decade of the 20th Century. That is, to use control of Oceania as a strategic and economic bridge to gain control and dominate the Indo-Pacific region.

Imperial Japan used the League of Nations Mandate to establish a civilian governing system based in Koror, Palau, to expand its power projection to Saipan and across Micronesia to Chuuk and Majuro. PRC is using political and economic codependence to set the stage for by economic and strategic coercion as needed to achieve a dominant position throughout a region spanning 1/3 of the earth’s surface.

Surrounding Taiwan is one obvious purpose, and that is an imperative in any assessment of regional economic and political security threat. But of equal if not greater long-term interest to PRC is access of sea lines of communication that run directly through the FAS waters, islands and airspace.

Just as Imperial Japan’s creeping expansion across the region of small islands and big oceans included creeping militarization contrary to its LON mandate, the allies had to island hop to reverse Japanese aggression and drive imperial forces back to the homeland.

To avoid conflict that can lead to war, the U.S. and its allies in our shared region must confront the political warfare and effectively counter the political disruption, and corruption tactics the PRC is waging to end democracy, free enterprise and rule-of-law in small Pacific nations that control large ocean areas in strategic locations.

Question 2. How important are the FAS for the future of U.S. economic presence in the Indo-Pacific, as well as countering CCP aggression?

Answer. Vitality. Together with the U.S. territories that extend the U.S. homeland into the Western Pacific, the FAS are centers of American economic and strategic national interest. U.S. economic assistance is an investment in peoples and nations that host critical military presence more important than ever to keep the peace.

Questions Submitted by Representative Radewagen

Question 1. Dr. Watson, you mention you wished to elaborate further on the American Samoa’s fishing and the American Samoa Economic Development Credit. Could you please do that?

Answer. That Congress has allowed the American Samoa Economic Development Credit (ASDEC)/Section 30A to lapse is very regrettable: Indeed it is extremely short-sighted. American Samoa is critical to the U.S. mainland as its irreplaceable security platform in the southern Pacific Islands—it’s that simple.

American Samoa depends on its tuna canning industry, the territories largest private employer and economic driver. With roughly 2,300 workers, the tuna cannery in Pago Pago is the largest private sector employer in American Samoa, being responsible for nearly 20% of its workforce, and has relied heavily on the Section 30A tax credit. Local economic diversification cannot occur without a reauthorization of the tax credit. This will provide time to recover from the economic downturn and plan.

The House Ways and Means Committee has previously voted out a five-year extension, and Senator Murkowski offered an amendment for a five-year extension, but same was not taken up.

American Samoa is hopeful the Finance Committee will support a multi-year reauthorization which will help diversify its economy and give businesses the confidence to invest in American Samoa without having to worry about annual expiration.

The Finance committee solved this problem for Puerto Rico and the U.S. Virgin Islands in an earlier tax reform bill providing them with a five-year extension for the rum tax cover over, a provision which scores substantially higher than the ASEDC. This is the time to rectify to extremely prejudicial situation in American Samoa—the anchor of U.S. national security in the lower Pacific Islands.

Question 2. Do you see any path that would allow more participation by any of the Pacific territories in the Pacific Islands Forum; and not run afoul of the U.S. Constitution or the traditional authority of the President/ Executive branch in conducting foreign affairs?

Answer. I was pleased to provide detail on this in my written testimony, but for emphasis, the U.S. federal government not only can and should facilitate a deeper engagement of the Pacific territories—especially by American Samoa, as the U.S.'s only territory in the southern Pacific—but it should also strongly consider becoming a member itself. The U.S. had diplomatic representation in New Zealand in 1938, years before itself acquired a Pacific coast. In short it well past due the United States moved to correct these PIF membership mistakes of the past.

Questions Submitted by Representative Case

Question 1. During my time for questions in our hearing, I misspoke when describing the Government Accountability Office's reported fiscal impact from Compact residents on local communities. I noted that localities collectively reported \$1.8 billion in costs between 2004 and 2018 when in reality that figure in the GAO report is \$3.2 billion. If Congress were to expand the same eligibility for federal benefits to Compact migrants as are currently extended to lawful permanent residents, what uncovered costs from delivering still-uncovered services would host communities have to cover without federal aid?

Answer. Local education costs may not be covered, for just one example. Also, it has been suggested by some that there were methodical deficiencies in past enumerations by OIA and Bureau of Census for purposes of allocating annual grants under Section 104(e) of the 2003 COFA Amendments Act of 2003 (P.L. 108-188).

Specifically, the practice of OIA and the Bureau for the last 20 years has been to include U.S. citizens with origins in FAS as “qualified non-immigrants” under Section 104(e), referred to a here as “Compact Migrants.” Since U.S. citizens do not enter or reside in U.S. under Section 141 of the COFA, the enumeration and costing of the program may be askew. Indeed, the record before the Subcommittee has reported that half of “Compact Migrants” are U.S. citizens, a distinction that could alter assessment on past and present costs for COFA impact payments.

GAO also reported inconsistency and administrative discretion exercised in directing enumeration that had no basis in statute. That needs to be addressed and prevented.

Question 2. Citizens of the Freely Associated States are eligible to join the U.S. military and frequently serve in our armed forces. What proportion of the population from the Freely Associated States joins the U.S. military compared to other U.S. communities? What are the challenges veterans in the Freely Associated States experience in accessing Department of Veterans Affairs health care and other benefits when they return home to their countries? What can be done to improve this?

Answer. Thank you. I of course respect the resources of OIA, VA and Defense can best provide an accurate response to those questions; however, on the first I am aware that the FAS—and American Samoa—have its nationals serve in the U.S. armed forces at larger percentages than the far majority of U.S. states, if indeed more than all.

Question 3. Funding for the Compacts of Free Association is currently borne by the Department of the Interior and the Biden administration suggests moving that funding the Department of State but to keep administration of the Compacts within the Department of the Interior. Given the critical role the Compacts of Free Association to our national security and to the Department of Defense, should the Department of Defense also bear some of these costs?

Answer. Some believe Defense Department has been misinformed and misled into believing U.S. security and defense rights under COFA are “locked in” and/or binding on FAS “in perpetuity.” That is a deeply flawed narrative that in some

degree may have caused Defense to believe its commitment in FAS is limited to INDOPACOM operational programs and community relations activities involving in connection therewith, but that relations with Congress, State, Interior and NSC on COFA negotiations and approval are of limited efficacy and managed at a bureaucratic level.

Defense should have a senior leadership and policy role and should be represented by full time assigned personnel in the COFA management and implementation process. The Defense budget should include contributions to the COFA economic and political package, as well as payment of operational and defense site costs as currently is the case.

Whether the funding and federal domestic program coordination in the international setting is funded through State or Interior, Defense should play a prominent role in managing relations with the FAS under COFA.

Question 4. Last year the administration released the first ever Strategy for Pacific Island Partnership along with a more detailed Roadmap to a 21st Century U.S. Pacific Islands Partnership. How was this and recent efforts to reengage the region seen by the Pacific Islands? What role can Congress play to help implement the Pacific Islands Partnership Strategy?

Answer. U.S. engagement in region will always be welcome and appreciated. Right now the best measure is to approve a new federal law extending the COFA on terms Congress determines to best serve U.S. and FAS interests.

Question 5. The Pacific Islands Forum, a critical inter-governmental organization in the Pacific Islands region, laid out a regional vision for development of the Pacific Islands in its 2050 Strategy for the Blue Pacific Continent. How can the United States support this strategy?

Answer. As responded to in Congresswoman's follow-up question on the Pacific Island Forum, the U.S. federal government not only can and should facilitate a deeper membership engagement there of its Pacific territories—especially by American Samoa, as the U.S.'s only territory in the southern Pacific—but it should also strongly consider becoming a member itself. The U.S. had diplomatic representation in New Zealand in 1938, years before itself acquired a Pacific coast. In short, the way the U.S. can maximally support the development of the Pacific Islands in its 2050 Strategy for the Blue Pacific Continent is for it to become a full PIF member, and likewise have its Pacific territories have a deeper organic role in the same.

Ms. HAGEMAN. Thank you.

The Chair now recognizes Mr. Gray for 5 minutes.

**STATEMENT OF ALEXANDER GRAY, MANAGING PARTNER,
AMERICAN GLOBAL STRATEGIES, LLC, OKLAHOMA CITY,
OKLAHOMA**

Mr. GRAY. Thank you, Chairman Hageman, and Ranking Member Leger Fernández, and members of the Committee for this opportunity to testify today on a matter of tremendous importance for the sovereignty and integrity of U.S. Pacific territories and insular areas, and that is countering the malign influence of the People's Republic of China.

As the first-ever Director for Oceania and Indo-Pacific Security at the NSC from 2018 to 2019, I witnessed firsthand the PRC's growing influence across the Pacific, including in U.S. territories and insular areas.

While PRC ambitions have received considerable media coverage and high-level official attention in places like the Solomon Islands and Papua New Guinea, there has been an alarming dearth of focus on Beijing's efforts to penetrate, influence, and subvert U.S. territories for which our government is directly responsible.

While the United States has an extraordinary strategic interest in the integrity of the Freely Associated States, I am going to focus my attention in this testimony primarily on U.S. territories.

In addition to the obligation the U.S. Government has to the integrity of these areas, they are strategically significant as the United States embarks on prolonged competition with the PRC. The territories of Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands are in vital sea lanes, they host critical military infrastructure and assets, and they are integral parts of the Indo-Pacific economy.

Additionally, the United States administers nine Pacific possessions, including Wake Island, Midway Atoll, and others that are likely to play important roles in that evolving U.S.-PRC competition.

The strategic reality in the region has made U.S. territories and possessions in the Pacific a prime target for PRC malign influence. As others have noted, this influence can come in many forms: propaganda, traditional espionage, influence operations targeted at elites, but also general public opinion, and more. U.S. Pacific territories have witnessed the full spectrum of PRC operations, but given their anomalous status within the U.S. Government and quirks of how the executive branch is organized, they fail to receive the attention and the resources to appropriately address the predations of the PRC.

In my written testimony, I have laid out the various specific ways the PRC is exerting malign influence against U.S. territories in the Pacific. But I think just to encapsulate that, Washington needs to begin prioritizing the defense of U.S. Pacific territories and possessions the same way we would address those same actions against a U.S. state.

To increase the responsiveness of senior levels of the U.S. Government to the threats facing our Pacific territories and possessions, it is time for the National Security Council to establish an interagency policy process chaired at the assistant secretary level by an appropriate NSC official to respond to threats to U.S. territories, and to integrate this response into our larger National Security Strategy. This process would need representation from across the U.S. Government.

Just as a few specific examples of steps the government could and should take, we need to establish a director-level position at the National Security Council focused on the U.S. territories and possessions who can provide staff support to that policy process that I just mentioned.

The Coast Guard is the entity most capable of defending and safeguarding U.S. sovereignty in the U.S. territories and possessions. They need additional resources to undertake that mission, including, I would add, continuing forward with the process of evaluating a permanent Coast Guard station in American Samoa.

Additional bureaucratic fixes can be made to strengthen the hand of the U.S. Government in countering PRC malign activity in the region. That could include opening additional FBI field offices outside of Honolulu in our U.S. territories and possessions. It also means taking the PRC's economic assault on our Pacific territories more seriously, and integrating efforts by Departments of

Commerce, Treasury, and Labor into a larger policy process to address challenges like what has happened to the cannery in American Samoa, which is a direct result of the PRC's economic coercion.

Finally, U.S. territories and possessions in the Pacific are vital sovereign parts of the United States, and they are going to be instrumental in the conduct of our long-term competition with the PRC.

In addition to the strategic rationale, we owe it to the Americans who call these islands home to structure the U.S. Government appropriately, apply the appropriate attention and focus to safeguarding them from malign interference and influence.

The bureaucratic fixes I have outlined are just a beginning baseline for that process as we continue to reconfigure ourselves for the era of great power competition. Thank you again.

[The prepared statement of Mr. Gray follows:]

PREPARED STATEMENT OF ALEXANDER B. GRAY

Chairwoman Hageman and Ranking Member Fernandez, thank you for the opportunity to appear before the Subcommittee today to address an issue of the utmost importance to the sovereignty of the United States and the integrity of our Pacific territories and insular areas: countering the malign influence of the People's Republic of China (PRC).

As the first-ever Director for Oceania and Indo-Pacific Security at the National Security Council (NSC) from 2018 to 2019, I witnessed firsthand the PRC's growing influence across the Pacific Islands, including in U.S. territories and insular areas. While PRC ambitions have received considerable media coverage and high-level official attention in places like Solomon Islands and Papua New Guinea, there has been an alarming dearth of focus on Beijing's efforts to penetrate, influence, and subvert territories for which the United States Government is directly responsible.

While the United States has an extraordinary strategic interest in ensuring the integrity of the Freely Associated States (FAS) of the Republic of the Marshall Islands, the Republic of Palau, and the Federated States of Micronesia, I will not cover this matter extensively in my testimony today. It is imperative that the U.S. swiftly conclude extensions to the Compacts of Free Association with the FAS, and it is well-documented that the PRC is actively seeking to subvert the sovereignty of the FAS, weaken U.S. strategic interests in the FAS, and project malign influence for the purpose of strengthening Beijing's strategic-military objectives relative to the United States in the Micronesian Region. Renewing the Compacts forthwith is a matter of the utmost military, political, and economic urgency for the United States.

Instead, I will primarily focus my remarks on the increasingly pernicious challenge posed by the PRC in U.S. territories and insular areas. In addition to the obligation the U.S. Government has to preserve the integrity of these areas, they are strategically significant as the U.S. embarks on a prolonged competition with the PRC. The territories of Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands (CNMI) are located in vital Pacific sea lanes, host critical military infrastructure and assets, and are integral parts of the Indo-Pacific economy. Additionally, the U.S. administers nine Pacific possessions: Baker Island, Howland Island, Jarvis Island, Johnston Atoll, Kingman Reef, Midway Atoll, Palmyra Atoll, and Wake Island. These possessions also contain important strategic infrastructure, occupy critical Pacific geography, and will likely play important roles in the evolving U.S.-PRC competition.

Approximately 265,000 Americans live in the three Pacific territories as citizens or nationals. The Pacific territories and possessions have over 1 million miles of Exclusive Economic Zone (EEZs); the Pacific possessions alone have over 750,000 miles. Since the beginning of America's acquisition of considerable Pacific territory in the 19th century, the strategic imperative outlined in the 1820s by President John Quincy Adams has remained immutable: the "furnishing of commerce and fishery extending to the islands of the Pacific . . . still require that the protecting power of the Union should be displayed under its flag." American strategic interests in the Indo-Pacific, and particularly East Asia, require an extended presence across the great swathe of the Pacific to project power, protect commerce, and ensure the

interests of the United States in the region and beyond. The growing Sino-American rivalry has only heightened this imperative.

Guam, only about 1,500 miles from Japan, is home to roughly 7,000 U.S. military personnel, including a U.S. Navy attack submarine squadron and ship repair facility, a major U.S. Air Force base, multiple U.S. Coast Guard cutters, and, over the next decade, 5,000 relocated Marines from Okinawa. Tinian, in the CNMI, will serve as an alternate airfield for U.S. military aircraft.

American Samoa, about 2,000 miles north of New Zealand in the Polynesian island group of the South Pacific, is the focus of a feasibility study on whether to base Coast Guard Fast Response Cutters there to uphold regional security and assist local partners in countering China's malign activity. It has tremendous latent capacity for the projection of U.S. power in the South Pacific at a time of increased PRC interest in that subregion.

The United States' Pacific possessions (grouped collectively as the Minor Outlying Islands) are strategically vital. Located in the North Pacific along the same critical sea lanes between the U.S. West Coast and East Asia that had originally prompted their acquisition in the nineteenth century, these small islands provide sovereign American territory in the vast expanse of the Pacific.

For example, situated between Hawaii and Guam, Wake Island is undergoing an \$87 million upgrade by the U.S. Air Force to better support flight operations. Both Midway Atoll and Johnston Atoll previously housed U.S. military installations and could be reactivated to provide additional U.S. power projection across the North Pacific, particularly as the PRC seeks to put U.S. facilities like Guam under missile threat. The flexibility offered by these possessions is an exceptional strategic opportunity for the U.S. in the Pacific.

These strategic realities have made the U.S. territories and possessions in the Pacific a prime target for PRC malign influence. As others have noted, this influence can come in many forms: propaganda, traditional espionage, influence operations targeted at both elites and general public opinion, and more. The U.S. Pacific territories have witnessed the full spectrum of PRC operations but, given their anomalous status within the U.S. Government and quirks in U.S. Executive Branch organization, have failed to receive the attention and resources needed to appropriately address Beijing's predations.

Some of these PRC efforts have been unique to the Pacific territories. The CNMI, for instance, has been inundated by the "birth tourism" phenomenon emanating from the PRC and encouraged by a parole visa program initiated under the Obama administration. Birth tourism has overwhelmed the CNMI's medical capacity, and, in recent years, foreign births have exceeded native ones there. At the same time, four of China's largest construction firms and a major casino operator were found by U.S. authorities to be persistently paying local workers below the minimum wage. Local CNMI officials have repeatedly raised concerns about pernicious PRC practices that destabilize the local economy and place undue pressure on CNMI's social cohesion.

Across U.S. territories and possessions in the Pacific, China's malign activity is damaging local economies and the regional ecology. Persistent and pervasive illegal, unreported, and unregulated (IUU) fishing by PRC vessels has been common in American Samoa, Guam, the CNMI, and as far east as Hawaii. Overfishing and depleted stocks have roiled territorial economies, with a tuna cannery on American Samoa, one of the island's largest employers, even temporarily suspending operations due to lack of fish.

The PRC also regularly intrudes into EEZs across the region, including with hydrographic survey ships and even with auxiliary general intelligence vessels (AGIs), which have entered EEZs as far as Hawaii or northern Australia. Such unfettered activity by PRC vessels can provide critical information to counter U.S. Navy submarine activity, compromise undersea cables, and establish underwater surveillance systems. Without a regular air or sea presence across this vast region, the U.S.'s ability to ensure the integrity of its territories' EEZs is in question.

Washington must begin the process of prioritizing the defense of U.S. Pacific territories and possessions from PRC predation while also reorganizing itself to address these challenges in a systematic manner. First, the U.S. Government must treat the above mentioned PRC misbehavior with the same seriousness with which it would similar attacks on a U.S. state. The Americans who reside in our Pacific territories and possessions deserve nothing less.

To increase the responsiveness of the senior-levels of the U.S. Government to the threats facing the Pacific territories and possessions, it is time to establish a National Security Council-led interagency policy process (chaired at the assistant secretary-level by an appropriate NSC official) to respond to threats to U.S. territories and possessions and integrate this response into the larger National

Security Strategy, especially with regards to PRC competition. Such a process would have appropriate representation from relevant agencies, including but not limited to the Departments of the Interior, State, Defense, and Homeland Security.

Additionally, the NSC should create a cross-functional Director-level position focused on the U.S. territories and possessions who can provide staff support to the aforementioned policy process. This official would provide needed accountability for elevating awareness of the needs of the territories and possessions within the policy process, and ensure that other U.S. Government policy processes are reflecting the realities facing the territories and possessions.

The U.S. Coast Guard is the entity most capable of enforcing U.S. sovereignty and safeguarding vital interests across the Pacific territories and possessions. Whether it is enforcing EEZs in the Minor Outlying Islands, preventing IUU fishing across the Pacific, or countering narcotics and human trafficking, the Coast Guard is an essential tool in blunting Beijing's assault on U.S. territories. A substantially increased Coast Guard presence in American Samoa, Guam, and CNMI will be needed in the years ahead. While it continues to be under-resourced relative to the scale of its missions, creative thinking in Washington should be applied to allocate existing resources in pursuit of what should be a strategic imperative: the defense of the Pacific territories and possessions.

Additional bureaucratic fixes can be made to strengthen the hand of the U.S. Government in countering PRC malign activity in our territories and possessions. For instance, the Federal Bureau of Investigation (FBI) manages its Pacific operations from Honolulu. Given the scale of PRC operations in the Western Pacific, an additional field office on Guam and satellite offices, appropriately manned, in CNMI and American Samoa would support both defensive efforts but also assist in wider-regional intelligence and counterintelligence operations with Pacific Islands partners.

The PRC's economic assault in territories like CNMI and American Samoa deserves special attention. While there has been increased awareness of Beijing's strategies of economic aggression broadly, their effectiveness and the unique vulnerabilities of U.S. Pacific territories to those strategies has received insufficient attention. As part of the previously proposed NSC-led policy process, the Departments of Commerce, Treasury, Labor and appropriate regulatory bodies must pay particular attention to proposed projects and investments from foreign entities in U.S. Pacific territories. These projects not only pose threats to social cohesion and economic well-being but also pose potential strategic challenges. Simply because our territories are far from Washington does not mean the U.S. Government can fail to apply a vigorous lens to potential threats.

U.S. territories and possessions in the Pacific are vital parts of the United States and will be instrumental in our conduct of long-term competition with the PRC. In addition to the strategic rationale, we owe it to the Americans who call these islands home to structure the U.S. Government appropriately, and apply the appropriate attention and focus, to safeguarding them from malign interference and influence. The bureaucratic fixes outlined above offer a beginning baseline for that process as the U.S. continues to reconfigure for the era of Great Power competition.

Again, I thank the Chair and Ranking Member for the opportunity to appear before you today and I look forward to your questions.

QUESTIONS SUBMITTED FOR THE RECORD TO ALEXANDER GRAY, MANAGING PARTNER,
AMERICAN GLOBAL STRATEGIES

Questions Submitted by Representative Westerman

Question 1. What current military presence does the US have in the Indo-Pacific, and what potential is there to grow our military presence? Is this something you deem as crucial to combating CCP influence and aggression in the region?

Answer. The U.S. military presence in the Indo-Pacific is currently focused on forward deployed forces in Japan, South Korea, and Guam, with Hawaii serving as the locus of the Indo-Pacific military effort through its headquartering of both U.S. Indo-Pacific Command and U.S. Pacific Fleet. Guam is currently undergoing a long-anticipated transition of forces from Okinawa, Japan, primarily Marine Corps assets, which will both strengthen Guam's role in U.S. forward-deployed defense while hopefully alleviating some of the pressures Okinawa has faced by hosting large numbers of U.S. forces. American Samoa currently lacks any notable U.S. military presence, but should be strongly considered for a permanent U.S. Coast

Guard facility and the basing of USCG cutters to project power across the South Pacific. Additional Navy and Coast Guard assets positioned in CNMI and resources devoted to strengthening alternative airfield infrastructure in the Minor Outlying Islands (e.g. Wake, Midway, etc.) would provide additional options for the U.S. in the ongoing competition with the CCP. Finally, as the Compacts of Free Association are hopefully renewed, there are opportunities to strengthen rotational U.S. military deployments in Palau and FSM, in addition to the permanent presence at Kwajalein in RMI. Palau, in particular, can serve as an important alternative site for critical infrastructure given its proximity to both Guam and Okinawa.

Question 2. How do you assess the political risk that one or more of the FAS will decide to change partner of choice and realign with PRC or some other power hostile to the U.S. over the next 20 years, or any time in the future? What must U.S. do to reduce this risk?

Answer. While there is certainly political risk that PRC/CCP influence operations will succeed in creating pockets of support within the FAS (FSM, Palau, RMI) over the next two decades, I am less concerned by a complete realignment toward the PRC in any of the three polities. Pacific Island states seek to hedge against both Great Power competitors to the extent possible, and a complete realignment given the historical and economic connections with the U.S. would present significant practical difficulties. However, to combat CCP influence and the emergence of pockets of support in the FAS that seek to promote PRC/CCP interests, it is critical for the U.S. to place its long-term relationship with the FAS on a more permanent footing through renewed COFAs while also taking concrete steps to push back against PRC/CCP influence operations that undermine island sovereignty.

Questions Submitted by Representative Case

Question 1. During my time for questions in our hearing, I misspoke when describing the Government Accountability Office's reported fiscal impact from Compact residents on local communities. I noted that localities collectively reported \$1.8 billion in costs between 2004 and 2018 when in reality that figure in the GAO report is \$3.2 billion. If Congress were to expand the same eligibility for federal benefits to Compact migrants as are currently extended to lawful permanent residents, what uncovered costs from delivering still-uncovered services would host communities have to cover without federal aid?

Answer. While not an expert in "Compact Impact" issues, I recognize the immense importance of ensuring that host communities are not exposed to undue costs associated with Compact migration. Such costs undermine political support for the Compacts, with serious adverse national security impacts. I have long encouraged the national security community to take seriously the threat posed by "Compact Impact", if unaddressed, to undermine the political will needed to sustain healthy, long-term relationships with the FAS.

Question 2. Citizens of the Freely Associated States are eligible to join the U.S. military and frequently serve in our armed forces. What proportion of the population from the Freely Associated States joins the U.S. military compared to other U.S. communities? What are the challenges veterans in the Freely Associated States experience in accessing Department of Veterans Affairs health care and other benefits when they return home to their countries? What can be done to improve this?

Answer. It is my understanding that, collectively and as a percentage of population, citizens of the FAS serve in the U.S. military at a higher rate than any U.S. state. That is a tremendous credit to the citizens of Palau, FSM, and RMI, and something that U.S. leaders should never cease to emphasize in interactions with their FAS counterparts. Unfortunately, as has been demonstrated repeatedly since the Iraq and Afghanistan conflicts, the Department of Veterans Affairs lacks infrastructure in the FAS to address the types of injuries sustained in recent conflicts. Many FAS veterans lack the resources to travel to the closest available VA facilities. I encourage Congress to examine additional funding for FAS veterans to travel to VA facilities where their needs can be met, as well as establishment of satellite facilities in the FAS to treat some conditions (mental health being an area of significant attention). The obligations owed to our FAS veterans is significant, and the relationships forged through military service are a major strategic advantage to the U.S. in the region.

Question 3. Funding for the Compacts of Free Association is currently borne by the Department of the Interior and the Biden administration suggests moving that funding the Department of State but to keep administration of the Compacts within

the Department of the Interior. Given the critical role the Compacts of Free Association to our national security and to the Department of Defense, should the Department of Defense also bear some of these costs?

Answer. The Department of Defense is the largest strategic beneficiary of the COFAs through their access to the FAS and right of denial to other strategic competitors. DoD, given its budget and the benefits gained from the FAS, should be the largest budgetary contributor to the COFAs. Interior should continue to manage COFA assistance and State has a key role in managing the relationships with sovereign states, but DoD must take a large proportion of the financial obligation given the strategic benefits.

Question 4. Last year the administration released the first ever Strategy for Pacific Island Partnership along with a more detailed Roadmap to a 21st Century U.S. Pacific Islands Partnership. How was this and recent efforts to reengage the region seen by the Pacific Islands? What role can Congress play to help implement the Pacific Islands Partnership Strategy?

Answer. Congress can help the recent Pacific Islands strategy by ensuring steady funding for key initiatives, like reopening U.S. embassies in the Pacific and bringing the Peace Corps back to the region. Pacific states are justifiably skeptical of U.S. commitment to the region, given American distraction over the last thirty years, and Congress should provide the resources to help alleviate that skepticism. Swift approval of the COFAs would also strengthen perceptions of American staying power.

Question 5. The Pacific Islands Forum, a critical inter-governmental organization in the Pacific Islands region, laid out a regional vision for development of the Pacific Islands in its 2050 Strategy for the Blue Pacific Continent. How can the United States support this strategy?

Answer. The U.S. can utilize a whole-of-government approach to assist the Pacific Islands meet the challenges they face, whether IUU fishing or environmental threats. Bringing the entire USG, from the EPA to the Fish and Wildlife Service to the DEA to the USDA, to engage to address challenges Pacific Island states actually face (soil erosion, rising sea levels, etc.) will help implement the strategy put forth. Congress can provide critical oversight to ensure the USG is working holistically to execute and implement this strategy.

Ms. HAGEMAN. Thank you.

The Chair now recognizes Mr. Grossman for 5 minutes.

STATEMENT OF DEREK GROSSMAN, SENIOR DEFENSE ANALYST, THE RAND CORPORATION, SANTA MONICA, CALIFORNIA

Mr. GROSSMAN. Good afternoon, Chair Hageman, Ranking Member Leger Fernández, and distinguished members of the Subcommittee. Thank you for inviting me to speak today.

Beijing is pursuing three interrelated objectives in the Pacific, which include eliminating Taiwan's diplomatic space; accessing natural resources and generating economic activity; and breaking through the U.S. military's domination of the second island chain.

China's strategy toward the Pacific Island countries is also playing out in the FAS, a region of keen geostrategic interest to the United States. As my RAND colleagues and I discussed in a 2019 report to Congress, the FAS are critical enablers of U.S. military operations that support the United States' Indo-Pacific strategy.

Marshall Islands is one of the four nations in Oceania that diplomatically recognizes Taiwan over China. Because it has limited influence over the Marshall Islands, Beijing may be attempting to find ways to covertly secure its economic interests there. For example, two Chinese nationals who have also become naturalized Marshallese citizens conspired to establish the

Rongelap Atoll Special Administrative Region within Marshall Islands, potentially giving Beijing access to natural resources and fishing in the future. Rongelap is also near the U.S. Ronald Reagan missile defense test site on Kwajalein Atoll, potentially raising spying concerns.

The Federated States of Micronesia is the only state within the FAS that diplomatically recognizes China over Taiwan. As a result, Chinese contacts with state governments and state officials are numerous. In 2014, the two nations created the Commission on Economic Trade Cooperation. China's economic relationship with FSM includes substantial trade and aid components. Additionally, the FSM is a participant in China's global infrastructure and investment program known as Belt and Road Initiative.

Like Marshall Islands, Palau also recognizes Taiwan over China, which has made it a target of Chinese pressure. Most notably, Chinese tourism to Palau ramped up for years until suddenly, in November 2017, Beijing barred tourists from traveling to this pristine vacation spot. It appears that Beijing's move was in retaliation for Palau's refusal to switch diplomatic recognition.

And because the South China Sea is now practically devoid of fishery resources, Chinese fishermen are going farther afield in search of these resources, including within Palau's Exclusive Economic Zone. This is causing new security concerns. For example, in December 2020, with the assistance of the U.S. Coast Guard, Palauan authorities discovered 28 Chinese fishermen poaching sea creatures within its EEZ, and Palau deported them.

Although they do not face diplomatic pressure from China because they are U.S. territories, American Samoa, Commonwealth of the Northern Mariana Islands, as well as Guam, nonetheless are dealing with a variety of Chinese economic and security threats.

For American Samoa, Chinese illegal, unreported, and unregulated fishing activities have depleted tuna stocks within its EEZ and disrupted the local economy, even to the point of forcing a tuna cannery there, which is one of the island's largest employers, to temporarily suspend operations due to a lack of tuna availability. The Biden administration has been considering a Trump-era plan to station a U.S. Coast Guard cutter in American Samoa, in part to deter and intercept Chinese IUU fishing activities.

CNMI primarily faces a potential economic threat from China as well, due to the fact that CNMI's economy is highly dependent on tourism coming from China. As we have seen with Palau and countries outside of Oceania, it is quite easy for Beijing to exact retaliation against those it harbors disagreements with by ending Chinese tourism to these destinations.

And for Guam, the primary Chinese threat is military in nature. Because Guam is home to U.S. Navy, Air Force, and, as of January, a Marine Corps base, the island has become an attractive target for China to disrupt or disable in the run-up to or during military operations against Taiwan or in the East or South China Sea. Indeed, Chinese social media has referred to its military's DF-26 intermediate range ballistic missile as the "Guam killer missile." Meanwhile, in April of this year, China also sent a carrier group featuring its Shandong aircraft carrier into waters approximately 400 miles off the coast of Guam.

I have many recommendations detailed in my written statement, but in the interest of time, here are three.

First, consider Pacific-focused policy.

Second, offer economic assistance to U.S. territories particularly susceptible to Chinese economic coercion.

And third, provide additional maritime domain awareness and patrol capabilities to FAS and U.S. territories.

Thanks again for the opportunity to testify today, and I look forward to your questions.

[The prepared statement of Mr. Grossman follows:]

PREPARED STATEMENT OF DEREK GROSSMAN,¹ THE RAND CORPORATION²

**Chinese Strategy in the Freely Associated States
and American Territories in the Pacific:
Implications for the United States**

For decades, Beijing considered the Pacific Islands part of China’s “periphery” [zhoubian], or neighboring region.³ Despite their geostrategic value to Japan during World War II, Beijing had virtually ignored this part of the world in favor of focusing on “major powers,” such as the United States and Russia, as well as countries that share borders with China and other parts of the developing world, such as Africa. In recent years, however, Chinese attention has increasingly included Oceania, probably in no small part due to China’s growing economic and military power and corresponding global interests. Indeed, Chinese President Xi Jinping in 2015 referred to the South Pacific as the “southern leg” of the “Maritime Silk Road,” which eventually became part of the global investment and infrastructure program, known as the Belt and Road Initiative (BRI), and his signature economic program.⁴

The purpose of this testimony is threefold. First, I outline the broad contours of Chinese strategy toward the Pacific Islands region. Next, I provide an analysis of Chinese strategy specifically in areas of relevance to the Committee, including the Freely Associated States (FAS)—composed of Marshall Islands, Federated States of Micronesia (FSM), and Palau—as well as U.S. territories in the Pacific, including American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), and Guam. Finally, I submit several policy recommendations for Congress and the U.S. Government to consider going forward.

China’s Strategy in the Pacific Islands

Although mainstream interest in China’s strategy toward the Pacific has been growing in recent years, Western and Chinese scholarship on the subject remains thin compared with other regions, making it more difficult to discern the true nature of Beijing’s objectives there.⁵ Nevertheless, the available scholarly literature

¹The opinions and conclusions expressed in this testimony are the author’s alone and should not be interpreted as representing those of the RAND Corporation or any of the sponsors of its research.

²The RAND Corporation is a research organization that develops solutions to public policy challenges to help make communities throughout the world safer and more secure, healthier and more prosperous. RAND is nonprofit, nonpartisan, and committed to the public interest. RAND’s mission is enabled through its core values of quality and objectivity and its commitment to integrity and ethical behavior. RAND subjects its research publications to a robust and exacting quality-assurance process; avoids financial and other conflicts of interest through staff training, project screening, and a policy of mandatory disclosure; and pursues transparency through the open publication of research findings and recommendations, disclosure of the source of funding of published research, and policies to ensure intellectual independence. This testimony is not a research publication, but witnesses affiliated with RAND routinely draw on relevant research conducted in the organization.

³Timothy R. Heath, Derek Grossman, Asha Clark, *China’s Quest for Global Primacy: An Analysis of Chinese International and Defense Strategies to Outcompete the United States*, RAND Corporation, RR-A447-1, 2021, p. 40, https://www.rand.org/pubs/research_reports/RR447-1.html.

⁴National Development and Reform Commission, “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road,” Ministry of Foreign Affairs and Ministry of Commerce, People’s Republic of China, 2015.

⁵This section draws from my previous congressional testimony on China’s strategy in the Pacific delivered to the U.S.-China Economic and Security Review Commission on August, 3,

generally coalesces around China pursuing three interrelated objectives in the Pacific (not necessarily in rank order): (1) eliminating Taiwan's diplomatic space, (2) accessing natural resources and generating economic activity, and (3) breaking through the U.S. military's domination of the second island chain.⁶ Differences among experts, whether Western or Chinese, usually stem from emphasizing one driver over another, but the debate is simply a matter of degree: Most, if not all, researchers recognize that China's Pacific strategy is the product of these three factors working together. Our research at the RAND Corporation draws this same conclusion.

Regarding China's goal to eliminate Taiwan's diplomatic space, Oceania is home to four of Taipei's remaining 13 official diplomatic partners worldwide: Marshall Islands, Nauru, Palau, and Tuvalu. Notably, two Pacific Island countries—Solomon Islands and Kiribati—switched their diplomatic recognition in 2019 from Taiwan to China, underscoring how quickly Taipei can lose diplomatic ground to Beijing in this contested region.

China also wants to access natural resources in the Pacific. Most significantly, as fisheries dwindle in the nearby South China Sea due to a combination of coral reef destruction for artificial island construction, overfishing, pollution, and climate change, Beijing has sought to make up losses farther afield.⁷ According to one recent study, Beijing's *distant-water fishing fleet*, defined as ships fishing outside internationally recognized exclusive economic zones (EEZs), numbered 2,701 ships in 2020, easily making it the world's largest.⁸ The problem is that in order to satisfy the tastes of China's burgeoning middle class, Beijing—without respect for international commercial and environmental standards—incentivizes fleets to haul in as much seafood as possible (tuna and sea cucumbers, in particular), resulting in massive numbers of illegal, unreported, and unregulated (IUU) fishing incidents.⁹ According to the study, from 2015 to 2019, Beijing's fleets committed the most incidents of IUU fishing on the high seas, and the second- and third-most frequent locations for Chinese IUU fishing were in the Western/Central Pacific and South Pacific, respectively.¹⁰ These regions are home to the Pacific Island countries. Besides finding additional fishery stocks to tap, China is a huge proponent of deep-sea mining access to hunt for important metals, such as nickel, cobalt, copper, and manganese.¹¹ Beijing also mines land resources. While Pacific Island nations generally do not have much land mass, Beijing, for years, has been exploiting gold and nickel mines, liquefied natural gas, and timber in Papua New Guinea.¹²

Finally, on the military objective of breaking through the second island chain, Beijing seeks to weaken U.S. partnerships in the Pacific that afford the United States military advantages, which could be leveraged against China during a

2022. See Derek Grossman, *China's Gambit in the Pacific: Implications for the United States and Its Allies and Partners*, RAND Corporation, CT-A2198-1, 2022, <https://www.rand.org/pubs/testimonies/CTA2198-1.html>.

⁶ Ethan Meick, Michelle Ker, and Han May Chan, *China's Engagement in the Pacific Islands: Implications for the United States*, U.S.-China Economic and Security Review Commission, June 14, 2018, p. 1. One recent study of interest surveys and interviews 39 Chinese scholars on Beijing's top goals in the Pacific. It found that pursuing Chinese economic interests were paramount, although reducing Taiwan's diplomatic space was also important. For more, see Denghua Zhang, "China's Motives, Influence, and Prospects in Pacific Island Countries: Views of Chinese Scholars," *International Relations of the Asia-Pacific*, September 17, 2021. Another study places more emphasis on the economic aspects of China's strategy in the Pacific (Jenny Hayward-Jones, "Big Enough for All of Us: Geo-Strategic Competition in the Pacific Islands," Lowy Institute, May 16, 2013). A separate study argues that Beijing's economic agenda in the Pacific is helping China carve out a new "sphere of influence" meant to challenge the United States' and Australia's current spheres (Yu Lei and Sophia Sui, "China-Pacific Island Countries Strategic Partnership: China's Strategy to Reshape the Regional Order," *East Asia*, Vol. 39, March 2022). Other experts have emphasized the geostrategic implications of China's approach to the Pacific. See, for example, Jonathan Pryke, "The Risks of China's Ambitions in the South Pacific," Brookings Institution, July 20, 2020; and Terence Wesley-Smith and Graeme Smith, *The China Alternative: Changing Regional Order in the Pacific Islands*, Australian National University Press, 2021.

⁷ U. Rashid Samaila, William W.L. Cheung, Louise S.L. Teh, et al., *Sink or Swin: The Future of Fisheries in the East and South China Seas*, ADM Capital Foundation, 2021.

⁸ Environmental Justice Foundation, *The Ever-Widening Net: Mapping the Scale, Nature and Corporate Structures of Illegal, Unreported and Unregulated Fishing by the Chinese Distant-Water Fleet*, March 2022, p. 11.

⁹ Blake Herzinger, "China Is Fishing for Trouble at Sea," *Foreign Policy*, November 20, 2020.

¹⁰ Environmental Justice Foundation, 2022, p. 25.

¹¹ Denghua Zhang, "China Looking Under the Sea for Opportunities in the Pacific," *East Asia Forum*, June 30, 2018.

¹² Meick, Ker, and Chan, 2018, p. 7.

Taiwan, South or East China Sea, or even Korea scenario.¹³ Admittedly, the last time RAND researchers did an in-depth analysis of Chinese primary source literature on this subject in 2018, the record was scant, probably because Beijing had not been paying much attention to the Pacific Islands region; it will be interesting to see whether this changes over time. Nonetheless, there are several examples from the past decade worth noting here. One Chinese scholar, Qi Huaigao of Fudan University, outlined in 2014 how a school of contemporary Chinese foreign policy thinking viewed the development of ties in the Pacific as necessary to achieve “maritime breakthroughs” past encircling external powers.¹⁴ Another Chinese expert, Zhang Ying of Beijing Foreign Studies University, wrote in 2016 that the “South Pacific region . . . hinders China’s expansion into the deep sea.”¹⁵ And Xu Xiujun, a scholar at the Chinese Academy of Social Sciences, concurred with Zhang’s assessment. Xu added in 2014 that U.S. military presence in the region will very likely play a key role in U.S. efforts to contain China.¹⁶

Beyond the literature, Beijing has engaged in behavior throughout the region that could eventually support the objective to puncture the second island chain. Most notably, in April 2022, China signed a security agreement with Solomon Islands to allow regular visits of Chinese navy ships and training of local law enforcement. Traditional regional powers—such as the United States, Australia, Japan, and New Zealand—are concerned that China might eventually leverage these activities to establish a permanent base in the region. Meanwhile, Beijing is assisting Kiribati to upgrade its airstrip on Canton Island, which is located just 1,500 miles off the coast of Hawaii. Tarawa claims the renovation will support tourism, but Washington believes it could be a future Chinese air base.¹⁷ In 2018, China reportedly was helping Vanuatu build a potentially dual-use wharf on Santo Island. At first, the Vanuatans dismissed concerns, but eventually they decided to end the project.¹⁸ Broadly, China is adding highly skilled defense attachés throughout the Pacific Island countries—of which only three (Fiji, Papua New Guinea, and Tonga) have militaries—and is offering to train security officials, perhaps further enabling an operating presence in the region in the years to come.¹⁹

China seeks to achieve its three top objectives in the Pacific by leading with the least controversial and most attractive agenda to Pacific Island states. Then, over time, and as Pacific Island nations’ trust in Beijing grows, China can leverage non-controversial cooperation for more-sensitive benefits, such as accessing these nations’ EEZs for fishing, switching their diplomatic allegiance from Taiwan to China, and establishing a military foothold in the region. As evidenced by the leaked China-Pacific Island Countries Common Vision Plan that then-Chinese Foreign Minister Wang Yi brought to the region in late May 2022 for concurrence among the Pacific Island nations, Beijing seeks to boost economic, pandemic-related, people-to-people, and climate change cooperation, among other initiatives.²⁰

Simultaneously, Beijing very likely employs information operations to control the narrative, such as by denigrating American, Australian, Japanese, Taiwanese, and perhaps New Zealander contributions to the Pacific and suggesting greater “win-win” or mutually beneficial Chinese involvement in the region with “no strings attached.” Beijing has even shown a willingness to block unfavorable media coverage from within Pacific Island states, as it did during then-Foreign Minister

¹³For an assessment of Chinese conceptions of the Second Island Chain, see Andrew S. Erickson and Joel Wuthnow, “Barriers, Springboards and Benchmarks: China Conceptualizes the Pacific Island Chains,” *China Quarterly*, No. 225, March 2016.

¹⁴Qi Huaigao [Chinese], “Thoughts on the Top Design of Periphery Diplomacy” [“Chinese”], *Journal of International Relations* [Chinese], Forum of World Economics and Politics [Chinese], No. 4, 2014, p. 15.

¹⁵Zhang Ying [Chinese], “China’s Strategic Choice in the South Pacific: Perspectives, Motivations and Paths” [“Chinese”], *Contemporary World and Socialism*, No. 6, 2016, p. 132.

¹⁶Xu Xiujun [Chinese], “The Diplomatic Strategy of China to Develop the Relations with the South Pacific Region” [“Chinese”], *Pacific Journal* [Chinese], Vol. 22, No. 11, November 2014, p. 21.

¹⁷Jonathan Barrett, “Kiribati Says China-Backed Pacific Airstrip Project for Civilian Use,” Reuters, May 13, 2021.

¹⁸Ben Bohane, “South Pacific Nations Shrug Off Worries on China’s Influence,” *New York Times*, June 13, 2018.

¹⁹Denghua Zhang, “China’s Military Engagement with Pacific Island Countries,” Asia and the Pacific Policy Society, August 17, 2020.

²⁰“China-Pacific Island Countries Common Development Vision,” leaked draft, Australia Broadcasting Corporation News, undated, <https://www.documentcloud.org/documents/22037011-china-pacific-island-countries-common-development-vision>. Also, see Wang Yi’s official statement on this vision statement at “Wang Yi: The Comprehensive Strategic Partnership Between China and Pacific Island Countries Will Surely Achieve Steady and Sustained Growth,” Ministry of Foreign Affairs of the People’s Republic of China, May 30, 2022.

Wang's visit to the region.²¹ China also probably bribes government officials and entities at all levels and contributes to political activities that reinforce its narrative.²² A new area of potential concern, as outlined in Micronesian President David Panuelo's unprecedented and blistering warning letter of May 20, 2022, prior to the Pacific Islands Forum (PIF), the premier multilateral venue in the region, which held its annual summit in July 2022, pertained to China's goal of dominating regional communications infrastructure. He noted that "the Common Development Vision seeks Chinese control and ownership of our communications infrastructure . . . for the purpose of . . . mass surveillance of those residing in, entering, and leaving our islands, ostensibly to occur in part through cybersecurity partnership."²³ If his interpretation is accurate, Beijing seeks extensive control over Pacific Islanders' daily activities.

China's Strategy in the Freely Associated States

China's strategy toward the Pacific Island countries that I just described is also playing out in the FAS—a region of keen geostrategic interest to the United States.²⁴ As my RAND colleagues and I discussed in a 2019 report to Congress, the FAS are critical enablers of U.S. military operations that support the United States' Indo-Pacific strategy.²⁵ Washington is seeking to sustain these long-standing security partnerships by renewing the Compacts of Free Association (COFAs) it has with them. The COFAs are unique international agreements that allow the United States to maintain sole and unfettered military access to the lands, waterways, and airspace of the FAS. China would like to convince the FAS to do away with the COFAs entirely, but more realistically, it is focused on blunting any military advantages that the U.S. military might accrue from the COFAs. What follows is an accounting of some Chinese activities vis-à-vis the FAS to achieve this objective.

Marshall Islands

Marshall Islands is one of the four nations in Oceania that diplomatically recognizes Taiwan over China. What we uncovered as part of our 2019 research on China's strategy toward the FAS is that Beijing, for years, has been offering economic incentives—such as lowering import taxes for Marshallese-flagged shipping into Chinese harbors—in exchange for official ties with China.²⁶ This was a significant incentive because, at the time of our research, the Marshall Islands was the third-largest ship registry. Two other countries at the top of these rankings, Panama and Liberia, both switched from Taiwan to China and received the same benefit. Thus far, Majuro has rebuffed Chinese offers, but a change in diplomatic recognition from Taipei to Beijing, if it were to ever happen, would very likely entail additional areas of China-Marshall Islands cooperation.

Because it has limited influence over the Marshall Islands, Beijing may be attempting to find ways to covertly secure its economic interests there. For example, at the Asia World Expo held in Hong Kong in April 2018, a Chinese businessman and the mayor of Rongelap Atoll proposed the creation of a special administrative region to attract investment to the atoll. The mayor of Rongelap supported turning it into a "special administrative region" and financial center on par with Hong Kong, Singapore, and Dubai.²⁷ The proposal quickly became a source of controversy in Marshallese politics, stemming from concerns that such a proposal could make the area a haven for money laundering and other illegal activities; the government declined to back it after it was declared unconstitutional by the Marshallese Attorney General. In November 2018, President Hilda Heine narrowly survived a no-confidence vote that was ostensibly brought because of opposition to plans to introduce a state-backed cryptocurrency, but President Heine stated that the real

²¹ Edwina Seselja and Joshua Boscaini, "China's Visit to Pacific Highlights Growing Threat to Journalism in the Region," Australia Broadcasting Corporation News, June 1, 2022.

²² Edward Cavanough, "China and Taiwan Offered Us Huge Bribes, Say Solomon Islands MPs," *The Guardian*, December 7, 2019.

²³ "FSM [Federated States of Micronesia] President Warns Pacific Leaders over China Documents," Radio New Zealand, May 27, 2022. Panuelo's original letter can be found at <https://s3.documentcloud.org/documents/22039750/letter-from-h-e-david-w-panuelo-to-pacific-island-leaders-may-20-2022-signed.pdf>.

²⁴ Some language in this section is adapted and updated from Derek Grossman, Michael S. Chase, Gerard Finin, et al., *America's Pacific Island Allies: The Freely Associated States and Chinese Influence*, RAND Corporation, RR-2973-OSD, 2019, https://www.rand.org/pubs/research_reports/RR2973.html.

²⁵ Grossman et al., 2019; White House, *Indo-Pacific Strategy of the United States*, February 2022.

²⁶ Grossman et al., 2019, p. 40.

²⁷ Mackenzie Smith, "Remote Marshall Islands Atoll Plans to Become the 'Next Hong Kong,'" Radio New Zealand, September 21, 2018.

reason for the vote was her government's opposition to the Chinese-backed Rongelap plan: "Really the vote of no confidence is about the so-called Rongelap Atoll Special Administrative Region, or [RASAR] scheme, which is an effort by certain foreign interests to take control of one of our atolls and turn it into a country within our own country."²⁸

More recently, two Chinese nationals, Cary Yan and Gina Zhou, who have also become naturalized Marshallese citizens, were arrested by U.S. authorities in Thailand in 2020 on corruption and money-laundering charges involving a New York-registered organization. Yan and Zhou were the drivers behind the RASAR scheme in the Marshall Islands. Nevertheless, in 2020, the Marshallese parliament passed legislation to establish RASAR, and some of these lawmakers allegedly received bribes of between \$7,000 and \$22,000. If RASAR moves forward, China would potentially gain access to natural resources and fishing with little oversight from Majuro, which is 420 miles away.²⁹

RASAR's close proximity to U.S. military facilities on Kwajalein Atoll raises other worrisome issues. For over five decades, Kwajalein Atoll has remained a strategic location for the U.S. Department of Defense. The U.S. Army Kwajalein Atoll hosts several critical defense-related activities on the atoll. The largest tenant is the Ronald Reagan Ballistic Missile Defense Test Site, which provides the United States with a unique ability to test intercontinental ballistic missiles, ballistic missile defense, and hypersonics, as well as an ample spectrum of equipment required for space surveillance, space object identification, and monitoring new foreign launches. Kwajalein also hosts the U.S. Space Force's Space Fence radar system, designed to detect and track space debris threatening satellite operations. A Chinese presence at Rongelap could have security implications for Kwajalein, especially in terms of enhancing Beijing's ability to collect intelligence on sensitive U.S. sites there.

Finally, China has further attempted to exploit the United States' nuclear testing legacy in the Marshall Islands, particularly within the sensitive context of COFA renegotiations. For example, the Chinese Ministry of Foreign Affairs recently argued that Washington should take greater responsibility for the environmental and human harm it committed against the Marshall Islands by testing 67 nuclear weapons there during the Cold War.³⁰

Federated States of Micronesia

FSM is the only state within the FAS that diplomatically recognizes China over Taiwan. As a result, Chinese contacts with state governments and state officials are numerous. In March of this year, Chinese Special Envoy to the Pacific Qian Bo visited and met with President Panuelo. In August 2017, Chinese Vice Minister of Foreign Affairs Zheng Zeguogang visited Pohnpei with a high-level delegation and met with FSM political leaders. The previous president, Peter Christian, was also accorded a state visit to Beijing in March 2017—an honor that had a lasting positive effect on FSM's perception of China until Panuelo's tenure began in 2019. Panuelo has said "we are bribed to be complicit, and bribed to be silent."³¹ He also described having to change his cell phone number because the Chinese Ambassador to FSM kept pressuring him to accept Chinese-made vaccines during the pandemic so that China appeared to have a competitive edge over the United States.³² At the time of this writing, the FSM Parliament is determining its next president, who might once again be more accommodative of Chinese wishes. We will have to continue to monitor the situation. Regardless, a key topic of dialogues between the two countries has been the U.S. Compact Trust Fund that the FSM government will rely on if U.S. economic assistance expires this year. Beijing has suggested that China might be willing to supplement the Compact Trust Fund to help the FSM achieve greater self-reliance.³³

Beyond diplomacy, Beijing continues to pursue its economic interests in the country. In 2014, the two nations created the commission on economic trade cooperation. China's economic relationship with FSM includes substantial trade and

²⁸ Dateline Pacific, "Marshalls President, Facing Ouster, Blames Chinese Influence," Radio New Zealand, November 9, 2018, <https://www.rnz.co.nz/international/programmes/datelinepacific/audio/2018670409/marshalls-president-facing-ouster-blames-chinese-influence>; Alan Boyd, "Chinese Money Unsettles Marshallese Politics," *Asia Times*, November 14, 2018.

²⁹ Pete McKenzie, "Bribes, Booze and Bombs: The Brazen Plan to Create a Pacific Tax Haven," *Washington Post*, February 15, 2023.

³⁰ Matthew Lee and Nick Perry, "Some Fear China Could Win from U.S. Spat with Marshall Islands," Associated Press, November 26, 2021.

³¹ "Micronesia Takes on China," *The Economist*, March 16, 2023.

³² "Micronesia Takes on China," 2023.

³³ "FSM Receives Visit from Highest Ranked Chinese Official in FSM's History," Kaselehlie Press, September 18, 2017.

aid components. Additionally, the FSM is a participant in China's BRI. Chinese embassy discretionary grants occasionally provide much-needed heavy equipment on an ad hoc basis. Larger infrastructure projects have ranged from building official residences for government officials at the national and state levels to providing ships for inter-island transport. China has also expressed interest in building resort hotels and casinos on Yap and Pohnpei.³⁴

On the security side, Chuuk State, the FSM's largest state, has long expressed interest in becoming a sovereign nation. This could emerge as an important consideration in the context of China's relationship with the FSM. Throughout the FSM's history, there has been domestic internal contention between the state and the national government over the equitable distribution of non-COFA funding (fisheries and tax revenue). The United States has consistently maintained that its relationship is with the national government in Palikir, and any movement by a state to secede would, if a state were no longer part of the federation, presumably mean an end to the COFA in all its dimensions. While this understanding has implicitly buttressed national unity, the cessation of economic support after fiscal year 2023 or beyond may undermine national cohesion. Such a development could have important strategic implications by opening a pathway for Beijing to forge ties to an independent Chuuk.³⁵ The Chuuk lagoon, one of the Pacific's largest and deepest, was once a critically important location for the Japanese Navy and remains a potentially important strategic naval asset.

Palau

Like Marshall Islands, Palau also recognizes Taiwan over China, which has made it a target of Chinese pressure. Although it is difficult to determine the exact causation, Chinese tourism to Palau ramped up for years until, suddenly in November 2017, Beijing barred tourists from traveling to this pristine vacation spot. It appears that Beijing's move was in retaliation for Palau's refusal to switch diplomatic recognition.³⁶ China has retaliated against other countries using this same tactic, including South Korea in 2017 because of its deployment of the U.S. Terminal High-Altitude Area Defense (THAAD) system. Palau's president, Surangel Whipps, Jr., said in a recent interview, "There's a lot of pressure on Palau . . . what we've told them is that we don't have any enemies—so we shouldn't have to choose. If you want to have relations with Palau, you're welcome. But you cannot tell us that we cannot have relations with Taiwan."³⁷

Palau's decision to reject fellow Pacific Island nation Nauru's decision to initiate a process at the United Nations that might result in the issuance of international deep-sea mining licenses is perhaps another sore point in China-Palau relations.³⁸ As noted, Beijing is a strong advocate of deep-sea mining, and China will probably look to partner with PIF members in favor of it—such as Cook Islands, the location of this year's PIF summit—against Palau.

And because the South China Sea is now practically devoid of fisheries, Chinese fishermen are going farther afield in search of these resources, including within Palau's EEZ. This is causing new security concerns. For example, in December 2020, with the assistance of the U.S. Coast Guard, Palauan authorities discovered 28 Chinese fishermen poaching sea creatures within its EEZ and deported them.³⁹ From a broader geostrategic perspective, Beijing has expressed frustration at Palau's invitation to host U.S. forces in the country. Through its Party mouthpiece publication, *Global Times*, Beijing angrily responded "the U.S. has continued to use all means to contain and encircle China in an all-round and multidimensional manner, including using the first and second island chains," of which Palau and the FAS are a part.⁴⁰

³⁴ Grossman et al., 2019, p. 34.

³⁵ For more, see Derek Grossman, "Delayed Chuuk Secession Vote a Win for U.S. Policy in Oceania," *RAND Blog*, March 6, 2020, <https://www.rand.org/blog/2020/03/delayed-chuuk-secession-vote-a-win-for-us-policy-in.html>.

³⁶ Grossman et al., 2019, pp. 41–42.

³⁷ Fumi Matsumoto, "Palau Maintains Taiwan Ties Despite Chinese Pressure," *Nikkei Asia*, July 13, 2022.

³⁸ "Palau Urges the Rest of the World to Resist Deep-Sea Mining," *Island Times*, April 14, 2023.

³⁹ "Chinese Fishing Boat Stripped and Escorted Out of Palau," *Island Times*, January 5, 2021.

⁴⁰ Li Jie, "Palau Cannot Afford Being Geopolitical Strategic Pawn in US' Encirclement on China," *Global Times*, August 16, 2021.

China's Strategy in U.S. Territories in the Pacific

Although they do not face diplomatic pressure from China because they are U.S. territories, American Samoa, CNMI, and Guam nonetheless are dealing with a variety of Chinese economic and security threats. I detail some of these threats below.

American Samoa

Beijing's threat to American Samoa is primarily economic. Because the South China Sea is practically devoid of fisheries, Chinese fishing trawlers have increasingly turned to far-flung locales to make up the difference, including off the coasts of American Samoa, CNMI, and Guam. For American Samoa, in particular, Chinese IUU fishing activities have depleted tuna stocks within its EEZ and disrupted the local economy, even to the point of forcing a tuna cannery there, which is one of the island's largest employers, to temporarily suspend operations due to lack of tuna availability.⁴¹ The Biden administration has been considering a Trump-era plan to station a U.S. Coast Guard cutter in American Samoa, in part to deter and intercept Chinese IUU fishing activities but also to bolster the U.S. Navy presence operating in the East and South China Seas, which is designed to counter China's gray zone operations against regional opponents.⁴²

Commonwealth of the Northern Mariana Islands

As is the case with American Samoa, CNMI primarily faces a potential economic threat from China. This is mainly due to the fact that CNMI's economy is highly dependent on tourism coming from China. According to a 2021 analysis, "Chinese influence is deeply rooted in the CNMI's economy at every level, from local mom-and-pop stores to luxurious resorts. Chinese tourists have already supplanted visitors from traditional markets like Japan."⁴³ As we have seen with Palau and countries outside of Oceania, it is quite easy for Beijing to exact retaliation against those it harbors disagreements with by ending Chinese tourism to these destinations. Separately, although not a direct threat to CNMI itself necessarily, in recent years, Chinese scientists in conjunction with the international community have been making significant progress in deep-sea research, including in the Mariana Trench, which is the deepest place on earth. Some suspect that Beijing is exploring the deep seas not only to expand scientific knowledge but also to further its future military aims. The thinking is that Beijing wants to ensure that its submarines are able to break through the first island chain without detection, and thus, perfecting technology to navigate at extreme depths would be helpful in this regard.⁴⁴

Guam

Unlike American Samoa and CNMI, the primary Chinese threat to Guam is military in nature. Because Guam is home to U.S. Navy, Air Force, and, as of January 2023, Marine Corps bases (Camp Blaz), the island has become an attractive target for China to disrupt or disable in the run-up to or during military operations against Taiwan or in the East or South China Sea. Indeed, Chinese social media has referred to its military's DF-26 intermediate-range ballistic missile as the "Guam Killer."⁴⁵ Thus, Pentagon planners naturally assume that Guam will be targeted, and in response, they have quietly deployed a THAAD battery there to intercept incoming missile threats.⁴⁶ In April of this year, China also sent a carrier group featuring its *Shandong* aircraft carrier into waters approximately 400 miles off the coast of Guam.⁴⁷ Beijing undoubtedly sought to demonstrate the capability

⁴¹ Dan Southerland, "Chinese Overfishing in the South Pacific Devastates Some Islands' Livelihoods," *Radio Free Asia*, April 6, 2021. Also see Alexander B. Gray and Douglas W. Domenech, "U.S. Territories: The Frontlines of Global Competition with China," *RealClear Defense*, March 11, 2021.

⁴² Alexander B. Gray, "Guarding the Pacific: How Washington Can Counter China in the Solomons and Beyond," *War on the Rocks*, September 30, 2022.

⁴³ Yuan Zhi (Owen) Ou, "The Northern Mariana Islands: U.S. Territory, China-Dependent," *The Diplomat*, September 25, 2021.

⁴⁴ Meaghan Tobin, "U.S.-China Battle for Dominance Extends Across Pacific, Above and Below Sea," *South China Morning Post*, January 19, 2019.

⁴⁵ Keith Johnson, "China's 'Guam Killers' Threaten U.S. Anchor Base in Pacific," *Foreign Policy*, May 11, 2016.

⁴⁶ Wyatt Olson, "Guam's THAAD Missile Defense Battery Will Relocate to New Marine Corps Base," *Stars and Stripes*, May 10, 2022.

⁴⁷ Joseph Trevithick, "Chinese Carrier Recently Sailed Near Guam, Enters the South China Sea," *War Zone*, April 25, 2023.

to operate near Guam's shoreline to deter the United States, but it also probably sought to train under "realistic conditions" in preparation for potential armed conflict in the future.

Recommendations for Congress and the U.S. Government

Drawing on the preceding analysis, I recommend that Congress and the broader U.S. government might consider the following measures:

- **Ensure funding for the renewed COFAs.** The COFAs are essential for Washington to maintain because these unique international agreements with the FAS in the North Pacific enable the U.S. military to have near-exclusive access to the FAS territories and EEZs. COFAs provide Washington with a power projection superhighway into the Indo-Pacific to address potential future contingencies, including a Taiwan, East China Sea, South China Sea, or Korea scenario. Congress should consider ensuring funding that is at least equal to current levels, but an increased amount would demonstrate a strong commitment to this geostrategically vital subregion of Oceania.
- **Focus on non-China-related challenges as well.** The Biden administration's historic U.S.-Pacific Islands Summit at the White House this past September was a good start because the Joint Declaration and Pacific Island Strategy deprioritized countering China in favor of challenges much higher on Pacific Islanders' agenda. However, more needs to be done to build trust with Pacific Island states, who still believe Washington is primarily interested in geostrategic competition rather than helping them on issues of importance in the region, such as climate change, poverty alleviation, health security, and transnational crime. Softer forms of cooperation are likely to be welcomed throughout the region.
- **Consider opening diplomatic missions in every Pacific Island state.** Vice President Harris' announcement to PIF that the United States would open diplomatic missions in Kiribati and Tonga, which just opened, and Secretary of State Antony Blinken's announcement in February that Washington would reopen its embassy in Solomon Islands after nearly 30 years are welcome developments. However, more needs to be done. The current State Department posture has some Ambassadors covering multiple Pacific Island countries or defense attachés doing likewise. Embassies act as Washington's eyes and ears on the ground, and requesting information from Australian and New Zealander representatives has proven insufficient toward accomplishing all of Washington's objectives. And doing so overburdens Washington's friends. Instead, the United States could look to build its own diplomatic capabilities to ensure that China does not acquire an informational advantage.
- **Consider Pacific-focused policy.** Bills focused on the Pacific Island region, such as the Boosting Long-term U.S. Engagement (BLUE) in the Pacific Act, which was introduced in the past two Congresses, show a renewed emphasis on the region and, particularly, on assisting Pacific Island states with challenges most important to them. The BLUE Pacific Act, for example, covered climate change, pandemic recovery, and natural disaster preparedness, among many other areas, highlighting topics that Pacific Island nations cite as their most significant security threats.⁴⁸
- **Offer economic assistance to U.S. territories particularly susceptible to Chinese economic coercion.** American Samoa and CNMI would greatly benefit from such a program because they are highly dependent on China for their livelihoods. Such an effort might involve subsidizing the tuna fishing or tourism industries in American Samoa and CNMI, respectively.
- **Provide additional maritime domain awareness and patrol capabilities to FAS and U.S. territories.** As shown in my analysis, Chinese IUU fishing activities are a growing problem across the entire region, and this challenge is compounded by the fact that the FAS and U.S. territories have large EEZs with typically limited capacity (excluding Guam) to respond to Chinese incursions within them.

⁴⁸U.S. House of Representatives, "Boosting Long-term U.S. Engagement (BLUE) in the Pacific Act," H.R. 2967, May 4, 2021, <https://www.congress.gov/bills/117/congress/house-bill/2967>.

QUESTIONS SUBMITTED FOR THE RECORD TO DEREK GROSSMAN, SENIOR DEFENSE
ANALYST, THE RAND CORPORATION

Questions Submitted by Representative Westerman

Question 1. In your written statement, you refer to “soft cooperation” in the form of diplomatic presence and intergovernmental engagement in the region. What other forms of soft cooperation might you cite or recommend?

Answer. Soft cooperation can take many forms, so long as it is not military (i.e., hard cooperation). Before we discuss the various types of soft cooperation, it is important to briefly consider what Pacific Island countries seek from the United States. First and foremost is action on climate change as many in the region believe it is an existential challenge in the coming decades. To be sure, the Biden administration’s signing of the Inflation Reduction Act (IRA) into law in 2022, which in part tackles climate change, was a significant step. However, funding and implementing the provisions within the IRA—and doing even more, especially on unilateral carbon emission caps—will be key to building trust in the Pacific Islands region. Another form of soft cooperation is assisting Pacific Island states to counter illegal, unreported, and unregulated (IUU) fishing activities and narcotics trafficking. One of the recent security agreements between the United States and Papua New Guinea addresses precisely these challenges. A third kind of soft cooperation falls into the broad category of providing humanitarian assistance and disaster relief (HA/DR) funding, equipment, personnel, and expertise. Although HA/DR includes a set of military operations, Pacific Island nations typically do not have military counterparts—only three have militaries (Fiji, Papua New Guinea, and Tonga). Hence, intergovernmental dialogues that assist Pacific Island countries in improving their disaster preparedness and cleanup operations would be welcomed, especially those that do not require military expertise. Finally, the United States could elevate the assistance it provides to strengthen government institutions and their ability to counter China’s increasingly coercive activities throughout Oceania. Pacific Island countries are overwhelmingly small and impoverished and, thus, particularly susceptible to malign influence.

Question 2. What is strategic denial, and why is it important for the U.S.? What does it mean for the U.S. and the ongoing competition with China if we did not have strategic denial rights?

Answer. I define *strategic denial* as the ability to prevent an adversary from achieving decisive or significant victories on the battlefield. A more commonly used term for strategic denial is “deterrence by denial.” In the specific context of potential war against China over Taiwan, the Biden administration—and Trump administration before it—has made clear that deterrence by strategic denial is Washington’s core objective. In other words, the United States will seek to provide the military equipment and expertise required to enhance U.S. allies and partners’ ability to defend themselves from attack and thwart Chinese advances—or at least give them the ability to hold out until U.S. military intervention.

During my oral remarks and in my written testimony, I discussed the need for Washington to ensure renewal of the Compacts of Free Association (COFAs) with the Freely Associated States in order to maintain uninhibited U.S. military access to the region stretching from Palau to Marshall Islands, which is the size of the continental United States. With such access, the U.S. military can leverage its position in the second island chain, along with nearby U.S. territories Commonwealth of the Northern Mariana Islands (CNMI) and Guam, to forward-deploy troops and equipment that can assist U.S. allies and partners primarily in the first island chain in the strategic denial mission.

Questions Submitted by Representative Radewagen

Question 1. You mentioned, in your written testimony, the wisdom of subsidizing the tuna fishing and tourism industries of American Samoa and the CNMI to offset and counter China’s economic influence in the region. Can you elaborate further on these recommendations and how to further counter IUU fishing activities in the region?

Answer. As I mentioned in both my oral remarks and written testimony, Chinese deep-sea fishing fleets are increasingly fishing in the exclusive economic zones (EEZs) of sovereign states throughout Oceania, including off the coasts of American Samoa and CNMI. Beijing’s overfishing of these waters is creating tuna shortages,

which at one point disrupted the operations of a major tuna cannery on American Samoa. I recommended that Washington subsidize the tuna cannery and consider speeding up deployment of U.S. Coast Guard patrol ships there to deter Chinese IUU fishing trawlers from entering the United States' EEZ. Another possible response is for the Biden administration to postpone or terminate its planned expansion of marine life sanctuaries within the EEZ. American Samoa's governor, Lemanu P.S. Mauga, voiced his strong opposition to the move in a recent letter to President Biden. Mauga argued that the planned expansion—which would actually be the fourth such expansion since the last under the George W. Bush administration in 2009 (and twice under the Obama administration in 2014 and 2016)—“could cripple the economy of a U.S. territory.”¹ Taken to the extreme, the Biden administration could roll back Bush- and Obama-era expansions to reopen the approximately 50 percent of the EEZ that is currently closed to tuna fishing. Doing so would significantly raise supply in the short term, but over the longer term and particularly without the proper restrictions, this response might not solve the problem—and could even make it worse.

Regarding CNMI, to clarify, I did not say that Washington should subsidize the tourism industry. Rather, I simply observed that Chinese economic influence over the territory is strong due to the large volume of Chinese tourists who visit each year. To counter any undue level of Chinese economic influence in CNMI, Washington might consider collaborating with the territory to incentivize the growth of other private sector companies, especially those outside the tourism industry. Alternatively, Washington could limit the number of Chinese tourists entering CNMI annually or make the requirements for entry more onerous.

Questions Submitted by Representative Case

Question 1. During my time for questions in our hearing, I misspoke when describing the Government Accountability Office's reported fiscal impact from Compact residents on local communities. I noted that localities collectively reported \$1.8 billion in costs between 2004 and 2018 when in reality that figure in the GAO report is \$3.2 billion. If Congress were to expand the same eligibility for federal benefits to Compact migrants as are currently extended to lawful permanent residents, what uncovered costs from delivering still-uncovered services would host communities have to cover without federal aid?

Answer. This subject is outside my area of expertise, and so I will pass.

Question 2. Citizens of the Freely Associated States are eligible to join the U.S. military and frequently serve in our armed forces. What proportion of the population from the Freely Associated States joins the U.S. military compared to other U.S. communities? What are the challenges veterans in the Freely Associated States experience in accessing Department of Veterans Affairs health care and other benefits when they return home to their countries? What can be done to improve this?

Answer. This subject is outside my area of expertise, and so I will pass.

Question 3. Funding for the Compacts of Free Association is currently borne by the Department of the Interior and the Biden administration suggests moving that funding the Department of State but to keep administration of the Compacts within the Department of the Interior. Given the critical role the Compacts of Free Association to our national security and to the Department of Defense, should the Department of Defense also bear some of these costs?

Answer. I have not completed an analysis about which U.S. federal agencies are best suited to fund the Compacts of Free Association (COFAs). Regardless, I'd reiterate the importance of funding COFAs for maintaining U.S. strategic interests in the Pacific Islands.

Question 4. Last year the administration released the first ever Strategy for Pacific Island Partnership along with a more detailed Roadmap to a 21st Century U.S. Pacific Islands Partnership. How was this and recent efforts to reengage the region seen by the Pacific Islands? What role can Congress play to help implement the Pacific Islands Partnership Strategy?

Answer. Frankly, I think the picture here is mixed. On the one hand, Pacific Island countries were very pleased that the United States was taking the time and energy to recognize their importance and their particular wants and needs. On the

¹Fili Sagapolutele, “Gov. Says Biden's Plan to Expand PRIMNM Would ‘Cripple’ Our Economy,” *Samoa News*, April 10, 2023.

other hand, Pacific Island leaders generally reject picking a side or otherwise participating in intensifying U.S.-China strategic competition. Following the historic U.S.-Pacific Islands Summit at the White House in September 2022, it was clear from off-the-record statements from Pacific Islanders that they fully understood that the event was more about Washington's interests in winning its competition with Beijing than in addressing their agenda items. Unfortunately, for the United States, it is an inescapable strategic context. However, additional focus on Pacific Island countries' top agenda items—to include first and foremost climate change but also (not necessarily in this order) HA/DR, transnational crime, institutional resilience, and internal stability—would foster additional trust. As I noted in my written testimony, Congress could spur the Biden administration and future administrations to further action by passing legislation that promotes cooperation on these challenges rather than focusing on competition against China.

Question 5. The Pacific Islands Forum, a critical inter-governmental organization in the Pacific Islands region, laid out a regional vision for development of the Pacific Islands in its 2050 Strategy for the Blue Pacific Continent. How can the United States support this strategy?

Answer. As mentioned above, additional U.S. government focus on the challenges most pertinent to Pacific Island countries rather than on strategic competition with China would most effectively support the 2050 Strategy for the Blue Pacific Continent.

Ms. HAGEMAN. Thank you.

The Chair now recognizes Mr. Friberg for 5 minutes.

STATEMENT OF EMIL FRIBERG, FORMER ASSISTANT DIRECTOR, GAO INTERNATIONAL AFFAIRS AND TRADE, ARLINGTON, VIRGINIA

Mr. FRIBERG. Good afternoon, Chair, Ranking Member, and members of the Subcommittee. My name is Emil Friberg. I am affiliated with Georgetown University. In 2021, I retired from the GAO, where I supported Compact of Free Association reviews, many of them for this Committee. The views I share today are my own.

I want to highlight two things: the structure of the compacts and strategies to deepen COFA and U.S. ties.

Turning to structure, the compacts are based on three pillars.

The first compact pillar: defense rights and obligations. The benefits to the United States include strategic denial, defense veto, U.S. defense sites, including at Kwajalein Atoll in the Marshall Islands and new sites in Palau. COFA nations benefit from U.S. defense guarantees. COFA citizens join the U.S. military, a contribution to COFA defense and a benefit to the United States.

The second compact pillar is economic assistance. U.S. grants support about one-third of Micronesia and the Marshall Islands' government budgets, and about 14 percent of Palau's budget. Many Federal agencies operate in the COFA nations when Congress has extended programs, essentially treating them as if they were a U.S. state or territory. Examples include U.S. postal and weather services, FAA airport programs, public health, Pell Grants to students, and USDA home loans to households and families.

The third compact pillar is immigration. Migration benefits COFA families, giving them access to U.S. opportunities. Migration also benefits U.S. employers, some of whom recruit workers directly from COFA nations.

These three compact pillars are linked together. U.S. defense rights are secured with economic assistance to COFA governments and benefits to COFA families. In conjunction with the U.S. state of Hawaii and the U.S. territories of Guam and the Commonwealth of the Northern Mariana Islands, the COFA nations secure the North Pacific for the United States.

Now I will outline four strategies to deepen COFA and U.S. ties.

The first strategy is: Maintain and extend U.S. programs to COFA nations. Congress should maintain current grants to COFA nations and provide eligibility for any new Federal programs as if they were a U.S. state or territory. For example, the CARES Act extended pandemic unemployment assistance eligibility to workers in COFA nations and COFA workers in the United States.

A second strategy: Improve COFA migrant status to equal that of green card holders. Today, the status is unequal and sometimes confusing. Providing COFA migrants with the equivalent of permanent resident or green card status would treat COFA migrants as equal to other lawful, permanent residents with respect to Federal program eligibility, and provide a pathway for naturalization.

The third strategy is invest in hands-on Federal engagement in the COFA nations. I have three examples: re-establish the Department of Defense Civic Action Team Program in the FSM and the RMI to upgrade infrastructure and to heighten our security presence; restore Peace Corps programs in all three compact nations; establish access to VA benefits and health care for COFA nation military veterans.

And lastly, the fourth strategy is maintain congressional engagement. Congress can assure that U.S. programs deliver results with accountability, and that U.S. efforts are properly resourced. Congress can assess U.S. policy and operational coordination across the three compact pillars: defense, economic assistance, and migration.

Finally, I would advocate that Congress reinstate the periodic GAO review mandate to support congressional monitoring of any renewed compact assistance.

In closing, the most significant action to deepen bilateral ties is congressional approval of compact renewal.

I wish to thank the Subcommittee for this opportunity to speak, and I look forward to any questions you may have. Thank you.

[The prepared statement of Mr. Friberg follows:]

PREPARED STATEMENT OF EMIL FRIBERG, PhD ARLINGTON, VA

I. Introduction

Good afternoon, Chair, Ranking Member, and distinguished members of the subcommittee. My name is Emil Friberg, I am affiliated with the Center for Australia, New Zealand, and Pacific Studies at Georgetown University and an economic consultant. Previously, I served as an Assistant Director and Senior Economist at the U.S. Government Accountability Office (GAO) where I oversaw reviews of the Compacts of Free Association, leading to 40 publications from 2000–2021. Many of those reviews were requested by this committee. The views expressed here are my own, and not of any current or past employer.¹

¹This testimony statement draws from my paper published by the East West Center's Asia-Pacific Bulletin: *No Time to Lose: Renew the Compacts of Free Association*, June 29, 2022. I also draw from U.S. GAO: *Compacts of Free Association: Implications of Planned Ending of Some*

Today I will address how the Compacts of Free Association help preserve U.S. interests in the Indo-Pacific and I will highlight the urgency for renewing the Compacts. I commend this committee for holding this hearing to focus on the strategic imperative of the region and these Compacts.

II. COFA history and structure

As you know, Compact of Free Association (COFA) economic support, along with certain federal services and programs that are provided to the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI) expire at the end of September 2023 and expire for the Republic of Palau (Palau) at the end of September 2024.

Renewing these agreements requires the completion of bilateral negotiations and approval by the U.S. Congress. Negotiations started in 2020 but made little progress. The U.S. appointment of a Special Presidential Envoy for Compact Negotiations in March 2022 was framed by concerns that China's Pacific influence would grow in the wake of stalled COFA negotiations. Fortunately, progress has been made and top line agreement was reached on future aid packages with each nation and is included in the President's FY2024 budget request.

History: World War II to the Compacts

The three Compacts of Free Association are the result of a prolonged half-century process following WWII.

After costly battles across the Pacific to defeat Japan, the United States held the islands of the North Pacific. In 1947 the United States became the administering authority of the Trust Territory of the Pacific Islands (TTPI), established by the United Nations Security Council.

Under the TTPI, the United States had authority to establish bases and to station armed forces. During the trusteeship, the U.S. military used land in the region, including for 67 nuclear tests in the Marshall Islands conducted from 1946 to 1958.

In accordance with its responsibilities under the UN trusteeship and following UN-observed plebiscites, the United States entered into the Compacts that created three nations and ended U.S. administration of the last WWII UN trusteeship.

These Compacts entered into force in 1986 for the FSM and the RMI, and in 1994 for Palau.

Compact structure

Key Compact features include:

- **Defense.** The Compacts grant the United States “strategic denial”—the option to deny foreign militaries access to the COFA nations and a “defense veto” to block policies incompatible with U.S. authority and responsibility for security and defense of the COFA nations. In addition, the Compacts provide for U.S. defense sites, including sites in Palau and at Kwajalein Atoll in the RMI. Importantly, the RMI Compact provided compensation for damages from 67 U.S. nuclear tests. The agreement was the full settlement of all legal claims—past, present, and future—against the United States and terminated all compensation litigation.² COFA citizens contribute directly to the defense of the United States as members of U.S. Armed Forces. They are able to join the military directly from the COFA nations or enlist after migrating to the United States.
- **Immigration.** The Compacts allow COFA citizens to work and reside indefinitely in the United States. However, entry under the terms of the Compact does not establish a path to naturalization.
- **Economic Assistance.** The Compacts committed the United States to provide annual economic assistance and specific programs, such as the U.S. Postal Service (USPS) and National Weather Service, for set periods, ending in 2023 for FSM and RMI, and 2024 for Palau. Compact trust funds have been established to provide a source of annual funding: since 1999 for Palau and after 2023 for FSM and RMI. The U.S. Department of the Interior (DOI) administers COFA grant assistance.

U.S. Economic Assistance (GAO-22-104436, Feb. 14, 2022) and *Compacts of Free Association: Populations in U.S. Areas Have Grown, with Varying Reported Effects* (GAO-20-491, June 15, 2020).

²The RMI Compact (Section 177) provided \$150 million as the full legal settlement of all claims. The COFA implementing legislation has authorizations for additional *ex gratia* compensation which have been used by Congress to further address the nuclear testing program legacy.

III. COFA funding and experience

Assistance

For the COFA nations, Department of the Interior Compact funding will have totaled approximately \$10.5 billion for the period FY1987 through FY2023 for FSM and RMI, and FY1995 through FY2024 for Palau (all dollars are FY 2023 dollars).³

- Economic assistance to the FSM will have been \$5.5 billion, to the RMI—\$2.3 billion, and to Palau—\$1.2 billion.
- On a *rough* per capita/per year basis, this economic assistance is about: \$1,400 for the FSM, \$1,100 for the RMI, and \$2,200 for Palau.
- In addition to economic assistance, Interior Compact funding also paid \$738 million for military land leases and \$707 million for nuclear testing responses in the RMI.

The U.S. Department of Education has provided the FSM and the RMI with a Supplemental Education Grant (SEG) that ends in September, 2023.

Expiring grants (Compact and SEG) represent almost 30 percent of FSM national and state government expenditures and 20 percent for the RMI (both for FY2019). These expiring grants are mostly for education where they make up 86–93 percent of FSM state education expenditures and 50 percent of RMI education expenditures.

Trust funds

The Palau Compact Trust Fund will likely meet its objective as a sinking fund to make continued payouts through 2044. The FSM and RMI Compact Trust Funds were designed to be perpetual funds to cover expiring Compact (but not SEG) grants. Under current rules, funds will not be disbursed in some years due to structural restrictions on distributions. These interruptions will cause severe fiscal shocks in the FSM and RMI.

Country accountability

In 2003 in order to curtail poor accountability and performance, FSM and RMI Compact financial assistance changed from cash transfers to sector grants for priority sectors. Grant management and joint FSM-U.S. and RMI-U.S. committees provided oversight that improved education, health, and infrastructure sector performance. Financial accountability has improved over time, but weaknesses persist. The required Palau Advisory Group on Economic Reform was not constituted until August 2022.

Federal organization and accountability

Interior staffing shortfalls have limited the federal government's ability to ensure that Compact funds were used effectively. When it was asked by the GAO, the U.S. Congress repealed the statutory mandate for comprehensive GAO reviews of the FSM and RMI Compacts every five years.⁴ This reduced Congressional oversight of the Compacts.

Migration

In addition to escaping the impact of climate change and nuclear testing, COFA citizens have moved to the United States, seeking economic opportunity, education, and health care. U.S. census data (2013–2018) identified 94,000 Compact migrants residing in the United States.

Compact legislation enacted in 2003 provided \$30 million of annual grant assistance that is divided between Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands to help offset the fiscal impact of providing government services to COFA migrants. This funding ends after September 2023.

IV. Key actions for the administration

Deepen bilateral relations with grants

Annual U.S. Compact assistance is a strategic bilateral connection at a time of mounting security concerns. Delivering that assistance through an annual grant process helps maintain relations and requires the U.S. and COFA nations to work

³Note these summary dollars do not include the significant assistance provided by other U.S. Departments including Education, Health and Human Services, and Transportation through non-Compact related authorizations. For example, programs such as Pell Grants and USDA housing loans, are provided to COFA governments and citizens as they are to U.S. states.

⁴Public Law 111-68, Sec. 1501(c).

together. In contrast, cash transfers and trust fund disbursements are hands-off—a more distant relationship.

Embrace new and old issues

COFA nations identify climate change as their primary security issue and want direct U.S. assistance for adaptation and resilience. In response to this request, the U.S. Department of Defense (DOD) should restore its Civic Actions Team (CAT) program, with a focus on upgrading and hardening infrastructure (airports, ports, roads, seawalls, and utilities) for both climate impact and to support “agile” deployments.

The United States should also address illegal fishing that threatens COFA government revenue; such an action will also strengthen maritime security.

Pursuing its aim as a critical moral and political issue rather than a legal one, the RMI wants U.S. action on outstanding nuclear issues, including increased compensation and nuclear waste cleanup. For example, U.S. action could address Runit Dome environmental issues.

Improve Compact implementation

Actions are needed to improve grant performance and accountability and to address the well-understood problem of FSM and RMI trust fund rules and disbursements.

- Existing FSM grant distribution among FSM states must be reassessed for improved education and health sector performance.
- COFA nation and U.S. Compact administration require proper staffing levels and capacity.
- Accountability requires transparency, including the public posting of bilateral agreements, budgets, reports, meeting minutes, and other documents.
- The issues of FSM and RMI trust fund rules must be formally addressed, as any changes require Congressional approval.

V. Key actions for Congress

Fund Compact renewal

Timely approval of Compact renewal is essential for COFA government operations, and its absence will hurt government operations and contribute to a current surge in migration. Further, this funding directly links back to the concern of this hearing—countering Chinese influence in the Pacific.

Extend U.S. programs

Congress can take direct actions to deepen bilateral relations, including (1) restoring eligibility for programs that were “cashed out” in the FSM/RMI Supplemental Education Grant (SEG) that ends in 2023 and (2) granting COFA nations routine eligibility for other federal programs. For example, the recent CARES Act extended pandemic unemployment assistance to COFA workers. Restoration of Peace Corps programs in all three Compact nations would provide mutual benefits.

Establish U.S. Administrative Capacity

Mandate adequate administration staffing for U.S. Compact implementation at Interior’s Office of Insular Affairs and Office of Inspector General and the Department of State.

Reinstate required periodic GAO reviews and conduct routine and consistent committee oversight.

Currently, no federal body effectively coordinates COFA policy. Congress should reestablish an Interagency COFA Group, co-chaired by Defense, Interior, and State, and the Office of COFA Affairs under the authority of the National Security Council. Once established, the structure could coordinate government-wide responses to COFA issues, such as security threats, climate impact, and Compact migration.

Address COFA citizen migration

No federal department is charged with monitoring and addressing the impact of migration to the United States of COFA citizen migration or monitoring and protecting this right on behalf COFA migrants. Congress has restored Compact migrant Medicaid eligibility, but other program eligibilities should be restored and a clear path to U.S. citizenship established. Further, the existing program that partially addresses Compact migration fiscal impact in Guam, Hawaii, and the Northern Mariana Islands ends this fiscal year. The current Compact impact

approach does not address the mainland U.S. states where most COFA migrants now reside.

Further the Departments of Homeland Security and Transportation should be charged with reporting on the entry and exit of COFA citizens through U.S. ports of entry in order to determine the scale of COFA outmigration to the United States.

VI. Conclusion

In closing, I wish to thank the subcommittee for this opportunity to speak with you today. The Compacts of Free Association are integral to U.S. security interests and needs in the North Pacific. The approaching expiration of annual economic assistance requires timely completion of agreements and their enactment and funding by Congress. On its own, Congress can also take proactive steps to strengthen U.S. relations in the North Pacific. I look forward to any questions you may have.

QUESTIONS SUBMITTED FOR THE RECORD TO EMIL FRIBERG, FORMER ASSISTANT
DIRECTOR AND SENIOR ECONOMIST, GOVERNMENT ACCOUNTABILITY OFFICE

Questions Submitted by Representative Westerman

Question 1. The news regarding the near depletion of the Bikini Resettlement Trust Fund and spike in expenditures by Bikini Claims Trust Fund has raised serious concerns about how these funds were managed and how any future funds would be managed. How can the U.S. ensure that these COFA trust funds under Section 177 and all COFA trust funds are managed responsibly and used for their intended purpose?

Answer—

Congressional actions.

For the U.S. to ensure that COFA trust funds are managed responsibly and used for their intended purposes, Congress can use implementing legislation to direct U.S. agency actions to:

- target the use of funds for priority sectors such as education and health;
- require transparency in the operation, expenditure, and accountability of U.S. funds;
- condition the transfer of funds or distribution of funds from a sub-account of the Compact Trust Fund on prior year compliance with use and accountability requirements; for example, requiring performance reporting, transparent budgets, and **timely** and **clean** financial audits; and
- strengthen its own engagement through oversight hearings and the reinstatement of required U.S. Government Accountability Office reviews and audits.

Cause for concern—the Bikini Resettlement Trust Fund.

Congress provided \$19.2 million in 1982 (PL 97-257) to establish a trust fund for the resettlement of the Bikini people in the RMI, with an additional \$1 million payment immediately available to be used per the terms of the trust fund agreement. The 1982 public law stated that payments to the people of Bikini would be according to terms and conditions set forth in a trust fund agreement subject only to the **disapproval** of the Secretary of the Interior.¹ Congress provided an additional \$90 million over FY1989–FY1992 (PL 100-447) to the Resettlement Trust Fund for the People of Bikini.

From 1982 to 2017, Interior exercised its right to **veto** expenditures from the resettlement fund. In 2017, when petitioned by the Kili-Bikini-Ejit Local Government to end this practice, Interior released its veto authority on Nov. 21, 2017. Interior determined that the monies were no longer “Federal funds” and the Department deferred to the Mayor and Council Leaders to assume control over the Resettlement Trust Fund. Immediately distributions soared, and the FY2018 trust fund distribution was three and one-half times the average distribution of the previous 4 years. Today, the trust fund is depleted.

¹96 STAT. 840 PL 97-257, Sept. 10, 1982

Transparency and accountability must be guaranteed.

The dismal record of timely audits around the Bikini trust funds demonstrates the need to condition future U.S. grants and trust fund contributions/distributions on performance and accountability.

- **Trust Fund Audits.** FY2016 is the last year of released audits for the Bikini Resettlement Trust Fund and the Bikini Claims Trust Fund. Since then, the two trust funds provide no transparency into any trust fund activities. The FY2016 and prior year audits were completed between one and nine months after the end of a fiscal year.
- **KBE Local Government Audits.** The FY2018 audit of the Kili-Bikini-Ejit Local Government (RMI), *which was not published until Feb. 4, 2023*, is the most recent. It shows the dramatic increase in trust fund disbursements that year, after Interior transferred authority for the disbursements to the mayor. Much like the Bikini trust funds, the local government provides no transparency about its recent actions. This lack of transparency is a continuation of its past performance. For example, of its last 10 posted audits, the most quickly completed was published *more than 5 years after the fiscal year ended*, while the longest audit report *took more than 9 years after the fiscal year ended* to be released.

Questions Submitted by Representative Sablan

Question 1. The President's FY24 budget supports the adoption of the Compact Impact Fairness Act (CIFA) in lieu of compact impact payments (currently \$36 million annually in mandatory and discretionary funding) distributed to the affected jurisdictions. In your opinion, would extending to COFA migrants federal benefits normally only available to permanent residents residing in the states and territories be enough to justly compensate host jurisdictions like Hawaii, Guam, and the Marianas?

Answer—

CIFA will support COFA families but only partially addresses host government Compact impact.

Host jurisdictions like Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands (CNMI) have collected and reported on the fiscal impact of COFA migrants for over three decades. The three areas have consistently reported the cost of educating the children of COFA migrants, as well as health system costs. Other cost reporting among the three has varied, with Hawaii reporting high cost for social services and Guam reporting high costs for public safety.

The Compact Impact Fairness Act of 2023 (CIFA) would establish COFA migrant eligibility for several specific federal programs: Supplemental Security Income (SSI) program; Supplemental Nutrition Assistance Program (SNAP); Temporary Assistance for Needy Families (TANF); and certain social service block grants. To the extent that Hawaii, Guam, the CNMI, and other U.S. states are **currently** providing state-funded program benefits to COFA migrants who are ineligible for federal aid, CIFA would provide federal relief of ongoing state expenditures. Where such state-funded programs are not currently being provided, CIFA would directly benefit COFA migrant households.

However, CIFA does not address the large Compact impact expense areas of education and public safety, nor will it cover the state/territory share of Medicaid expenses.

Question 2. How do you think we can best assure that congressional priorities provided in the second Compact will continue? If Compact impact payments were to resume, would we need to establish, in law, the formula that will be used in the future to estimate impacts on jurisdictions and the allocation of payments?

Answer—

Reestablish congressional COFA priorities in new Implementing legislation.

The congressional priority to focus U.S. support on education and health was incorporated in the FSM/RMI amended Compacts. This incorporation recognized the nexus between improving the education and health of COFA citizens at home and reducing the impact cost of COFA citizens who migrate. The congressional priority for financial accountability was incorporated through the use of grants rather than transfers to COFA nations and the establishment of joint oversight committees.

To ensure that COFA funds are managed responsibly and used for their intended purposes, implementing legislation can direct U.S. agency actions and condition the distribution of funds for only specified uses and only after meeting accountability requirements. For example, legislation can:

- specify agency actions, providing clear objectives and instructions to the Secretaries of the Interior and State;
- require transparency in the operation, expenditure, and accountability of U.S. funds, whether provided directly or as distributions from U.S.-funded Compact Trust Funds;
- condition the transfer (or distribution) of funds on prior year compliance with use and accountability requirements; for example, requiring performance reporting, transparent budgets, and **timely** and **clean** financial audits; and
- strengthen its own engagement through oversight hearings and by reinstating required U.S. Government Accountability Office reviews and audits.

Distribution of Compact impact grants to date.

During the amended Compact period, Congress provided \$30 million in annual Department of the Interior grant funds to be distributed between American Samoa, Guam, Hawaii, and the CNMI in proportion to a periodic count of the COFA migrant population in the four jurisdictions.

Interior contracted with the U.S. Census Bureau to conduct periodic population counts. In the most recent effort, Census counted FAS citizens who entered the United States after 1986 (from Micronesia and the Marshall Islands) or 1994 (from Palau) and also included their U.S.-born children (biological, adopted, and step-) and grandchildren younger than 18 years in the count of COFA migrants.

Distribution of Compact impact grants going forward.

Renewing Compact Impact grants going forward requires legislative action. While the current structure could be extended as currently written, this is an opportunity to modify the approach, including:

- Modify how the COFA population is defined for a per-capita distribution of grant funds. For example, should the U.S.-born children, and even grandchildren, of COFA migrants be counted?
- Modify the geographic scope of Compact Impact grant funds beyond the Pacific areas to states with significant COFA populations.
- Modify the allowed use of Compact Impact grants to focus on specific sectors or programming areas, such as education and public safety.
- Enforce or modify a requirement that Interior reports to Congress annually on Compact impact. Interior last reported on Sept. 8, 2017.
- If COFA-affected jurisdictions are required to report on Compact impact, require Interior to issue reporting and methodology guidance.²

Question 3. The accounting and identification of COFA migrants needs to be tightened it seems and more narrowly defined. For instance, I understand that U.S. citizen children and grandchildren of COFA migrants who are working, paying taxes, and contributing to a state's or territory's economy could still be counted by Census and Interior as COFA migrants. Do you think this is appropriate and that such individuals should still be counted as negatively impacting a state or territory's finances and therefore requiring reimbursement? How would you recommend COFA migrants be defined and counted?

Answer. Recent Interior/Census enumeration efforts counted U.S.-born children/grandchildren of COFA migrants under age 18. Once they turn 18, they are no longer counted as COFA migrants in the population count for division of Compact impact grants. One rationale for counting these US-citizen children is recognizing the cost of migrant households on the education system.

However, the counting of U.S. born children under age 18 in these households has been complicated for Census, and has resulted in data programming errors, that in

²See unimplemented U.S. GAO recommendations in *Compacts of Free Association: Improvements Needed to Assess and Address Growing Migration* (GAO-12-64, November 14, 2011), <https://www.gao.gov/products/GAO-12-64>.

turn resulted in enumeration errors, that in turn led to errors in Compact impact payments.³

Going forward, I recommend a simpler definition and method to count COFA migrants in the event that future Compact impact grants are distributed to states and territories based on COFA population:

- Count people present in the United States who were born in the FAS and are not U.S. citizens. (Since they are not U.S. citizens, they will travel on a COFA passport and enter the U.S. under the terms of the Compacts.)
- For the 50 U.S. states, Census can present data from the American Community Survey (ACS) on this population. Since the ACS is a continuous survey effort, the estimated COFA population can be updated over time.
- For the Pacific U.S. territories (where the ACS is not implemented), the decennial census can be used by Census to establish a baseline COFA population. That number can be annually updated between each census using Department of Homeland Security, Customs and Border Protection passport scan data for arrivals and departures. (Inward annual migration to a U.S. territory would be the difference between COFA arrivals and COFA departures that year.) This cooperation between Census, DHS, and Interior may require a congressional mandate.

Question 4. Can you discuss the viability of the trust funds and the payment of those funds through continued sector grants for healthcare and education?

Answer——

FSM and RMI Compact Trust Funds.

By design, FSM and RMI Compact Trust Fund distributions cannot exceed the level of expiring Compact sector grants. They are not designed to cover the expiring Supplemental Education Grant (SEG) or the cost of any of the expiring Federal services (Postal Service, Weather Service, FEMA funds).

Consequently, there is a looming hit to the FSM and RMI education sectors with the loss of the Supplemental Education Grant, with its final federal appropriation in FY2023. For example, Chuuk State in the FSM will lose 22 percent of its education budget (FY2019 data) due to the SEG's expiration.⁴

Future education and health budgets are also at risk. Both trust funds can **initially** cover expiring grants, but under current trust fund rules there will be zero disbursements in future years when there is a downturn in stock market returns. The resultant fiscal crisis would be severe: in Chuuk State, the Compact grants covered by trust fund support represent 71 percent of education and 86 percent of health expenditures (FY2019 data).

Current Compact negotiations and signed agreements may alter the future prospects of the trust funds, either through additional deposits, by making necessary changes in trust fund distribution rules, or even by re-purposing the use of trust fund distributions.

Palau Compact Trust Fund.

The Palau Compact Trust Fund was designed as a sinking fund to make payments until 2045. It is very likely to achieve this goal and could continue to make payments in subsequent years.

Questions Submitted by Representative Case

Question 1. During my time for questions in our hearing, I misspoke when describing the Government Accountability Office's reported fiscal impact from Compact residents on local communities. I noted that localities collectively reported \$1.8 billion in costs between 2004 and 2018 when in reality that figure in the GAO report is \$3.2 billion. If Congress were to expand the same eligibility for federal benefits to Compact migrants as are currently extended to lawful permanent residents, what uncovered costs from delivering still-uncovered services would host communities have to cover without federal aid?

³See: *Compacts of Free Association: Populations in U.S. Areas Have Grown, with Varying Reported Effects* (GAO-20-491, June 15, 2020), <https://www.gao.gov/products/GAO-20-491>, Appendix VI: Compact Migrant Enumeration Methods, Definitions, and Error.

⁴Chuuk State is selected for the example as it is the most dependent on U.S. funds among the FSM states and more dependent than RMI and Palau on U.S. funds.

Answer—

Updated Compact Impact Costs for FY2004 to FY2018

At the time U.S. GAO reported on the Compact Impact for Guam, Hawaii, and CNMI, the available data summed to \$3.2 billion for FY2004–FY2018. However, at the time of the GAO report, Guam had tabulated Compact Impact cost for FY2018. With that data now available from Guam, the TOTAL Compact Impact reported is \$3.3 billion (\$1.85 billion for Hawaii, \$1.37 billion for Guam, and \$116 million for CNMI). For FY2018 alone, Hawaii reported \$198 million in Compact Impact, Guam reported \$150 million, and the CNMI reported \$10 million.

CIFA will support COFA families but only partially address host government Compact impact.

Host jurisdictions like Hawaii, Guam, and the Commonwealth of the Northern Mariana Islands (CNMI) have collected and reported on the fiscal impact of COFA migrants for over three decades. The three areas have consistently reported the cost of educating the children of COFA migrants, as well as health system costs. Other cost reporting among the three has varied, with Hawaii reporting high costs for social services and Guam reporting high costs for public safety.

The Compact Impact Fairness Act of 2023 (CIFA) would establish COFA migrant eligibility for several specific federal programs: Supplemental Security Income (SSI) program; Supplemental Nutrition Assistance Program (SNAP); Temporary Assistance for Needy Families (TANF); and certain social service block grants. To the extent that Hawaii, Guam, the CNMI, and other U.S. states are **currently** providing state-funded program benefits to COFA migrants who are ineligible for federal aid, CIFA would provide federal relief of ongoing state expenditures. Where such state-funded programs are not currently being provided, CIFA would directly benefit COFA migrant households.

However, CIFA does not address the large Compact impact expense areas of education and public safety, nor will it cover the state/territory share of Medicaid expenses. The cost of education is the primary area of reported Compact impact for Hawaii and Guam, representing \$118 million or 64 percent of Hawaii Compact impact in FY2017, and \$73 million or 49 percent of Guam Compact impact in FY2017.

The 2020 public law that restored Medicaid eligibility for COFA migrants is beneficial to the U.S. states who had used state funds for COFA medical coverage. However, with Medicaid extended, the states remain responsible for the state share of Medicaid expenses. Currently the state share is 44 percent for the State of Hawaii.⁵ For the U.S. territories the benefit of Medicaid COFA eligibility is not certain as the federal program operates with a financial cap on federal expenditures in the territories.

Question 2. Citizens of the Freely Associated States are eligible to join the U.S. military and frequently serve in our armed forces. What proportion of the population from the Freely Associated States joins the U.S. military compared to other U.S. communities? What are the challenges veterans in the Freely Associated States experience in accessing Department of Veterans Affairs health care and other benefits when they return home to their countries? What can be done to improve this?

Answer. Data on COFA citizens in the U.S. military is seldom presented in DOD reports or other demographic reporting, possibly due to the small numbers. I am not aware of any current data analysis of this topic. There are two sources that could be used by researchers to answer this question:

- **U.S. Census data:** For the 50 U.S. states, the American Community Survey (ACS) can be used to answer the question about the proportion of COFA citizens in the U.S. military as compared to other U.S. communities. For example, there are questions in the survey that identify place of birth (COFA nations) and current as well as past service in the U.S. Armed Forces, Reserves, or National Guard. To make a comparison between COFA and other U.S. communities, the populations should be of the same age range (for example age 18–30), high school graduates or higher, and fluent in English. The later two criteria are generally requirements to join the U.S. military. For the U.S. territories, the decennial census data is the only source for this information. Note, this data source can also be used to identify the number of prior military service members for providing veteran services. Due to the

⁵This accounts for the Federal Medical Assistance Percentage (FMAP) FY2023 rate of 56 percent in Hawaii. The federal share of CHIP is 69 percent in Hawaii.

small numbers of COFA citizens in the ACS data and the requirement for confidentiality, Census may have to undertake this analysis.

- **DOD:** Defense Department manpower data also contains information that could be used to understand the contributions of COFA citizens to the U.S. military. For example, the *Population Representation in the Military Services* report (last published for FY2019) by the DOD Office of Military Personnel Policy compares the demographics of the armed forces and the applicants and accessions each year to civilian demographic benchmarks. The report uses data from the Defense Manpower Data Center (DOD) and the Current Population Survey (Bureau of Labor Statistics). Variables analyzed include age, gender, race/ethnicity, geography, and neighborhood income.

COFA nation veterans are not able to receive Veterans Administration (VA) benefits in their home nations. If they reside in their home nation, they need to buy an airplane ticket and fly to Guam or Hawaii to access health care. Previously introduced congressional legislation called for the VA to operate a pilot program to facilitate COFA veterans' access to health care in the Pacific. The importance of access to VA benefits is one reason that some COFA migrants stay in the United States. To improve on the status quo, having the VA implement a pilot program to address the access gap would be beneficial to COFA veterans and would, of course, honor the service of those veterans.

Question 3. Funding for the Compacts of Free Association is currently borne by the Department of the Interior and the Biden administration suggests moving that funding the Department of State but to keep administration of the Compacts within the Department of the Interior. Given the critical role the Compacts of Free Association to our national security and to the Department of Defense, should the Department of Defense also bear some of these costs?

Answer. This is an appropriate issue to raise. The Compacts are based on three pillars: defense rights, economic assistance, and immigration. U.S. defense rights are secured with economic assistance to COFA nations and families. The history to date has little DOD contribution to the three Compact pillars; rather, Interior directly pays for DOD operational interests in the COFA nations for the benefit of the Department of the Defense:

- From FY1987 to FY2023, Interior has provided the Marshall Islands with \$352 million (current dollars) or \$707 million (FY2023 dollars) for nuclear testing compensation and programs.
- Further, Interior has provided the Marshall Islands with \$526 million (current dollars) or \$738 million (FY2023 dollars) for military land lease payments.

Given the heightened strategic interest of the region, this is the right time for DOD to bring its substantial financial resources into the Compact relationship framework. Beyond finances, DOD can also make in-kind contributions: (1) re-establish its Civic Action Team program in the FSM and RMI, (2) continue its deployment of humanitarian missions, and (3) address illegal fishing that threatens COFA government revenue and maritime security.

Question 4. Last year the administration released the first ever Strategy for Pacific Island Partnership along with a more detailed Roadmap to a 21st Century U.S. Pacific Islands Partnership. How was this and recent efforts to reengage the region seen by the Pacific Islands? What role can Congress play to help implement the Pacific Islands Partnership Strategy?

Answer. Congress can use its appropriations and oversight role to monitor U.S. engagement and implementation of the Strategy/Roadmap. The Roadmap provides an extensive list of project areas and numerous financial commitments. Congress can review U.S. agency operations to make sure they are coordinated and properly resourced. One area for review is that the United States coordinates with other country and international agency donors to the Pacific islands to avoid duplication and to allow an efficient division of labor. Regarding resources, are U.S. projects focused and scaled to be well resourced? Or are U.S. projects diffused and underfunded? U.S. efforts should be focused in order to succeed.

The recent establishment of U.S. Embassies across the Pacific and the promised deployment of Peace Corps is an essential demonstration of a new U.S. reengagement with the Pacific islands.

I believe other panel members will have more to contribute on these questions.

Question 5. The Pacific Islands Forum, a critical inter-governmental organization in the Pacific Islands region, laid out a regional vision for development of the Pacific Islands in its 2050 Strategy for the Blue Pacific Continent. How can the United States support this strategy?

Answer. I believe other panel members will have more to contribute on this question.

Ms. HAGEMAN. I thank the witness for their testimony, and the Chair now recognizes Ms. Paskal for 5 minutes.

STATEMENT OF CLEO PASKAL, NON-RESIDENT SENIOR FELLOW, FOUNDATION FOR DEFENSE OF DEMOCRACIES, WASHINGTON, DC

Ms. PASKAL. Chair Hageman, Ranking Member Leger Fernández, distinguished members of the Subcommittee, thank you for the daunting honor of being invited to testify today.

I am going to explain why the FAS are important to China, what Beijing is doing to try to turn them into vassal states, and how the United States can help the FAS defend themselves.

Why are the FAS important to China? Well, because they are really important to the United States. The U.S. relationship with the FAS, as we have heard, is multi-dimensional and complex. China has some interests in many of the dimensions, but there is one above all that makes them a very high priority for Beijing, and that is geography.

We often hear about the strategic importance of the first island chain. That is the chain of islands that runs roughly north-south off the coast of Asia: Japan, Taiwan, Philippines, Malaysia. It hems in China's vast and growing military. Much of America's defense strategy in the Pacific is reinforcing that so-called castle wall.

The implicit assumption is the PLA will come pouring off the coast of China and hit the chain. That is the strategy. But, as the saying goes, amateurs talk strategy and professionals talk logistics. And the logistical reality is that this really gets a lot harder, if not impossible, without the east-west chain of islands.

America's Pacific Islands and the FAS create a corridor of freedom, that includes freedom of deployment, from Hawaii to the waters of treaty allies Philippines and Japan, and through them onto Taiwan. Continued access is the unspoken assumption that underpins the castle wall approach.

Through their COFAs with the United States, the FAS have voluntarily granted the United States, as we have heard, uniquely extensive defense and security access to their sovereign territories. The United States takes these extraordinary agreements for granted. It shouldn't. As I have heard Dr. Watson say, the word "free" isn't freely associated.

China can read a map as well, and has been working hard and smart to change the strategic geography. It has been expanding its reach by building and militarizing islands between its coast and the first island chain in the South China Sea. That pushes it closer to that first island chain and aids in its deployment. It is also one of the reasons why Beijing is so keen on taking Taiwan. It blows a hole in the chain.

But taking Taiwan isn't China's end point. Once it takes Taiwan, China needs to secure it. That means the security perimeter is centered on Taiwan, and then goes out from there, which the other Pacific Islands' leaders and the FAS know it. In 2022, Micronesian President David Panuelo wrote that China's intention was "shifting us very close into Beijing's orbit, intrinsically tying the whole of our economies and societies to them."

The people of the region also know it. When, as was mentioned, China media talks about a Guam killer missile, the people of Guam, Americans, know that means killing them. Imagine if Chinese media was talking about Wyoming killer missiles, for example.

China would prefer to take Taiwan through political warfare than by force. Also, China would prefer to take the FAS the same way.

So, how is China trying to use political warfare to undermine the United States and the FAS? It is attacking the institutions of state and democracy itself in a form of entropic warfare, as the Chair mentioned. That creates social and political fragmentation and weakens resistance. Here are some examples from each of the FAS.

Dr. Grossman mentioned Rongelap and the Chinese Marshallese couple that tried to essentially create, according to the U.S. Government indictment, the intention of establishing a semi-autonomous region akin to Hong Kong within the country. That has now gone to trial. That attempt came within one vote of succeeding in the Marshall Islands Parliament. The couple involved pled guilty, and a few weeks ago the United States deported one of the criminals back to the Marshall Islands, where she is free to establish her linkages with local elites, some of whom will be running in the upcoming election. The second sentencing was today, and he is also likely to be deported back to the Marshall Islands.

There are similar concerns about Chinese money and criminal activity affecting the upcoming elections in Palau, another country that recognizes Taiwan. Palau has deported hundreds of Chinese criminals, and has since identified many more that it doesn't have the capacity to expel. U.S.-sanctioned major triad figure Broken Tooth was also operating from Palau.

In Micronesia, the former President wrote about China, "We are bribed to be complicit and bribed to be silent. The practical impact of this is that some senior members and elected officials take actions that are contrary to FSM's national interests, but are consistent with the PRC's national interests."

Each of the FAS is one election away from being lost to the free world. From a narrow strategic lens, that means that, in the same way the loss of Taiwan blows a hole in the north-south chain, this blows a hole in the east-west chain.

With the United States looking at the edge of the Pacific and focusing on the Chinese coast, China is looking at replicating an American World War II island-hopping campaign by using political warfare to embed and conquer.

The goal? In 2008, Admiral Keating told SASC that a senior Chinese officer suggested to him, "Why don't we reach an agreement, you and I? You take Hawaii east, we will take Hawaii west,

we will share information, and we will save you all the trouble of deploying your forces west of Hawaii.” China’s actions make it look like that wasn’t said in jest.

This has the potential to change the security dynamic of the Pacific in the most fundamental way we have seen since the end of World War II. The honest leaders of the region know it, and are trying to tell us for the sake of their people and for the sake of America. We owe it to them and to those who died the last time around to listen. In my written testimony, I make several recommendations about how to do that.

Thank you.

[The prepared statement of Ms. Paskal follows:]

PREPARED STATEMENT OF CLEO PASKAL, NON-RESIDENT SENIOR FELLOW,
FOUNDATION FOR DEFENSE OF DEMOCRACIES

Introduction

Chairman Hageman, Ranking Member Leger Fernandez, and distinguished members of this subcommittee, thank you for the privilege and honor of being invited to testify today on this important topic.

The Republic of the Marshall Islands (RMI), the Federated States of Micronesia (FSM), and the Republic of Palau are, by far, the United States’ most supportive strategic allies.

Through their Compacts of Free Association (COFAs) with the United States, the three Freely Associated States (FAS) have voluntarily granted the United States uniquely extensive defense and security access in their sovereign territories. In the words of the Compacts: “The Government of the United States has full authority and responsibility for security and defense matters in or relating to the Marshall Islands and the Federated States of Micronesia [and Palau].”¹

This includes control over key aspects of strategic decision-making, such as the prerogative for the United States to set up and operate U.S. military bases in the countries² and to have a veto over other countries’ military access to the region.³

The COFAs have strong bipartisan support, including important leadership from members of this subcommittee.⁴ In other examples, in a 2019 hearing, Representative Brad Sherman (D-CA) said, “[T]he Compacts create bonds between the United States and these three countries that are closer than we enjoy with any other sovereign nation.”⁵ That same year, Republican Mike Pompeo became the first Secretary of State to visit FSM in a bid to renew COFA negotiations.⁶

Given the locations of the FAS, the Compacts have come to form the often-unacknowledged foundation of the United States’ defense architecture in the Pacific. With their thousand-plus scattered islands and atolls, the Exclusive Economic Zones (EEZs) of the three countries combine to cover a contiguous maritime area larger than the continental United States, right through the heart of the Central Pacific.

¹ Compact of Free Association Act of 1985, Pub. L. 99-239 (99th Congress), 99 Stat. 1770, codified as amended at 48 USC § 1681. (<https://www.congress.gov/99/statute/STATUTE-99/STATUTE-99-Pg1770.pdf>); Trust Territory of the Pacific Islands, Pub. L. 99-658 (99th Congress), 100 Stat. 3672, codified as amended at 48 USC § 1681. (<https://www.congress.gov/99/statute/STATUTE-100/STATUTE-100-Pg3672.pdf>)

² Thomas Lum, “The Compacts of Free Association,” *Congressional Research Service*, August 15, 2022. (<https://crsreports.congress.gov/product/pdf/IF/IF12194/1>)

³ In broad terms, apart from defense and security provisions, the COFAs also give citizens of the FAS the right to work in the U.S., to serve in the U.S. military, and they provide financial support and services (such as the postal service) to the government and people of the FAS. The financial and service provisions are renegotiated every twenty years, and are currently up for renewal, expiring in FSM/RMI in 2023 and Palau in 2024.

⁴ Jack Detsch and Zinya Salfiti, “Congress Presses White House to Take Control of Pacific Island Talks,” *Foreign Policy*, September 8, 2021. (<https://foreignpolicy.com/2021/09/08/congress-presses-white-house-to-take-control-of-pacific-island-talks>)

⁵ U.S. House of Representatives, Committee on Foreign Affairs and Committee on Natural Resources, “Joint Hearing on Sustaining U.S. Pacific Insular Relationships,” September 26, 2019. (<https://www.govinfo.gov/content/pkg/CHRG-116hhrg37848/pdf/CHRG-116hhrg37848.pdf>)

⁶ Colin Packham and Jonathan Barrett, “U.S. seeks to renew Pacific islands security pact to foil China,” *Reuters*, August 5, 2019. (<https://www.reuters.com/article/us-micronesia-usa-pompeo-idUSKCN1UV0UV>)

Historical Context

The region's strategic importance to the United States has long been evident and became undeniable in the 20th Century.

After World War I, the League of Nations handed many of Germany's Pacific possessions, including much of what is now the FAS and the Commonwealth of Northern Marianas, to Imperial Japan under what is known as the South Seas Mandate. For the decades leading up to World War II, Japan administered this vast area as a colony with the main administrative seat in what is now Koror, Palau. The Palauan language still has many Japanese loan words, and thanks to intermarriage, Japanese surnames are common across the region.

In the 1930s, Japan put great effort into establishing ports and airfields with, at least, dual-use capabilities. It also put in extensive defensive fortifications and communications systems and streamlined resource extraction.

By the time Japan attacked Pearl Harbor on December 7, 1941, with the intention of pushing the United States out of the Pacific, it was already prepared and dug in across what is now the FAS and the Commonwealth of Northern Marianas. It invaded Guam on December 8, defeating the U.S. garrison by December 10.

Liberating the region from Imperial Japan resulted in some of the most horrific fighting of the war. Countless locals suffered and died, islands were devastated, and the heart-rending U.S. military losses of thousands in battles like Peleliu (Palau), Angaur (Palau), Truk (now Chuuk, FSM), Kwajalein (RMI), and Guam shaped generations of Americans.

After the war, again acknowledging the region's uniquely important location on the front line between Asia and the Americas, the area now covered by the FAS was included in the only United Nations 'Strategic' Trust Territory⁷ and was put under U.S. administration. While under U.S. administration, the U.S. conducted 67 nuclear tests in the Marshall Islands. If the explosive power were spread out evenly, it would equal approximately one Hiroshima explosion a day for twenty years.⁸

In spite of this, as they went independent, the people of the region chose to enter into Compacts with the United States. In 1986, the United States reached separate COFA agreements with the Marshall Islands and with the Micronesian island groups of Yap, Chuuk, Kosrae, and Pohnpei to form, respectively, The Republic of Marshall Islands and the Federated States of Micronesia.⁹ Palau agreed to a Compact in 1994.¹⁰

The Commonwealth of the Northern Mariana Islands (CNMI) considered but rejected independence and formally joined with the United States as a commonwealth in 1986. It had been proposed that the Northern Mariana Islands join with Guam, and while there was a considerable degree of public support in the Marianas, this did not happen because Guam ultimately rejected the idea.

The memory of the sacrifices of World War II and concern over Soviet activities in the Pacific motivated many American political leaders to work to ensure the continuation of deep and strong relations with American Pacific islands and to establish the Compacts.

Ambassador Amatlain Elizabeth Kabua, the permanent representative of the Marshall Islands to the United Nations, noted that at the time that her country's COFA was originally concluded with the United States: "Many in the U.S. Congress and government had fought in the Pacific during World War Two—they knew who we were, where we were, and why we were important."¹¹

There was an acknowledgement that America's Pacific islands paid deeply for being country's real Pacific 'coast.' For example, when then President Ronald Reagan, who was instrumental in passing the Compacts, landed in Guam in 1984, he said: "[Guam] may be nearly 9,000 miles from our Nation's Capital, but it's a real pleasure to know that we're among fellow Americans. . . . In times of crisis, few Americans have been more steadfast in the defense of our shared values and

⁷"UN Trusteeship Council Documentation," *Dag Hammarskjöld Library*, April 24, 2023. (<https://research.un.org/en/docs/tc/pacificislands>)

⁸Hart Rapaport and Ivana Nikolić Hughes, "The U.S. Must Take Responsibility for Nuclear Fallout in the Marshall Islands," *Scientific American*, April 4, 2022. (<https://www.scientificamerican.com/article/the-u-s-must-take-responsibility-for-nuclear-fallout-in-the-marshall-islands>)

⁹"Compacts of Free Association," *Office of Insular Affairs, U.S. Department of the Interior*, (<https://www.doi.gov/oia/compacts-of-free-association>)

¹⁰William Chapman, "In Palau, Even God is Said to Oppose Micronesian Unity," *The Washington Post*, July 17, 1978. (<https://www.washingtonpost.com/archive/politics/1978/07/17/in-palau-even-god-is-said-to-oppose-micronesian-unity/f85347c8-d7cc-4680-bfe4-7371975bd349>)

¹¹Carnegie Endowment, "Islands in Geopolitics," *YouTube*, September 19, 2021. (<https://www.youtube.com/watch?v=ZbgeDXWLHXA>)

few have made more sacrifices to preserve them.”¹² It is worth remembering that Chinese media calls China’s DF-26 missile the “Guam killer.”¹³

Forgetting the Map

However, especially after the end of the Cold War, some in the U.S. defense and strategic community seem to have gradually forgotten why the FAS are important. There is, as former Reserve Head of Intelligence for Marine Forces in the Pacific, Col. Grant Newsham puts it: “a focus on the castle wall—on building up and working with Japan, Philippines, Australia, and others—assuming the People’s Liberation Army [PLA] will conveniently come pouring off the coast of China and into our crosshairs. Meanwhile, China is setting up well behind our western-most defenses, in the Pacific islands.”

China Learns From the Defeat of Others

The American Pacific islands and the FAS create a ‘corridor of freedom’ (including freedom of deployment) from America’s Pacific islands of Hawaii to the waters of treaty allies Philippines and Japan. And, through them, on to Taiwan. Continued access is the unspoken assumption that underpins the ‘castle wall’ approach.

So, what are China’s goals in the region? In 2008, Admiral Timothy Keating told the Senate Armed Services Committee that a senior Chinese officer suggested to him: “why don’t we reach an agreement, you and I? You take Hawaii east. We’ll take Hawaii west. We’ll share information, and we’ll save you all the trouble of deploying your naval forces west of Hawaii.”¹⁴

Getting effective control of the Pacific islands is an essential part of that goal. And there is evidence that China has been making a concerned attempt to jump the castle wall and, as the Japanese did in the 1930s, hunker down across the Pacific islands. But, having learned from the Japanese experience, they are using political warfare and so keeping under the threshold of what would call for a military response.

China’s efforts are well-funded and broadly successful. They generally follow a predictable sequence. First, the People’s Republic of China (PRC) puts in a commercial presence with Chinese nationals (who, according to China’s 2017 National Intelligence Law, are legally obligated to support the government’s intelligence operations).¹⁵ Where possible, there is a targeting of key industries, such as fishing, lumber, and mining. There are also highly publicized infrastructure projects and “gifts.” This economic engagement usually includes two other elements: a focus on projects that give China a strategic edge, for example, ports, airports and telecoms; and corruption (including working with Chinese organized crime).¹⁶

This braided approach of commerce, strategy, and criminality often leads to the weakening of the rule of law and state institutions. This ‘entropic warfare’ can contribute to political and social fragmentation, even chaos, and facilitates the rise of a domestic constituency ready to serve as PRC proxies in exchange for backing. It also lays the groundwork for (potentially violent) transnational repression.

The most recent reported example of a major milestone on this trajectory is the China-Solomon Islands security deal,¹⁷ which allows for the deployment of PLA troops in Solomon Islands to maintain social order as well as to protect Chinese citizens and major projects.

Less reported, but just as concerning, is the fact that the pro-PRC Prime Minister of Solomons used a Chinese slush fund to pay off 39 of the 50 Members of the

¹² President Ronald Reagan, “Remarks on Arrival at Guam International Airport in Agana,” April 25, 1984. (<https://www.reaganlibrary.gov/archives/speech/remarks-arrival-guam-international-airport-agana>)

¹³ Bill Gertz, “Army Deploying Iron Dome Missile Defense to Guam,” *The Washington Times*, October 7, 2021. (<https://www.washingtontimes.com/news/2021/oct/7/army-deploying-iron-dome-missile-defense-guam>)

¹⁴ Cleo Paskal, “China Moves to Dominate Pacific with U.S. Mired in Ukraine,” *The Sunday Guardian* (India), March 13, 2022. (<https://www.sundayguardianlive.com/news/china-moves-dominate-pacific-u-s-mired-ukraine>)

¹⁵ National Intelligence Law of the People’s Republic, (Adopted at the 28th meeting of the Standing Committee of the 12th National People’s Congress on June 27, 2017), (China). (https://cs.brown.edu/courses/csci1800/sources/2017_PRC_NationalIntelligenceLaw.pdf)

¹⁶ Bernadette Carreon, Aubrey Belford, and Martin Young, “Pacific Gambit: Inside the Chinese Communist Party and Triad Push into Palau,” *Organized Crime and Corruption Reporting Project*, December 12, 2022. (<https://www.occrp.org/en/investigations/pacific-gambit-inside-the-chinese-communist-party-and-triad-push-into-palau>)

¹⁷ Kate Lyons and Dorothy Wickham, “The Deal that Shocked the World: Inside the China-Solomons Security Pact,” *The Guardian* (UK), April 20, 2022. (<https://www.theguardian.com/world/2022/apr/20/the-deal-that-shocked-the-world-inside-the-china-solomons-security-pact>)

Parliament—enough to amend the constitution and postpone the elections that were due to be held this year.¹⁸

The Solomons parliament building is on the island of Guadalcanal and was built with U.S. money to honor the Americans who died at the Battle of Guadalcanal. There was a commemoration of the 80th anniversary of that battle last summer. The event was attended by Ambassador Caroline Kennedy, whose father, John F. Kennedy, was saved by two Solomon Islanders after his boat was rammed by the Japanese in World War II. The pro-PRC Prime Minister did not show up for the commemoration.¹⁹

China's Greater East Asia Co-Prosperity Sphere

China's ambitions go well beyond the Solomons. In May and June 2022, at a time when many of the countries involved still had covid entry restrictions in place, China's Foreign Minister Wang Yi and entourage was waved in to eight Pacific Island Countries (PICs). During that trip, two other China-drafted agreements were circulated giving a sense of Beijing's comprehensive and extensive ambitions for the region.²⁰

Wang proposed a "China-Pacific Island Countries Common Development Vision" supported by a "China-Pacific Island Countries Five-Year Action Plan on Common Development (2022–2026)."

Elements of the "Vision"²¹ include: law enforcement cooperation, incorporating "immediate and high-level police training;" "cooperation on network governance and cyber security," including a "shared future in cyberspace;" the "possibility of establishing [a] China-Pacific Island Countries Free Trade Area;" enhancing "cooperation in customs, inspections and quarantine;" creating "a more friendly policy environment for cooperation between enterprises;" setting up Confucius Institutes; training young diplomats; establishing a "China-Pacific Island Countries Disaster Management Cooperation Mechanism," including a prepositioned "China-Pacific Island Countries Reserve of Emergency Supplies," and more.

The "Action Plan"²² includes: "a Chinese Government Special Envoy for Pacific Island Countries Affairs" (who has since been appointed); a "China-Pacific Island Countries Ministerial Dialogue on Law Enforcement Capacity and Police Cooperation" (also completed); "assistance in laboratory construction used for fingerprints testing, forensic autopsy, drugs, electronic and digital forensics;" "encourag[ing] and support[ing] airlines to operate air routes and flights between China and Pacific Island Countries;" "send[ing] 200 medical personnel" in the next five years; sponsoring "2500 government scholarships" from 2022 to 2025, and much more.

Combined, the Vision and Action plans are a blueprint for influence (if not control) of key levers of national power. It is often reported that Wang's 'failure' to get countries to sign on to the two documents was a setback for China, but it is doubtful Beijing even thought that was in the cards. Otherwise, Wang would have held his group meeting with the PIC foreign ministers at the end of his trip, after he had a chance to speak to more of them individually, rather than in the middle.

Also, four of the countries in the region recognize Taiwan. Those signing up to Beijing's deal would have been striking a sudden blow-by-proxy against their neighbors. It is not the way things are usually done in the Pacific.

China would know that. It has a half-dozen think tanks dedicated to studying the region, has trained hundreds (if not thousands by now) of Pacific island bureaucrats, and has generational, focused intelligence on key leaders and their families. Within the countries, China has large footprints, often including the largest embassy (with staff that speak the local language), financial relationships with key business leaders, favorite members of the media, control of large sections of the retail sector, including in the relatively remote areas, and more.

There are also less obvious levers. The Belt and Road Initiative seems to be expanding, including in part via World Bank and Asian Development Bank

¹⁸ Cleo Paskal, "How China buys foreign politicians: A case study," *The Sunday Guardian* (India), September 5, 2021. (<https://sundayguardianlive.com/news/china-buys-foreign-politicians-case-study>)

¹⁹ Kirsty Needham, "Solomons PM's absence from memorial service was a 'missed opportunity,' U.S. official says," *Reuters*, August 8, 2022. (<https://www.reuters.com/world/asia-pacific/solomons-leader-did-not-attend-us-war-memorial-service-snob-media-report-2022-08-08>)

²⁰ Cleo Paskal, "China Launches Empire Building Exercise in Pacific Theatre," *The Sunday Guardian* (India), May 29, 2022. (<https://www.sundayguardianlive.com/news/china-launches-empire-building-exercise-pacific-theatre>)

²¹ @CleoPaskal, *Twitter*, May 26, 2022. (<https://twitter.com/CleoPaskal/status/1529867665992474626>)

²² @CleoPaskal, *Twitter*, May 26, 2022. (<https://twitter.com/CleoPaskal/status/1529849187071926273>)

contracts (essentially using the money of others, including the United States, to pay for Chinese companies to build infrastructure). There is also the widespread use of Chinese organized crime as an ‘auxiliary’, as has been seen in Hong Kong.

What Wang was likely doing by floating the deal was drawing out those who oppose China to enable them to be isolated and targeted and seeing who was willing to be compliant so they could be built up and rewarded.

Additionally, while the multilateral Vision and Plan went unsigned, Wang did sign a series of bilateral deals, some of which echoed elements of the Vision, in most of the countries he visited.²³ Some were formalizations or expansions of existing areas of cooperation, but some were new, such as agreements on fingerprint laboratories. There seemed to be a focus on gaining access in agriculture (land), fisheries (seas), aviation (air), and disaster response (amphibious, prepositioning).

Apart from undermining democracy in the region and creating proto-proxy states, PRC influence operations are having a concrete effect on the United States’ ability to operate in the region. Washington is quietly being blocked out of some Pacific island ports, likely by pro-PRC elements. In the latest case, Vanuatu failed to issue timely clearance for U.S. Coast Guard cutter JUNIPER (a 225’ buoy tender) to enter Port Vila on January 26, 2023, to commence planned shiprider illegal, unreported, and unregulated (IUU) fishing operations. The ship, running out of fuel and unable to continue waiting, diverted to Fiji instead.²⁴

This was not the first time a Coast Guard cutter was blocked from entry in a Pacific port. In August 2022, the USCGC Oliver Henry, which was also on an IUU fisheries patrol, could not obtain entry to refuel in Solomon Islands. Solomons then declared a moratorium on naval vessel visits from the United States and most other countries.²⁵

In both cases, national governments blamed overwhelmed domestic bureaucracies. However, that rang hollow given: the high-profile nature of the incidents; the subsequent lack of effort to correct the issue (indeed doubling down in the case of Solomons); and the fact that these patrols are for something all the countries in the region say they want (help with illegal fishing).

The FAS

While Oceania as a whole is of interest to China, for the same reason the American Pacific islands and the FAS are important to the United States—they give Washington a strategic bridge to the coast of Asia as well as a buffer against Chinese advances—they are especially important to China. If the United States maintains its position there, the rest of Beijing’s plan does not work. Additionally, two of the three FAS recognize Taiwan, making them even greater threats to China.

And so there are also persistent, high-priority PRC political warfare efforts²⁶ to get the FAS to abandon, or at least downgrade, their defense and security relationships with the United States and to get Palau and Marshalls to abandon Taiwan. Here are some examples in each of the FAS.

Federated States of Micronesia (FSM)

Then FSM President David Panuelo was one of the leaders concerned about PRC activities in the region that Wang’s Pacific gambit exposed for targeting. After seeing Wang’s proposals, Panuelo wrote²⁷ to other Pacific Island leaders it was “The single-most game-changing proposed agreement in the Pacific in any of our lifetimes.” He added, “I am aware that the bulk of Chinese research vessel activity in the FSM has followed our Nation’s fiber optic cable infrastructure, just as I am aware that the proposed language in this agreement opens our countries up to having our phone calls and emails intercepted and overheard.”

The intention, he wrote, was: “to shift those of us with diplomatic relations with China very close into Beijing’s orbit, intrinsically tying the whole of our economies

²³ “China’s whirlwind Pacific tour a slight success with several bilateral agreements signed,” *RNZ* (New Zealand), June 4, 2022. (<https://www.rnz.co.nz/international/pacific-news/468464/china-s-whirlwind-pacific-tour-a-slight-success-with-several-bilateral-agreements-signed>)

²⁴ Cleo Paskal, “The U.S. is blocked from ports in PRC-Influenced Solomons, Vanuatu,” *The Sunday Guardian* (India), February 4, 2023. (<https://www.fdd.org/analysis/2023/02/05/us-blocked-from-ports-solomons-vanuatu>)

²⁵ Benjamin Felton, “Solomon Islands Blocks All Naval Port Visits After U.S. Coast Guard Cutter Denied Entry,” *USNI News*, August 30, 2022. (<https://news.usni.org/2022/08/30/solomon-islands-blocks-all-naval-port-visits-after-u-s-coast-guard-cutter-denied-entry>)

²⁶ “China’s Influence on the Freely Associated States of the Northern Pacific,” *United States Institute of Peace*, September 20, 2022. (<https://www.usip.org/publications/2022/09/chinas-influence-freely-associated-states-northern-pacific>)

²⁷ @CleoPaskal, *Twitter*, May 26, 2022. (<https://twitter.com/cleopaskal/status/1530019148528492551>)

and societies to them. The practical impact, however, of Chinese control over our security space, aside from impacts on our sovereignty, is that it increases the chances of China getting into conflict with Australia, Japan, the United States and New Zealand, on the day when Beijing decides to invade Taiwan. . . . To be clear, that's China's long-term goal: to take Taiwan. Peacefully, if possible; through war if necessary."

The clarity of Panuelo's statement marked him as someone Beijing would not like to see in power. Perhaps coincidentally, he lost his re-election bid. On March 9, 2023, while still President of FSM, David Panuelo wrote another letter²⁸ in which he describes cases of what he calls PRC "Political Warfare and Grey Zone activity [that] occur[s] within our borders."

He wrote, "One of the reasons that China's Political Warfare is successful in so many arenas is that we are bribed to be complicit, and bribed to be silent. That's a heavy word, but it is an accurate description regardless. What else do you call it when an elected official is given an envelope filled with money after a meal at the PRC Embassy or after an inauguration? What else do you call it when a senior official is discreetly given a smartphone after visiting Beijing? . . . What else do you call it when an elected official receives a check for a public project that our National Treasury has no record of and no means of accounting for?"

The effect, he wrote, is "Senior officials and elected officials across the whole of our National and State Governments receive offers of gifts as a means to curry favor. The practical impact of this is that some senior officials and elected officials take actions that are contrary to the FSM's national interest, but are consistent with the PRC's national interests."

He then described the outcomes of this corrosion of the body politic. "So, what does it really look like when so [many] of our Government's senior officials and elected officials choose to advance their own personal interest in lieu of the national interest? After all, it is not a coincidence that the common thread behind the Chuuk State secession movement, the Pohnpei Political Status Commission and, to a lesser extent, Yap independence movement, include money from the PRC and whispers of PRC support. (That doesn't mean that persons yearning for secession are beholden to China, of course—but, rather, that Chinese support has a habit of following those who would support such secession)."

The results, he wrote, are: "At worst in the short-term, it means we sell our country and our sovereignty for temporary personal benefit. At worst in the long-term, it means we are, ourselves, active participants in allowing a possible war to occur in our region, and very likely our own islands and our neighbors on Guam and Hawaii, where we ourselves will be indirectly responsible for the Micronesian lives lost."

This led him, in the letter, to describe discussions that he had, at his request, with the Foreign Minister of Taiwan, Joseph Wu, about either recognizing Taiwan or initializing an agreement for a Taipei Economic & Cultural Representative Office (TECRO) in Micronesia. A core reason for that, he explained, is "greatly added layers of security and protection that comes with our country distancing itself from the PRC, which has demonstrated a keen capacity to undermine our sovereignty, reject our values, and use our elected and senior officials for their purposes."

Given how important the region is to China strategically, he knows how dangerous this is to him personally, and he added: "I am acutely aware that informing you all of this presents risks to my personal safety; the safety of my family; and the safety of the staff I rely on to support me in this work. I inform you regardless of these risks, because the sovereignty of our nation, the prosperity of our nation, and the peace and stability of our nation, are more important. Indeed, they are the solemn duty of literally each and every single one of us who took the oath of office to protect our Constitution and our country."

That offer to switch to Taiwan was not followed up. Based on personal discussions in Taiwan and Washington, it seems possible that Taiwan felt it could not move without U.S. approval, and the State Department was not supportive. On May 11, 2023, David Panuelo left office. The opportunity was lost and the undermining of FSM democracy—and potentially relations with Washington—continues. What is going on in FSM is far from unusual in the region; what is unusual is having a president say it out loud.

²⁸ Cleo Paskal, *LinkedIn*, March 10, 2023. (https://www.linkedin.com/posts/cleopaskal_panuelo-letter-on-switch-to-taiwan-prc-activity-7039672476045340672-8RmJ)

Republic of Marshall Islands (RMI)

The Marshall Islands recognizes Taiwan and is home to the U.S. military's Ronald Reagan Ballistic Missile Defense Test Site. Undermining either of those relationships would greatly benefit China's strategic goals. One operation that could have done that featured two China-linked Marshallese nationals involved, according to the U.S. Government, in "a multi-year scheme that included establishing a non-governmental organization and allegedly bribing officials in the Republic of the Marshall Islands with the intention of establishing a semi-autonomous region, akin to Hong Kong, in the U.S.-defended Marshall Islands."²⁹

That attempt came within one vote of succeeding in the Marshall Islands parliament. The couple involved were charged in New York and pleaded guilty, meaning the names of the Marshallese who were bribed didn't become public, potentially leaving some of them to run in the upcoming November 2023 elections without that information being made available to the electorate. More concerning, the United States deported one of the criminals involved in the bribery back to the Marshall Islands, where she is now walking free, able to re-establish her linkages with local elites.³⁰

Republic of Palau

The president of Palau (another country that recognizes Taiwan), Surangel Whipps Jr., is a staunch defender of democracy. He has consistently supported Taiwan, even when it has had a detrimental effect on Palau's economy (at least in the short-term). For example, China built up Chinese tourism to Palau then suddenly pulled all its tourists out in an attempt to crash the Palauan economy and force it to derecognize Taiwan.³¹

Palau stood firm. Recently, Whipps, who has also offered the United States a base, said, "A Chinese Ambassador asked us to have diplomatic relations with China and we said, 'we have no problem having diplomatic relations with China.' What we have a problem with is [China] telling us that we cannot have diplomatic relations with Taiwan [. . .] We see that tensions are rising, we believe in 'presence is deterrence'. It just reminds us that we all need to be prepared because do not want to ever go through World War 2 again. It is important that we align ourselves with people that believe in boundaries, rule of law, democracy and freedom because we need to protect those values."³²

Palau also has an election coming up in less than a year and a large Chinese organized crime presence,³³ and Whipps' current chances at re-election are not considered promising.

Conclusion

The three FAS are considered high value targets by Beijing. All are only an election away from being absorbed into China's version of the Greater East Asia Co-Prosperty Sphere. There are leaders willing to take principled and courageous stands for democracy, Taiwan, and the U.S. relationship—and they are the ones warning what is coming. But they may not be around for long. As seen with Solomons, all China has to do is capture a couple dozen of the elite in the FAS to blow a hole in the foundation of the U.S. Pacific defense architecture.

What to do? All the usual "should have been done already" recommendations: return the Peace Corps to the region, apologize to the Marshall Islands for the nuclear testing, sort out the treatment of U.S. military veterans from the FAS, get better connectivity and transport into the region to make it easier to connect with the United States, stop arguing over the relatively tiny amounts of U.S. government spending involved in the COFAs (compared to the incalculable cost of trying to 'win them back', if it were even possible), etc. This list is easily available, as the issues have been languishing, in some cases, for decades.

²⁹U.S. Immigration and Customs Enforcement, Press Release, "ERO New York City removes noncitizen aggravated felon to the Marshall Islands," April 27, 2023. (<https://www.ice.gov/news/releases/ero-new-york-city-removes-noncitizen-aggravated-felon-marshall-islands>)

³⁰Ibid.

³¹Farah Master, "Empty hotels, idle boats: What happens when a Pacific island upsets China," *Reuters*, August 19, 2018. (<https://www.reuters.com/article/us-pacific-china-palau-insight-idUSKBN1L4036>)

³²Rachael Nath, "Pacific must 'stand together' on Taiwan issue—Palau's Surangel Whipps Jr.," *RNZ* (New Zealand), April 20, 2023. (<https://www.rnz.co.nz/international/pacific-news/488336/pacific-must-stand-together-on-taiwan-issue-palau-s-surangel-whipps-jr>)

³³Bernadette Carreon, Aubrey Belford and Martin Young, "Pacific Gambit: Inside the Chinese Communist Party and Triad Push into Palau," *Organized Crime and Corruption Reporting Project*, December 12, 2022. (<https://www.occrp.org/en/investigations/pacific-gambit-inside-the-chinese-communist-party-and-triad-push-into-palau>)

But underpinning all that is the need to:

Acknowledge that the relationship between the United States and the FAS is unique, forged by mutual sacrifice and is essential for U.S. security (a State or Defense Department posting to the FAS should be considered as important a career milestone as one in Paris—as this really is the front line). Lumping the FAS together under the general “Pacific islands” category is inaccurate and insulting given the nature of the relationship. Other Pacific island countries will understand privileging the FAS, and, in fact, it might make a closer relationship with the United States seem more attractive to them. So, for example, on May 22, 2023, President Joe Biden will be visiting Papua New Guinea (PNG) on his way from Japan to Australia in what is being called the first visit by a sitting President to a Pacific island country. Palau is on that route as well. Why PNG and not Palau or another FAS?

Understand that democracy is under attack across the region and needs defending. Solomons has seemingly gotten away with ‘delaying’ elections. That is being presented by Beijing as a sales point for a close relationship with China to other proto-dictators. Allowing that to stand in Solomons puts democracy elsewhere at risk. Free and fair elections need to happen in Solomons as soon as possible. Additionally, in the FAS, extremely careful attention must be paid to election integrity—especially as both Marshall and Palau have elections coming up. China got its candidate elected in Maldives by funnelling money to the ex-pat Maldivian community in Sri Lanka in order to garner him the extra votes needed to win. Marshalls and Palau have no way to monitor campaign spending in their substantial ex-pat communities, many of whom are in the United States. Help from Washington could make a substantial difference.

Back those fighting for the things we consider shared values and—it seems odd to even have to say this—that are in the U.S. interest. It is inexplicable that Panuelo’s offer to recognize Taiwan was passed up. Had that happened, it would have undermined China’s whole ‘inevitability’ narrative about peeling off countries from Taiwan one by one. We are fighting on a political warfare battlefield (for now). We are (at best) on defense. When someone is willing to make a courageous move based on principles, not backing them just hands China another example to shop around about why not to take Washington seriously.

Do not outsource American interests. Since the end of the Cold War, there has been a seeming inclination to defer to Australia and New Zealand on many ‘Pacific islands’ issues. Apart from not honoring the unique bilateral relationships the United States has with the FAS, this clearly has not worked or else the region would not be in the position it is in now. In many areas and sectors, Australia and the United States work together well and have the same priorities. However, they are different countries and divergence should not be a surprise. For example, U.S. security concerns in Solomons could well take second place in Canberra’s decision-making to Australian desires to have a better trade relationship with China. Additionally, while keeping bilateral priorities in mind, working with a wider range of allies that are welcome in the PICs can be beneficial. Japan, in particular, is doing excellent, if quiet, work across the region. Taiwan and India also have much to offer.

Military engagement in the FAS need not be larger, but it should be appropriate. That likely means fielding permanent, compact, small teams led by young officers who pay attention to those around them and adapt easily. Permanent presence is essential to avoid the ephemeral ‘cargo cult’ effect that is engendered by U.S. forces periodically showing up and then leaving, or generals and admirals dropping by for a short visit and leaving thinking everything is fine. Contractors should be limited and be supervised carefully to ensure they are not damaging trust.

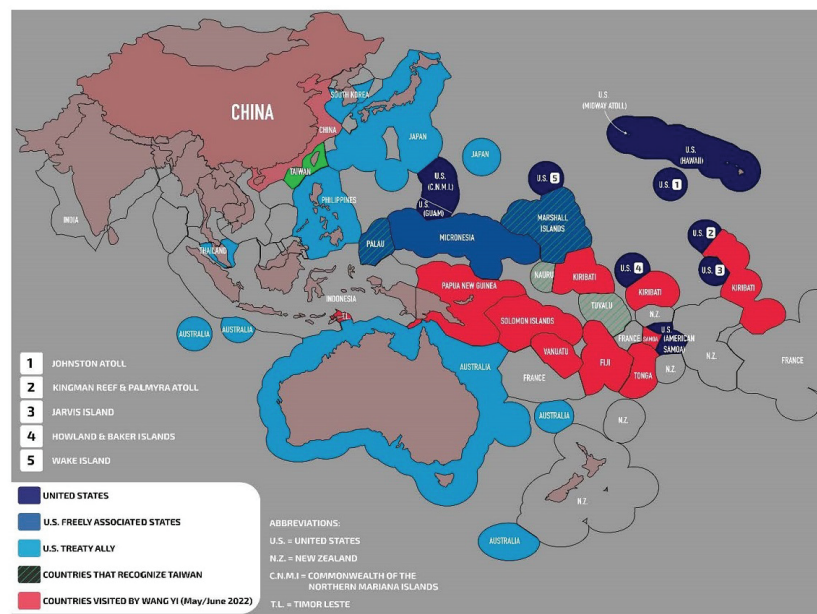
Move from Maritime Domain Awareness (MDA) to Maritime Domain Enforcement. For many countries in the region, fisheries have the potential to create stabilizing economic benefits for the people; however, illegal fishing is rampant, as is drug smuggling, human trafficking, and more. There are myriad ‘MDA’ workshops, but precious little enforcement. Locals will repeatedly say, ‘we know about all sorts of illegal activities happening in our waters—but we do not have the capacity to do anything about it.’ Following the law to seize and destroy a few of the illegal fishing boats would do more good than a year’s worth of MDA workshops.

Support the building and growth of domestic, independent capacity to identify and counter challenges ranging from organized crime to environmental disasters. This has begun in Palau, where the office of a national security coordinator (NSC) has proven of exceptional worth. The United States should support the FAS if they choose to replicate and expand the NSC concept in the other FAS.

Aggressively go after dirty money. Currently, there is no downside to accepting Chinese money—no loss of assets, no loss of position, no loss of visas. In fact, the U.S. government just gave a free ride back to the Marshalls to a person already convicted of bribing officials. Unless the money is cut off, and costs incurred, it will be very hard to get anything else to work. Under the Compacts, the United States is actually obligated to do this. It has an “obligation to defend the Marshall Islands and the Federated States of Micronesia [and Palau] and their peoples from attack or threats.”³⁴ One would think the deliberate destruction of democracy counts as a threat.

Across Oceania, but especially in the FAS, the United States is at imminent risk of having the relationships it has long taken for granted severely weakened, with the PRC using political warfare to ‘island hop’ east and south in order to set up what are effectively forward operating locations able to, yes, push the United States ‘back to Hawaii’. This has the potential to change the security dynamics of the Pacific in the most fundamental way we have seen since the end of World War II. The honest leaders of the region know it, and are trying to tell us, for the sake of their people, and for the sake of America. We owe it to them, and to those who died the last time this happened, to listen.

CHINA JUMPS THE ‘CASTLE WALL’



Map by Pavak Patel and Cleo Paskal

³⁴ Compact of Free Association Act of 1985. Pub. L. 99-239 (99th Congress), 99 Stat. 1770, codified as amended at 48 USC § 1681. (<https://www.congress.gov/99/statute/STATUTE-99/STATUTE-99-Pg1770.pdf>)

QUESTIONS SUBMITTED FOR THE RECORD TO CLEO PASKAL, NON-RESIDENT SENIOR
FELLOW, FOUNDATION FOR DEFENSE OF DEMOCRACIES

Questions Submitted by Representative Westerman

Question 1. How specifically has the CCP been working to infiltrate the FAS politically. How can U.S. respond to counter CCP political infiltration into the FAS?

Answer. The Chinese Communist Party (CCP) has a toolkit of political warfare weapons that it uses to infiltrate and then, if it can, control, the FAS (and elsewhere) politically. Many approaches are tried at once. Those that open up cracks are doubled down upon, though efforts continue in other areas as well.

Very broadly, major operations are usually “braided,” with three mutually reinforcing strands.

First, the initial approach may be designed to look **commercial**—for example, as with the attempted setting up of the Rongelap Atoll Special Administrative Region (RASAR) in the Marshall Islands under the guise of economic development.

Second, the PRC combines this with a **strategic** goal. So, in the case of RASAR, the attempted setting up of a country-within-a-country was designed to undermine the sovereignty of the Marshall Islands, drive a wedge between the Marshall Islands and the United States/Taiwan, and act as a launch site for other PRC operations.

Third, **corruption** and **criminal activity** are threaded throughout—in the case of RASAR, that manifests as bribery of senior officials.

One can see a similar braided approach with the various PRC-linked port and fisheries projects that are branded as economic development (**commercial**), but that undermine a nation’s maritime and border security (**strategic**), in part through buying off key officials (**corruption**). The officials may think they are just ‘making a bit of money on the side’, without fully realizing the strategic vulnerabilities that are being injected into their systems.

The same is true for corruption that results in PRC-linked companies winning contracts for installing critical infrastructure, for example Huawei towers in Solomon Islands. For more examples, please see the 9 March 2023 letter from then Federated States of Micronesia President David Panuelo.

All of this is wrapped up in layers of protective information warfare, using paid-for traditional media, social media, social events, trips to China and more, backed by a very good intelligence network that gives China insight into who to target, and how.

How to counter it? Do what we should be doing anyway and go after the strand that reinforces the commercial and strategic and that gives the CCP its unfair advantage: **the corruption**.

Currently, there is almost never any downside to taking Chinese money: No loss of money, assets, status, visa access to the United States, etc. Indeed, in the case of RASAR, none of the Marshallese who were bribed were exposed by the United States, let alone charged. And one of the convicted Chinese criminals involved was even deported by the United States back to the Marshalls, where she is now free to continue her operation. This is a moral, legal, and strategic failure.

There are many brave FAS citizens trying to keep their countries secure, as evidenced by President Panuelo’s letter, the work of the Palau national security coordinator, and others. But the longer they are unsupported, the more worn down they become and the fewer their numbers will be. It is also often difficult for local investigators and prosecutors to bring to trial the higher profile cases due to how close-knit the local societies are.

Very public investigations into CCP corruption and criminal activities in the FAS (and Guam and CNMI) should be undertaken by the relevant U.S. agencies and departments. That can include supporting the appointment of special prosecutors with specific remits to investigate corruption.

In the case of FAS citizens, if found guilty of taking money that links back to foreign malign actors, there should be a revocation of the right to enter the United States.

These measures can be bolstered by congressional hearings into the issue and congressional visits to the region to hear first-hand about the challenges.

Additionally, there should be support for domestically controlled national security coordination offices in each of the FAS. Palau was the first to establish such a post and it has proven invaluable for domestic security coordination and streamlining security and defense collaboration with international partners, in particular the United States.

Question 2. What is one of the biggest threats to the people of the Pacific Islands?

Answer. As described above, there is a focused, well-funded, and well-resourced CCP-led attempt to undermine sovereignty of Pacific Island countries in order to extend PRC influence across the region. The result is an exportation of the same centralized, brutal, extortionate, and environmentally and socially destructive system one finds in the PRC.

Which is the point: At its very core, this is a battle of systems: authoritarianism versus democracy.

This is why the institutions that support democracy (free press, independent judiciary, even elections themselves) are among the first targets of PRC influence operations. This strategy was explicitly described in the book *Unrestricted Warfare*, written by two People's Liberation Army (PLA) Air Force Colonels in 1999.

As seen in Solomon Islands, each country is only one election away from a PRC proxy taking power and, in the case of Solomons, literally doing away with democracy (in this case by 'delaying' elections).

Unless there is democracy and reasonably honest and consensual government, nothing else will work. All the USAID projects, signing of agreements, Pacific Island Forum visits, etc., can't accomplish anything if the people in power are authoritarians in hock to Beijing.

For example, if the United States signs a deal with Papua New Guinea (PNG) to put in a naval base but then the government of PNG is elite captured by China, all that's happened is the United States has built a base for China—unless Washington wants to forcibly hold on to the base when asked to leave, which in itself would be an information warfare win for Beijing.

Question 3. What solutions should be prioritized?

Answer. Democracy needs to be promoted and protected. At a minimum, this requires a combination of diplomacy and the cutting off of the flow of the illegal money that is distorting democracy.

A high priority on the diplomacy front is working to ensure the pro-PRC government in Solomons isn't allowed to get away with delaying elections—it should be publicly called out and the Pacific Games (which were used as the excuse to delay elections) should be boycotted until elections are held. Any country that attends the games should be tagged as caring more about sports than democracy. A stand should be taken, not just to protect democracy in Solomons, but so that others are dissuaded from trying something similar. The United States is being tested.

On the money front, here are two ideas of many: First, track the illegal money and prosecute the corrupt officials (and enlist the assistance of Australia and New Zealand to do the same); second, ensure careful oversight of campaign funding going to sway FAS voters in the United States.

These are some measures that would not only help liberate the Pacific Islands from PRC political warfare, they would also show those fighting for their own sovereignty across the Pacific Islands that the United States of America has their back.

Questions Submitted by Representative Radewagen

Question 1. You highlight in your testimony that the PRC utilized a slush fund to pay off 39 of 50 Members of the Solomon Islands Parliament in connection with the security agreement reached there and that President David Panuelo of the FSM also recently described in an open letter the effects of PRC corruption locally as well—can you elaborate for the committee on the patterns of PRC corruption to undermine local governments in the Pacific?

Answer. Just to elaborate, the 39 or the 50 seem to have been bought off to make Prime Minister Sogavare 'Motion of No Confidence' proof (and so ensure a PRC proxy was in place and could deliver the security agreement) as well as to ensure that Sogavare had enough votes to amend the constitution in order to delay elections. They delivered on both counts.

It is also worth noting that the process allowed the PRC to identify compliant politicians it can cultivate (Sogavare is convenient to Beijing but eminently replaceable) as well as reticent ones it will target for removal from politics.

I describe some of the ways local governments are undermined in the replies to Chairman Westerman's questions above, but it's worth adding that Chinese organized crime is an integral part of the PRC's operations. They bribe, enforce, smuggle, blackmail, and more.

While largely free to make their own money and develop their own networks, Chinese criminals do so with the understanding that they must be useful to Beijing

when required (as made explicit in the PRC's 2017 National Intelligence Law). As a result, they become very difficult to extract from a country as Beijing will often refuse to allow them to be deported back to China, and Pacific Island countries don't have the resources to charge or jail them or fight Beijing on deportation.

As a result, in some places, there are scores, if not hundreds, of Chinese 'undesirables'—people identified by the affected Pacific Island country as a problem for the state—walking free, undermining governance at a very fundamental level.

Question 2. In your written testimony, you envision moving away from "Maritime Domain Awareness" to "Maritime Domain Enforcement". Can you elaborate further on that? And what additional resources, the United States may need to allocate to ensure that enforcement can be done effectively.

Answer. This is a foundational question that warrants a hearing of its own with experts from across a wide range of fields, including military, financial, fisheries, and more. As Dr. Watson said at the hearing, fisheries should be considered a national security issue for the United States.

One reason is that while illegal, unreported and unregulated (IUU) fishing is profitable and possibly necessary for food importer China, it also serves as an excuse to 'flood the zone' with China's dual use fishing fleet, some of which contains a serious criminal element (that also turns a nice profit).

China will not give this up easily. It will put pressure on local governments and try to undermine patrols and enforcement efforts. It is likely not a coincidence that U.S. Coast Guard ships on IUU patrol have had trouble landing in ports in Solomon Islands and Vanuatu, affecting their ability to do their work.

Apart from enforcement at sea (the specifics of which are best left to those more expert than me), one will need a plan to 'protect' the execution of any enforcement policy, including dealing with local corruption and giving backing to local governments trying to stand their ground against pressure from Beijing.

This is where direct U.S. government involvement and support is essential. Few countries will take on China by themselves. U.S. intelligence has a role to play as do U.S. diplomats and also a comprehensive political warfare effort (with an economic component) that improves the local environment so IUU fishing can't operate.

So, what's needed? More than anything, a change of mind-set from the administration on down through the State Department and Department of Defense (in particular).

Local nations know they have a problem with IUU and don't need to be reminded of it. They need help doing something about it. They lack the resources—particularly ships and personnel. In the case of Palau, for example, their biggest ship is barely a match for a single Chinese fishing boat—much less a double-hulled, armed, maritime militia boat. And it would stand no chance against a Chinese 'government' ship.

A 'total' approach to the IUU problem—that covers surveillance through enforcement—needs to be employed and considered a priority by the U.S. government. It currently is not a top priority—even though it is THE major priority to many Pacific Island countries.

To get a sense of the overmatch, while the U.S. Coast Guard is making efforts, to cover the vast Pacific Ocean west of Hawaii, the Coast Guard has approximately three Medium Endurance Cutters—with maybe another one being deployed in the next year. A total of four ships. It has three shorter ranged Fast Response Cutters—with perhaps four more received and deployed in the fairly near future.

That's at best seven Coast Guard ships to cover the Western Pacific, a zone larger than the continental United States. It's a huge expanse and seven ships is just seven ships—some of which will be in port for a period of time. Imagine patrolling the U.S. with seven police cars that go around 30 miles per hour.

Without the ability to intercept, search, and detain, it's sort of like watching a shoplifter but not intervening. Indeed, it seems as though the United States and other Western and larger regional nations glide over the problem as if someone else will handle enforcement.

One should consider U.S. military support to FAS illegal fishing operations as a proper activity relating directly to these nations' 'national defense' for which the United States has responsibility under the Compacts of Free Association (needless to say, this is also the case for U.S. territories). USINDOPACOM needs to see it as such, especially given the dual-use nature of the PRC fishing fleet. Indeed, this would be a tangible 'push back' against Chinese encroachment and influence—or just plain theft of our allies' natural resources and a danger to their economic security.

The IUU fishing problem—and enforcing laws against it—should also be considered from a broader perspective. For example, penalties can be applied ‘asymmetrically.’ Given that most of the IUU fishing is Chinese, we should apply financial and economic pressure on other Chinese entities that are related to fishing, however broadly. For example, we should delist from U.S. exchanges companies that finance and construct the fleets, ports, and docks involved in illegal fisheries, applying tariffs to Chinese fisheries products, restricting U.S. technology and financial flows into the PRC if any connection can be made to the fleet. Given the military-civil fusion nature of the PRC, this may be quite helpful.

At the same time, apart from playing defense, one should also go on ‘offense’ economically and prioritize the redevelopment of an American fishing fleet and processing capability so there is broader incentive to make sure everyone is playing by the rules and local economies are more likely to benefit.

Questions Submitted by Representative Case

Question 1. During my time for questions in our hearing, I misspoke when describing the Government Accountability Office’s reported fiscal impact from Compact residents on local communities. I noted that localities collectively reported \$1.8 billion in costs between 2004 and 2018 when in reality that figure in the GAO report is \$3.2 billion. If Congress were to expand the same eligibility for federal benefits to Compact migrants as are currently extended to lawful permanent residents, what uncovered costs from delivering still-uncovered services would host communities have to cover without federal aid?

Answer. Not my area.

Question 2. Citizens of the Freely Associated States are eligible to join the U.S. military and frequently serve in our armed forces. What proportion of the population from the Freely Associated States joins the U.S. military compared to other U.S. communities? What are the challenges veterans in the Freely Associated States experience in accessing Department of Veterans Affairs health care and other benefits when they return home to their countries? What can be done to improve this?

Answer. I understand there is work on this topic related to the COFA negotiations, and I can just go by what is publicly available. As such, my comments are general and may be overtaken by new initiatives (and I hope they will be).

As with VA services in general, even in the United States, the key issues are 1) awareness of available services; 2) accessibility to services; and 3) receiving proper services.

These are long-standing problems for many veterans living in the United States. However, things are much worse for veterans from the FAS by virtue of the restrictions on VA activities and operations in foreign countries. This is exacerbated by the distance and expense required to travel to U.S. territory to access health care benefits or to receive care.

As a result, many FAS veterans are unable to access VA services and health care and are effectively abandoned by the VA (and the government they served) once they return to their home country.

When considering how, and whether, to improve this situation, one must remember that while the FAS are indeed ‘foreign’ countries, they are also the only three nations on earth that have formally entrusted their national defense to the United States. Not only have FAS citizens volunteered to risk their lives on behalf of the United States, the entire countries have volunteered to be a critical part of U.S. defenses.

An adjustment to U.S. law that allows the VA to operate in the FAS as if it were U.S. territory is necessary, given the FAS’s unique circumstances.

Until this can be accomplished, the VA needs to make the FAS and serving its veterans a priority. It currently is not. In fact, veterans seem to be losing some services. One veteran in Marshall Islands, who served for over two decades with the U.S. Army and was a recruiter, said that up until about a decade ago, veterans could get their VA medicine posted to them. (The FAS have local U.S. postal codes.) Then that stopped. That should be restarted, as a priority.

Appropriate ‘work arounds’ can be accomplished to ensure FAS veterans are served as close to possible as if they were U.S. veterans in the United States. This includes easy use of local medical services without out-of-pocket expenses or labyrinthine reimbursement procedures.

As a part of that, each U.S. Embassy in the FAS should have a VA ombudsman—either VA staff or contracted—to serve local veterans who are otherwise intimidated by the prospects of navigating the Veterans Administration.

While permanent services are being set up, we should consider regular deployments of U.S. military medical teams to the FAS for set periods of time, say, quarterly, to provide basic medical services, to include mental health care.

Question 3. Funding for the Compacts of Free Association is currently borne by the Department of the Interior and the Biden administration suggests moving that funding the Department of State but to keep administration of the Compacts within the Department of the Interior. Given the critical role the Compacts of Free Association to our national security and to the Department of Defense, should the Department of Defense also bear some of these costs?

Answer. I give my answer knowing that changing such a fundamental aspect of the COFAs might be extremely difficult at this stage. However, it is worth pointing out that of any U.S. Government department, the Department of Defense has:

- By far the greatest number of people in the FAS;
- The most regular interactions with people in the region;
- The most comprehensive and up-to-date knowledge about the countries; and
- The greatest interest in ensuring good relations.

So, for example, on one small island in Palau, there are scores of Marines living for months among the locals, learning, making friends, playing baseball, improving infrastructure, etc. That one island alone has far more Americans living much more closely with Palauans than the State Department has at the U.S. Embassy.

Additionally, with the large number of FAS citizens who served in the U.S. military, there is a common cultural bridge with which to work (and, given the treatment of veterans, it should be improved anyway).

The Department of Defense, including the Reserves (possibly through a National Guard State partnership program), has all the skills and the motivation needed to work with the FAS to improve education, health, infrastructure, accounting, investigations, etc. over the long run. Seems a lost opportunity not to include them in the process.

Question 4. Last year the administration released the first ever Strategy for Pacific Island Partnership along with a more detailed Roadmap to a 21st Century U.S. Pacific Islands Partnership. How was this and recent efforts to reengage the region seen by the Pacific Islands? What role can Congress play to help implement the Pacific Islands Partnership Strategy?

Answer. Pacific Islanders tend to be understandably pragmatic to the point of jaded about ‘policies’ and ‘strategies.’ Unless they can see tangible results (lower energy costs, better telecoms, better schools, more jobs, rain water capture systems, help with illegal fisheries, lower cost flights to the United States and within the region, etc.), it doesn’t really resonate. So, for example, while the opening of the embassies in Solomon Islands and Tonga seems like a good advance (as per the strategy), the fact that neither offer consular services turns them into a disappointment for most locals.

Congress would be well placed, including through hearings, to try to ensure that activities under the strategy produce real results on the ground.

Question 5. The Pacific Islands Forum, a critical inter-governmental organization in the Pacific Islands region, laid out a regional vision for development of the Pacific Islands in its 2050 Strategy for the Blue Pacific Continent. How can the United States support this strategy?

Answer. It’s worth noting the heavy emphasis on the Pacific Islands Forum (PIF) doesn’t resonate with most Pacific Islands citizens. They PIF seemingly plays little to no role in their daily lives, and the bureaucrats sent there often have weak connections to their communities (they aren’t elected to the PIF, so they tend to be beholden to bureaucracies, for what are considered plum postings, and not to their fellow citizens). Additionally, the United States isn’t even a member of the PIF.

It might be worth Congress learning more about, and looking more toward, the well-respected Pacific Community (<https://www.spc.int/>), the region’s scientific and technical organization of which the United States is a member, to find grounded, local, practical solutions to many of the challenges facing Pacific Islanders.

Ms. HAGEMAN. I thank the witness for their testimony, and the Chair will now recognize Chairman Westerman for his opening statement.

STATEMENT OF THE HON. BRUCE WESTERMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

Mr. WESTERMAN. Thank you, Chairman Hageman, and also thank you to the witnesses for being here today as we convene to take testimony from expert witnesses on the preservation of U.S. critical interests in the Pacific Islands and, more broadly, the Indo-Pacific Region.

Today's hearing will focus on regional outcomes that impact the well-being of our fellow Americans living in our nation's domestic island territories located in the increasingly contested geopolitical region of the Pacific. The record we create today will support the mission and work of this Committee to ensure that U.S. citizens and our locally self-governing U.S. territories of American Samoa, Guam, and the Northern Mariana Islands benefit and prosper under the American model of democracy, market-driven economics, responsible environmental stewardship, and of course, strong national defense.

The United States also has sovereignty and responsibility for outposts in the Pacific that includes Jarvis, Howland, Baker, Wake, Midway, Johnston, and Palmyra Islands. We need to remember that those U.S. lands in the Pacific, including the-then U.S. territories of Hawaii and the Philippines, were directly attacked and in some cases occupied by an aspiring imperialist dictatorship attempting to conquer the Pacific. One hundred thousand Americans died freeing the Pacific Islands from brutality and tyranny in World War II. Their sacrifices highlight why it is a strategic imperative to ensure a free and open Indo-Pacific.

At the international level, the United States maintains an unprecedented political and economic partnership, as well as a strategically imperative security and defense alliance with three sovereign Pacific Island democracies through the Compacts of Free Association. These three countries are the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau, and are also known as Freely Associated States, or FAS.

Under their individual compact agreements, the Freely Associated States accepted and, through their constitutional processes, ratified mutually-agreed terms for entering into free association with the United States. The U.S. relationship with the FAS is the closest political, economic, and strategic relationship the United States has with any other nation or group of nations.

At this moment, the compact agreements with the Marshall Islands, Micronesia, and Palau are being negotiated for renewal by the Biden administration. In future hearings, this Committee anticipates addressing compact renewal, including any agreements reached with the Freely Associated States and sent to Congress by the President. This is a top priority, given the importance of the U.S.-FAS relationships.

It is through regional, strategic, and mutual security agreements like the Compacts of Free Association that the United States can exercise peace through strength with our allies to counter increasing global threats. The greatest threat to global peace, prosperity, and freedom is a communist regime in the People's Republic of China.

To be clear, this Committee recognizes the distinction between the Chinese Government and the Chinese people. Thus, when this Committee refers to China and the threat it poses, it is referring to the Chinese Government and its Communist Party.

In the present day, China does not hesitate to engage opportunistically in its trademark disruption and usurpation tactics, targeting any nation over which it gains influence or control. This Committee is deeply troubled that China has, for at least a decade, targeted the FAS. China has even targeted our American territories. Beijing has employed tactics aimed at disruption of political order and social cohesion.

The threat that China poses to the United States and to the world cannot be overstated. We must fully understand the extent of China's activities in the FAS and U.S. territories, and how engagement in the Pacific deters Chinese influence. Thus, I hope our witnesses today can give us frank assessments of U.S. interests in the Pacific and how China is working to undermine those threats and use the Pacific Islands as a platform for an enlarged threat of unrestrained aggression in the region and beyond.

And as Chairman of the Committee, I am committed to working across the aisle. Ranking Member Grijalva and I have both talked about the importance of working together to make sure that we do what is best for the territories that we talked about, and also for those Freely Associated States, and what is best for America and, quite frankly, for the world going forward.

So, this is very important. I appreciate the engagement today, and I look forward to questions.

I yield back.

Ms. HAGEMAN. Thank you, Mr. Chairman. The Chair will now recognize the Members for 5 minutes for questions, beginning with me.

Mr. Derek Grossman, I am going to direct my first questions to you. In your statement, your first recommendation for Congress and the U.S. Government is to ensure funding for the renewed Compacts of Free Association. The compacts are unique in the United States and provide the FAS with substantial economic assistance and access to Federal programs and services. Do you think China is prepared to make the same or a comparable level of long-term economic commitments to the FAS in order to replace the United States as a partner of choice, or do you believe the PRC intends to achieve its goals solely through less costly, short-term opportunistic engagement that includes tactics of disruption and political warfare?

Mr. GROSSMAN. Thank you for that question. Of course, it is difficult to know how China would react to having a geostrategic void, so to speak, if we could not come to a COFA renewal agreement.

But what we have seen in the past, is that Chinese officials have consistently tried to offer better deals to countries that feel caught up in intensifying U.S.-China competition, and this can take the form of improved trading opportunities, as well as through Belt and Road Initiative that I mentioned in my opening remarks.

But at the same time, we shouldn't think that if we were unable to renew the COFAs, that China would necessarily come in and

give equal or more in yearly economic assistance to the Freely Associated States. I am not sure that that is something that we can determine at this time. But I am pretty confident that they would try to offer at least something that would make us feel like we didn't do the right thing.

Ms. HAGEMAN. In your testimony about China's strategy toward the Pacific Islands, you mentioned that one of China's top three priorities for the region is breaking through U.S. military domination of the second island chain. Can you explain the territories and FAS's strategic location within this island chain, and what capabilities or opportunities this location provides the United States?

Mr. GROSSMAN. Yes. So, I think, when China looks out at the region, they see concentric circles hemming them in: first island chain, second island chain; some say the third island chain is Hawaii and the Aleutian Islands of Alaska, right?

But when we look at it, we say this is great, because we have points of power projection, so we can project military power from these regions into the theater, into the Indo-Pacific to deal with Taiwan Strait, South China Sea, East China Sea, or even a Korea scenario. And China is trying its best to try to loosen the screws on U.S. alliances and partnerships throughout the entire region, but also to include in the second island chain.

And the reason why the geography is so important is because, and my RAND colleagues and I said this back in the 2019 report that I referenced to Congress, is it essentially provides having uninhibited access to a region that is the size of CONUS, literally, from Palau to Marshall Islands is the size of CONUS, to have that is like a power projection superhighway from Hawaii into the Pacific, right?

So, China wants to complicate our ability to flow forces into the region for future contingency.

Ms. HAGEMAN. Thank you.

Mr. Gray, you were the first Director for Oceania and Indo-Pacific Security at the NSC. While President Biden has retained a region-specific team within the NSC, you have some recommendations about how to increase responsiveness of the senior levels of government and integrate responses into the National Security Strategy. To your knowledge, has the model that was stood up under the Trump administration been maintained under the current Administration?

Mr. GRAY. Thank you for the question, Chair.

My understanding is that the position that I occupied at the NSC is no longer entirely devoted to the Pacific Islands, that it has reverted to covering Southeast Asia, as well as the Pacific Islands.

Now, that is to say I do think that there has been some excellent focus on the Pacific by this current NSC staff, but I do think there is value in having a director who is entirely focused on the Pacific Islands. And as I said in my written testimony, I think there should be a director who is also entirely focused on our territories and possessions. Personnel is policy. And if you don't have someone who is day to day focused in these areas, you will have neglect.

Ms. HAGEMAN. Wonderful. Thank you for that.

I yield back, and the Chair now recognizes the Ranking Minority Member, Ms. Leger Fernández, for 5 minutes of questioning.

Ms. LEGER FERNÁNDEZ. Thank you so much, Madam Chair, and thank you for the testimony to all of our witnesses today.

It strikes me as I both read your testimony and listened to you today, that we all agree kind of on this common theme of the need to support this region, the Freely Associated States, each of these islands, but that it is also an issue of mutual benefit. And we have to live up to our part of the bargain in a certain sense, in that we need to be able to understand what is actually happening within the islands, and what is important, and the role that China is playing, whether it is from Belts and Roads to interfering with elections.

And those issues around interfering with the elections are stuff that we see here, as well, right? But it is unusual and different, and we need to have a perspective that is tied to the uniqueness of the islands. So, I want to touch base on a few of the points that were raised.

Both Ms. Paskal and Dr. Friberg, you raised issues with regards to the issue of the climate crisis, and the issues that there isn't FEMA authority, and what do we do with emergencies. And if we do not pay attention to that crucial piece, that is a threat. That is a threat to everybody, but the islands are most susceptible.

Could each of you talk a bit about what we should be doing different, and what that would mean in terms of how the people on the ground feel about it in each of these places?

Mr. FRIBERG. Thank you for that question. I have a few comments about this in the written statement, but let me just sort of discuss the climate issue a little bit, because I think for the three COFA nations, they do view this as one of their major security issues, is their survivability and the ability of their fisheries to succeed and to be able to have fresh water and access to land for farming, et cetera.

One of the ways, for example, I proposed that if DoD restores the Civic Action Team, their functionality can be partly to support infrastructure, which is sort of pro-climate remediation and adaptation, as well as supporting DoD's efforts to have agile deployment, for example. So, this may be work at ports, sea walls, other kinds of infrastructure, but this is an area I think that is of really great interest to the COFA nations.

I think the other thing is that the FEMA funding for USAID activities in Micronesia and the Marshall Islands will end at the end of this Fiscal Year. So, they would revert to being able to be recipients of USAID traditional assistance around the world, but not sort of the substantial assistance that comes from a FEMA engagement. So, that again, is one of the things which is really on the table at this point with the expiration of economic assistance under the compacts.

I will turn to my colleague.

Ms. PASKAL. It is still one of the things that is top of mind for many of the people, I know the compact states a little bit better than the territories.

And it goes to this bigger issue of, they mostly don't want to just wait for us to come and save them, right? So, giving them the tools

to be able to protect themselves and to be a part of the decision-making process. There are proposals, for example, for think tanks to be developed, so that you don't have these climate experts who fly in and then tell them you need this, or you need that. And in many cases, land issues are extremely complex in the islands, and the locals know it much better than anybody else. So, working with local knowledge in the areas is essential.

But similarly, in terms of civil defense, there is a lot of retired U.S. military personnel. As was referenced, they serve in the U.S. military at rates that are higher than almost any U.S. state, as far as I know, and then they go back home. So, they have the ability to coordinate and to respond well in times of crisis, but they don't have the infrastructure to loop them together so that they can, they are out in the villages, so those sort of just linking mechanisms that give them the tools to solve their own problems in a way that works for them currently is missing.

I think there is a piece of legislation that is going to be proposed that may help with that, and I think that that, with HADR, but with many other areas would be extremely important.

Ms. LEGER FERNÁNDEZ. Thank you very much. My time is expired. But we might send out some additional questions because I think that the issues that you are raising, and the fact that we have an opportunity to get it right and not lose this opportunity, as many of your written testimonies pointed out that we have done in the past. Thank you very much. I yield back.

Ms. HAGEMAN. The Chair now recognizes Representative Radewagen.

Mrs. RADEWAGEN. Talofa lava, Madam Chair Hageman and Ranking Member Leger Fernández. Thank you for this hearing, which comes just as we are waiting to see if the Administration finally signs and sends to Congress the COFA renewal agreements.

I wish to begin my time with seeking unanimous consent to enter into the record President David Panuelo's letter that has been mentioned throughout the testimony.

Congress will exercise its oversight and approval process of these agreements over the next year. And I hope we are not penny wise and pound foolish in funding them ASAP to counter Chinese influence in the Pacific. Protecting our national interests in American Samoa and the Pacific region has been among my main reasons for being in Congress, and this moment has been a long time coming.

I especially want to echo Ms. Paskal's comments on moving away from maritime domain awareness to maritime domain enforcement, which is why I have long been an advocate for additional Coast Guard assets to be present in the South Pacific.

One example of how we change and manage U.S. engagement in the Pacific relates to the strategic, economic, and commercial issue of protecting American fisheries industry and rights in the region, particularly our tuna industry. I couldn't agree more with the testimony of Dr. Peter Watson, that the economy, future, and fate of American Samoa and the U.S. purse seine fleet are inextricably linked to one another.

In fact, I appreciate Dr. Watson's appearance. He has a distinguished career in the Asia-Pacific region, but an especially long history with the Pacific Islands, and was the White House lead

staff member on President George H.W. Bush's team in organizing the very first Pacific Island Leaders' Summit. I was grateful to be invited to participate in that summit in 1990. He also arranged for five heads of government, as I recall, to have visits with the President, which I believe is a record.

So, Dr. Watson, my dear Dr. Watson, I would like to ask you how current or future proposals to further limit commercial fishing activities in outlying areas within the U.S. EEZ might negatively impact the Pacific territories, particularly American Samoa, if further fishing restrictions are imposed on the American fleet.

Mr. WATSON. Thank you very much for those warm comments, Congresswoman. I am very concerned about the degradation of U.S. tuna fishing capabilities, and as it particularly affects American Samoa.

The fact is that the United States is a member of the Western and Central Pacific Fisheries Commission, a treaty-based organization that manages the international fisheries throughout the region. The WCPFC conservation measure for tropical tunas establishes a limit for the U.S. fleet of 1,270 fishing days on the high seas, and a separate limit of 558 days for the U.S. Economic Exclusive Zone, or EEZ.

Historically, the United States has informed the WCPFC that it will implement these two limits as a single combined limit of 1,828 fishing days, which can be fished by the fleet on the high seas in the U.S. EEZ. With most of the EEZ, however, closed for fishing, most of this effort has been fished on the high seas. Because some of the WCPFC members have complained about this, NOAA has gotten weak-kneed, and is proposing to split the single combined limit into two separate limits.

I am sure all can see the irony in the government saying, "We are going to take your 558 days and no longer allow them to be fished on the high seas, but only in the U.S. EEZ. And oh, by the way, we are closing the remaining waters of the U.S. EEZ, sorry."

This is unacceptable. The purse seine fleets that are operating in and around American Samoa are a strategic asset, as well as, of course, an important driver of income within American Samoa.

I would like to come back to this point, if I could, if there is additional time.

Mrs. RADEWAGEN. I think I am out of time now, aren't I?

Ms. HAGEMAN. Thank you. Yes, and the Chair now recognizes Mr. Sablan for 5 minutes for questions.

Mr. SABLAN. Thank you, Madam Chair, and good afternoon and welcome to our witnesses.

It is nice to see you again, Dr. Friberg. I am sorry we missed our lunch date in Palau, but thank you for taking care of Brian and Ken. I appreciate that.

Mr. Gray, I usually don't do this, but I will make an exception here, sir, special day. But I want to clear up some misconceptions about birth tourism, please, that you raised in your testimony, because you are giving my district, we already have a little black eye, a bit of a bigger black eye. You state that, "In recent years, foreign birth in the Marianas have exceeded native ones," correct?

Mr. GRAY. That was the information that I had been given during my service at the White House.

Mr. SABLAN. OK, but wow, because here it is 2023. I do not seem to get what you mean by recent years.

But, in fact, foreign births in the Marianas have not exceeded resident births since 2018. And even before the pandemic, tourist births were going down. And last year, only three tourists gave birth in the Marianas: two from China, one from Korea, South Korea.

Madam Chair, I ask that this report of live births by mother and by mother's resident status from the vital statistics office of the Commonwealth Healthcare Corporation be added to the record, please.

Ms. HAGEMAN. Without objection, so ordered.

Mr. SABLAN. Thank you, Madam Chair.

And Madam Chair, for context, may I also add to the record this report by the Center for Immigration Studies on birth tourism in the United States as a whole? There may be 26,000 birth tourists annually, the Center says, and they enter our country under a tourist visa.

I think it is important for Members to understand the Marianas is not the source of birth tourism problem. The report of live births in the Marianas does indeed reveal a deep problem, a real problem. However, the huge drop in births among U.S. population. In 2010, there were 670 births to residents of the Marianas. In 2022, that number was down to 380 births, a 42 percent decline in births. That decline in birth rate mirrors the overall population decline in the Marianas, as measured by our decennial census. We lost 12.2 percent of our population in that 10-year period, the second-largest decrease of any U.S. state or territory.

And that population drop is why I introduced the Marianas Population Stabilization Act, H.R. 560. And I hope, Madam Chair, the Subcommittee will act on my legislation to shore up the larger U.S. position in the Western Pacific.

Mr. Gray, you were with the White House national security staff during the Trump administration?

Mr. GRAY. I was.

Mr. SABLAN. And you share my concern, and I am sure the concern of other members of this Committee, about the expanding influence of China in the Western Pacific. Yes?

Mr. GRAY. Absolutely.

Mr. SABLAN. I agree with you, sir. Yet, I don't think it strengthens America's position in the region if our population there is shrinking.

People usually move away from their homes when they see better opportunities elsewhere. People move to improve their quality of life, to get a better education for their children, for better infrastructure, to earn more money. I can't stop them from moving.

So, as a national security expert, Mr. Gray, you would agree it hurts America's position in the Western Pacific vis-à-vis China if people are leaving the Marianas for a better life elsewhere. Wouldn't you say?

Mr. GRAY. Congressman, I think the most important thing, as far as my perspective on the Pacific, is that CNMI continue to have a strong social cohesion and to have an economy that can continue to sustain itself for years to come. That is my concern.

Mr. SABLAN. I am with that, sir. I cannot agree with you more. We are hurting now, really bad, and the Federal Government continues to take that back.

We are a part of the United States, a permanent part of the United States, because we chose to be. Nobody forced us. By referendum, we chose to be. We are not other parts of the insular areas.

And I must say, hearing all our witnesses, the smart ones too, let me say that none of the three COFA nations, the Federated States of Micronesia, who just, I understand, finalized agreements with the United States, and I am very happy for that; the Republic of the Marshall Islands; and the Republic of Palau, all these three island nations have the choice to negotiate with someone else, and yet they are here negotiating with us.

And the very least we can do, again, Madam Chair, please, all of us, as Americans in our own better national interest, let's not wait another 10 years or 8 years, and we go over passport fees to fund this compact of impact associations. We have to get serious.

And I am glad for Chairman Westerman's comments, that he is going to give this every priority. I thank all of you.

My time is over, Madam Chair. I apologize and thank you.

Ms. HAGEMAN. Thank you. The Chair now recognizes Mr. LaMalfa for his 5 minutes of questioning.

Mr. LAMALFA. Thank you, Madam Chair, my colleague.

Mr. Gray, we referred to a *RealClear Defense* article and a quote you had made, that not since 1962 with the Cuban Missile Crisis, did a foreign power such as China pose such a direct military threat in close proximity to the U.S. mainland. That affects our various island partners, as well.

So, how do we make the case to mainland Americans more strongly that they should care about this issue, as we do?

And what real tangible threats is China's extremely aggressive presence in the South Pacific posing to our friends in the islands, as well as here in the United States, especially with our communications, et cetera?

Mr. GRAY. I appreciate that, Congressman. And to Congressman Sablan's point, I think that as much as a strategic issue, this is a moral issue. This is a question of Americans on the mainland and throughout the United States, we need to stand in solidarity with our nationals and our citizens, whether they live in CNMI, or Guam, or American Samoa as much as in Oklahoma, or Texas, or Florida. And I think there is a moral issue here.

And then there is the strategic issue. And the strategic issue is, if you are trying to project American power, but just as important as project American power, if you are trying to deter Chinese projection of power farther into the Pacific, being able to deny access to these critical localities, that is essential.

And I would point out, and this is something that was shared with me by a very senior Australian official when I was in government, if you superimpose a map of Imperial Japan's efforts to get military bases in 1940 over where the Chinese military has been publicly reported to be seeking bases, it is almost identical. So, you can see the historical pattern replaying itself because the geography is immutable, the geography hasn't changed.

So, I think we need to be mindful that this isn't just a question of defense; this is a question of China's interest in playing offense, and we need to be very mindful of that.

Mr. LAMALFA. But how much is that interfering with our ability here on the mainland just to do normal business?

Mr. GRAY. Well, it has a tremendous potential to interfere with everything from trade, commerce, supply chain issues. In a world in which China is projecting power well into the second island chain and beyond, that is not a world that is familiar to any American who has lived since 1945. We take for granted our ability to control the Western Pacific, to project power into East Asia. A world in which China is denying us that capability is a very, very different economic and geopolitical world.

Mr. LAMALFA. Thank you.

Mr. Grossman, with the Chinese Communist Party basically infringing on this economic zone and the maritime space in the area, how much is that affecting the fishing we have in that area and the overall economic activity for our partners down there?

Mr. GROSSMAN. Thank you for that question, Congressman. And as I mentioned in my remarks, as well as in my written statement, this is a pretty significant shift in the fishing throughout the Indo-Pacific and, frankly, globally.

The South China Sea, which we haven't talked about as much here today, is practically devoid of fishing resources due to the destruction of coral reef environments in which the fish breed, pollution, over-fishing, and climate change, among other factors. So, Chinese IUU fleets, they are referred to as deep sea fleets, are kind of fanning out across the globe in search of new fishery resources to include within this second island area—

Mr. LAMALFA. So, let's emphasize that there. What has the response been from international partners, U.N. or different groups, non-government organizations, to hit on this deliberate depletion, a very aggressive one by China, since they don't seem to follow any treaties or others on fishing appropriately, as many other countries do, what are you seeing as a response in the effort to hold China accountable?

Mr. GROSSMAN. Well, the United Nations certainly is tracking the issue. They meet on the issue in different, smaller committee settings.

But, again, IUU, the very definition of it being illegal, unreported, and unregulated fishing, means that China is doing this stuff below board, essentially. So, the question is, how do you stop them from doing it?

And one of the recommendations from my colleague, Mr. Gray, and you know, I share this sentiment, as well, is that we need to do more in terms of U.S. Coast Guard deployment to the region to patrol and monitor these activities.

Mr. LAMALFA. And in our island areas, as well?

Mr. GROSSMAN. Yes.

Mr. LAMALFA. Thank you, Madam Chair. I am sorry about the time, bouncing back and forth between committees.

Ms. HAGEMAN. Thank you.

Mr. LAMALFA. I yield back.

Ms. HAGEMAN. The Chair now recognizes Congressman Case.

Mr. CASE. Thank you, Madam Chair. I hope we can all stipulate at this point that the PRC is actively, consciously, and very deliberately expanding its influence across not just the compact countries, but the entire Pacific, all of the jurisdictions of the Pacific, and that its intentions are not to foster an international rules-based order, or to enhance a free and open Indo-Pacific, or to support commonly-shared values, or any of the other ties that bind. So, great testimony, everybody. I think we are beyond that.

And now, how do we deal with it? Mr. Friberg, and by the way, before I go on to Mr. Friberg, I just want to put a point on my colleague Mrs. Radewagen's reference to the letter from former Federated States of Micronesia President David Panuelo, I don't know if any of you actually did reference it, I think you did, but it deserves a little bit more attention, a 13-page, highly itemized description of how China tries to subvert an entire government. If you want to find out what China is actually doing in the countries of the Pacific, and around the globe, for that matter, please read President Panuelo's letter, I recommend it to any of you. I think that settles the case in terms of strategy, and tactics, and approach.

So, Mr. Friberg, first of all, great testimony. I loved your just nice, tight summary of what we are doing, why we are doing it, and what we need to do. I agreed with virtually everything you said, from defense, to economic, to immigration, and all of that is true.

But you know as well as I do that there is an impact from the immigration side of the compacts to many jurisdictions in this country, with a particularly severe impact from the compact residents who are legally in our country but who are not getting the benefit of Federal services, not getting the benefit of impact assistance in any appreciable form, and that this is a critical obstacle to those jurisdictions supporting a renewed compact.

I say this for myself, straight out: I support the compacts, I support their re-negotiation, I think they are critical to our national security. But I cannot accept the consequences to Hawaii or, for that matter, to Guam, to the CNMI, to Arkansas, to Washington, to Oregon, to California, to other jurisdictions of the obligation of hosting compact migrants with particular needs in economic, health care, social services, education, in some cases public safety.

You used to work for the Government Accountability Office, and I think you said in your introduction you authored some 40 reports on the compact countries over a span of 20 years. But you authored one that was particularly instructive, which was the report "Populations in U.S. Areas Have Grown with Varying Reported Effects," which is essentially an analysis of compact impacts, resident impacts, unreimbursed resident impacts.

And I would ask unanimous consent that this report be included in the record, Madam Chair.

Ms. HAGEMAN. Without objection, so ordered.

Mr. CASE. Thank you. I am going to cite your No. 1 conclusion, at least the one that reaches out to me. The top three jurisdictions with large compact populations: Hawaii, Guam, and the CNMI, had \$1.8 billion in compact impact consequence. In other words, the services provided to the compact residents between 2004 and 2018,

I think it was, with \$500 million reimbursed. That is not adequate reimbursement.

So, what are the remaining steps to be taken to adequately compensate Hawaii and other jurisdictions for the impact of the migrants, and support the compacts in the process?

Mr. FRIBERG. Thank you. That is a big question, and I would note that I don't really author GAO reports, I help a team that prepares them. So, I have many colleagues that are behind all of this good work.

I would say, thinking about the compact impact, this was an issue which arose in the mid-1980s, when Congress first considered the first round of compacts. And the notion was that Congress told the Pacific jurisdictions: American Samoa, Guam, CNMI, and Hawaii, we didn't want there to be adverse effects on your jurisdictions.

Beginning with the amended compacts in 2003, there was \$30 million a year for a 20-year appropriation and authorization as part of that package. Those funds do end this fiscal year. So, that has been the extent of sort of a permanent authorization to address compact impact in the Pacific.

In addition, there have been some congressional appropriations of discretionary funds.

The recent several-year-ago change in Medicaid eligibility was, I think, a significant improvement in the lives of the COFA migrants, but it also provided a Federal share of the cost of health care, which a lot of the states were picking up—

Ms. HAGEMAN. We will need you to wrap up, thank you.

Mr. FRIBERG. Thank you. I will stop.

Ms. HAGEMAN. The Chair now recognizes Representative González-Colón for 5 minutes of questioning.

Mrs. GONZÁLEZ-COLÓN. Thank you, Madam Chair. I am so happy that, actually, you are leading this hearing on such an important issue, not just for the United States, but for the whole region. All of us have traveled to many of the countries, and we have been seeing the Belt and Road Initiative, and we also saw many examples of what is happening, whatever the communist China is doing, investments or upgrades in infrastructure in countries like North Macedonia, African countries, and many others. So, this is not new.

What is new here, is that the United States needs to engage with the Freely Associated Compacts that are going to expire now in 2023, and we are talking not just Palau in 2024, Micronesia Islands in 2023, and the Marshall Islands in 2023.

I think what Chairman Westerman brought to the table, it is important in a bipartisan way that we should actually be looking forward to receive those negotiations and try to establish and continue to deter the malign influence of the communist China in the Pacific region. So, to that end, I do have questions to Mr. Grossman.

U.S. analysts and officials have long expressed concern about a communist China investment in commercial seaports, airports, and other infrastructure projects around the world, and how those investments facilitate the expansion or establishment of a formal military presence in those areas. Similar concerns have also been

raised with security agreements with the communist China to train and provide equipment to local law enforcement officials.

Could you discuss how this is playing out with respect to the Indo-Pacific Region and its implications for U.S. security interests in the region?

And that means how the Government of China is leveraging to support for infrastructure and security upgrades in Pacific Island countries to establish a permanent base and weaken U.S. partnerships in the region.

And, of course, I know in your testimony you mentioned concerns surrounding the agreement with the Solomon Islands and the upgrades to their airstrip in Kiribati, which could be an air base for the Chinese influence. I will be happy to hear your comments on that.

Mr. GROSSMAN. Thank you, Congresswoman, a lot to unpack there.

But very briefly, I will say that kind of the poster child for U.S. concerns about what China is doing in terms of BRI infrastructure to different countries is Sri Lanka. A number of years ago, China offered to build up the Port of Colombo in Sri Lanka. When the bill came due, Sri Lanka couldn't pay. And China said, "Well, what else do you have for us?" And it turns out China now operates out of Hambantota Port in the south of Sri Lanka on a 99-year lease. It is very rare that you see 99-year leases. But for China, this is pretty common practice.

And the question is, what are their long-term ambitions there? Is it purely commercial, or is there something else?

I will just make sure everyone understands that Hambantota is along sea lines of communication within the Indian Ocean, basically connecting Asia to the Middle East, and to Europe, and Africa. So, it is a pretty important corridor.

But in the Pacific, we see similar types of activities. Right after the Solomon Islands switched recognition from Taiwan to China in 2019, we then had a *New York Times* expose about how China was trying to essentially forge a similar deal on one of the islands, Tulagi, in the Solomon Islands, a 75-year lease for Tulagi. But once it became exposed, that deal essentially went away. So, yes, we have concerns about what they are trying to do through BRI.

And on the policing issue, this is not the first time China has done this with Solomons. Fiji, you can go back to 2011, there was an agreement. But now the new government in Fiji is starting to reconsider whether that is a good idea because we are conveying to them you may not want to have an authoritarian regime essentially training your local law enforcement. That might not be a good idea if you want to maintain a democratic system.

Mrs. GONZÁLEZ-COLÓN. Thank you. And I know Mr. Gray proposed National Security Council-led interagency policy process, including director-level position focusing on U.S. territories.

I know my time is going to expire, but I would love to know more about how we can make that happen, and help tackle those threats, and strengthen our efforts to counter communist China malign influence in the region.

Mr. GRAY. Yes, thank you, Congresswoman. I would just add to my written testimony and what I said earlier, that the way the

National Security Council is structured now, there really isn't any focus specific to our territories. They are treated as an ancillary part of our Asia Directorate or, in the case of Puerto Rico and the Virgin Islands, our Western Hemisphere Directorate, the issues, obviously, are unique, the challenges are unique, the legal structure is unique.

So, having personnel who are devoted to that issue specifically, and can work functionally across different issues and regions, I think that would allow this challenge to receive the bureaucratic attention that it needs, instead of being treated as an afterthought, which too often it is now.

Mrs. GONZÁLEZ-COLÓN. Thank you.

Thank you, Madam Chair. I yield back.

Ms. HAGEMAN. Thank you. The Chair now recognizes Mr. Carl for 5 minutes of questions.

Mr. CARL. Thank you, Madam Chair, and I am so sorry for jumping up and down, but nothing like having three committee meetings going at one time.

Mr. Gray, I have a quick question for you. Thank you all for being here. The CCP concerns me. I have seen firsthand the impact of the CCP's use of soft power down in Central and South America. I have been doing some, for lack of better terms, research down there.

The CCP is active in countries in our hemisphere, building everything from road and soccer stadiums. They are doing this in our backyard, and it deeply troubles me because they are trying to replace the U.S. influence in these areas. And I think that that goes without saying.

I am worried similar things are happening in the Indo-Pacific area. I believe it is incredibly important we must push back against the efforts of the CCP to spread its influence in the Indo-Pacific area, which is likely the location for the future armed conflict.

Mr. Gray, can you talk to me a little bit about how the PRC's influence has spread across the Pacific Islands?

Mr. GRAY. Thanks, Congressman, and you are absolutely right that this is a Pacific issue, but it is a global issue, as well.

The way in which the CCP took advantage of our kind of strategic distraction in the early 2000s and the 2010s, and they began a process of, you can look at it in kind of a multi-front way.

First there is infrastructure, like Mr. Grossman alluded to, BRI, going in and spending vast sums of money, often at usurious interest rates, to build projects that ostensibly these small developing states want. Too often, these projects end up being white elephants. They end up being infrastructure that doesn't work, or ends up leaving the country worse off than it was when it began.

They do elite capture. They are very good at taking elites, Solomon Islands is a great example, wining and dining them in Beijing, giving them the attention that, frankly, they don't always get from the United States and our allies, and they do a very good job at prioritizing for influence and access the countries that they view as strategic.

So, we have watched as Solomon Islands, Papua New Guinea, Vanuatu, the Freely Associated States, even to some extent the

U.S. territories, where they view there to be a strategic interest, they have applied all of these tools of national power to exert influence, and it has been a steady 15-year process of moving across the Pacific and beginning to penetrate farther and farther past the second island chain.

Mr. CARL. I have seen down in Panama, the canal, they did a project for the Panamanian Government down there and messed it up. We have the Corps of Engineers down there now trying to figure out how to fix it. So, it is not the best of quality, I might add, for future reference, the work that they actually do.

Given the United States has three territories and international agreements with the Pacific Island countries that are so close to China, how can we use those relationships to push back against the CCP's influence in that region?

Mr. GRAY. Well, Congressman, I think that, first, U.S. territories and the Freely Associated States are, if you look at it in just strategic terms, they are extraordinary strategic assets for the United States that have to be continuously safeguarded and cultivated. We take them for granted at our peril.

And from a strategic standpoint, having South Pacific projection in American Samoa, having projection as far into the Western Pacific as Palau through our compact there, those are incredibly significant for us.

So, I would say, as a matter of policy, obviously, renewing the compacts is critical, but then elevating the resources and the attention that we give to our territories. Congresswoman Radewagen talked about our Coast Guard station in American Samoa. That is an easy way to project U.S. power farther into the South Pacific, combat Chinese illegal fisheries activity, and to penetrate farther into a subregion where China has been operating with almost impunity in some ways, and the United States has been very late to the game. With just a little investment of resources, we can do a tremendous amount to push back there.

Mr. CARL. Thank you, Mr. Gray, and thank you again to the Committee for coming and speaking to us.

Madam Chair.

Ms. HAGEMAN. Thank you. The Chair will now recognize Mr. Moylan for 5 minutes of questioning.

Mr. MOYLAN. Thank you, Madam Chair. I want to continue on with the line of questioning from my Congressman here from Hawaii, in line with that there.

We talked about the grant there, Mr. Friberg, about the grant assistance for Guam, CNMI, and Hawaii for us hosting the COFA migrants, which we are happy to do. But this grant amount for the last 20 years, we have had objections with that amount. This \$30 million is shared amongst, right? And we have continuous conversation throughout these years to say this amount wasn't sufficient. And now we are seeing the Biden administration not even asking to include this in your testimony. It is ending, and it is not even going to be included.

So, if we know it wasn't fair from the start, and now we are still going to have this going on, how does that help us? We want to help. Our resources are being used.

But let me ask you a question. Would you see the benefits of legislation which intends to reauthorize and expand these grant assistance programs to those states and territories who continue to be COFA host communities?

In other words, we put legislation out there. Tell us the benefits of how that can help the hosting nations. This goes to anyone who wants to start.

Mr. Friberg?

Mr. FRIBERG. OK, thank you for the question. And I could just sort of put a point on the relative magnitudes we are talking about.

Like, in 2018, I think Hawaii was recording \$183 million in compact cost and receiving roughly \$15 million. Guam was recording \$147 million per year and receiving probably around \$13 million. And the remaining amount primarily went to the Mariana Islands, and a small amount went to American Samoa. That was a fixed amount. So, clearly, very small relative to the cost of educating, providing health care, the cost of public safety for these migrant populations.

One thing that was true by the time we got to the 2019 time period, is about half of the COFA migrants at that point were on the mainland, very large communities in Arkansas, Washington State, Oregon, California, Texas, and, frankly, just scattered throughout the country. Roughly 100,000 people had migrated, and about half at that point were no longer in Pacific regional areas. So, I think it is a good question, and it is really a hard one, I think, to address about what is the compensation package.

One thing I did suggest in my oral comments and in the written comments is that right now the compact migrants are not treated as well as people who are lawful, permanent residents or have green cards, and they simply have better access to some Federal programs. And having access to those programs would reduce some of the cost to some of the jurisdictions who are providing other social support to those households.

And I think it is really about these COFA families. They are important parts of our American community. They are important economically, and it is really making this a relationship that reaches all the way from those communities back to the COFA nations, and that is my sort of thought of this.

Maybe some of my other panel members have other ideas.

Mr. MOYLAN. I appreciate that, but we are going to continue to receive the migrants coming on in, and now at this point without any grant at all. And the Biden administration didn't even at least request for Congress to consider that reimbursement, even though we have been shortchanged from the start. We love our sister nations. We want to help. They come, and they are going to continue to come, but now we need to help our hosting nations.

Mr. Gray, can I have your comment on that, please?

Mr. GRAY. Congressman, I certainly don't pretend to be an expert on compact impact, like my some of my other colleagues, but I will say that if we are going to have these compacts, which are strategically vital, we have to have a formula in which the compact impact is mitigated in a way that allows us to continue, frankly, with the support that we need within the United States to continue those relationships. And if we don't have the funding formula correct for

compact impact, it is going to, over time, I think, degrade the support for the strategic relationships.

So, I completely agree with you that we have to find the way to mitigate those challenges.

Mr. MOYLAN. Mr. Grossman, you got a couple of seconds, if you want.

Mr. GROSSMAN. Yes, I mean, I think it has been sufficiently covered.

I guess the one thing I would add is that we also have to keep in mind that in future renewals, other issues will crop up in COFA re-negotiations, such as I think climate change was an issue this time, at least for Marshall Islands, perhaps for the others, as well. And then nuclear testing legacy. So, those are things that we have to be prepared to have an answer for in the future when dealing with—

Mr. MOYLAN. OK. Thank you, sir.

Madam Chair, thank you.

Ms. HAGEMAN. Thank you. The Chair will now recognize Chairman Westerman for 5 minutes of questioning.

Mr. WESTERMAN. Thank you, Madam Chair. And again, thank you to the witnesses.

And as we have discussed already, I mentioned this in some of my opening remarks, the U.S. compacts with the FAS countries are a balance of extraordinary security and defense right and strategic stability secured for the United States, and extraordinary economic gains and stability for the Freely Associated States.

Ms. PASKAL, could a COFA model with less comprehensive or extensive economic and security cooperation be calibrated and applied elsewhere to enable maybe a soft bilateral and multilateral cooperation?

Ms. PASKAL. I think, if that offer was made, there would be several countries that would be interested. In fact, I know of at least one that was actively interested in it, and it is partially out of fear of what China is doing.

And a lot of this discussion, as Congressman Case was saying, OK, what do we do now? But we know China is a problem, and a lot of this discussion has sort of implied that the countries are choosing between two systems, two kind of equal things, China and the United States. And if you have Chinese police trainers, they are the same basically as American or Australian police trainers. But they are fundamentally different.

The Belt and Road Initiative exports a system, BRI can stand for bribery and repression initiative. What goes into those countries at the ground level is incredibly socially disruptive, and many of the countries in the region, for example, Nauru, are scared, and want to look for another model. Nauru recognizes Taiwan, Tuvalu recognizes Taiwan. They are doing so because of what was in the last two pages of President Panuelo's letter, in which he said, "These are the problems we are having with China, that is why we want to recognize Taiwan."

And I think there is a big question about why FSM, the core part of the Freely Associated States, the big part in the middle, wasn't encouraged to recognize Taiwan. That gets right to the heart of what some of the U.S. opinions, especially, I would say, in State,

toward the region is. And there is a very big divergence on the ground among how Defense interacts with the region and how State interacts with the region. And I think that is delivering a confused message.

So, from a Defense Department perspective, I think there would be a lot of support for expanding compacts to other nations. State, I am not so sure. So, that is a discussion that maybe would be beneficial to have a little bit more highlighting on within the U.S. system.

Mr. WESTERMAN. But you see that as beneficial, strategically, for the United States to do that?

Ms. PASKAL. I think it would be incredibly helpful, and it would be a symbol like no other that the United States is serious about being in the Pacific.

We will have President Biden going to Papua New Guinea on May 22. There will be a meeting of Pacific Island leaders there. That meeting was actually convened by India, and President Biden is kind of showing up and having the engagement there to show that there is interest in the region. That sort of thing is very helpful. But what would be more helpful is this sort of actual institutional engagement between the countries that can lead to pathways of interaction that is military, economic, social, political, creating this defensive barrier against the spreading of authoritarianism across the region and bolstering of freedom and democracy across the region.

Mr. WESTERMAN. Yes, it is pretty sobering to see what has resulted from places around the world where the Belt and Road Initiative has been applied.

In your statement, you mentioned a letter from the former Micronesian President. What specifically does the letter highlight and that should be of concern?

Ms. PASKAL. It is a description of a complete subversion of sovereignty. He talks about not only bribery of specific individuals in his government, but just to give you one case study that he uses, what happened with Sinovac. The United States delivered enough of its own vaccines for the entire country, for the entire Micronesia. China was insistent that Sinovac be accepted. The president said no. Suddenly he found one of his ministers saying, "Oh, you know what? We will accept it just for the Chinese citizens in the country," and then the next thing he knew it was being accepted for the entire country. It was a total bypassing of any sovereign decision-making by the president of a country if it went counter to PRC interests.

The PRC also designated a citizen of FSM to represent the FSM at an international meeting with the PRC. It is a destruction of democracy and sovereignty on a scale that is incredibly hard to imagine, and we are seeing it happen all across the region.

Mr. WESTERMAN. Thank you. And I have more questions, but I don't have more time, so I am going to yield back my remaining 10 seconds, Madam Chair.

Ms. HAGEMAN. Thank you, Mr. Chairman. We appreciate you coming here today to engage in what is an extremely important discussion.

I listened with great interest, and I think that everybody does recognize the challenges associated with China, and the importance of these countries and islands in our South Pacific. So, it is something that we take very seriously. And the fact that Chairman Westerman came and engaged with us today, I think, is a sign of that.

I want to thank the witnesses for your valuable testimony and the Members for your questions.

I was just looking through some of the materials you have provided, and that definitely is going to be reading material that I will take home and spend more time studying, as this issue is going to be coming up over the next 6 to 8 months, and I hope that we also will have an opportunity to come and visit some of the islands as well, to get a firsthand understanding of the situation that we are dealing with in the South Pacific.

The members of the Committee may have some additional questions for the witnesses, and we will ask you to respond to these in writing. Under Committee Rule 3, members of the Committee must submit questions to the Committee Clerk by 5 p.m. on Friday, May 19, 2023. The hearing record will be held open for 10 business days for these responses.

If there is no further business, and without objection, the Committee stands adjourned.

[Whereupon, at 4:04 p.m., the Subcommittee was adjourned.]

[ADDITIONAL MATERIALS SUBMITTED FOR THE RECORD]

Submission for the Record by Rep. Radewagen

**The President
Palikir, Pohnpei
Federated States of Micronesia**

March 9, 2023

T.H. Wesley W. Simina
Speaker, FSM Congress

T.H. Reed B. Oliver
Governor, Pohnpei State
Government

T.H. Marvin T. Yamaguchi
Speaker, Pohnpei Legislature

T.H. Alexander R. Narruhn
Governor, Chuuk State Government

T.H. Arno H. Kony
President, Chuuk House of Senate

T.H. Lester Danny Mersai
Speaker, Chuuk House of
Representatives

T.H. Charles Chieng
Governor, Yap State Government

T.H. Nicholas Figirlaarwon
Speaker, Yap State Legislature

T.H. Tulensa W. Palik
Governor, Kosrae State Government

T.H. Semeon Phillip
Speaker, Kosrae State Legislature

My Dearest Speaker Simina & Members of the 22nd FSM Congress, Governors of our FSM States, and Leadership of our FSM State Legislatures,

At the outset, I bring you warmest greetings from your capital of this Paradise in Our Backyards, Palikir, the Federated States of Micronesia. I wish you all the greatest of health, and hope that my letter finds you well.

Speaker Simina: as you know, prior to the election I spoke with you about preparing a letter to you in the interest of administrative transition. I write to you today to discuss a topic of significant importance to our country and under that framework of transition. Now that our elections have concluded, I have reflected that there will be a new administration to take the reins of leadership and continue the important work of taking actions today for our Nation's prosperity tomorrow. I have publicly committed toward a peaceful transition of power. That commitment remains firm and unshakeable, and I further commit through this letter a promise that, prior to the new administration taking power on May 11, 2023, I will write to you all on several matters of importance and within the purview of your Executive Branch.

Many of these matters I will begin briefing you on will be domestic in nature, and will serve as briefings prior to our State & National Leadership Conference in April, 2023. By necessity, however, some of these matters will also be on foreign affairs and foreign policy—inclusive, for example, of the FSM's current role as Chair of the Pacific Islands Conference of Leaders (which is comprised of twenty Pacific Island jurisdictions); as Chair of the Micronesian Presidents Summit (the political organ of all the five sovereign Micronesia Presidents); the status of the Micronesian Islands Forum (the political organ of four sovereign Micronesian countries, each FSM State, Guam, and the CNMI); the conclusion of negotiations on the Compact of Free Association; and more. It is on that latter-topic of our foreign affairs and foreign policy that I seek your kind attention today.

Our foreign policy is often distilled into the following two points. The first—the FSM is a friend to all, and an enemy to none. The second—the FSM extends to all peoples and nations that which we seek: peace, friendship, cooperation, and love in our common humanity. Over the course of my administration, I have sought to uphold this foreign policy, which is elegant in its simplicity and inspirational in its decency.

There is, however, a weakness—a vulnerability, if you will—in our foreign policy as described above, my dear Speaker and Leaders. Our foreign policy assumes that those we encounter have good intentions and mean us well, and that other countries are either friends we haven't yet met or friends we've established meaningful partnerships with. I should emphasize that, on the whole, this is the right attitude for us to take, as it is noble in heart. But it also presents an opening that, if not watched for, and if not managed, could allow the sovereignty that we jealously guard to chip away before our own eyes.

I believe that our values are presently being used against us, as Micronesians, and against our national interest, by persons who would, and who do, seek to use us so as to achieve a larger objective of their own. The object of my letter, then, this briefing, is to describe what we are seeing and what we know; to show how what we know and what we are seeing is a problem for our country; and, then, to offer a proposal for our collective consideration.

I would first like to begin by discussing what we are seeing in the context of our country, but to do so requires defining a couple of terms, as they are likely to be new to many of us. The terms are "Political Warfare" and "Grey Zone."

Political Warfare is the use of all means at a nation's command, short of war, to achieve its objectives. Political Warfare can include overt activity (e.g. political alliances, economic measures, public propaganda) and covert activity (e.g. secret support to friendly elements, bribery, psychological warfare, and blackmail), including cyber-attacks by taking advantage of any system vulnerabilities. Many of these activities operate in the "Grey Zone."

Grey Zone activities are defined by being below the threshold for a nation to respond to with force, and are otherwise difficult to handle by "normal" means. Grey Zone activity is, collectively, a blurry set of activities that can be hard to distinguish from "normal" until it is too late, with an element of rule-breaking and with the aim of achieving a strategic objective. Grey Zone conflicts involve the purposeful pursuit of political objectives through carefully designed operations; a measured, possibly prolonged, movement toward these objectives (rather than seeking decisive results within a specific period); acting to remain below key escalatory thresholds so as to avoid war until the "right time"; and the use of all the instruments of national power, particularly non-military and non-kinetic tools.

Simply put, we are witnessing Political Warfare in our country. We are witnessing Grey Zone activity in our country. Over the course of my administration, the scope has increased, as has the depth, as has the gravity.

I appreciate, my dear Speaker and Leaders, that these are astounding suggestions. They are precisely the sort of suggestions that require—demand, even—an explanation. I will now provide numerous examples of this but, before I do, it is worth taking this moment to emphasize an essential piece of information.

It is a matter of intelligence, gleaned from the now public PRC whitepaper, that President Xi Jinping has instructed the People's Liberation Army to be prepared for an invasion of Taiwan by 2027. We do not know that the PRC will invade at that time, or any other time; but we do know that the PRC intends to be prepared for the invasion by that time. We further know that the FSM has a key role to play in either the prevention of such a conflict, or participation in allowing it to occur. It is on this basis that Political Warfare and Grey Zone activity occur within our borders; China is seeking to ensure that, in the event of a war in our Blue Pacific Continent between themselves and Taiwan, that the FSM is, at best, aligned with the PRC (China) instead of the United States, and, at worst, that the FSM chooses to "abstain" altogether.

Now that we have defined Political Warfare and Grey Zone activity, let's review examples of this as it occurs within the FSM.

One example is with regards to the conduct of "research vessel" activity in our ocean territory and Exclusive Economic Zone. You may recall having heard about an alleged weather balloon over the United States of America earlier this year; while it is plausible the balloon did record some basic weather data, such as temperature and windspeed, it is known that the balloon was used for the conduct of espionage on U.S. territory, security installations, and assets. That same basic premise is what we have seen in the FSM, only on our seas instead of in our air, and with ships instead of balloons. The weather balloon in the United States was a disguise for espionage; research vessels in our ocean territory are likewise disguised to hide espionage. We are aware of PRC activity in our Exclusive Economic Zone whose purpose includes mapping our maritime territory for potential resources, and mapping our territory for submarine travel-paths. We are aware of PRC activity in our Exclusive Economic Zone whose purpose includes communicating with other PRC assets so as to help ensure that, in the event a missile—or group of missiles—ever needed to land a strike on the U.S. Territory of Guam that they would be successful in doing so. When we sent our own patrol boats to our own Exclusive Economic Zone to check on PRC research vessel activity, the PRC sent a warning for us to stay away.

That is why I initiated a total moratorium on PRC research vessel activity in the FSM.

One example is with regards to a proposed Memorandum of Understanding on "Deepening the Blue Economy." Allegedly framed to support our mutual efforts in the work of Blue Prosperity Micronesia and the resulting Marine Spatial Plan for the FSM, the MOU as designed included a number of serious red flags. Amongst these red flags included that the FSM would open the door for the PRC to begin acquiring control over our Nation's fiber optic cables (i.e. our telecommunications infrastructure) as well as our ports. Both our fiber optic cables and our ports are strategic assets whose integrity is necessary for our continued sovereignty. To be clear: the entire reason the East Micronesia Cable Project, for example, is funded by the United States, Australia, and Japan, is because of the importance of secure telecommunications infrastructure free from potential compromise.

I had advised our Cabinet that we would deny the Deepening the Blue Economy MOU in June 2022. The issue was brought up again by the PRC-side, and in December 2022 I learned that we were mere hours from its signing. I put a halt to that MOU, and formalized, in writing, our permanent rejection of it. The evening that I relayed our rejection of the MOU, Ambassador Huang Zheng had his farewell dinner with Secretary Kandhi Elieisar. The Ambassador suggested to the Secretary that he ought to sign the MOU anyway, and that my knowing about it—in my capacity as Head of State and Head of Government—was not necessary. To say it again: the same Ambassador who relentlessly shouts that the PRC does not interfere in the governance of other countries was himself actively attempting to interfere in our country's governance, so as to accomplish his mandate beneficial to the PRC but not to the FSM. (It may not be surprising that the PRC Special Envoy, Qian Bo, pushed this MOU again during his recent visit to our country.)

One example is with regards to the proposed replacement for Ambassador Huang, Mr. Wu Wei. Mr. Wu is the Deputy Director General for the Department of External Security Affairs at the Ministry of Foreign Affairs. While his curriculum vitae included this information, it failed to include any amplifying information—such as his duties in that capacity; his work experience in previous capacities; or his educational background, such as what university he went to and what he majored in. When pressed for such amplifying information, the PRC Embassy provided little, describing that Mr. Wu's focus was on terrorism. It was through our own investigatory work that we learned of Mr. Wu's work experience as it relates to the use of clandestine PRC police offices, i.e., secret police, seen in countries such as Canada and Australia.

We understand that Mr. Wu would, upon his arrival, be given the mission of preparing the FSM to shift away from its partnerships with traditional allies such as the U.S., Japan, and Australia. We know that Mr. Wu would expand PRC security activity, awareness, and interest in the FSM. I know that one element of my duty as President is to protect our country, and so knowing that: our ultimate aim is, if possible, to prevent war; and, if impossible, to mitigate its impacts on our own country and on our own people. So, I declined the Ambassador-designate his position. I instructed the Department of Foreign Affairs to inform the PRC that we expect their Ambassador to focus on technical and economic cooperation, and no further than that. As of the time of this letter, the PRC has not responded—formally or informally—to that rejection, though they have spoken with some of our senior officials and elected leaders to note that they're simply awaiting the new President to take power so Mr. Wu can become the Ambassador of China to the FSM.

A common theme that the next several examples include is that the word “no” is scarcely, if ever, taken as the final word. On approximately six occasions within six months, it has been brought to my attention that the PRC would like to utilize charter flights—allegedly so as to bring in the necessary workers to complete various projects, such as the National Convention Center. On each occasion I have made it clear the answer is “no”—it is essential, rather, that these workers arrive via international commercial carriers such as United Airlines. The response is often the same; getting to the FSM via United means that their workers require U.S. visas, and the paperwork to acquire them is allegedly laborious and time-consuming. Maybe that is true; but what is also true is that having persons arrive in our country via Guam or Hawaii gives each of us a layer of added protection. It is a matter of public information that the PRC has used prisoners and other forms of servant-labor in projects through ChinaAID; and it is further the case that the FSM is not equipped with the necessary detection and screening tools and capacity to discern if a particular incoming person is, say, truly an engineer, or someone else altogether.

That itself isn't a small matter, either. You can imagine my surprise when I was followed this past July in Fiji during the Pacific Islands Forum by two Chinese men; my further surprise when it was determined that they worked for the Chinese Embassy in Suva; my even further surprise when it was discovered that one of them was a PLA intelligence officer; and my continued surprise when I learned that I had multiple Cabinet and staff who had met him before, and in the FSM. To be clear: I have had direct threats against my personal safety from PRC officials acting in an official capacity.

Perhaps of even greater interest, when it comes to that question of who comes into our country and what do they want, is as it relates to China's new Special Envoy for the Pacific, Qian Bo. Ambassador Qian was formerly the Chinese Ambassador to Fiji—and by extension was the one responsible for authorizing the two Chinese to follow me in Suva, and to observe U.S. Vice President Kamala Harris' address at the Pacific Islands Forum despite their lack of accreditation to be in the room at the time. It is not a coincidence that China chose Ambassador Qian to be the Special Envoy, nor is it a coincidence that the FSM was the first country the Ambassador was chosen to visit. (Is it a coincidence that our own Executive Branch failed to provide me information in time so as to allow me to gestate on whether or not to approve the visit in the first place? We'll come back to this later in this briefing).

Ambassador Qian also would have been present during the 2nd China-PICS Political Dialogue. That itself is noteworthy insofar as that was the public meeting where the FSM Government found itself represented not by myself or a Cabinet member or even a member of our Foreign Service—indeed, not by anyone in our Government at all but, rather, a private citizen named Mr. Duhlen Soumwei. I said to the PRC that we would not have formal representation at the meeting, and the PRC went to the extent of taking one of our citizens and then publicly having that citizen formally represent us. To say it again: China has established a precedent of taking our private citizens in multilateral meetings to formally represent our country without our Government's awareness or approval thereof.

If the above is shocking or concerning, bear with me as I provide another example. In October 2021 the FSM joined the first China-PICS Foreign Ministers Meeting. It was clear from the outset that something was awry; I noticed, for example, that the draft remarks for our Secretary's delivery included frequent requests and references to proposals that nobody in our country had discussed beforehand. For example, it was suggested that the Secretary request a Free Trade Agreement with China. A Free Trade Agreement, on its face, isn't necessarily a bad idea (nor a good idea); but it certainly wasn't something that we had discussed

internally in any form or fashion. I instructed that our remarks focus on asking China to work with the United States in combatting Climate Change.

Toward the conclusion of the first China-PICS Foreign Ministers Meeting, it became clear that the proposed Joint Communiqué was laced with several problematic layers of statements that we as, as nation, had not agreed to. For example, there were references toward establishing a multitude of offices that our Government wasn't aware of, some of which could seem benign or harmless (such as the Disaster-Risk Reduction Cooperation Center, which opened this February 22, 2023—and whose formal functions continue to elude me despite the FSM flag flying at the opening ceremonies). Regardless, the FSM requested that countries receive more time to review the Joint Communiqué before it went out. We were not alone in this, I should add—former Prime Minister Josaia Voreqe Bainimarama of Fiji said the same, as did Premier Dalton Tagelagi of Niue. Instead, however, our requests were unheeded, and China immediately published the Joint Communiqué inclusive of remarks, which were false, that the FSM and the other Pacific Island Countries had agreed to it, which, in our case, we hadn't; and that first China-PICS Foreign Ministers Meeting was of course later cited to be the foundation for the second China-PICS Foreign Ministers Meeting. That theme continues: the FSM says “no”, and our sovereignty is disrespected with the PRC saying we have achieved a consensus when we have not.

I should emphasize that instances of Political Warfare and Grey Zone activity in the FSM need not be focused strictly on the most exciting geopolitical affairs. Malign or harmful influence can also be, and often is, banal, i.e., boring and unexciting. While I would be foolish to not explicitly recall China's suggestions in February 2020 that the novel coronavirus wasn't dangerous and so the FSM should open its borders to Chinese citizens and workers, including the frequent calls to my personal phone number from Ambassador Huang at the time, the example I wish to cite now is regarding COVID-19 vaccines.

You will recall that it was January 31, 2020, when the FSM refused entry to any person coming from a country that had one or more positive cases of COVID-19 (then described as the novel coronavirus) and that, for practical purposes, we referenced Guam and Hawaii as being separate from the rest of the United States. We closed our borders because we had good intelligence indicating a temporary, yet striking, societal collapse, inclusive of massive amounts of human suffering. The panacea or cure we needed was the COVID-19 vaccine.

The FSM received its first doses of COVID-19 vaccines in December 2020 (even prior to the U.S. State of Hawaii, in fact), and we received more than enough vaccine for every person in the country. Scientific evidence suggested that the Moderna and Pfizer vaccines were superior to all others, followed by the Johnson & Johnson vaccine. The various Chinese vaccines e.g. Sinopharm and Sinovac were, by contrast, not particularly effective in comparison. Considering that our country already had arguably the healthiest supply of vaccines of any jurisdiction in the world; that the vaccines we possessed were the most effective available; and the danger that community spread still posed to our communities at the time; the FSM National Government chose to only allow our citizens to use those three vaccines. It was a medical decision, based on science and with the intent of protecting our population. That wasn't good enough for China.

China was on a quest for countries around the world to approve its vaccines, even though they weren't particularly effective. In the FSM's context, we explicitly told them about a half a dozen times—or, at least, that would be how many times I instructed my Cabinet to relay such instructions—and, yet, the issue kept appearing in COVID-19 Task Force meetings.

On October 14, 2021, I relayed the final instruction that the FSM will not accept the Chinese vaccines. “Let's be clear,” I said, “Foreign Affairs will prepare a letter to say ‘no’ to the China vaccines. Our answer should be very clear that, while we appreciate the offer, the answer is no because we have more than enough vaccines.” In November, 2021—after the Secretary of Health and the Secretary of Foreign Affairs and myself had changed cellphone numbers due to incessant calls from Ambassador Huang—the FSM signed an agreement that we accept the Chinese vaccines. We included various stipulations, such as that they were to be used only for citizens of China in the FSM; but that wasn't what China wanted. What China wanted was for the FSM to be on the list of countries they could publicly promote as having accepted their vaccines. China got exactly what it wanted.

Another example is in December 2021. During approximately the same timeframe that the Western & Central Pacific Fisheries Commission (i.e. the Tuna Commission) was having its annual meetings, China invited Pacific Island Countries to join a virtual meeting to come up with an outcomes document called the Guangzhou Consensus. At the Tuna Commission meetings, China was note-

worthy for being the principal actor in rejecting a consensus from being reached on a core issue: should vessels that engage in illegal fishing be forever identified as IUU vessels? China's suggestion was "no"—no they shouldn't be. But one of the key outcomes of the Guangzhou Consensus (which itself was a successor to the first China-PICS Foreign Ministers Meeting whose outcome documents our country didn't approve before publication) is that China would work with the Tuna Commission to tackle IUU fishing. This is in addition, of course, to the "establishment of an intergovernmental multilateral fisheries consultation mechanism as a supplement to the existing mechanism."

I can recall, at the time, the advice of our Cabinet. "The agreement is sufficiently broad and vague," they said; "the agreement is not legally binding," they said. But with China, to be broad and to be vague is a threat—not a success. And just because something is not technically legally binding doesn't mean you won't find yourself beholden to it. One must merely look at Djibouti, which thought itself the recipient of a new port that quickly became a PLA Navy base; Zambia, which has seen China take ownership of its public utility systems; Uganda, which has seen China take ownership of its only airport—for both commercial and military uses; Ethiopia, which has seen China take ownership of its mass transportation system; Sri Lanka, which has seen China take ownership of its key ports. If these locations seem so foreign to us, I'll remind you that they too began with documentation very similar to the Deepening the Blue Economy MOU I rejected in December 2022. We maintain our sovereignty, so far, out of vigilance—not for any other reason.

That's one of the many reasons I rejected the Common Development Vision, which was the core outcomes document of the 2nd China-PICS Foreign Ministers Meeting. I have already written extensively on that document to our brothers and sisters in the Pacific Islands Forum. While I attach to this briefing a copy of that letter for your information, some of the core concepts included China wanting to possess ownership of our ocean resources, and to create a Marine Spatial Plan for its own uses such as for deep-sea mining; control of our fiber optic cables and other telecommunications infrastructure, which would allow them to read our emails and listen to our phone-calls; to possess ownership of our immigration and border control processes, for the use of biodata collection and observation; and to create sweeping security agreements with our country and our region.

All of this, taken together, is part of how China intends to form a "new type of international relations" with itself as the hegemonic power and the current rules-based international order as a forgotten relic. That's a direct quote, I should emphasize—a "new type of international relations"—and an explicit goal on behalf of China from the Common Development Vision.

By this point, my dear Speaker and Leaders, I can only imagine that I have provided enough examples to demonstrate my core message for my first main idea: the FSM is an unwilling target of PRC-sponsored Political Warfare and Grey Zone activity.

Those who desire more examples, and more detail, are invited to reach out to me; we will schedule a briefing. In my love and unquestionable patriotism for the Federated States of Micronesia, I have made it a point to ensure that no stone is unturned in ensuring that the Office of the President is provided with reliable and complete information, and that I receive information from as many credible sources as possible. That includes, my dear Speaker and Leaders, our Nation's own Information & Intelligence Service (IIS), which I created by Executive Order, and which I intend, and hence recommend, that we institutionalize beyond my administration through appropriate legislation. Awareness of this Service's existence is provided as information to other Leaders, and extensive discussion on how it can be useful for the next administration is, I hope, a topic of discussion between myself and the four At-Large Senators-Elect who are equally eligible to become the next President and Vice President.

Now let us discuss more why Political Warfare is a problem for our country.

One of the reasons that China's Political Warfare is successful in so many arenas is that we are bribed to be complicit, and bribed to be silent. That's a heavy word, but it is an accurate description regardless. What else do you call it when an elected official is given an envelope filled with money after a meal at the PRC Embassy or after an inauguration? What else do you call it when a senior official is discretely given a smartphone after visiting Beijing? What else do you call it when a senior official explicitly asks Chinese diplomats for televisions and other "gifts"? What else do you call it when an elected official receives a container filled with plants and other items? What else do you call it when an elected official receives a check for a public project that our National Treasury has no record of and no means of accounting for?

This isn't rare. This happens all the time, and to most of us—not just some of us. It is at this point that I relay, simply as a point of information, that 39 out of 50 Members of Parliament in Solomon Islands received payments from China prior to their vote on postponing elections that were otherwise scheduled for this year. Have you personally received a bribe from the PRC? If the answer is “no”, you are in the minority. That is why I am submitting proposed legislation on money laundering, disclosure, and integrity requirements for Congress' review, and also why I encourage passage of many floating legislation including the Freedom of Information Act.

You likely would ask for, and certainly deserve, a concise example of bribery—or attempted bribery. Shortly after Vice President Palik took office in his former capacity as a Senator, he was invited to the Chinese Embassy for a dinner with other Members of Congress. The Vice President was asked by Ambassador Huang if he could sit up front, with other Senators, and also to accept an envelope filled with money; Vice President Palik refused, telling the Ambassador to never offer him a bribe again, and upon doing so was advised by Ambassador Huang something close to the effect of “You could be President someday” as the rationale for the special treatment.

This past October 2022, when Vice President Palik visited Kosrae, he was received by our friends at Da Yang Seafoods. Our friends at Da Yang have a private plane, and they arrived in Kosrae (along with several senior FSM Government officials) on that private plane. Our friends told the Vice President that they can provide him private and personal transportation to anywhere he likes at any time, even Hawaii, for example; he need only ask.

In our context in the FSM, with the Vice President's story as the singular exception, I will refuse to name names, **but it is not out of courtesy**; it is to keep the emphasis on the problem, and what the problem is, and how the problem festers, instead of naming or shaming any particular person or group of people. Senior officials and elected officials across the whole of our National and State Governments receive offers of gifts as a means to curry favor. The practical impact of this is that some senior officials and elected officials take actions that are contrary to the FSM's national interest, but are consistent with the PRC's national interest.

I want to be clear that I am professing to you—those who will succeed my administration, and likely continue to remain in political power at the National or State level—that if your administration is like mine, you will have Cabinet who record bilateral meetings and transmit those recordings to China. You will have Cabinet and/or senior officials tell the Chinese Ambassador “I will help you if you help me” behind your back. You will have Cabinet accept gifts, such as envelopes filled with money, and alcohol. You will have Cabinet attend meetings with foreign officials—sometimes officials from countries the FSM doesn't recognize, or doesn't recognize yet—without your knowledge. It isn't going to be just one of them, and what one will tell you in public versus what they will tell you in private—or behind your back—may prove to be very different things. It is here that I wish to emphasize that not all of the political appointees I have been recently removing from office have engaged in these activities.

So, what does it really look like when so much of our Government's senior officials and elected officials choose to advance their own personal interests in lieu of the national interest? After all, it is not a coincidence that the common thread behind the Chuuk State secession movement, the Pohnpei Political Status Commission and, to a lesser extent, the Yap independence movement, include money from the PRC and whispers of PRC support. (That doesn't mean that persons yearning for secession are beholden to China, of course—but, rather, that Chinese support has a habit of following those who would support such secession).

At best, it means I find out about a visit by the man (Ambassador Qian Bo) who would have instructed staff to follow me at the Pacific Islands Forum in Suva less than 48 hours before its occurrence, despite our Government having to know about it, and prepare for it, weeks prior, and only for the man to advocate for initiatives I've rejected (i.e. the Deepening the Blue Economy MOU) and to call such rejections a totally agreed-upon consensus (i.e. the 2nd China-PICS Foreign Ministers Meeting). At worst in the short-term, it means we sell our country and our sovereignty for temporary personal benefit. At worst in the long-term, it means we are, ourselves, active participants in allowing a possible war to occur in our region, and very likely our own islands and our neighbors on Guam and Hawaii, where we ourselves will be indirectly responsible for the Micronesian lives lost. After all, this isn't about the United States or Japan or Australia or any other country—but it must be about our own Micronesian citizens, and the fact that Guam by itself, and Hawaii by itself, each have Micronesian populations larger than Yap and Kosrae

combined and, together, have a Micronesian population larger than Pohnpei. In other words: this is about upholding our duty to our FSM Constitution, to which we swear allegiance to, including our duty to protect the security and sovereignty of our own country and our own people.

My dear Speaker & Leaders,

Prior to giving my State of the Nation address, I can recall two of my Cabinet recommending that we don't explicitly point out our rejection of the Common Development Vision (though references to condemning Trump for his fascist insurrection, or severing relations with Russia for their invasion of Ukraine, were "fine"). The reason they recommended against this was simple: "We are asking for money from China."

I am tempted to say that if our national interest, if our sovereignty, and if our principles can be traded away for temporary amounts of silver and gold—then we have failed in our duty to our people. But it does raise a good point, an essential point in fact in our world of politics and governance: *isn't money all that really matters?*

I don't say this as a joke; I think it is a truth that I cannot ignore, that you cannot ignore, and that we collectively cannot ignore. Money is power. Money is freedom. Money is influence. (If money wasn't important to us, we wouldn't be seeing officials getting bribed in the first place.) I cannot think of any elected official, me included, who hasn't been perpetually concerned about money—including how our country can obtain it, and how our country can ensure it is used for our nation's benefit. I can scarcely think of elected officials who don't seek additional home ownership in places like Hawaii, Guam, and Portland, or operate multiple businesses; I am of course a businessman myself. *Money matters*, and if I am to make the argument that our country is the target of Political Warfare so as to prepare our country and region to align ourselves with China prior to their invasion of Taiwan, I must also make the argument that our country can obtain a better deal without China. (If an invasion of Taiwan seems unlikely, did we not feel the same about the invasion of Ukraine?—and in this case, we know about PRC's whitepaper to be ready to invade by 2027). I am clearly aware that I must make the argument not only in terms of preventing war and saving lives, but in terms of how we can fill the gap that would occur if we were to turn off the flow of money from China.

And that—my dear Speaker and Leaders—is what I have done on our behalf, and for our collective discussion. In February 2023, I met with the Honorable Joseph Wu, Foreign Minister of Taiwan, to solicit from Taiwan what their potential assistance to the FSM could look like if we switched diplomatic relations to supporting them instead of China, and what benefits we can get if we don't switch relations formally but do explore initializing a Taipei Economic & Cultural Representative Office (TECRO).

Let's begin with what we can do without diplomatic relations. This March, 2023, I've invited a team from the Taiwan International Development Cooperation Fund (ICDF) to conduct a technical mission in the FSM to determine, among other matters, how Taiwan can assist with agricultural programming, such as tackling food security issues and establishing food co-ops. We are exploring a Memorandum of Understanding between Taiwan and the FSM as it relates to medical referrals, wherein our citizens can receive a higher quality of care than other jurisdictions and for less cost. (This is the same setup that Palau and the Marshall Islands enjoy). We are also exploring job training and scholarships for our students, and also flights from Taiwan to Guam and the FSM. I relayed to Foreign Minister Wu that this is acceptable for the short and immediate term i.e. prior to the conclusion of my administration.

Of course, at the top of any FSM official's agenda is the status of our sovereign FSM Trust Fund. I was transparent with Foreign Minister Wu; we project we need an injection of approximately \$50,000,000 to meet our future needs. We can and will receive this, over a three-year period, if and when we establish diplomatic relations with Taiwan. Meanwhile, we would also receive an annual \$15,000,000 assistance package which we could divide however we wish (meaning, by extension, we could also simply send this assistance directly to our FSM States like we do with assistance from the Compact of Free Association). This would have immediate and long-term impacts on State Governments' capacity to implement programming for their residents.

Additionally, Taiwan assures me that they will simply "pick-up" any and all projects that China is currently undertaking. The National Convention Center in Palikir? Taiwan will finish it. The Kosrae State Government Complex and the Pohnpei State Government Complex? Taiwan will finish them (using Micronesian

labor and Micronesian businesses, unlike China, inclusive of job training for our laborers). The gyms in Satowan and Udot? Taiwan will finish them—and so forth.

All of this assistance, of course, would be on top of the greatly added layers of security and protection that come with our country distancing itself from the PRC, which has demonstrated a keen capability to undermine our sovereignty, rejects our values, and uses our elected and senior officials for their own purposes.

To say it again, my Speaker and Leaders: We can play an essential role in preventing a war in our region; we can save the lives of our own Micronesian citizens; we can strengthen our sovereignty and independence; and we can do it while having our country at large benefit financially.

My dear Speaker and Leaders,

I love the Federated States of Micronesia, this nation, my nation, your nation, our nation, too much to not inform each of you about these important topics, and to warn you of the kinds of threats and opportunities that face us. I am acutely aware that informing you all of this presents risks to my personal safety; the safety of my family; and the safety of the staff I rely on to support me in this work. I inform you regardless of these risks, because the sovereignty of our nation, the prosperity of our nation, and the peace and stability of our nation, are more important. Indeed, they are the solemn duty of literally each and every single one of us who took the oath of office to protect our Constitution and our country.

I appreciate that this first briefing is lengthy—but I trust that you’ve found its information essential, and its proposals worth our collective consideration. I look forward to our further discussions on this topic, and over the next two months I will prepare additional briefings for your digestion on other items of interest and importance to this beloved Paradise in Our Backyards, the Federated States of Micronesia.

Thank you, and God Bless the Federated States of Micronesia.

Sincerely,

DAVID W. PANUELO,
President

