

**HOW THE COMPACTS OF FREE ASSOCIA-
TION SUPPORT U.S. INTERESTS AND
COUNTER THE PRC'S INFLUENCE**

OVERSIGHT HEARING

BEFORE THE

INDO-PACIFIC TASK FORCE

OF THE

COMMITTEE ON NATURAL RESOURCES
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS

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OVERSIGHT HEARING ON HOW THE COMPACTS OF FREE ASSOCIATION SUPPORT U.S. INTERESTS AND COUNTER THE PRC'S INFLUENCE

**Wednesday, June 14, 2023
U.S. House of Representatives
Indo-Pacific Task Force
Committee on Natural Resources
Washington, DC**

The Task Force met, pursuant to notice, at 10:03 a.m. in Room 1324, Longworth House Office Building, Hon. Aumua Amata Coleman Radewagen [Chairwoman of the Task Force] presiding.

Present: Representatives Radewagen, Westerman, Lamborn, Wittman, Tiffany, Moylan, Hageman; Sablan, Grijalva, Gallego, Porter, Stansbury, and Case.

Mrs. RADEWAGEN. The Indo-Pacific Task Force will come to order.

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

The Task Force is meeting today to hear testimony on how the Compacts of Free Association support U.S. interests and counter the PRC's influence.

Under Committee Rule 4(f), any oral opening statements at hearings are limited to the Chair and the co-Chair. 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 ask unanimous consent that the gentlewoman from Puerto Rico, Mrs. González-Colón, be allowed to sit and participate in today's hearing.

Without objection, so ordered.

I will now recognize myself for an opening statement.

**STATEMENT OF THE HON. AUMUA AMATA COLEMAN
RADEWAGEN, A DELEGATE IN CONGRESS FROM THE
TERRITORY OF AMERICAN SAMOA**

Mrs. RADEWAGEN. Talofa lava and good morning. There is no more fitting way for me to begin this proceeding than to express my heartfelt gratitude to Chairman Westerman and Ranking Member Grijalva for entrusting this mission to me as Chair, and to my esteemed Pacific Island colleague from CNMI, the Honorable Gregorio Kilili Sablan, as co-Chair. By doing so, they have empowered the people of the Pacific Islands, whose past and future under the American flag comes first in our minds and our hearts.

Our duty is to better enable the House Natural Resources Committee and Congress to determine how best to protect

American values and interests in the Pacific. Chairman Westerman and Ranking Member Grijalva, with the help of the distinguished members of this Task Force, we won't let you down.

The Pacific region is critical for U.S. interests and security. The United States has a vested interest in and duty to protect U.S. homeland territories like my home, American Samoa, and the Freely Associated States from rising influence from the People's Republic of China. The Compacts of Free Association are vital to that endeavor and the broader U.S.-China competition.

My work on this enterprise is informed by my participation in the September 2022 Pacific Island Leaders Conference in Honolulu with heads of State and Government from the PIF nations, including FAS and chief executives from U.S. territories. I also participated in the first-ever U.S. Pacific Islands Country Summit held in Washington, DC. I approach this Task Force with a keen recollection of my participation in the U.S. Pacific Islands Summit declaration that confirmed that COFA is a high priority and one of the cornerstones of U.S. Pacific cooperation.

I was reminded of these historic gatherings of U.S. and Pacific Island leaders when I recently had the honor of attending the sovereign nation of Samoa's Independence Day celebration earlier this month at the invitation of my friend, Prime Minister Afioga Fiamē Naomi Mata'afa. While joining her and other heads of State and Government in Apia, the message I heard was loud and clear: The United States must continue to engage in the historic relations with the U.S. territories or its FAS partners.

As we gather now for this Task Force hearing, we must continue to show our commitment to the region, and our resolve to challenges, and respond to any threat posed by the PRC. We will do this in a manner that meets U.S. interests and supports Pacific Island communities in our territories and the FAS.

The Indo-Pacific Task Force will enable Congress to rise to this challenge. The Administration must work with the leadership of the Committee and Congress to ensure that we have what we need to enact COFA, and can enact agreements that are fair and just, reasonable and responsible, and protect both U.S. interests in the Pacific and the sovereignty of our Pacific partners.

But this isn't just about U.S. interests, but also that of the people who live in the FAS. The COFA agreements are a symbol of democracy, good governance, transparency, and the rule of law. We have seen in the FAS that the PRC is the antithesis of those values. We just need to look at President Panuelo's letter of PRC activities in the FSM.

I want to welcome all the Members who sit on this Task Force as we address the issues affecting the United States in the Pacific. We all come from a broad and diverse background, a key American strength. Through this diversity we will deliver for the American people as we shepherd the COFA agreements through Congress and address the issues and challenges the United States faces in the Pacific. We do this not just for this generation, but for generations to follow.

The United States will not walk away from its historic relations with our FAS partners. The whole world is watching what we do,

and our adversaries are going to challenge us on our commitments. But we are committed to our partners and to the Pacific.

There is a lot that needs to be done, and I look forward to getting to work and hearing from our witnesses today.

The Chair now recognizes the co-Chair for any statement.

**STATEMENT OF THE HON. GREGORIO KILILI CAMACHO
SABLAN, A DELEGATE IN CONGRESS FROM THE TERRITORY
OF THE NORTHERN MARIANA ISLANDS**

Mr. SABLAN. Thank you, Madam Chair. Good morning, everyone. I think, after listening to the Chair's remarks, she has covered everything else so well. So, I should just yield.

But it is true, today is, indeed, a very important day, historic in some ways, because it marks the beginning of what I hope and I believe will be a successful bipartisan effort to renew the financial provisions of the Compacts of Free Association and other provisions of the Compacts with our good friends and neighbors in the Pacific: the Republic of the Marshall Islands, Palau, and the Federated States of Micronesia.

There can be no doubt that renewing the financial provisions of the Compact is essential to our nation's security posture in the Indo-Pacific region, and will go a long way in countering adversarial nations' gaining a foothold in the region, efforts that may have started already.

The United States has enjoyed friendly relations with the Freely Associated States for more than four decades, and the people of Micronesia have enjoyed a friendly relationship with the United States for over 70 years, almost eight decades. Their representatives are consistently supportive of U.S. policies at the United Nations and other international organizations, and their citizens volunteer for the U.S. military in numbers that are highest per capita than residents of many of, if not all, the 50 states.

The Compacts give the U.S. responsibility for the COFA nations' defense, and provide the United States with the exclusive military use rights. And this relationship enables the United States to maintain critical access to this strategic area in the Indo-Pacific region.

I want to commend Chairman Westerman and Ranking Member Grijalva for creating this Indo-Pacific Task Force to provide for a bipartisan process for both informing our House colleagues of the importance of renewing the Compacts and building support for their passage.

And although there is currently bipartisan support for renewing the Compacts, our experience with the renewal agreement of the latest Palau Compact tells us that a more sustained, robust effort will be required if we are to avoid an almost decade-long delay in passing these additional renewal agreements, and this is a really good start.

There is no easy way that our nation will be able to maintain our influence in what is becoming an increasingly strategic, important, and contested area of the world without continuing our partnership with the COFA nations and other Pacific Island nations. And that partnership must resume by Congress swiftly passing the Compact

renewal agreements as they are transmitted to us by the Administration.

I commend the work of the Administration Special Envoy, Ambassador Joseph Yun, and the Assistant Secretary for Insular Affairs for the tremendous progress achieved in having signed memoranda of understanding with all three Compact countries on the basic levels of Compact funding for the next 20 years, and so far two Compact renewal agreements. I have little doubt that Ambassador Yun will be able to complete the Compact renewal with the remaining nation in due time.

I welcome our excellent panel of witnesses, who I suspect will reinforce the importance of the COFA renewals when we hear from them shortly.

Thank you, Madam Chair, and I yield back.

Mrs. RADEWAGEN. 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, Chair Radewagen, and thank you to the witnesses for being here today.

Today is a significant day, as it marks the inaugural gathering of this Committee's bipartisan Indo-Pacific Task Force.

I would like to again take a moment to thank Ranking Member Grijalva, Chair Radewagen, and co-Chair Sablan for their efforts in helping in the work to put this important initiative together.

Acting within the jurisdiction of the House Committee on Natural Resources, the mission of the Task Force will be to provide focus and conduct oversight on issues facing the U.S. territories and the Freely Associated States in the Indo-Pacific region, including Compacts of Free Association between the United States and the Freely Associated States.

The People's Republic of China is an existential threat to the United States. The PRC seeks to undermine U.S. interests in the Pacific, particularly when it comes to the Freely Associated States. It is imperative that we find ways to counter the PRC's malign influence and to protect U.S. interests in the region.

I think we can all agree, as Americans, that we have a duty to respond to threats to our homeland and to our friends in the Pacific. We will meet this threat head on and will not stand idly by in the face of Chinese aggression.

As we carry out this hearing and complete the future work of the Task Force, I want to make it clear that when I say and when other members of the Task Force refer to "China" and "Chinese influence," we are referring to the Chinese Communist Party. We recognize and firmly believe in the distinction between the totalitarian regime in Beijing and the Chinese people who long for democracy and freedom from autocratic rule.

With that in mind, this Task Force looks to find an appropriate response to rising Chinese influence in the Pacific. Countering Chinese influence is a major challenge, as the PRC often operates within the gray zone. This makes it difficult to find a reciprocal response, so we must find and understand measures within our

toolkit that enable the United States to push back against PRC malign activity.

The Compacts of Free Association are one such measure. The Compacts are critical to the future of the U.S. and the Freely Associated States relationship. Thus, we are gathered here today to hear from this excellent panel of witnesses to better understand the Compacts of Free Association and how they support U.S. interests and counter the PRC's influence.

This hearing will lay the groundwork for future hearings and Committee review, and as we review the newly-negotiated Compact agreements. There will be tough issues that we will need to work out when the appropriate time comes, but I hope this hearing will provide the basis for this Task Force to carry out its important mission.

Thank you, Madam Chair, and I yield back.

Mrs. RADEWAGEN. The Chair will now recognize Ranking Member Grijalva for his opening statement.

STATEMENT OF THE HON. RAÚL M. GRIJALVA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARIZONA

Mr. GRIJALVA. Thank you very much, Madam Chair. And as co-Chair Sablan mentioned, I associate myself with the comments that you made in your opening comments, as well as Chairman Westerman.

I am grateful for both your leadership on this Task Force, and I should say that I am very appreciative of Chairman Westerman's raising the profile of this part of our jurisdiction to this Task Force and to the importance of what we are going to be discussing here. It is very much appreciated, very much needed. And any time the Little Committee That Could can raise its profile and assert its jurisdiction, it is a good thing.

[Laughter.]

Mr. GRIJALVA. For nearly four decades, the United States has maintained a special relationship with the Freely Associated States. Through agreements known as the Compacts of Free Association, the United States and these sovereign countries have outlined a mutually beneficial relationship that provides the United States important military access to the Pacific in exchange for the United States supporting the Freely Associated States economically, and allowing their citizens to live, study, and work in the United States.

The United States' ability to deliver on its duty to the Freely Associated States and the U.S. territories of the Pacific is directly related to the prevention of the People's Republic of China's Government's further encroachment in the region, and the endurance of our aligned defense and security interests.

The Chinese Government, as Chairman Westerman mentioned, knows that the weaker the economies in the Indo-Pacific region are, the more power and influence they will have in the region. That is why it is so important to remember that our relationship with the Freely Associated States and the U.S. territories in the Pacific is not a one-sided situation. It is a mutually beneficial relationship.

I want to reiterate that as the Task Force begins its work to examine the significant military and security value of the Pacific Islands, we cannot lose sight of our responsibility to the Freely Associated States and U.S. territories in the region and to their people.

I also want to emphasize that Congress doesn't have time to lose in negotiating the new Compacts of Free Association if we want to maintain long-term stability. The Task Force must keep these challenges in mind. And as we consider solutions for our mutual defense, national security, and economic interest, this Task Force will play a significant role in that process.

And with that, Madam Chair, I yield back.

Mrs. RADEWAGEN. I will now introduce our witnesses.

Mr. Albert V. Short, Colonel, U.S. Army, retired, and former Chief Negotiator for the 2003 Compact of Free Association, Lorton, Virginia; Dr. Thomas Lum, Specialist in Asian Affairs, Congressional Research Service, Washington, DC; Ms. Cleo Paskal, Non-Resident Senior Fellow, Foundation for Defense of Democracies, Washington, DC; and Mr. Grant Newsham, Colonel, U.S. Marine Corps, retired, Honolulu, Hawaii.

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. Short for 5 minutes.

STATEMENT OF ALBERT V. SHORT, COLONEL, U.S. ARMY (RET.), FORMER CHIEF NEGOTIATOR FOR 2003 COMPACT OF FREE ASSOCIATION, LORTON, VIRGINIA

Mr. SHORT. Good morning, Madam Chair, Ranking Members of the Subcommittee. I am Albert V. Short, Colonel, U.S. Army, retired, and former Chief of Staff in the office that established the Compacts of Free Association enacted in 1986. Twenty years later, I was chief negotiator on the amended Compacts of Free Association in 2003. This time around, I am leaving all the heavy lifting to others, so today my remarks are my opinions, and not on behalf of the Administration, other persons, organizations, or institutions.

First, I must commend the Committee for conducting this series of hearings that focuses on the strategic imperatives in the region, including the renewal of the Compacts, but taken into the context of the threat and the impending threats posed by the People's Republic of China, the PRC.

The renewal of the Compacts is based on proposals being negotiated by the Administration, and will be ultimately approved by the Congress. It is an urgent matter, and it supports U.S. interests not only in Micronesia, but in the broad Indo-Pacific Region.

One really cannot examine U.S. interests in Micronesia and the Pacific Islands in general without harkening back and considering World War II, where we experienced 100,000 casualties and expended hundreds of millions of dollars in capturing these and other islands on the march to Japan.

I joined the negotiations in 1979, and at that time there was still a number of World War II veterans in the Congress, and their very clear and strong guidance to the Administration was, "You must bring to this body Compacts that include strategic denial."

Well, what is strategic denial? Really, it is the ability of the United States to foreclose this area, not only the islands, but also the waters and airspace from any third party. Further, we have that right, even if the Compact is terminated, so it is a unilateral right on the part of the United States to continue or to terminate.

Separate from this standalone strategic denial that I just spoke about, as long as the Compact is in effect, the FAS governments, the foreign Freely Associated State governments, have the obligation to cease and desist from any action that the United States unilaterally determines is prejudicial to our defense and security arrangements. It is a very, very powerful provision.

Fortunately, for now over 40 years, we have never had to invoke our defense prerogatives. However, with the ever-increasing influence of the PRC, we can't forecast or preclude the use of that authority in the future.

The Compacts of Free Association have been very much of a success story. But a high priority for the PRC has been to basically disrupt and undermine the authorities that are contained in the Compacts.

Really, what are our defense and security benefits that directly accrue to the United States from the Compact relationship?

And further, why should the Congress approve these Compacts?

And will they support our interests, long term?

First, it will continue an 80-year relationship, 40 years under the Compacts of Free Association.

Second, it will support democratic governments that serve as a role model for others in the Pacific and elsewhere.

Third, the FAS serves as a bulwark for our defense and security concerns in the North Pacific. It protects our vital sea and air lines of communication to Asia. This is, if you will, the second tier when you look at it through the prism of the PRC.

Fourth, we have the right to install defense and security installations as needed.

Fifth, the Kwajalein facility is a key element in our space and missile defense development programs. And DoD has recently announced the forthcoming installation of a radar facility in Palau focused on North Asia.

Sixth, our capability to deny any third-party access to the Freely Associated States and their economic zones effectively neutralizes this area in the Pacific.

So, the Congress soon will be called upon to approve the renegotiated Compacts, and this endeavor should set a course correction for our relationship not only with the Freely Associated States, but with the region.

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

[The prepared statement of Mr. Short follows:]

PREPARED STATEMENT OF ALBERT V. SHORT, COLONEL, U.S. ARMY (RETIRED);
FORMER, CHIEF NEGOTIATOR, AMENDED COMPACTS OF FREE ASSOCIATION, 2003

Good morning, Chair, ranking member, and distinguished members of the Subcommittee. I am Albert V. Short, Colonel U.S. Army (retired), former Chief of Staff in the Office for Micronesian Political Status Negotiations in the NSC 1979 to 1986, and Chief Negotiator on the Amended Compacts of Free Association, in 2003. This time around, I am leaving all the heavy lifting to others, thus my remarks are my opinions and not any other person, organization, or institution.

I commend the Committee for conducting this series of hearings to focus on the strategic imperatives in the region, including renewal of the Compacts in the context of the threats posed by the People's Republic of China, (PRC) in the Indo-Pacific region.

This morning, I will address how the Compacts of Free Association support U.S. interests in the Indo-Pacific region and I'll highlight the urgency of renewing these compacts in this session of Congress.

There were two seminal events in the 1970s that shaped our relationship with the Freely Associated States, (FAS). One was the formation of the Congress of Micronesia which was the first comprehensive attempt at self-government instituted by the then Trust Territory Administration. Second, was the so-called Hilo Principles which were negotiated in Hawaii in the late 70s and set the parameters for the free association relationship with what was to become Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands.

The Hilo Principles recognized the benefits to the U.S. and the new island governments of a transition from trusteeship to sovereignty consistent with the right of independence for the Micronesian States, including their ability to carry out the functions of government in their own name and right, and to conduct their own foreign affairs, with the one caveat that the United States would be responsible for their security and defense.

Those underlying goals embodied in the so-called Hilo Principles and the Compact continue to guide our relationship now through three cycles of the compacts for nearly 50 years . . . so we must be doing something right.

I should note that the chairperson, Representative Radewagen, has a direct connection to the early development of democracy in the then Trust Territory. Her father, Peter Coleman, was the first Samoan graduate from Harvard University, and was at that time the acting High Commissioner and the Deputy High Commissioner in the Trust Territory when the Congress of Micronesia was formed, and the process of self-government commenced. She was raised in the Marshall Islands and Saipan, if I am not mistaken, and has first-hand knowledge and understanding of how the U.S.-Freely Associated State relationship has prospered over these many years.

One cannot examine U.S. interests in Micronesia, and the Pacific Islands in general without taking into consideration World War II where we experienced 100,000 casualties and expended hundreds of millions in capturing the islands on the march to Japan and the wars end.

I joined the U.S. negotiating team in 1979 and at that time there were still many World War II veterans in Congress and their guidance to the administration was clear: Do not bring compacts to this body that do not include strategic denial so we will not have to liberate these islands again from a new enemy.

While these memories may dim with the passage of the so-called "greatest generation" the need for security in this area has transitioned to a newer generation.

What is strategic denial? It is the ability of the United States to foreclose the area not only to the islands, but also the waters and airspace from any third party. Further, we have the right to request the Micronesian government to cease and desist from any action that we unilaterally determine is prejudicial to our defense and security responsibilities in their domain.

Thus, we have provided a security guarantee to Micronesia much more all-encompassing than we have for any other ally, including NATO.

Fortunately, we have never had to invoke our defense prerogatives in the Freely Associated States, however, with the ever-encroaching influence of the People's

Republic of China (PRC) we cannot foreclose or forecast the use of this authority in the future.

The Micronesian States are sovereign. They conduct their own foreign affairs, and domestic activities and govern themselves with the one exception that the United States is totally responsible for their security and defense. They are members of the United Nations and in that context have been very helpful to the United States interests in the U.N. and elsewhere.

Regarding the PRC, I will make passing reference to the threat and later speakers will get into much more detail. I will focus on how the compacts directly support our interest in the region.

Why are we interested in this far-flung area in the middle of the North Pacific?

First, it is a huge area when you include the Exclusive Economic Zones (EEZs) of the three Freely Associated States. This is an area approximately 3000 miles East to West, and 1000 miles North to South that stretch stretches from west of Hawaii almost to the Philippines. It is astride the main logistical route between the United States and Asia, so anyone who controls this area controls communication to the so-called frontline States . . . Korea, Japan Taiwan Philippines, and Southeast Asia.

Worldwide shipping in the Pacific either leaves North Asia, China, Philippines and Southeast Asia and transits west to the U.S. West coast or the Panama Canal via Micronesian territorial waters. Otherwise, it goes south through the South China Sea and the Straits of Malacca, and we are all aware of what the Chinese are doing in the South China Sea. We don't want to see the same sort of activity in the central Pacific.

When we consider the Freely Associated States (FAS) and the associated compacts supporting our national interests, the first issue is simply location, location, location . . . It is like real estate. The FAS sit squarely on the main communications line between our West Coast, Hawaii and the Asian littoral.

The compacts and their subsidiary agreements include several Military Use and Operating Rights Agreements with the principle one for the space and missile test range activity at Kwajalein Atoll in the Marshall Islands. This is our only long-range missile test facility where we can fire missiles from the U.S. West Coast or at sea into the Kwajalein lagoon. We have used this facility for many years and in 2003 we renegotiated the lease for 50 years. This is a one-of-a-kind facility and vital for testing our strategic capabilities.

Recently, the Department of Defense (DoD) has announced that they intend to develop a technical radar communications facility at Angaur island in the Palau archipelago.

We have military operating rights in all the FAS most of which have not been used over the years, but they are there should the need arise.

The United States appears to be emerging from a period when it took the Indo-Pacific Island States for granted and this has provided an opportunity for others to make gains at our expense.

The PRC threat to the Freely Associated States and ultimately the U.S. territories and the Indo-Pacific area is rather unique. In the 1980s, Khrushchev went to Vladivostok and made a statement "we are a Pacific power". Everyone got concerned about Russian expansion in the area, however that activity pales into insignificance compared to the present and potential future actions by the PRC.

In understanding the PRC threat, we must get beyond our usual binary thinking where on one hand you have peace, and on the other you have war . . . this is an on/off switch. In the PRC view they deal with political warfare, a concept called "struggle". There is a continuum of actions all coordinated . . . military, economic, political, social, all focused on a common goal with many intermediate activities that support the end game. We must start thinking out-of-the-box when we are responding to, and hopefully preempting PRC activities that are detrimental to our interests.

While we address the support that the compacts provide to the United States, we also must recognize that the Freely Associated States have certain characteristics that make them vulnerable to third party exploitation:

- They are remote and geographically isolated in the central pacific,
- They have a very thin population, about 200,000,
- They lack natural resources (except fish),
- They have poor infrastructure and generally fragile governments because of the small population and weak economy.

While the Freely Associated States have made significant progress in the last 40 years, with the noted shortcomings they still will require U.S. assistance. This includes programmatic support especially in infrastructure, education, and health.

The compacts as renegotiated will continue grant assistance for another 20 years again with emphasis on infrastructure, health, and education.

The Compacts of Free Association provide a framework for a relationship but that is the formal side. To be effective the relationship must be much deeper than a piece of paper and a few signatures. Over 40 years, we have built an effective relationship with the Micronesian States, but it can always be better. When we are seeking to support our long-term interests, people to people relationships-built over time and built on common bonds our key.

The Peace Corps is a classic example of relationship building. During the trusteeship, we had more Peace Corps volunteers in Micronesia than anywhere else in the world. However, that program was ended, perhaps for all the wrong reasons. It is now time to reestablish the Peace Corps in Micronesia and build grassroots relationships, as we did in the 60s and 70s.

We have U.S. embassies in all the Micronesian capitals and capable foreign service personnel and local nationals who solve low levels and sometimes high-level issues that come between any two nations on a daily basis.

CINCPAC, in Hawaii, has been a key element in building effective relations with the Micronesian States. On one hand it facilitates Micronesian recruitment for the U.S. armed forces where they serve in large numbers. It also has frequent meetings and exchanges in Honolulu and in the FAS on security and defense issues.

In these small nations, person-to-person communication is perhaps more vital then when dealing with NATO or Japan or some other world power.

Supporting U.S. interests also includes ensuring that the economic and other support that we provide to the Freely Associated States are properly spent and achieves the results for which the money was provided.

This can create a problem. On the one hand the Freely Associated State is cognizant of their sovereignty and its right to run their own affairs. On the other hand, from the U.S. perspective, we are providing significant U.S. support, and we want to ensure that it goes for the intended purpose. The issues are accountability by the donor and sovereignty on the part of the recipient.

In the first compacts, the U.S. simply wrote checks to the Micronesian governments. While there was guidance in the compacts as to where the money was supposed to go there was little oversight and accountability and the results were less than satisfactory. The result was a burgeoning bureaucracy and key elements such as education, health, and infrastructure were neglected.

In the amended compacts (2004), we developed a Fiscal Procedures Agreement based on the concept that the funds received by the FAS should be accounted for on the same basis as federal funds provided to state and local governments.

There was some resistance on the part of the FAS to this fiscal oversight, but we worked out an acceptable agreement that has been administered by the Office of Territorial Affairs in the Department of the Interior and it has worked reasonably well for the last 20 years.

The success of this oversight is not necessarily based on the agreement, but the people who implemented it, they were primarily career civil service employees in the Department of the Interior, including former Peace Corps volunteers, who worked constructively with the Micronesian governments to ensure that our funds were properly spent and accounted for.

The General Accounting Office (GAO) conducted oversight in the Trust Territory and then in the Freely Associated States for many years. As the chief negotiator in 2003, I found their reports very useful in framing the Fiscal Procedures Agreement. I understand, the GAO has cut back on some of their Micronesian oversight and it's time to reenergize them.

The first step in achieving U.S. interests in the Freely Associated States, and in the wider Indo-Pacific is to have a coordination mechanism within the executive branch, with consultation, and concurrence by the Congress on are our goals and the best methods to achieve them. Today we simply do not have such a mechanism in the executive branch.

Within the Department of Interior, we have the Office of Territorial Affairs which looks after territories as well as the Freely Associated States, and it has done a decent job of fiscal oversight in the last 20 years.

At the State Department when the compacts were first implemented there was an Office of Freely Associated State Affairs in the Asia Pacific Bureau established to oversee the compacts relationship and provide the long-term continuity required for oversight implementation, and accountability, etc. Unfortunately, the State Department, after a couple of years, reorganized and the office was closed. The FAS responsibility was sublimated to a desk officer whose responsibility included several other Pacific Island nations and he/she in turn was under the umbrella of the Australia, New Zealand, and Pacific Islands Office. Also, the State Department

career foreign service officers return to the U.S. for a couple of years after being overseas, but in two years they are gone, and you had a new person on the learning curve.

In the Department of Defense, you have incidental interest in the Pacific Islands except for CINCPAC, in Honolulu.

At the Washington level this begs the question, who is in charge of securing our vital interests and countering PRC influence? Right now, I simply don't know. It's time to establish, perhaps in the NSC, a mechanism to pull together and coordinate all U.S. assets and concerns in this area.

The administration has made progress on the renegotiation of the Compacts of Free Association and has signed documents with the FSM, and Palau, with RMI still holding out . . . I understand the goal is to present the compacts to Congress in this session for your hopefully expeditious consideration.

Summary:

What defense and Security benefits accrue to the United States from the Compacts of Free Association?

Why should the Congress approve the Compacts and how will they support our interests in the Indo-Pacific area?

- First, it will continue 40 years of tested relations with the Freely Associated States,
- Second, it will support democratic governments that serve as a role model for others in the Pacific and elsewhere,
- Third, the FAS serve as a bulwark for the defense and security in the North Pacific and protects our vital sea lines to Asia,
- Fourth, we have the right to install defense and security installations, as needed,
- Fifth, the Kwajalein facility is a key element in our space and missile deployment programs,
- Sixth, our capability to deny any third-party access to the Freely Associated States and their EEZ's effectively neutralizes a huge area of the North Pacific.

The United States is actively engaged in renegotiating the compacts, that activity in of itself demonstrates commitment and with their conclusion this year and hopeful approval by the Congress, it will set a course correction for our relationship not only with the Freely Associated States, as we go forward, but also with the entire region.

Again, I thank the chair and ranking member for the opportunity to appear before you today and I look forward to your questions. Thank you.

QUESTIONS SUBMITTED FOR THE RECORD TO ALBERT V. SHORT, COLONEL, U.S. ARMY (RET.); FORMER CHIEF NEGOTIATOR FOR 2003 COMPACT OF FREE ASSOCIATION

Questions Submitted by Representative Westerman

Question 1. We are seeing the PRC become increasingly effective in conducting its influence operations in the FAS.

Is this a result of low U.S. engagement in the region, increasing efforts and resources by the PRC for its influence operations, or conditions in the FAS?

Answer. Congressman Westerman, your question correctly addresses three areas which collectively contribute to the increasing People's Republic of China (PRC) influence in the Pacific Islands, with specific reference to the Freely Associated States (FAS), the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands. Also, we cannot ignore the PRC threat to the U.S. territories of Guam, the Northern Marianas, and even American Samoa.

Your first question: Is this the result of low U.S. engagement in the region? The short answer is YES!

Historically, we have left many Pacific Island engagement decisions to Australia and New Zealand. There is nothing wrong with that approach, they are valuable long-term partners in the Asia Pacific, however we should not neglect the area and simply feel that somebody else is taking care of our problems.

U.S. focus on this area has been less than optimum for years. What we need is a long-term strategy that addresses our strategic objectives, considering the threatening PRC activities, and in the context of the PRC's worldwide "belt and roads initiative".

As I noted in my prepared remarks, we need centralized strategic planning and control at the national level here in Washington, and then effective long-term implementation on a regional basis. Today, that is simply lacking. We tend to be transactional by responding to situations that arise. Rarely are we up front on situations or activities. We are playing catch up.

Thus, the first step in achieving U.S. interests in the FAS, and in the wider Indo-Pacific is an effective coordination mechanism within the Executive Branch, with consultation with the Congress, on our strategic goals and the best methods to achieve them. Today, we simply do not have such a mechanism in the Executive Branch.

At the Washington level this begs the question, "who is in charge of securing our vital interests and countering the PRC influence?" Right now, it is simply not clear. It's time to establish, perhaps in the National Security Council (NSC), a mechanism to pull together and coordinate all U. S. assets and concerns.

We do not have a strategic view that we implement with actions and reactions over a long period of time. Thus, we have given the PRC a great field advantage in conducting their influence activities in the FAS and throughout the Pacific Islands.

Your second question concerns the significant PRC's influence operations in the Freely Associated States and the inroads they have made. First, the PRC activity in the FAS is a subset of their broader objectives in the indo-Pacific for regional dominance. There is no question, the PRC is actively seeking regional dominance in the Pacific Islands, as they have established in the South China Sea.

The PRC is in the game both short term and long term. The recent *tour-de-force* by the PRC Foreign Minister throughout the Pacific Islands clearly highlighted this high-level PRC focus, but it is the day-to-day activities targeted to subvert the Pacific Islands that are the real threat.

While the media emphasizes the PRC's large scale infrastructure projects, what is missed is the low level political and economic activity such as buying into local businesses, influence operations in media that support PRC political objectives, social activities such as friendship organizations, and scholarships for study in China. All this results in a host of multifaceted economic, social, political, informational, psychological warfare operations all focused on the goal and that goal is clearly regional dominance. Regional dominance means elimination of United States and our allies influence in the area.

Look at the activities of the PRC that go back 20 or 30 years in the South China Sea where they are claiming total dominance.

We need to take the gloves off with the PRC. As I pointed out in my remarks at the hearing, the PRC does not play by the rules . . . their rules are any means to the end and that end is regional domination.

Why is this vast ocean area of interest to the PRC? There are two main lines of communication, both air and surface, in Asia, one is through the Straits of Malacca north through the South China Sea, and the other is across the Pacific through the Pacific Islands. If one controls both lines of communication, it effectively cuts off the so-called frontline states, Korea, Taiwan, Japan, Philippines, and others.

You don't have to be a military strategist to realize that should the PRC be successful in dominating the Pacific Islands and their lines of communication, it will effectively be a flank attack on our partners in Japan, Korea, Taiwan, Philippines, and southward.

Your last point concerns the conditions within the FAS which have facilitated PRC encroachment.

The PRC approach is multifaceted and multiyear, it is economic penetration and political (especially anti-Taiwan), it is social activities, it is influence warfare, the entire gamut of national power and influence operations directed at the governments and people of the FAS.

As I noted in my prepared remarks, the FAS and by extension all the Pacific Island nations are vulnerable because:

- They are remote, have a very small land mass, and are geographically isolated in the central Pacific,
- They have a very thin population, about 200,000,
- They lack natural resources (except fish),

- They have poor infrastructure and generally fragile governments because of the small population and weak economy.

While the Freely Associated States have made significant progress in the last 40 years, with the noted shortcomings, they still will require U.S. assistance. This includes programmatic support especially in infrastructure, education, and health. The compacts as renegotiated will continue grant assistance for another 20 years again with emphasis on infrastructure, health, and education.

The Compacts of Free Association provide a framework for a relationship, but that is the formal side. To be effective the relationship must be much deeper than a piece of paper and a few signatures. Over 40 years, we have built an effective relationship with the Micronesian States, but it can always be better. As we seek to support our long-term interests, people to people relationships, built over time and built on common bonds are key.

In these small nations, person-to-person communication is perhaps more vital than when dealing with NATO or Japan or some other world power.

The Peace Corps is a classic example of relationship building. During the Trusteeship, we had more Peace Corps volunteers in Micronesia than anywhere else in the world. However, that program was ended, perhaps for all the wrong reasons. It is now time to reestablish the Peace Corps in Micronesia and build grassroots relationships, as we did in the 60s and 70s.

We have U.S. embassies in all the Micronesian capitals and capable foreign service personnel and local nationals who solve low-level and sometimes high-level issues that come between any two nations.

CINCPAC, in Hawaii, has been a key element in building effective relations with the Micronesian States. On one hand it facilitates Micronesian recruitment for the U.S. Armed Forces where they serve in large numbers. It also has frequent meetings and exchanges in Honolulu and in the FAS on security and defense issues.

Thank you for the opportunity to address these issues which should be key factors when the Congress of the United States, and this Committee, considers passage of the Compacts of Free Association which have recently been submitted by the Administration. Expeditious action on the Compacts by this Committee and others is essential, and will send a positive message of continued U.S. interest and commitment to democratic government in the FAS and the broader Pacific Islands.

Mrs. RADEWAGEN. The Chair now recognizes Mr. Lum for 5 minutes.

**STATEMENT OF THOMAS LUM, SPECIALIST IN ASIAN AFFAIRS,
CONGRESSIONAL RESEARCH SERVICE, WASHINGTON, DC**

Dr. LUM. Task Force Chair Radewagen and co-Chair Sablan, thank you for inviting the Congressional Research Service to testify at today's hearing.

My name is Thomas Lum. I am a specialist in Asian affairs. As requested, I will be discussing the Compacts of Free Association and China's engagement with the Freely Associated States.

Since the end of World War II, the United States has maintained a dominant presence in the Micronesian subregion of the Southwest Pacific, where the Freely Associated States, as well as Guam and the Commonwealth of the Northern Mariana Islands, are located. The United States signed bilateral Compacts of Free Association with the Marshall Islands and Micronesia in 1982, and with Palau in 1986. These were approved by Congress in 1985 and 1986, respectively.

Through these Compacts, the Freely Associated States receive economic assistance and security guarantees in exchange for allowing the United States to operate military facilities on their soil and to make decisions regarding mutual security. Under the Compacts, the United States is obligated to defend the Compact states against attack or threat of attack; the United States has the

prerogative to reject the strategic use of or military access to the Compact states by third countries; the United States may establish military facilities in the Compact states; citizens of the Compact states have the right to reside and work in the United States and its territories, as roughly 100,000 lawful non-immigrants do; citizens of the Compact states are eligible to volunteer for service in the U.S. armed forces, where over 1,000 currently serve.

The U.S. Department of Defense operates the Ronald Reagan Ballistic Missile Defense Test Site on Kwajalein Atoll in the Marshall Islands. DoD is building a military radar system in Palau. And in 2021, U.S. and Micronesian officials agreed to establish a permanent U.S. military presence in Micronesia, although the details of that plan are not yet clear.

Economic assistance pursuant to Title II of the Compacts is set to expire at the end of Fiscal Year 2023 for the Marshall Islands and Micronesia, and Fiscal Year 2024 for Palau. Compact provisions related to defense, security, migration, and other areas are to continue unchanged.

In May 2023, the United States signed final agreements with Micronesia and Palau extending economic assistance for another 20 years, or through 2043. The United States and the Marshall Islands signed a memorandum of understanding in January 2023, but are still working on reaching a final agreement. Both Houses of Congress would need to approve the agreements by passing implementing legislation.

In the previous renewal in 2010, the United States and Palau reached an accord on extending Compact assistance for the period 2010 through 2024. That agreement was not approved and fully funded by Congress until Fiscal Year 2018. The 2023 Compact agreements, including the Marshall Islands' MOU, would provide approximately \$6.5 billion in grants and trust fund contributions and \$634 million to continue U.S. postal services over 20 years.

According to press reports, the next phase of Compact assistance is to include greater support for climate change, adaptation, health care, and education. Annual Compact assistance for all three countries, including grants and trust funds, would grow from roughly \$200 million currently to \$325 million.

Nuclear legacy issues stemming from U.S. nuclear weapons testing over the Marshall Islands during the 1940s and 1950s remain a sticking point in Compact negotiations with the Marshall Islands. Marshall Islands leaders and peoples of the four most affected atolls have claimed that U.S. compensation, environmental cleanup, and restoration efforts, as well as health programs, have been inadequate. The January 2023 U.S.-Marshall Islands preliminary agreement on extending Compact assistance reportedly includes a \$700 million trust fund intended for various purposes, including for addressing nuclear legacy issues. Marshall Islanders also have expressed concerns about possible leakage from Runit Dome, a radioactive waste site on Enewetak Atoll.

The special Compact relationships between the United States and the Freely Associated States and China's lack of diplomatic relations with the Marshall Islands and Palau, which recognize Taiwan, have limited China's engagement. The PRC government imposes extra fees on Marshall Islands'-flagged vessels entering

Chinese ports, and in 2017 banned PRC tourists from visiting Palau, which some analysts view as forms of PRC pressure to switch diplomatic relations from Taiwan to China.

During the past two decades, China has become a major provider of development assistance in the Pacific Islands Region. Since 2009, China has provided Micronesia roughly \$220 million in assistance, particularly for infrastructure development. In 2022, the PRC government proposed a regional, diplomatic, economic, and security pact with 10 Pacific island countries. China shelved the proposal after some Pacific Island countries, including strongly Micronesia, opposed it.

This concludes my brief remarks. Thank you for the opportunity to testify, and I look forward to your questions.

[The prepared statement of Dr. Lum follows:]

PREPARED STATEMENT OF THOMAS LUM, SPECIALIST IN ASIAN AFFAIRS,
CONGRESSIONAL RESEARCH SERVICE

Indo-Pacific Task Force Chair Radewagen and Co-Chair Sablan, thank you for inviting the Congressional Research Service to testify at today's hearing. My name is Thomas Lum. I am a Specialist in Asian Affairs. As requested, I will be discussing the Compacts of Free Association and U.S. relations with the Freely Associated States.

History

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

In 1947, the Marshall Islands, Micronesia, the Northern Mariana Islands, and Palau, which had been under Japanese control during World War II, became part of the U.S.-administered United Nations Trust Territory of the Pacific Islands.¹ The Northern Mariana Islands chose commonwealth status in 1975.² In 1978, the Marshall Islands, Micronesia, and Palau rejected the option of U.S. territorial or commonwealth status and instead chose the status of *free association* with the United States.

The governments of the United States and the Marshall Islands and Micronesia signed Compacts of Free Association in 1982. The RMI and FSM Compacts were approved by plebiscites in the Marshall Islands and Micronesia and by both houses of the U.S. Congress in 1985,³ becoming effective in 1986. Also in 1986, the United States and Palau signed a 50-year Compact of Free Association, which was approved by the both houses of Congress that year, but not ratified in Palau until 1993 (entering into force in 1994).⁴

The U.S. government perceived the Compacts as helping to advance economic development and self-sufficiency among the FAS and to support the national security interests of the United States and the FAS in light of Cold War geopolitical concerns related to the Soviet Union. Although the goals of democratic self-government and mutual security largely have been achieved, economic development and self-sufficiency have remained elusive, particularly in the Marshall Islands and

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

² Guam, occupied by the United States after the Spanish American War ended in 1898, became an unincorporated territory in 1950.

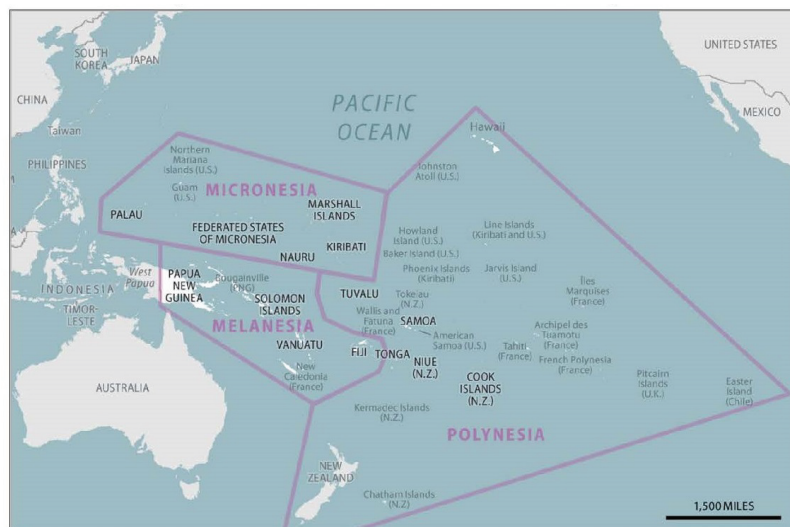
³ P.L. 99-239, Compact of Free Association Act of 1985. With the exception of the economic provisions pursuant to Title II, the Compacts with the Marshall Islands and Palau do not have explicit term limits.

⁴ P.L. 99-658, Palau Compact of Free Association Act and P.L. 101-219, Palau Compact of Free Association Implementation Act.

Micronesia.⁵ In addition to economic assistance, key provisions of the Compacts include the following:

- The United States is obligated to defend the FAS against attack or threat of attack. The United States may block FAS government policies that it deems inconsistent with its duty to defend the FAS (also known as the “defense veto”).
- The United States has the prerogative to reject the strategic use of, or military access to, the FAS by third countries (the “right of strategic denial”).
- The United States may establish military facilities in the FAS. The U.S. military operates the Ronald Reagan Ballistic Missile Defense Test Site (RTS) at U.S. Army Garrison-Kwajalein Atoll in the RMI.
- FAS citizens have the right to reside and work in the United States and its territories as lawful non-immigrants.⁶
- FAS citizens are eligible to volunteer for service in the U.S. armed forces.
- The FAS are eligible for some U.S. federal programs and services, both on a mandatory and discretionary basis.

Figure 1. Pacific Islands and Southwest Pacific Subregions



Source: CRS. Boundaries from U.S. Department of State.

Since the end of World War II, the United States has held a dominant economic and security presence in the Micronesian subregion of the Southwest Pacific (see **Figure 1**), where the FAS as well as Guam and the Commonwealth of the Northern Mariana Islands are located. Located roughly 2,500 miles southwest of Hawaii, the FAS play a role in supporting the U.S. security presence in the Pacific Islands region at a time of increasing strategic competition between the United States and its allies, on one hand, and the People's Republic of China (PRC or China), on the other. Some security and foreign policy experts refer to the Micronesian subregion as forming the southern part of the so-called second island chain in the Pacific, which has strategic importance for both the United States and China. The first island chain includes southern Japan, Taiwan, and the Philippines.

⁵For further information on the Compacts of Free Association, see CRS In Focus IF12194, *The Compacts of Free Association and CRS Report R46573, The Freely Associated States and Issues for Congress*.

⁶FAS citizens are allowed to lawfully reside in the United States, but they are not considered Lawful Permanent Residents or U.S. citizens.

US-FAS Ties

Roughly 100,000 FAS citizens live in the United States, including children under age 18 who were born in the United States and hold dual citizenship. The FAS do not have their own militaries; over 1,000 FAS citizens currently serve in the U.S. Armed Forces. On a per capita basis, FAS citizens serve in the U.S. military at a higher rate than many U.S. states' citizens.⁷ Eighteen FAS citizens lost their lives serving in the U.S. military, mostly in the Iraq and Afghanistan wars.⁸ The FAS have supported the United States in the United Nations, where the RMI and FSM have among the highest rates of agreement with U.S. positions or votes and consensus resolutions.⁹

The U.S. Department of Defense (DOD) operates the Ronald Reagan Ballistic Missile Defense Test Site (RTS) at U.S. Army Garrison-Kwajalein Atoll in the Marshall Islands. RTS supports missile and missile defense testing, space launch, and space surveillance activities. The amended Compact of 2003 extended U.S. base rights on Kwajalein Atoll through 2066, with the U.S. option to continue the arrangement for an additional 20 years.¹⁰ DOD is building a Tactical Mobile-Over-the-Horizon Radar (TACMOR) system in Palau. In July 2021, U.S. and FSM officials agreed to cooperate on building up a more frequent and permanent U.S. military presence in Micronesia.¹¹

The Marshall Islands and Palau are among four Pacific Island countries that have diplomatic relations with Taiwan but not the PRC.¹² In May 2022, China proposed a sweeping diplomatic, economic, and security pact between the PRC and ten Pacific Island countries with which it has diplomatic relations.¹³ Some Pacific Island countries, including Micronesia, opposed the agreement, causing China to shelve the proposal.

Renewing Economic Provisions of the Compacts

Economic assistance pursuant to Title II of the Compacts of Free Association is set to expire at the end of Fiscal Year (FY) 2023 for the Marshall Islands and Micronesia, and at the end of FY2024 for Palau. Compact provisions related to defense, security, migration, and other areas are to continue unchanged. The Department of the Interior (DOI) funds and administers this assistance, also referred to as grant assistance, through mandatory or permanent appropriations.¹⁴ On May 22 and May 23, 2023, the United States signed agreements with Palau and Micronesia, respectively, on extending the economic assistance provisions of the Compacts of Free Association for another 20 years.¹⁵ The President is to submit the agreements as draft legislation to both houses of Congress, and Congress is to approve the agreements through passing implementing legislation. A final U.S. agreement with the Marshall Islands on extending Compact economic assistance has not yet been reached.¹⁶

⁷Department of State, "U.S. Relations with the Federated States of Micronesia," October 19, 2021.

⁸Sandra Oudkirk, Deputy Assistant Secretary for Australia, New Zealand, and Pacific Islands, Department of State, Statement before the Senate Committee on Energy and Natural Resources, "Hearing on U.S. Interests in the Freely Associated States," July 23, 2019.

⁹Department of State, "Voting Practices in the United Nations 2021," March 31, 2022.

¹⁰Compact of Free Association Military Use and Operating Rights Agreement between the United States of America and the Marshall Islands, April 30, 2003, Article X.

¹¹The National Government of the Federated States of Micronesia, "FSM-U.S. High-Level Defense & Security Talks Conclude; Actions Taken, Commitments Made, Essential to FSM & Indo-Pacific Security," press release, July 27, 2021.

¹²Of 14 countries worldwide that recognize Taiwan diplomatically, four are in the Pacific (RMI, Nauru, Palau, and Tuvalu). China does not recognize countries that have diplomatic relations with Taiwan, which it considers to be a part of the PRC.

¹³Laura Zhou, "China Responds to Pacific Island Rejection with Paper on 'Mutual Respect and Common Development'," *South China Morning Post*, May 31, 2022; "China Wants 10 Small Pacific Nations to Sign on to 'Game-Changing' Security Agreement," *Associated Press*, May 25, 2022.

¹⁴See Department of the Interior, "Compact Grants Assistance," at <https://www.doi.gov/oia/compact-grant-assistance>.

¹⁵Department of State, "Secretary Blinken Witnesses the Signing of the U.S.-Palau 2023 Agreement Following the Compact of Free Association Section 432 Review," media note, May 22, 2023; Department of State, "Signing of the U.S.-FSM Compact of Free Association-Related Agreements," media note, May 23, 2023.

¹⁶In January and February 2023, the United States signed memoranda of understanding with all three Compact countries on the basic levels and types of Compact assistance for the next 20 years.

Compact economic assistance funded through the Department of the Interior amounts to roughly 75% of all U.S. assistance to the Pacific Islands region.¹⁷ Outside of DOI Compact economic assistance, the Department of State recently has pledged new aid funding and programming for the Pacific Islands region overall. In 2019, the State Department launched a new Pacific Islands regional foreign assistance program. In 2019 and 2020, the Trump Administration committed a total of \$300 million in new funding as part of its “Pacific Pledge.”¹⁸ In September 2022, the Biden Administration announced \$210 million in “additional expanded programs” and \$60 million annually (for a duration of 10 years) to support sustainable fisheries in the Pacific Islands region.¹⁹

Pursuant to the Compacts, the United States provided DOI grant assistance worth approximately \$661 million to the Marshall Islands and \$1.54 billion to Micronesia during the first Compact economic assistance term (1987–2003). Following the completion of negotiations in 2003,²⁰ Congress approved agreements amending the Compacts and extending assistance for another 20 years.²¹ Two new features of the assistance were trust funds established with the aim of providing sustainable sources of revenue after 2023 and oversight committees with members from the U.S. and FAS governments. During the second economic assistance term (2004–2023), U.S. grant assistance and trust fund contributions to the Marshall Islands totaled \$722 million and \$276 million, respectively. Micronesia received \$1.6 billion in grant assistance and \$517 million in trust fund contributions during the same period.²² According to the Government Accountability Office, total Compact-related assistance during the second term totaled \$3.6 billion for the two countries, targeting six sectors: education, health, the environment, public sector capacity building, private sector development, and infrastructure.

During Palau’s first Compact economic assistance term (1995–2009), Compact assistance included grants, road construction, and the establishment of a trust fund worth \$574 million.²³ In 2010, the United States and Palau concluded the U.S.-Palau Compact Review Agreement, to extend economic assistance for another 15 years (2010–2024), worth \$229 million.²⁴ Compact assistance under the Review Agreement includes support for education, health, and the administration of justice; infrastructure projects and maintenance; debt reduction; and trust fund contributions. The 2010 agreement was not fully funded by Congress until FY2018, largely due to budgetary constraints, raising concerns among the Compact states about U.S. commitment to the FAS.²⁵

¹⁷ According to data from USAID (ForeignAssistance.gov), Fiscal Years 2019–2022 (obligated funds in current dollars).

¹⁸ State Department, “U.S. Engagement in the Pacific Islands: 2020 Pacific Pledge,” fact sheet, October 1, 2020, at <https://2017-2021.state.gov/u-s-engagement-in-the-pacific-islands-2020-pacific-pledge/index.html>; State Department, “U.S. Engagement in the Pacific Islands: U.N. General Assembly Update,” fact sheet, October 3, 2019, at <https://2017-2021.state.gov/u-s-engagement-in-the-pacific-islands-un-general-assembly-update/index.html>.

¹⁹ The White House, “Fact Sheet: Roadmap for a 21st Century U.S.-Pacific Island Partnership,” September 29, 2022, at <https://www.whitehouse.gov/briefing-room/statements-releases/2022/09/29/fact-sheet-roadmap-for-a-21st-century-u-s-pacific-island-partnership/>; Department of State, *FY2024 Congressional Budget Justification*, p. 199.

²⁰ The economic provisions of the Compacts with the Marshall Island and Micronesia expired in 2001. Economic assistance was extended by 2 years (2002–2003) while bilateral negotiations to amend the Compacts and continue economic assistance took place.

²¹ The Compact of Free Association Amendments Act of 2003 (P.L. 108-188).

²² These amounts do not include nuclear test-related funding and Kwajalein payments to the Marshall Islands, federal program assistance, Compact Impact funding, and other assistance using discretionary funds.

²³ In addition, Palau received Compact federal services worth \$25 million and discretionary federal program assistance amounting to \$267 million. Statement of David Gootnick, Director, International Affairs and Trade, Government Accountability Office, “Compact of Free Association: Proposed U.S. Assistance to Palau for Fiscal Years 2016 to 2024,” Testimony before the House Subcommittee on Indian, Insular, and Alaska Native Affairs, Committee on Natural Resources, July 6, 2016.

²⁴ Department of the Interior, “Budget Justifications and Performance Information, Fiscal Year 2024, Office of Insular Affairs,” Agreement between the Government of the United States of America and the Government of the Republic of Palau Following the Compact of Free Association Section 432 Review, September 3, 2010 at <https://www.state.gov/18-919-2/>.

²⁵ Elke Larsen, “Prioritizing Palau: Why the Compact Budget Matters,” Center for Strategic and International Studies, October 10, 2013; Comments by Senator Lisa Murkowski, Chair, Senate Energy and Natural Resources, Hearing on U.S. Interests in the Freely Associated States, July 23, 2019. The National Defense Authorization Act for FY2018 (P.L. 115-91, Section 1259C) approved the U.S.-Palau Compact Review Agreement and authorized remaining funding under the agreement. The Consolidated Appropriations Act, FY2018 (P.L. 115-141, Division G, Title I, Section 114) appropriated outstanding economic assistance pursuant to the agreement.

The final Palau and Micronesia Compact agreements and the preliminary agreement with the Marshall Islands provide for a total of approximately \$7.1 billion in Compact economic assistance for the 2024–2043 period, including \$6.5 billion in grants and trust fund contributions and \$634 million to continue U.S. Postal Service services in the FAS.²⁶ According to press reports, the next phase of Compact assistance is to include greater support for climate change adaptation, health care, and education. The preliminary agreement with the Marshall Islands reportedly includes a \$700 million trust fund intended for various purposes, including for addressing nuclear legacy issues (see below) and for Kwajalein atoll.²⁷ Under the pending agreements, total annual Compact assistance for the FAS would grow from roughly \$200 million annually to \$325 million (not including Postal Service funding during 2024–2043).

China's Relations with the FAS

Although the PRC's influence in the Pacific Islands region is growing, its engagement among the FAS compared to its relations in the rest of the region has been limited, due to the U.S. political, economic, and security presence in the Compact states and to the PRC's lack of diplomatic relations with the Marshall Islands and Palau. China's engagement is greater in Micronesia, with which it has diplomatic relations, as well as a "comprehensive strategic partnership."²⁸ China has provided roughly \$220 million in assistance to Micronesia, particularly infrastructure development, since 2009, according to the Lowy Institute.²⁹ Despite close ties, in March 2023, outgoing FSM President David Panuelo wrote a letter to FSM national and state leaders detailing PRC efforts at economic coercion, bribery, espionage, surveillance, and harassment in Micronesia, including PRC diplomats applying pressure on him personally.³⁰

China is one of the principal trading partners of the Marshall Islands, based largely on the RMI's import of Chinese transport boats. The PRC government imposes extra fees on Marshall Islands-flagged vessels entering PRC ports, which some analysts view as a form of PRC pressure on the RMI to switch diplomatic relations from Taiwan to the PRC.³¹ In late 2017, Beijing banned PRC visitors to Palau, which had grown in number to account for over half of all foreign tourists in Palau. Some observers point to this ban as evidence that China was attempting to pressure Palau into diplomatically recognizing the PRC rather than Taiwan.³²

Nuclear Legacy Issues

Nuclear legacy issues remain a sticking point in U.S.-Marshall Islands negotiations to renew Compact economic provisions. From 1946 to 1958, the United States conducted 67 atmospheric atomic and thermonuclear weapons tests over the Marshall Islands atolls of Bikini and Enewetak.³³ In 1954, "Castle Bravo," the second test of a hydrogen bomb, was detonated over Bikini atoll. The U.S. military evacuated 312 Marshallese from Bikini and Enewetak prior to the test.³⁴ Reported to be 1,000 times more powerful than the atomic weapon that was dropped on Hiroshima, Japan in 1945, Bravo resulted in radioactive fallout upon the populated atolls of Rongelap and Utrik. Reportedly, 253 residents of these atolls were

²⁶ See Department of State, *FY2024 Congressional Budget Justification*, p. 100.

²⁷ Anita Hofschneider, "Marshall Islands Could Receive Billions Under Renegotiated Treaty," *Civilbeat.org*, January 22, 2023; Matthew Lee, "US Nears New Cooperation Deals with Two Pacific Island Nations," *Saipan Tribune*, January 16, 2023.

²⁸ Cao Desheng, "President Hails Ties with Micronesia in Greetings," *China Daily*, May 21, 2019.

²⁹ Data compiled by the Lowy Institute, an independent, nonpartisan international policy think tank located in Sydney, Australia. The Pacific Aid map and data are accessible at PACIFIC AID MAP / MAP ([lowyinstitute.org](https://www.lowyinstitute.org)). Data for 2021 and 2022 are incomplete.

³⁰ The letter, dated March 9, 2023, is accessible at <https://www.documentcloud.org/documents/22037013-letter-from-h-e-david-w-panuelo-to-pacific-island-leaders-may-20-2022-signed>.

³¹ United States Institute of Peace, "China's Influence on the Freely Associated States of the Northern Pacific," 2022.

³² Stephen Dziedzic, "Beijing Intensifies Lobbying of Pacific Nations to Recognize Taiwan as Part of One China," *Australian Broadcasting Corporation*, February 13, 2019; Lauren McMahon, "Island Paradise in Peril After Incurring Wrath of China," *News.com.au*, August 21, 2018.

³³ Embassy of the United States in the Marshall Islands, "The Legacy of U.S. Nuclear Testing and Radiation Exposure in the Marshall Islands," at <https://mh.usembassy.gov/the-legacy-of-u-s-nuclear-testing-and-radiation-exposure-in-the-marshall-islands/>.

³⁴ Bev Keever, "Enewetak Atoll, 50 Years Ago This Week," *Honolulu Weekly*, October 30, 2002.

evacuated within days of the blast, although not all before radioactive ash had begun falling.³⁵

The nuclear testing resulted in hardships and health problems for many Marshall Islanders of the four most affected RMI atolls of Bikini, Enewetak, Rongelap, and Utirik. The people of Rongelap, in particular, have experienced elevated level of cancers, thyroid disorders, and birth deformities.³⁶ Following U.S. government radiological cleanup efforts, the people of Utirik returned in 1955 and Enewetak people returned in 1980. The people of Rongelap returned in 1957 and were re-evacuated in 1985 after new studies revealed unsafe levels of radiation. The U.S. government declared Bikini safe for habitation beginning in 1968, although returnees were re-evacuated in 1978 after “alarming” radiation levels were detected in their bodies, and the atoll has not been permanently resettled.³⁷

Runit Dome

Located on Enewetak atoll, Runit Dome is a concrete roof that U.S. military personnel built over a nuclear crater, which is filled with over 100,000 cubic yards of radioactive soil from U.S. nuclear testing.³⁸ Due to rising sea levels, water reportedly has entered the dome, which has led some local observers to fear that radioactive water could seep out.³⁹ In June 2020, the Department of Energy (DOE) released a report on Runit Dome pursuant to the National Defense Authorization Act, FY2020 (P.L. 116-92, § 364). The report concluded that the dome itself was not in immediate danger of collapse or failure and that there was no data to suggest that there was any flow of contaminated groundwater from beneath the structure that had a “measurable adverse effect on the surrounding environment” or that would likely cause any adverse effect for up to 20 years.⁴⁰ The National Defense Authorization Act, FY2022 (P.L. 117-81, § 3140) mandated a study on the impacts of climate change on Runit Dome.

Nuclear Compensation

The RMI government and peoples of the four most affected atolls have long argued that U.S. compensation and assistance to Marshall Islanders for personal injuries or adverse effects on health, the loss of land, and property damages has been inadequate. Under the Compact of Free Association, Section 177, the United States “accept[ed] responsibility for compensation owing to the citizens of the Marshall Islands . . . for loss or damage to property and person . . . resulting from the nuclear testing program . . .”⁴¹ The Compact established a \$150 million Nuclear Claims Fund to provide compensation for nuclear contamination-related injuries and damages, and a Nuclear Claims Tribunal (NCT) to adjudicate claims and grant awards from the Fund. The Fund was intended to generate, through returns on investments, a perpetual source of revenue to be distributed among the 177 Health Program, trust funds for the four most affected atolls, and the NCT. Section 177 constituted a “full and final settlement” of related claims, thereby ending nuclear compensation lawsuits by Marshall Islanders against the U.S. government that were pending in U.S. courts.⁴² In 2004, the U.S. government released a report evaluating a Marshall Islands petition for greater compensation

³⁵The U.S. government states that the U.S. military evacuated residents of Rongelap and Utirik within 52 hours of Castle Bravo, while other reports state that not all residents were evacuated until 48–72 hours after the explosion. Embassy of the United States in the Marshall Islands, “The Legacy of U.S. Nuclear Testing and Radiation Exposure in the Marshall Islands”; Dan Zak, “A Ground Zero Forgotten,” *Washington Post*, November 27, 2015; Giff Johnson, “U.S. Seriously Underestimated Marshall Islands Fallout Doses, Risk,” *Marianas Variety*, August 9, 2020.

³⁶Susanne Rust “How the U.S. Betrayed the Marshall Islands, Kindling the Next Nuclear Disaster,” *Los Angeles Times*, November 10, 2019.

³⁷Jon Letman, “Nuclear Justice for the Marshall Islands”; RMI Embassy, *Nuclear Testing on the Marshall Islands: A Chronology of Events*.

³⁸Susanne Rust “How the U.S. Betrayed the Marshall Islands, Kindling the Next Nuclear Disaster,” *Los Angeles Times*, November 10, 2019.

³⁹Kyle Mizokami, “Congress Demands Investigation into the U.S.’s Nuclear Coffin,” *Popular Mechanics*, December 27, 2019.

⁴⁰Department of Energy, “Report on the Status of Runit Dome in the Marshall Islands: Report to Congress,” June 2020, at <https://www.energy.gov/sites/prod/files/2020/06/f76/DOE-Runit-Dome-Report-to-Congress.pdf>.

⁴¹See P.L. 99-239, Title I, Article VII, Sec. 177 and the Agreement between the Government of the United States and the Government of the Marshall Islands for the Implementation of Section 177, at Section 177 Agreement (doi.gov).

⁴²Ibid.

pursuant to Article IX of the 177 Agreement (the Changed Circumstances Clause),⁴³ concluding that there was no legal basis for considering additional compensation payments.⁴⁴

According to U.S. government sources, between 1958 and 2004, the United States provided \$531 million to the Marshall Islands for nuclear test damages, environmental cleanup and restoration, resettlement, and health and medical programs;⁴⁵ this compensation grew to roughly \$600 million by 2019.⁴⁶ The U.S. government has provided compensation pursuant to the Compact of Free Association, through congressional ex gratia payments,⁴⁷ and through health sector grants during the second Compact assistance term (2004–2023).⁴⁸ According to the Marshall Islands government, the depletion of the Nuclear Claims Fund (in 2009) left \$23 million in personal injury awards and \$2.2 billion in property damages awards unpaid.⁴⁹

Conclusion

To conclude, under the Compacts of Free Association, the Republic of the Marshall Islands, Federated States of Micronesia, and Republic of Palau serve as key diplomatic and security partners of the United States in the Pacific. In an era of growing strategic competition between the United States and China in the Pacific Islands region, the U.S. government has pledged greater assistance and attention to Pacific Island countries and the Freely Associated States. Renewing the economic provisions of the Compacts reflect U.S. commitment to the region and aim to respond to ongoing issues in U.S.-FAS relations.

QUESTIONS SUBMITTED FOR THE RECORD TO DR. THOMAS LUM, SPECIALIST IN ASIAN AFFAIRS, CONGRESSIONAL RESEARCH SERVICE

Questions Submitted by Representative Westerman

Question 1. The U.S. economic assistance to the Republic of Palau under the current compact agreement is unique in that assistance was extended through a U.S.-Palau Compact Review Agreement (CRA) in 2010, rather than through an amended Compact of Free Association (COFA). When looking at the CRA, we see provisions refer to the original COFA with Palau. This has made the Palau's compact agreements more complex than the compact agreements with the other [Freely Associated States (FAS)] countries, as Palau's compact provisions are laid out across multiple documents. Meanwhile, the 2003 agreements with the Federated States of Micronesia and the Republic of the Marshall Islands agreements do not require such reference as economic assistance was extended through amended COFAs with each country.

Do you have any recommendations on how the U.S. and Palau could resolve this issue?

⁴³ Article IX states: “If loss or damage to property and person of the citizens of the Marshall Islands, resulting from the Nuclear Testing Program, arises or is discovered after the effective date of this Agreement, and such injuries were not and could not reasonably have been identified as of the effective date of this Agreement, and if such injuries render the provisions of this Agreement manifestly inadequate, the Government of the Marshall Islands may request that the Government of the United States provide for such injuries by submitting such a request to the Congress of the United States for its consideration.”

⁴⁴ U.S. Department of State, *Report Evaluating the Request of the Government of the Republic of the Marshall Islands Presented to the Congress of the United States of America*, November 2004.

⁴⁵ Department of State, “U.S. Medical and Environmental Assistance to the Marshall Islands,” fact sheet, January 4, 2005, at U.S. Medical and Environmental Assistance to the Marshall Islands (state.gov); Department of State, *Report Evaluating the Request of the Government of the Republic of the Marshall Islands Presented to the Congress of the United States of America*.

⁴⁶ Susanne Rust, “How the U.S. Betrayed the Marshall Islands, Kindling the Next Nuclear Disaster”; Embassy of the United States, Majuro, Marshall Islands, “The Legacy of U.S. Nuclear Testing and Radiation Exposure in the Marshall Islands.”

⁴⁷ Congressional ex gratia payments are not compelled by legal right or formal agreement.

⁴⁸ For information about DOE programs for medical surveillance and care, environmental monitoring and characterization, and dose assessment for the peoples of the nuclear affected atolls, see Department of Energy, International Health Studies and Activities, at <https://www.energy.gov/ehss/international-health-studies-and-activities>.

⁴⁹ Marshall Islands National Nuclear Commission, “Nuclear Justice for the Marshall Islands—A Strategy for Coordinated Action, FY2020–FY2023,” 2019, at <https://rmi-data.sprep.org/system/files/RMI%20NNC%20Strategy%202019.pdf>.

Answer. The unique process by which the U.S. economic or grant assistance provisions (Title Two) of the COFA with Palau are extended does not appear to have delayed past or recent negotiations of CRAs with Palau, although the congressional budget process delayed the allocation of funds for Palau following the 2010 CRA. The U.S.-Palau Compact of Free Association (Palau Compact of Free Association Act, P.L. 99-658, Section 432) states in part:

Upon the fifteenth and thirtieth and fortieth anniversaries of the effective date of this Compact, the Government of the United States and the Government of Palau shall formally review the terms of this Compact and its related agreements and shall consider the overall nature and development of their relationship. In these formal reviews, the governments shall consider the operating requirements of the Government of Palau and its progress in meeting the development objectives set forth in the plan referred to in Section 231(a). The governments commit themselves to take specific measures in relation to the findings of conclusions resulting from the review.

Section 231(a) of the Palau Compact of Free Association Act states:

The annual expenditure by the Government of Palau of the grant amounts specified in Article I of this Title shall be in accordance with an official national development plan promulgated by the Government of Palau and concurred in by the Government of the United States prior to the effective date of this Compact. This plan may be amended from time to time by the Government of Palau.

A CRS review of news reports, expert analysis, congressional testimony, and U.S. government statements does not find evidence to suggest the review process or any related conditions pursuant to the Palau Compact hindered negotiations to renew economic assistance provisions of the Compact prior to the 2010 CRA. Compared to the other two Compact states, the Marshall Islands and Micronesia, Palau had “proved more responsible in how it handle[d] its funding.”¹

The Government Accountability Office (GAO) reported in 2008:

Despite limited capacity to address persistent internal control weaknesses, Palau made progress in providing financial accountability and met most of the compact’s and related agreements’ accountability requirements; however, [the Office of Insular Affairs] provided limited monitoring of Palau’s accountability for compact assistance.²

The GAO report suggested, furthermore, that the review process was not rigorous. The report stated that Palau provided annual reports to the U.S. government but that there was “no documentation regarding . . . whether the U.S. government agreed or disagreed that Palau used compact funds as set forth in its economic development plan.” Economic consultations were “informal” and “did not provide any documentation.”³ Some analysts call for greater U.S. oversight of Compact assistance, particularly in the Marshall Islands and Micronesia, which might suggest a need to strengthen Palau’s oversight mechanisms and apply them to the other COFA states.⁴

To the degree that Palau may have fallen short on benchmarks related to its national development plan, the U.S. government offered additional, targeted assistance to help Palau meet its economic goals during the second Compact assistance period (2010–2024). According to 2011 testimony by Anthony Babauta, then-Assistant Secretary of the Interior for Insular Affairs, the Compact Section 432 review focused in part on four areas for further Compact assistance: (1) the Compact

¹Elke Larsen, “Prioritizing Palau: Why the Compact Budget Matters,” Center for Strategic and International Studies, October 10, 2013.

²Government Accountability Office, Compact of Free Association: Palau’s Use of and Accountability for U.S. Assistance and Prospects for Self-Sufficiency, June 2008, p. 4.

³Ibid., p. 31.

⁴Emil Friberg, Testimony before the House Natural Resources Committee on Indian and Insular Affairs—“Preserving U.S. Interests in the Indo-Pacific: Examining How U.S. Engagement Counters Chinese Influence in the Region,” May 16, 2023; Michael Walsh, “Congress Should Strengthen Oversight on Pacific Islands Affairs,” *The Hill*, March 28, 2023; David Gootnick, Government Accountability Office, Testimony before the Committee on Energy and Natural Resources, U.S. Senate, April 5, 2016.

trust fund; (2) implementation of fiscal reforms; (3) foreign investment and private sector growth; and (4) the continuation of U.S. economic assistance.⁵

In 2010, the United States and Palau concluded the U.S.-Palau Compact Review Agreement, to extend economic assistance for another 15 years, worth \$229 million.⁶ The 2010 agreement was not fully funded by Congress until FY2018, largely due to budgetary constraints. The Budget Control Act of 2011 (P.L. 112-25) required new mandatory spending to be offset by spending cuts elsewhere; negotiations over this process delayed funding for Palau.⁷

As talks to renew economic provisions of the Compact with Palau for the 2025–2044 period progressed in 2022 and 2023, the U.S. and Palau governments discussed Palau’s economic development, but any issues related to Palau’s meeting Compact objectives or to its national development plan did not appear to impede negotiations or thwart increased funding levels.⁸ The Palau Economic Advisory Group (EAG) was formed in 2022 pursuant to the 2010 CRA.⁹ Its first report noted, among other observations, that the financial situation of the economy and government of Palau was “dire,” due in part to the collapse of tourism. The report did not place economic conditions on Palau for renewing the Compact, but rather made policy recommendations to carry out during and after completion of negotiations.¹⁰ During the 2022–2023 U.S.-Palau Compact negotiations, Palau President Surangel Whipps negotiated an increase in total grant assistance to \$889 million, more than twice the amount the U.S. government had proposed at the start of bilateral discussions in 2020. President Whipps reportedly had found the initial offer “unacceptable.”¹¹

Question 2. In 2003, the U.S. State Department changed the security and defense provisions of the RMI and the FSM compact agreements. These include creating linkages between access to COFA trust funds and compliance with U.S. strategic denial rights.

Do you think the State Department’s linkage of economic assistance and defense and security rights have created uncertainty in the FAS about the permanence of COFA and that this gave the PRC an opening to exert influence in the RMI and the FSM?

Answer. Several factors suggest the Republic of the Marshall Islands (RMI) and the Federated States of Micronesia (FSM) prefer to work with the United States on issues related to the Compacts and are wary of the influence of the People’s Republic of China (PRC or China). The Compact of Free Association Amendments Act of 1985 (P.L. 108-188, Section 354), and the Trust Fund Agreements between the United States and the RMI and FSM contain provisions that allow the United States to withdraw its contributions from the Compact trust funds if the RMI or FSM government takes any action that the U.S. government determines to be incompatible with the U.S. responsibility for security and defense matters related to the Compact states.¹²

⁵Hearing before the Committee on Energy and Natural Resources, U.S. Senate, “To Review S. 343, a Bill to Amend Title 1 of P.L. 99-658 Regarding the Compact of Free Association between the Government of the United States of America and the Government of Palau . . .,” June 16, 2011.

⁶Department of the Interior, “Budget Justifications and Performance Information, Fiscal Year 2024, Office of Insular Affairs,” Agreement between the Government of the United States of America and the Government of the Republic of Palau Following the Compact of Free Association Section 432 Review, September 3, 2010 at <https://www.state.gov/18-919-2/>.

⁷Elke Larsen, “Prioritizing Palau: Why the Compact Budget Matters,” Center for Strategic and International Studies, October 10, 2013; David Walter, “Sequestration in Paradise,” *Wall Street Journal*, February 28, 2013.

⁸Heritage Foundation, “Pacific Islands Roundtable,” April 26, 2023.

⁹The EAG is composed of five members. The U.S. and Palau governments each appoint two members, and the fifth is selected by the United States and nominated by Palau.

¹⁰First Annual Report of the Palau Economic Advisory Group, April 2023. See also Department of State, “Completion of the Palau Bilateral Economic Consultation Meetings,” media note, June 23, 2023 and Department of State, “Secretary Blinken Witnesses the Signing of the U.S.-Palau 2023 Agreement Following the Compact of Free Association Section 432 Review,” media note, May 22, 2023.

¹¹Leilani Reklai, “Palau and US Formally Sign Compact Review Agreement,” *Island Times*, May 23, 2023; Ongerung Kambes Kesolei, “Looking at Palau’s Approach to the Compact Negotiation,” *Pacific Island Times*, February 7, 2023; Leilani Reklai, “US-Palau Compact Review MOU Promises Double Financial Assistance,” *Island Times*, January 13, 2023.

¹²See, for example, “Agreement Between the Government of the United States of America and the Government of the Federated States of Micronesia Implementing Section 216 and Section

The RMI and FSM governments do not appear to have explicitly challenged these Compact provisions, have supported their security and defense relationships with the United States, and, according to at least one report, have not seriously considered withdrawing from the Compacts.¹³ China's growing influence in the region, rather than providing an incentive to embrace China, reportedly has given the RMI and FSM more leverage in negotiations with the United States to extend Compact economic assistance. And while some RMI and FSM citizens have expressed distrust of U.S. military engagement, news reports suggest that local sentiment generally has favored the United States over China.¹⁴

Although the PRC's influence in the Pacific Islands region is growing, its engagement among the FAS compared to its relations in the rest of the region has been limited, due to the U.S. political, economic, and security presence among the COFA states and to the PRC's lack of diplomatic relations with the Marshall Islands and Palau.¹⁵ China's engagement is greater in Micronesia, with which it has diplomatic relations, as well as a "comprehensive strategic partnership."¹⁶ Nonetheless, in May 2022, when China proposed a sweeping diplomatic, economic, and security pact between the PRC and ten Pacific Island countries (PICs) with which it has diplomatic relations, then FSM President David Panuelo and some other PICs opposed the agreement, causing China to shelve it.¹⁷

On May 22 and May 23, 2023, the United States signed agreements with Palau and Micronesia, respectively, on extending the economic assistance provisions of the Compacts of Free Association for another 20 years.¹⁸ A final U.S. agreement with the Marshall Islands has not yet been reached.¹⁹ Marshall Islands resistance to signing an agreement with the United States stems largely from dissatisfaction with the way the U.S. government has provided compensation for the effects of past nuclear testing over the country.²⁰ According to U.S. government sources, between 1958 and 2019, the United States provided \$600 million to the Marshall Islands for nuclear test damages, environmental cleanup and restoration, resettlement, and health and medical programs.²¹ The RMI government and local communities long have sought greater compensation from the U.S. government, but so far have not turned to China for assistance related to U.S. nuclear legacy issues.

While the RMI and FSM governments remain committed to the Compacts, according to some observers, one area of possible concern is political fragmentation, particularly in Micronesia. Some residents of two FSM states, Chuuk and Yap, have supported separating from the federation, citing economic and other reasons. Political fragmentation could possibly lead to new political entities outside of the Compacts' authorities, stronger local relations with China, and/or greater vulnerability to PRC influence, including corruption.²²

217 of the Compact, as Amended, Regarding a Trust Fund," at Trust Fund Agreement—Joint Committee on Compact Review and Planning (JCRP) (gov.fm).

¹³ "America's Pacific Island Allies: The Freely Associated States and Chinese Influence," RAND, 2019.

¹⁴ Peter McKenzie, "Marshall Islands, Feeling Neglected by the U.S., Enjoys New Leverage," *Washington Post*, January 27, 2023; Ashley Westerman, "The US is Building a Military Base in the Middle of the Pacific Ocean. Micronesian Residents Have Questions," *The World*, August 24, 2021.

¹⁵ Of 14 countries worldwide that recognize Taiwan diplomatically, four are in the Pacific (Marshall Islands, Nauru, Palau, and Tuvalu). China does not recognize countries that have diplomatic relations with Taiwan, which it considers to be a part of the PRC. The Marshall Islands and Palau governments have pledged continued commitment to Taiwan. "Marshall Islands says 'Strongly Committed' to Taiwan Ties," Reuters, March 22, 2022; "Palau Says Committed to Supporting Taiwan Despite 'Mounting Aggressions'," Reuters, October 6, 2022.

¹⁶ Cao Desheng, "President Hails Ties with Micronesia in Greetings," *China Daily*, May 21, 2019.

¹⁷ Kirsty Needham, "China Seeks Pacific Islands Policing, Security Cooperation—Document," Reuters, May 25, 2022.

¹⁸ Department of State, "Secretary Blinken Witnesses the Signing of the U.S.-Palau 2023 Agreement Following the Compact of Free Association Section 432 Review," media note, May 22, 2023; Department of State, "Signing of the U.S.-FSM Compact of Free Association-Related Agreements," media note, May 23, 2023.

¹⁹ In January and February 2023, the United States signed memoranda of understanding with all three Compact countries on the basic levels and types of Compact assistance for the next 20 years.

²⁰ "Marshall Islands Compact Held Up by Nuclear Legacy," *RNZ*, June 27, 2023.

²¹ Susanne Rust, "How the U.S. Betrayed the Marshall Islands, Kindling the Next Nuclear Disaster," *Los Angeles Times*, November 10, 2019; Embassy of the United States, Majuro, Marshall Islands, "The Legacy of U.S. Nuclear Testing and Radiation Exposure in the Marshall Islands."

²² United States Institute of Peace, "China's Influence on the Freely Associated States of the Northern Pacific," September 2022; Jonathan Barrett, "Chuuk Independence Vote Postponed as

Question 3. In the March 17, 2023, CRS report, “The Compacts of Free Association,” it is stated that “More than 94,000 FAS citizens live in the United States, including children under the age of 18 who were born in the United States and hold dual citizenship.” Given the importance of clarifying issues unique to the Compacts and related statutes, we would note that on May 5, 2023, the Department of the Interior (DOI), Office of Insular and International Affairs (OIA), issued a press release also reporting the FAS resident population in U.S. at 94,000.

In this respect, the DOI/OIA press release cited GAO Report 20-491, dated June 15, 2020, as the source for OIA’s assertion that “. . . more than 94,000 Compact Migrants . . .” from the FSM, the RMI, and Palau “. . . live and work in . . .” the U.S. and its territories. The OIA statement added that among the 94,000 “Compact Migrants” an “. . . estimated 43% are U.S. citizens.”

The estimate of 43% U.S. citizenship rate among what GAO and OIA refer to as “Compact Migrants” is confirmed at Appendix VI, p. 67 of the GAO report. The GAO report cited by OIA also states that, “From 2013 to 2018 an estimated 50 percent of compact migrants lived on the U.S. mainland.”

While the U.S. does not treat acquisition of a citizenship of other nations under the laws thereof as relinquishment or grounds for loss of U.S. nationality, in general the U.S. does not create dual citizenship by operation of U.S. law. The suggestion that by conflation of COFA Section 141 non-immigrant visa waiver residence and the Section 104(e) definition of qualified nonimmigrant combine to recognize or establish a form of dual nationality is problematical.

Children of FAS parents born in a state acquire U.S. nationality and citizenship under Section 1 of the 14th Amendment, and children of FAS parents born in a territory acquire birthright nationality and/or citizenship under 8 U.S.C. 1401-1408. Thus, unless there is a statute mandating that a permissibly defined class of U.S. citizens with FAS heritage shall be treated as nonimmigrants, interpretation of COFA Sections 141–143 as a dual nationality scheme in combination with Section 104(e) of the COFA Act of 2003 is unavailing.

Each of the three FAS constitutions requires FAS citizens who acquire a second citizenship to make an election between FAS citizenship and citizenship of any other nation, including the United States. The FSM and RMI bar to dual citizenship seems to apply to children born outside the FSM and RMI, since both those constitutional prohibitions require election at age 18.

3a) Do you think it would be more consistent to conclude that the number of FAS citizens in the U.S. under the COFA visa waiver provisions, as well as those counted for purposes of Compact impact assessment, should be reduced by the percentage of that 94,000 figure that represents U.S. citizens, regardless of age?

Answer. FAS citizens have the right to reside and work in the United States and its territories as lawful non-immigrants. According to the Department of the Interior, Office of Insular Affairs, more than 94,000 Compact migrants from the RMI, FSM, and Palau are estimated to live and work in the United States and its territories. Among FAS migrants living in U.S. states in 2013–2017, an estimated 43% were U.S. citizens, including naturalized citizens and minor-age children of FAS migrants who were born in the United States and hold dual citizenship.²³ The proportion of FAS migrants in U.S. states plus its Pacific territories who are U.S. citizens is likely to be roughly the same. In terms of assessing the impact or costs to U.S. states and territories where FAS migrants live, some FAS people may be both counted as FAS migrants and hold U.S. citizenship. Although FAS migrants generally are ineligible for most federal program benefits due to restriction on non-U.S. citizens under the Personal Responsibility and Work Opportunity Act of 1996 (P.L. 104-193), some people counted as FAS migrants for purposes of assessing costs may be eligible for federal programs due to their U.S. citizenship status.²⁴

The Compact of Free Association Act of 1985 requires the President to report annually to Congress on the impact of the Compact on U.S. territories and common-

China-U.S. Pacific Contest Builds,” Reuters, February 26, 2020; “Falan: Yap Is Increasingly Finding Itself at the Mercy of China,” *Pacific Island Times*, July 17, 2022; China Meets Its Limits in Micronesia, East Asia Forum, April 8, 2020.

²³The total number of FAS migrants in U.S. states, the District of Columbia, and Puerto Rico was 72,965 according to this estimate. Department of the Interior, “U.S. Department of the Interior Supports Solution for Compact Impact,” May 5, 2023; Government Accountability Office, Report to the Chairman of the Committee on Energy and Natural Resources, U.S. Senate, “Compacts of Free Association: Populations in U.S. Areas Have Grown, with Varying Reported Effects,” June 2020, p. 18.

²⁴For an example of how U.S. impacted areas assess costs of FAS migration, see State of Hawaii Department of Business, Economic Development & Tourism, “COFA Migrants in Hawaii,” February 2020.

wealths in the Pacific and on the State of Hawaii, and to cover the costs “resulting from any increased demands placed upon education and social services” by migrants from the FAS.²⁵ The Compact Amendments Act of 2003 mandated \$30 million in Compact Impact funds be allocated annually for 20 years (2004–2023).²⁶ The apportionment of these funds among the impacted U.S. Pacific areas is based upon Census enumerations done roughly every five years.²⁷ Since 2012, Congress has annually appropriated additional discretionary Compact Impact funds, including \$6 million for FY2023.²⁸

3b) Do you agree that FAS law determines FAS nationality and citizenship, and U.S. law determines U.S. nationality and citizenship, so U.S. laws including the Compacts do not create a formal or legally defined dual nationality or citizenship for FAS citizens in the U.S. or U.S. citizens in the FAS?

Answer. The Immigration and Nationality Act (INA),²⁹ the basis of U.S. immigration law, does not contain provisions on dual citizenship. Under the Citizenship Clause of the Fourteenth Amendment to the Constitution and INA Section 301(a) (8 U.S.C. § 1401(a)), persons born within the United States, on federally recognized tribal lands, and in designated territories (currently, Puerto Rico, the U.S. Virgin Islands, Guam, and the Commonwealth of the Northern Mariana Islands) generally are U.S. citizens at birth, regardless of the citizenship or immigration status of their parents.³⁰

Individuals who are not U.S. citizens at birth may naturalize pursuant to requirements specified in the INA.³¹ Generally, an individual must first be a lawful permanent resident (LPR) in order to be eligible to naturalize. Citizens of the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands admitted to the United States under the Compacts are not LPRs; however, they may become LPRs if they are otherwise eligible under the INA.³²

An individual who naturalizes in the United States may retain the citizenship of another country if that country permits it. The United States has no authority to prohibit another country from continuing to treat an individual as its citizen. See, for example, this guidance from the Department of State:

Each country has its own nationality laws based on its own policy. Persons may have dual nationality by automatic operation of different laws rather than by choice. For example, a child born in a foreign country to U.S. national parents may be both a U.S. national and a national of the country of birth. Or, an individual having one nationality at birth may naturalize at a later date in another country and become a dual national. U.S. law does not mention dual nationality or require a person to choose one nationality or another.³³

²⁵ P.L. 99-239, Section 104(e).

²⁶ P.L. 108-188, Section 104(e).

²⁷ United States Census Bureau, Final Report, “2018 Estimates of Compact of Free Association (COFA) Migrants, April 16, 2019.

²⁸ Department of the Interior, *Congressional Budget Justifications, Fiscal Year 2024, Office of Insular Affairs*.

²⁹ The INA is codified in Title 8 of the U.S. Code (8 U.S.C. § 1101 et seq.)

³⁰ For more information, see CRS Legal Sidebar LSB10214, *The Citizenship Clause and “Birthright Citizenship”: A Brief Legal Overview* and CRS Report R47223, *U.S. Citizenship for Children Born Abroad: In Brief*.

³¹ Generally, in order to naturalize, a foreign national must be a lawful permanent resident (LPR), meet certain U.S. residence and physical presence requirements, demonstrate knowledge of U.S. history and civics and English language ability, have good moral character, and show attachment to the U.S. Constitution by taking the Oath of Allegiance in a public ceremony. See INA §§ 316, 319 (8 U.S.C. §§ 1427, 1430). Individuals must be at least 18 to naturalize; children derive citizenship through their parents. The INA contains special provisions for the naturalization of members of the U.S. Armed Forces at INA § 328 and § 329 (8 U.S.C. §§ 1439, 1440). For more information, see CRS In Focus IF12322, *Naturalization: Policy Overview and Selected Trends*.

³² See U.S. Citizenship and Immigration Services, “Status of Citizens of the Freely Associated States of the Federated States of Micronesia and the Republic of the Marshall Islands: Fact Sheet,” <https://www.uscis.gov/sites/default/files/document/fact-sheets/FactSheetVerifyFASCitizens.pdf>, September 2020, and “Status of Citizens of the Republic of Palau: Fact Sheet,” [https://www.uscis.gov/sites/default/files/document/fact-sheets/FactSheet-Status of Palau.pdf](https://www.uscis.gov/sites/default/files/document/fact-sheets/FactSheet-Status%20of%20Palau.pdf), October 2019.

³³ U.S. Department of State, Bureau of Consular Affairs, “Dual Nationality,” <https://travel.state.gov/content/travel/en/legal/travel-legal-considerations/Advice-about-Possible-Loss-of-US-Nationality-Dual-Nationality/Dual-Nationality.html>.

A native-born or naturalized U.S. citizen may lose their citizenship by committing certain expatriating acts if those acts are committed voluntarily and with the intention of relinquishing U.S. citizenship.³⁴ These include voluntary naturalization in a foreign country after age 18, making a formal declaration of allegiance to a foreign country after age 18, serving in the armed forces of a foreign country engaged in hostilities against the United States, and serving in the armed forces of a foreign country as an officer. An individual may also voluntarily renounce their U.S. citizenship before a U.S. diplomatic or consular officer abroad.

Mrs. RADEWAGEN. I thank the witness for their testimony. 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 Radewagen, co-Chair Sablan, distinguished members of this Task Force, thank you for the honor of being invited to testify.

The creation of this bipartisan Task Force is timely, innovative, important, and really heartening.

[Slide.]

Ms. PASKAL. I have a map. The Pacific Islands of America and the U.S. Freely Associated States are essential for America, especially its Pacific strategy. They form a corridor of freedom, including freedom of deployment, as we have heard, from Hawaii to treaty partners Philippines and Japan. Everything that is U.S. is dark blue, and what is lighter blue is the FAS. FAS covers about as much of the Pacific as the continental United States. Very important.

As a result, they are at the receiving end of a long-running, well-funded, focused, and multi-faceted attack from the PRC. Beijing's goal is to undermine their relationship with the United States, weaken their states' institutions, and ultimately to create a condition in which, as one senior official told Admiral Keating well over a decade ago, "You, the United States, take Hawaii east and we, China, take Hawaii west." I will explain how the PRC is trying to make that happen. I will also explain the urgent need for combined block-and-build strategy in which malign influence is blocked, while at the same time domestic security is built.

One has to assume that any major project designed to build FAS economic or political independence, especially ones that will make them less reliant on China, will be targeted for delay or destruction by PRC agents through a range of gray zone activities. The biggest targets are the COFAs themselves. They build U.S. relationship with the FAS and they block through strategic denial. China wants them gone.

One of the ways that we saw that try to happen recently involved two Chinese-origin individuals who tried to bring down the Government of the Marshall Islands. PRC-origin Cary Yan and Gina Zhou obtained Marshall Islands citizenship and bribed senior Marshallese officials in an attempt to set up a semi-autonomous zone within the RMI, one that would have its own legal regime, including immigration. They came within one vote of the Marshall

³⁴ INA § 349; 8 U.S.C. § 1481.

Islands Parliament of getting it done. They were arrested in Thailand and, in September 2022, were extradited to the United States to face charges.

It sounds like a good outcome, but just wait.

The combined maximum penalties for the charges they faced are 50 years. The United States gave them a plea deal. Yan got 42 months, Zhou got 31 months. Pretty light, considering they tried to take over a country, one that is a key component of America's defense architecture and one of Taiwan's few official friends.

Zhou's sentence was so light that by the time the case was closed, she had finished serving her time, and the United States deported her back to the Marshall Islands, where she is now walking free, able to re-establish her linkages with the local elite. I wonder how much she likes the COFAs.

Coincidentally, the Marshall Islands has yet to sign.

The United States can run whatever projects it likes in the Marshalls, but if it doesn't block this sort of attack on the core elements of democracy, it will be very hard to ensure anything positive can be built.

These sort of nation-level attacks are common in the FAS. China deliberately, as mentioned, built up Palau's tourism sector. In 2008, Chinese were less than 1 percent of all tourism; 7 years later it was 54 percent. Then, in 2017, China pulled the plug on tourism in Palau, making it clear that, unless Palau switched from Taiwan to China, the tourists wouldn't come back. It devastated the Palauan economy.

The PRC also uses Chinese organized crime. In 2019 and 2022, Palau and law enforcement deported hundreds, hundreds of mostly Chinese citizens working in illegal online gambling operations. The entire population of Palau is about 18,000. Palauan authorities believe it was just one of many interlinked plans tied to influence operations by the Chinese Communist Party.

Unless that malign influence is blocked, no matter how good the idea is, it will be hard to build. At the same time, blocking PRC malign influence alone won't work. The region is still hurting from COVID. And if there is no building, just blocking social disruptions caused by increasing desperation could become destabilizing and open up new pathways for PRC operations that are extremely difficult to block.

Under the Compacts the United States has, as mentioned, an obligation to defend the Marshall Islands and the Federated States of Micronesia and Palau from attacks or threats. China is managing to stay below the triggering threshold of the tools of the Compact that could help the FAS block and build because of Washington's self-imposed limits on defining what a threat or attack looks like. This needs to change.

As a start, there needs to be a cost for taking Chinese money. Currently, there is rarely a downside to accepting that brown envelope after the banquet. A few high-profile cases could hearten honest officials, and make others recalculate their cost benefit analysis of selling out their country and, by extension, the United States of America.

That also means don't be shy about ensuring transparency and accountability in the Compact funding spending. The people of the

FAS need to know their money is being spent for their benefit. This can be reinforced by other initiatives. Currently, Senator Joni Ernst and others, as well as Representative Waltz and Connolly are finalizing the CONVENE Act. The bill is designed to support the FAS in the establishment of their own national security councils, as well as other locally-owned blocking-and-building tools. It would help the Compacts in blocking the PRC political warfare in the region, while just as actively helping the FAS build their economies, thus creating the foundation for a true, enduring, resilient, free Indo-Pacific.

This is why this Task Force is so important and, frankly, inspiring. It is also why someone in China is likely watching this right now, trying to figure out how to make it ineffective. Anything good needs to be protected. That includes the COFAs. We need to build, but we also need to block across the entire gray zone. Thank you.

[The prepared statement of Ms. Paskal follows:]

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

Introduction

Chair Radewagen, Co-Chair Sablan, and distinguished members of this task force, thank you for the privilege and honor of being invited to testify today. The creation of this bipartisan Indo-Pacific Task Force, under the auspices of the Committee on Natural Resources, is innovative, timely, and important—and heartening.

By its very composition, this task force shows how much the United States is not just a Pacific country but a Pacific Islands country, with its chair from American Samoa, its co-chair from the Commonwealth of Northern Mariana Islands (CNMI), and distinguished members from Guam and Hawaii. There is an enormous depth of knowledge in this room. That combined with the truly bipartisan nature of the task force gives hope that real solutions can be found for some of the critical threats facing region.

The threats are real—and urgent. The Pacific Islands of America (PIA) and U.S. Freely Associated States (FAS) are at the receiving end of a long running, well-funded, focused, and multifaceted attack by the People's Republic of China (PRC). Beijing's goal is to undermine these entities' relationships with the United States, weaken their state institutions, and ultimately to create the conditions in which, as one senior Chinese official told Admiral Timothy Keating: "You take Hawaii east. We'll take Hawaii west."¹

This testimony will describe some of the ways in which China is trying to accomplish that goal, with examples from each of the FAS. It will also describe how, in each of the FAS, what the United States, in partnership with the people of the PIA and FAS, can do to fight back, including adopting a "Block and Build" strategy in which malign influence is blocked while concurrently domestic security (including economic security) is built.

Block and Build

Fundamentally what's needed is a "Block and Build" approach in which vulnerable entities, with the support of allies if needed, block malign Chinese influence while simultaneously building domestic security (including economic security).

Given the advanced state of PRC influence operations in the region (described in more detail below), one has to assume that any major project designed to give the FAS economic or political independence (build), especially ones that will make them less reliant on China, will be targeted by PRC agents and slowed down through a range of grey zone tactics, from bureaucratic stalling to unfair competition, from information warfare to lawfare. Unless that targeting is blocked, it will be very hard to build.

¹Donna Miles, "China Requires Close Eye as It Expands Influence, Capability," *American Forces Press Service*, March 12, 2008. (<https://www.dvidshub.net/news/17315/china-requires-close-eye-expands-influence-capability>)

At the same time, blocking PRC malign influence alone won't work. The region is still hurting from Covid-linked economic collapse and, if there is no building, just blocking, social disruptions caused by increasing desperation could become destabilizing and open up new pathways for the PRC that are extremely difficult to block.

The title of this hearing asks "How the Compacts of Free Association Support U.S. Interests and Counter the PRC's Influence." They do it in part by giving the United States the tools necessary to Block and Build in the FAS.

As Chair Radewagen put it at the launch of this task force, the Compacts are: "One of most important tools that the United States has in supporting democracy and good governance while denying China the ability to project strategic power throughout the vast Pacific region."²

That tool, however, is underutilized in some cases and even mis-utilized at times. With financial and service renewal sections of the Compact coming to Congress soon, this task force couldn't be timelier. The stakes are high. If a block and build strategy that dovetails with the Compacts isn't adopted, there is a real risk that not only will the long-standing familial relationship with the people of the FAS be betrayed, but the United States' Pacific military strategy could collapse.

Geographic Importance of the Region (Map at End)

As others in this hearing will describe in more detail, the core American Pacific military strategy for decades has been to reinforce the First Island Chain off the coast of Asia (the string of islands broadly running north-south from Japan, through Taiwan, Philippines, and on past Malaysia). This is reinforced by another broadly north-south chain just to the east, the Second Island Chain (definitions vary, but it roughly runs from Japan, onward to the Commonwealth of Northern Marianas, Guam, the Federated States of Micronesia, Palau, Indonesia, Papua New Guinea, and then Australia).

The Pacific Islands of America and the U.S. Freely Associated States have made the island chain strategy to be possible.

The Pacific Islands of America include the unincorporated United States insular areas (also known as territories) of American Samoa, Baker Island, Guam, Howland Island, Jarvis Island, Johnston Atoll, Kingman Reef, Midway Atoll, the Commonwealth of the Northern Mariana Islands (CNMI), and Wake Island. Palmyra Atoll, which includes about 50 small islands a thousand miles or so south of Honolulu, is America's only incorporated insular territory.³ The Exclusive Economic Zones (EEZ) of the PIA combine to cover over 750,000 square miles, or roughly the surface area of Turkey.⁴

The United States also has Compacts of Free Association (COFAs) with three independent countries: the Republic of Palau, the Republic of the Marshall Islands (RMI), and the Federated States of Micronesia (FSM)—together known as the Freely Associated States (FAS).

Combined, their EEZs cover a vast area of the Pacific comparable in size to the continental United States.

Through the COFAs, the three 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]."⁵

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 countries⁶ and a veto over other countries' military access to the region.⁷

²House Committee on Natural Resources GOP, "Indo-Pacific Task Force Announcement," *YouTUBE*, June 7, 2023. (<https://www.youtube.com/watch?v=XxTa3eLxgfg>)

³"Definitions of Insular Area Political Organizations," *U.S. Department of the Interior, Office of Insular Affairs*, accessed 12 June 2023. (<https://www.doi.gov/oia/islands/politicatypes>)

⁴Alexander B. Gray and Douglas W. Domenech, "U.S. Territories: The Frontlines of Global Competition With China," *RealClearDefense*, March 11, 2021. (https://www.realcleardefense.com/articles/2021/03/11/us_territories_the_frontlines_of_global_competition_with_china_767683.html)

⁵Compact of Free Association Act of 1985, Pub. L. 99-239, 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, 100 Stat. 3672, codified as amended at 48 USC § 1681. (<https://www.Congress.gov/99/statute/STATUTE-100/STATUTE-100-Pg3672.pdf>)

⁶Thomas Lum, "The Compacts of Free Association," *Congressional Research Service*, August 15, 2022. (<https://crsreports.Congress.gov/product/pdf/IF/IF12194/1>)

⁷In broad terms, apart from defense and security provisions, the COFAs also give citizens of the FAS the right to work in the United States and 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 20 years and are currently up for renewal, expiring in FSM/RMI in 2023 and Palau in 2024.

Combined, the PIA and the FAS extend the defensive perimeter of the United States to the waters of America's treaty allies, the Philippines and Japan, and through them to Taiwan. This 'corridor of freedom' (including freedom of movement) underpins American strategic planning in the Pacific and makes the island chain defenses possible.

It is one of the many reasons Ranking Member Raúl M. Grijalva's comment at the launch of this Task Force about "how grateful we are for the role these insular areas have played for this country"⁸ was so apt.

Targeting the FAS

No other countries on the planet have such a deep defense relationship with the United States as do the FAS. The privileges and access granted to the United States by the FAS are unique. However, they are rarely discussed or examined and seem to have just become a 'given' in American strategic planning.

At the same time, those ties are a direct threat to China's ambitions, including its desire to push the United States back to Hawaii. And Beijing has been doing something about it. Others at this hearing will be covering the military aspects of China's attempts to infiltrate, coopt, and control the land, sea, and airspace of the FAS. While China is in the process of setting up those kinetic warfare capabilities in the region, it is also already well advanced on the political warfare front, which is what this testimony will focus on.

China has put enormous effort into understanding the social, political, and economic dynamics of the Pacific islands. In any country with which China has diplomatic relations, Beijing has a large embassy with staffers who speak the local language and have seemingly limitless funds to spend on influence and entertainment. In countries like the Marshall Islands and Palau, which recognize Taiwan, Beijing maintains unofficial operating nodes. The one in Marshall is considered locally as an unofficial embassy.

Since 2012, at least six Oceania-specific research centers have been set up in China, including Liaocheng University's Research Centre on Pacific Island Countries, which has a full-time staff of close to 40 researchers.⁹

This official research is augmented by inputs from Chinese businesses in the region that are, as per China's 2017 National Intelligence Law, legally obligated to support the government's intelligence operations.¹⁰

They are also supplemented by Chinese organized crime. This deployment (or at the very least sufferance) of criminal elements to advance CCP objectives is something that is becoming more prevalent or at least more visible, and it was overt during the crackdown in Hong Kong.¹¹

According to the Organized Crime and Corruption Reporting Project's December 2022 report on the Chinese Communist Party and triads in Palau:

"In 2019 and 2020, Palauan law enforcement detained and deported hundreds of mostly Chinese citizens working in illegal online gambling operations based in the country. The operations are just the latest in a string of questionable ventures by ethnic Chinese business people in the country, including U.S.-sanctioned senior triad figure Wan Kuok Koi, also known as 'Broken Tooth'. Palauan authorities believe the plans are interlinked, and tied to influence efforts by the Chinese Communist Party (CCP). The Chinese push into Palau has been facilitated by long-time Chinese expatriates in the country, as well as members of the local elite. Among these prominent locals have been two former presidents".¹²

⁸House Committee on Natural Resources GOP, "Indo-Pacific Task Force Announcement," *YouTube*, June 7, 2023. (<https://www.youtube.com/watch?v=XxTa3eLxgfg>)

⁹Denghua Zhang, "Growing Academic Interest in the Pacific—Pacific Research Centres in China," *Australian National University Department of Pacific Affairs*, February 2020. (http://dpa.bellschool.anu.edu.au/sites/default/files/publications/attachments/2020-02/dpa_in_brief_2020_2_zhang_final.pdf)

¹⁰National 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)

¹¹Gerry Shih, "China's backers and 'triad' gangs have a history of common foes. Hong Kong protesters fear they are next." *The Washington Post*, July 23, 2019. (https://www.washingtonpost.com/world/asia_pacific/chinas-backers-and-triad-gangs-have-history-of-common-foes-hong-kong-protesters-fear-they-are-next/2019/07/23/41445b88-ac68-11e9-9411-a608f9d0c2d3_story.html)

¹²Bernadette Carreon, Aubrey Belford, and Martin Young, "Pacific Gambit: Inside the Chinese Communist Party and Triad Push into Palau," *Organized Crime and Corruption*
Continued

Across the region, the PRC strategy seems to entail the use of unrestricted warfare tactics, including bribery and blackmail, to undermine sovereignty and increase PRC influence. This can be described as entropic warfare, as China actively seeks to destabilize and weaken target countries to make them easier to dominate and control.¹³ The definition of entropy is: “a process of degradation or running down or a trend to disorder.” Entropic warfare paralyzes a target country’s (political, legal, economic, social [and ultimately, if they have one, military]) ability to respond or defend itself, allowing Beijing to win without fighting.

Federated States of Micronesia (Missed Opportunity to Block and Build)

This is what then President of FSM David Panuelo was describing in his March 9, 2023, letter,¹⁴ in which he writes not only how PRC bribery affect national security but that the PRC is actually working to create the conditions to break up the country itself by supporting separatist movements:

“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 . . . 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.”

In his letter, Panuelo outlined what would be required for the FSM to recognize Taiwan, in effect offering the United States a rare opportunity to transform the region and support Block and Build. Doing so would have, over time, blocked the sort of PRC-instigated economic and social disruptions (entropic warfare) he described and would give FSM the space to build its economy and society in a resilient and sustainable manner.

It also would have led to all three FAS recognizing Taiwan, reinforcing each other politically, and creating opportunities for cooperation that increase strategic depth, such as illegal fisheries patrols throughout FAS waters that include Taiwanese representatives.

Additionally, it would have been a major psychological boost to those trying to fight PRC influence—a counter to the PRC’s inevitability narrative, which tries to inculcate the idea that resistance is futile.

Yet Washington failed to seize this critical opportunity. As part of putting together a future strategy, it is important to understand why neither the State Department nor any other arm of the federal government actively followed up on Panuelo’s offer.

Marshall Islands—The Department of Justice Inadvertently Undermines Block and Build

A recent case involving two Chinese-origin individuals who tried to bring down the government of the Marshall Islands—and what the Department of Justice (DoJ) did about it—is just as worthy of inquiry.

The Republic of the Marshall Islands recognizes Taiwan and is home to an important U.S. military base at Kwajalein. RMI will hold elections in November 2023, and, unlike Palau and FSM, it has yet to sign in the current round of Compact negotiations.

The Marshallese sacrificed dearly, including through 67 nuclear tests conducted by the United States,¹⁵ to contribute to America’s defense. But, as we’ve seen, the PRC’s preferred battlefield today is political—with the goal of obviating the need for

Reporting Project, December 12, 2022. (<https://www.occrp.org/en/investigations/pacific-gambit-inside-the-chinese-communist-party-and-triad-push-into-palau>)

¹³ Cleo Paskal, “China Winning Entropic Warfare in Pacific Islands,” *Sunday Guardian* (India), June 4, 2022. (<https://www.sundayguardianlive.com/news/china-winning-entropic-warfare-pacific-islands>)

¹⁴ Cleo Paskal, *LinkedIn*, March 10, 2023. (https://www.linkedin.com/posts/cleopaskal_panuelo-letter-on-switch-to-taiwan-prc-activity-7039672476045340672-8RmJ)

¹⁵ Hart Rapaport and Ivana Nikolic 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/>)

kinetic warfare (i.e., to win without fighting)—or to ease the way for a kinetic win if required.

As seen in FSM, the United States’ focus on kinetic defense has not been matched by a concern for defense against China’s political warfare. In fact, in some cases, the United States takes misguided and short-sighted actions that only make things easier for the PRC.

An example is the case of PRC-origin Cary Yan and Gina Zhou. Yan and Zhou obtained Marshall Islands passports and then set about trying to undermine the sovereignty and integrity of the Marshall Islands. The incident details below comes from Department of Justice documents.

By December 2016, Yan and Zhou were meeting with RMI officials in both New York City and the RMI itself, proposing the development of a semi-autonomous region within the RMI.

Around April 2018, an NGO controlled by Yan and Zhou hosted a conference in Hong Kong attended by, among others, members of the RMI legislature. The NGO paid for the travel, accommodations, and entertainment of the RMI officials. There, the NGO, with the support of the legislators, publicly launched an initiative to establish the so-called Rongelap Atoll Special Administrative Region (the “RASAR”).

RASAR was to be created by legislation (the “RASAR Bill”) that, if enacted by the RMI legislature, would significantly change the laws on the Rongelap Atoll, including relaxing immigration regulations.

U.S. Immigration and Customs Enforcement described RASAR as: “a multi-year scheme that included establishing a nongovernmental 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.”

According to the DoJ’s sentencing submission, Yan: “played a long game. He acquired a[n] unaffiliated NGO, in order to position himself to bribe numerous RMI officials. When those initial bribes failed to accomplish Yan’s goal of establishing the RASAR, he sought to boot the RMI’s then-President from office. And although that attempt failed, when there was a change in administrations, Yan worked with the officials he had bribed to try again. It was only the combination of the pandemic and the charges in this case that ultimately foiled Yan’s efforts.”¹⁶

On November 16, 2020, Yan and Zhou were arrested in Thailand. On September 2, 2022, they were extradited to the United States and arrived in New York and charged with conspiring to violate the Foreign Corrupt Practices Act (FCPA), violating the FCPA, conspiring to commit money laundering, and committing money laundering.

At the unsealing of the indictment against Yan and Zhou, Assistant Attorney General Kenneth A. Polite, Jr. said: “Yan and Zhou allegedly engaged in a multi-year scheme to bribe elected officials in the Marshall Islands and to corrupt the legislative process.”¹⁷

U.S. Attorney Damian Williams added: “Yan and Zhou’s bribes blatantly flouted the sovereignty of the Republic of the Marshall Islands and its legislature.”¹⁸

The maximum penalties for these charges are five years in prison for conspiring to violate the FCPA; five years in prison for each violation of the FCPA; 20 years in prison for conspiring to commit money laundering; and 20 years in prison for committing money laundering.

Yan and Zhou each pled guilty to one count of conspiracy to violate the anti-bribery provisions of the Foreign Corrupt Practice Act, with Yan getting 42 months¹⁹ and Zhou 31 months.²⁰

¹⁶ “Yan Sentenced To 3.5 Years For Marshall Islands Bribery Scheme,” *FCPA Professor*, accessed June 11, 2023. (<https://fcpaprofessor.com/yan-sentenced-3-5-years-marshall-islands-bribery-scheme>)

¹⁷ United States Attorney’s Office Southern District of New York, Press Release, “U.S. Attorney Announces Extradition Of Two Defendants Charged With Bribing High-Level Officials Of The Republic Of The Marshall Islands,” September 2, 2022. (<https://www.justice.gov/usao-sdny/pr-us-attorney-announces-extradition-two-defendants-charged-bribing-high-level-officials>)

¹⁸ *Ibid.*

¹⁹ United States Attorney’s Office Southern District of New York, Press Release, “Defendant Sentenced To 42 Months In Prison For Conspiring To Bribe High-Level Officials Of The Republic Of The Marshall Islands,” May 16, 2023. (<https://www.justice.gov/usao-sdny/pr-defendant-sentenced-42-months-prison-conspiring-bribe-high-level-officials-republic>)

²⁰ Department of Justice, Press Release, “Former Head of Non-Governmental Organization Sentenced For Bribing Officials of Republic of Marshall Islands,” May 16, 2023. (<https://www.justice.gov/opa/pr/former-head-non-governmental-organization-sentenced-bribing-officials-republic-marshall>)

This might seem like a win for ‘blocking,’ yet due to the pleas, and consideration for time served, their actual sentences were light considering they tried to take over a country—one that is a key component of America’s defense architecture and one of Taiwan’s few official friends.

DOJ also surrendered the opportunity to take the case to trial, which could have served as a powerful deterrent to future political warfare and would have made public the names of the Marshallese who were bribed.

As in the case of Panuelo’s Taiwan offer being made and then ignored, Washington turned what could have been a major ‘blocking’ win into a loss that was worse than if there had been no opportunity at all.

Nor, according to RMI officials, have case details been passed to RMI authorities so Yan and Zhou, and the officials they bribed, can be prosecuted in Marshall Islands. This potentially leaves some of those corrupt officials free to run in the upcoming November 2023 elections.

More concerning, Zhou’s sentence was so light that she had finished serving her time soon after the case was closed, and the United States deported her back to the Marshall Islands.

She is currently there, walking free, able to re-establish her linkages with local elites, and showing by her mere presence that there is little downside to taking or giving Chinese bribes. She is expected to be joined soon by her co-conspirator who is also likely to be deported back to the Marshalls by the United States once he has served his time. He may even get there in time to vote in the elections.

This isn’t an unusual occurrence. Across the FAS, there are Chinese-deemed ‘undesirables’ that the FAS government can’t themselves deport. In some cases, the PRC refuses to admit the undesirables are PRC citizens (because keeping them in country aids PRC entropic warfare). In other cases, the FAS simply doesn’t have the money or political weight to deport them. And so they stay, undermining the countries from within. Sometimes, as in this case, because of the United States Department of Justice.

Palau—A President’s Ideas on How to Block and Build

There are leaders across the FAS who, though beleaguered, are still fighting to block malign influence and build their countries. One is President Surangel Whipps, Jr. of Palau. Palau recognizes Taiwan and was the target of an elaborate political warfare operation by China to try to change that.

Beijing first worked to build up Palau’s dependence on Chinese tourism. In 2008, there were 634 Chinese tourists in Palau, less than 1 percent of all tourists. By 2015, it was more than 91,000, or around 54%.²¹ Then, in 2017, China pulled the plug, making it clear that, unless Palau switched from Taiwan to China, the tourists wouldn’t come back. This devastated the economy and left empty and crumbling Chinese-leased real estate and developments across the country—a formidable display of entropic warfare.

Palau, however stood firm. But it was not easy, especially after Covid added a second hit. President Whipps, in preparation for this hearing, was kind enough to give concrete examples of what he thinks his country needs to block and build economically.

He said:²²

Our biggest challenges are trying to build a diversified, resilient economy, combat[ing] climate change, and combat[ing] the influence of [the] Chinese in Palau.

Our economy was devastated by Covid. Tourism isn’t back. We are at 30 percent of pre-Covid numbers. Palau’s GDP fell, so we were accessible for [GDP-level linked] DFC [U.S. International Development Finance Corporation]. But why were we even taken off DFC? We shouldn’t need measures like that to keep us out.

One of our main challenges is direct investment. The largest direct investor in Palau is still China. It’s a challenge to try to not open up direct flights from China back to Palau. I’m going to Japan next week to talk about direct flights, but they might not be back until next year. Right now, there are two flights a week from Taiwan, they are full. They can’t increase.

²¹ Kate Lyons, “Palau against China!': the tiny island standing up to a giant,” *The Guardian* (UK), September 7, 2018. (<https://www.theguardian.com/global-development/2018/sep/08/palau-against-china-the-tiny-island-defying-the-worlds-biggest-country>)

²² Interview with President Surengel Whipps, Jr., June 8, 2023.

I've just been to Korea trying to get Koreans to start direct flights because Korea is about five hours away. Korean tourists are among the top tourists going to Guam. One airline was interested in Palau but they said the runway wasn't quite long enough for the large aircraft. It means a 30 percent penalty in cost—it'll cost 30 percent more than flying to Guam. That makes Palau less interesting.

Meanwhile, for several years, the U.S. government said our runway wasn't quite long enough for F-35s.

We proposed a solution to the United States, and to Australia, Taiwan, Japan, Korea—help us extend the runway to 3,000m from 2,100m. It would help in deterrence. We believe peace comes through strength, but a strong a resilient economy also provides deterrence.

That's the sort of area where there is a synergy, where we can do what's good for defense and for the economy. It's an opportunity where maybe we can encourage investment from others in the region, other investment instead of China. We really need to work with others in the region to encourage investment. We need partnerships. This year finally for [the] first time Japanese investment in tourism will surpass everyone else—there is a new Japanese hotel being built. We want to see U.S. investment here—a U.S. hotel. We are really trying to bring others here.

We have pressure to open up direct flights to Macau and Hong Kong from Cambodian carriers. Japan is slow, Korea is slow, Taiwan is slow—China is saying 'give us more flights.' It's hard to say we won't accept them because hotels are empty, boats are empty.

Another concern is that, if not handled by others, environmental crises could be opportunities for China to act. We've seen the PRC use humanitarian assistance and disaster relief as a reason to deploy and embed, as seen in Tonga following the devastating volcano eruption. According to Whipps:

FEMA accessibility is really important to Palau. It's Russian roulette out here. Look at what just happened to Guam. Those systems move up to Guam, down to Yap, down to Palau.

If something happens, it [is] a matter of who's closest to our door. Who's fastest to respond? When that disaster happens, who will jump out to say 'here we are to help you?' The last typhoon, we got more assistance from the Federated States of Micronesia than the United States.

One way to block and build on this front is to support the development of local capacity to handle crises and also to be better coordinated with the United States. Palau has tried to lead the way on this by setting up a National Security Coordinator office, but in spite of it proving its worth over and over again to the United States, it gets little support.

Similarly, there is an enormous untapped resource in the FAS—the large number of FAS citizens who are American military veterans. Properly organized, perhaps as a variation on reserves but answerable to the FAS governments, they could be invaluable in crises and serve as bridges to U.S. responders. According to Whipps:

There has been some traction on addressing the needs of veterans, but they really need it to be enacted. Why [do] veterans . . . in Philippines and Canada receive more benefits than . . . ones in the FAS?

We want them to retire back in the islands—wouldn't it be wonderful if they return to Palau and receive full benefits in Palau? Then they can be comfortable while contributing to the economy and security of Palau.

It [is] an economically small thing for the U.S. but huge when it comes to improving the lives and security in Palau. Something like 5 percent of graduating high school students join the U.S. military. We are happy to let them come and recruit, but when they are done, please take care of them. Please don't forget them.

That means being able to see a local doctor here and get the care they need. There are rules that make it difficult, like to get counselling online you need to be on U.S. soil. Also, many have to pay for [their] own tickets to get to Guam for assessment. The United [Airlines] flight to Guam is, per mile, among [the] most expensive in world. In the last years, two veterans have taken their lives in Palau.

Conclusion and recommendations

Under the Compacts, the United States has an “obligation to defend the Marshall Islands and the Federated States of Micronesia [and Palau] and their peoples from attack or threats.”²³

China is managing to stay below the ‘triggering’ threshold of the tools in the Compact that could help the FAS block and build because of Washington’s self-imposed limits on defining what a threat or attack looks like—which, at this stage, given what is being ignored, seems to involve something as overt as a World War Two-style amphibious storming of the beaches. This needs to change.

At its most basic, this means that rather than sending Chinese who have been found guilty of trying to “corrupt the legislative process” of the Marshall Islands back to the Marshalls (and then not sharing case information with the relevant authorities in Marshall so they can at least prosecute the cases themselves), the United States could help set up special investigative units to uncover and prosecute corruption in the FAS.

Currently, given the degree of involvement of Chinese organized crime and the tight knit nature of FAS societies, there is concern about going after the big fish. The 2019 murder of an American lawyer who was Acting Attorney General of FSM created fear across the region.²⁴

If welcomed by the FAS, it might make sense for the U.S. military to assist on some of the investigations. The Department of Defense has the largest American presence on the ground in the FAS and knows and possibly values the region the best.

The most fundamental aspect of blocking is that there needs to be a cost for taking Chinese money. Currently, there rarely is a downside to accepting that brown envelope after the banquet. At the very least, Magnitsky Act charges or something similar could be explored. Just a few high-profile cases could hearten honest officials and make others recalculate their cost/benefit analysis of selling out their country—and by extension, U.S. security. (That can also mean not being shy about ensuring transparency and accountability in the Compact funding spending. The people of the FAS need to know their money is being spent for their benefit.)

Similarly, given the dual-use nature of the Chinese fishing fleet, illegal fishing in the FAS should be seen as a national security issue for the United States. The U.S. military should be defending FAS EEZs aggressively. But that blocking is not enough. Simultaneously, there should be efforts to help the FAS build their fisheries in a way that, as President Whipps said in reference to tourism, is diversified and resilient. That is the only way to truly keep out the malign influence.

When the pieces combine, the overall goal would be to create a Micronesian Zone of Security, Prosperity, and Freedom that would knit the PIA and FAS (and maybe eventually Nauru and Kiribati) together, letting the countries and territories reinforce each other socially and economically, supported by the exceptional tools made available by the Compacts.

Doing that means actively blocking PRC political warfare in the region while, just as actively, helping the PIA and FAS build their economies, thus creating the foundation for an enduring and resilient free and open Indo-Pacific.

In that context, it’s worth understanding what happens if the financial and services components of the Compacts aren’t passed. According to the U.S. Integrated Country Strategy for the FSM:

The future of many of the 50 plus USG components operating in the FSM also appears uncertain. Absent action from Congress, several will end their operations in 2024, including [the Federal Aviation Administration], [the Federal Deposit Insurance Corporation], the Post Office, and the hybrid COFA disaster response mechanism that is funded by [Federal Emergency Management Agency] and implemented by [the U.S. Agency for International Development]. The presence in the FSM of the remaining 45 plus agencies after 2023 is also

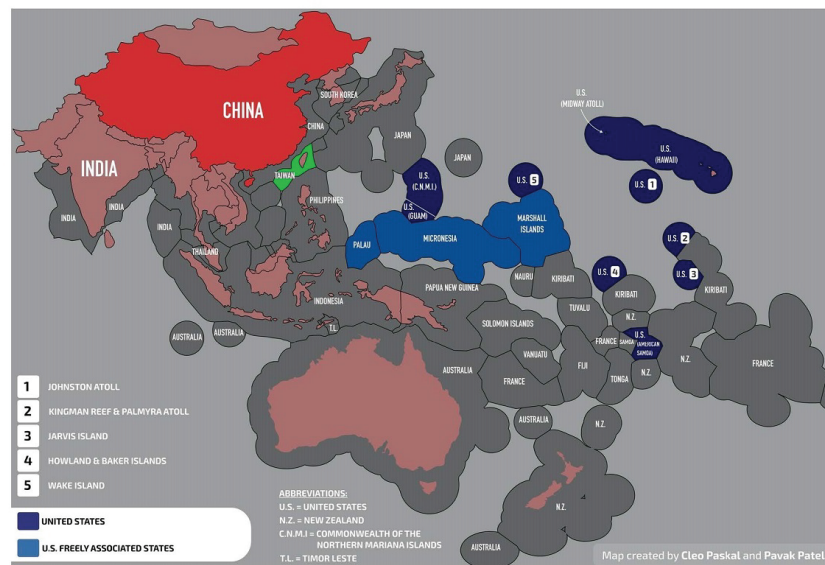
²³ Compact of Free Association Act of 1985, Pub. L. 99-239, 99 Stat. 1770, codified as amended at 48 USC § 1681. (<https://www.Congress.gov/99/statute/STATUTE-99/STATUTE-99-Pg1770.pdf>)

²⁴ Bernadette Carreon and Lauren Aratani, “Murder in Yap: sleepy Pacific island rocked by shooting of American lawyer,” *The Guardian* (UK), November 20, 2019. (<https://www.theguardian.com/world/2019/nov/21/in-yap-sleepy-pacific-island-rocked-by-shooting-of-american-lawyer>)

in question . . . Absent other countervailing factors, the reduction in US foreign assistance portends likely greater economic and political instability in the FSM after 2023.²⁵

As Whipps said: “It’s very important that the Compact agreement on economic assistance be passed this year. Last time, we started in 2010, but it wasn’t signed until 2018. That sends a bad signal to Palau and the Pacific about U.S. commitments. Economic stability provides security for all of us.”

This is why this task force is so important and, frankly, inspiring. What’s needed to block and build is a broad and deep understanding of the Compact, region and issues, and a willingness to find innovative, effective solutions. Combined, the fourteen members of this task force have what it takes. Thank you for stepping up to the challenge. It is one of the most important of the century.



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

Questions Submitted by Representative Westerman

Question 1. The U.S. agencies that take part in COFA negotiation and implementation—such as the Department of the Interior, Department of State, and Department of Defense—have a significant impact on U.S. relation with the FAS. The decision to authorize and appropriate funding for the agreement to a certain agency can send signals to the other party on how the U.S. views the relationship, as each agency represents a certain level of American policy. For example, programs administered by the Department of Defense often carry defense connotations. It is vital to be aware of the signals we send to our partners in the region when designating the implementing agency, and how those partners feel about those signals. As such, we must understand how various agencies are perceived by the FAS when framing our future discussions on COFA renewal.

1a) How have FAS perceptions of the U.S. been shaped by the various agencies that have been responsible for managing relations with the FAS governments?

²⁵ U.S. Department of State, “Integrated Country Strategy: Federated States of Micronesia,” August 16, 2018. (Archived version available at: <https://www.state.gov/wp-content/uploads/2019/01/Micronesia.pdf>)

Answer. A range of factors go into shaping FAS perceptions of the United States, including the American military's behavior in the post-War period, personal experiences of visits to the United States, the experience of friends and relatives based in the United States, the experience of FAS citizens who served in the United States' military, etc.

That said, direct experience with different agencies can have a deep effect on perceptions of the United States government, and on how those in the FAS involved think Washington views the FAS.

Broadly, apart from the Department of Defense (DoD), there is often the impression that, regardless of the agency, the United States government doesn't prioritize its relationship with the FAS. In some cases, the Department of the Interior is perceived to be, to put it politely, inefficient or ineffective. State hasn't ensured that Ambassadors were in post during much of the critical Compact negotiations window. There have been years of missed agreed payments. Some promised projects have taken years to materialize.

In the case of DoD, some of the otherwise sound relations are affected by the use of contractors who behave poorly, the de facto abandonment of veterans and the lack of community engagement, especially around project that affect daily lives.

Additionally, even in this latest phase when the United States says it is prioritizing the Pacific Islands, State and the NSC seem to be according more importance to the Pacific Island Forum (PIF) and countries such as Solomon Islands than to the FAS—countries that have put their lives in the hands of the United States, and two of which still recognize Taiwan.

The first visit of a sitting President to a Pacific Island Country was to be to Papua New Guinea, had it not been canceled. And Washington has appointed a permanent Envoy to the PIF but there is no permanent office or officer just dedicated to the FAS—three countries not just in a unique and deep relationship with the United States, but also of critical strategic value to the United States' Pacific defense architecture.

Also, there is a widespread perception that there is little coordinated strategy across agencies or institutional knowledge, resulting in mixed messages, casual slights, wasted time, and wasted resources.

Some in the FAS would like to see more presence by specific U.S. government agencies/departments. In all three FAS, there are some who would like to tackle corruption, and PRC-linked bribery and organized crime. They are keen for more engagement by the FBI, DEA, Treasury and others who might be able to assist.

Getting to the root of it, others would like U.S. help with stimulating economic growth to benefit their people and ensure PRC economic overtures are less effective. They would like to see Commerce get more involved. Across the board, there is a desire for more help not just with illegal fisheries but with the development of their own fisheries sectors.

However, based on past experience, the widely held assumption is that, once the Compacts renewals are done, the FAS will be forgotten by Washington again (except perhaps by DoD).

1b) How do the FAS perceive the Department of the State versus the Department of the Interior?

Answer. In many quarters, sincere and dedicated efforts of DOI staff aside, the perception in the FAS is that the United States government doesn't consider the Department of the Interior as one of its 'important' Departments, and so working through DOI lowers the importance, access and influence of the FAS.

Additionally, the perception is that being handled by DOI is a historical remnant of an earlier time, when they were not sovereign nations. They are no longer 'Interior'. As such, the general sense is that State is a more appropriate Department, especially given State seems to be taking the lead in the Compact negotiations.

That said, by far the largest American permanent presence in the FAS is DoD. DoD also has the most understanding of the importance of the region, the most invested in the region (literally) and its interest won't wane once the Compacts are renewed (assuming they are).

Additionally, DoD has the ability to do many of the things the FAS needs (help with illegal fisheries, environmental disasters, infrastructure, sorting out issues with veterans, etc., and DoD can even assist with education, health care, social services, etc., as it does on bases), and with the large number of FAS citizens serving in the U.S. military, it is a more 'familiar' Department. DoD is also considered one of most 'important' Departments and so well placed to keep awareness of FAS concerns high on the priority list.

Mrs. RADEWAGEN. I thank the witness for their testimony. The Chair now recognizes Mr. Newsham for his 5 minutes.

**STATEMENT OF GRANT NEWSHAM, COLONEL, U.S. MARINE
CORPS (RET.), HONOLULU, HAWAII**

Mr. NEWSHAM. Chair Radewagen, co-Chair Sablan, and distinguished members, thank you very much for inviting me to testify today. I will focus on the role and importance of the Compacts of Free Association to U.S. defense and security interests and countering Chinese influence.

The COFAs underpin the entire United States defense posture and strategy in the Western Pacific and East Asia. How so? U.S. Pacific defenses and forces are concentrated on the western edge of the Pacific, along the so-called first island chain. Geography and U.S. and partner forces hem in the Chinese military. However, this defense scheme requires what strategists call a secure rear area. The COFA states are the rear area, and U.S. forces must be able to operate freely there.

The Chinese perspective also shows COFA's value. Chinese strategists look outward from the Chinese mainland, and they too see the first island chain, and they want to breach it. However, as the Chinese look farther east they see another island chain. And right in the middle of it is the Federated States of Micronesia, bookended by Palau and the Marshall Islands. The PRC intends to break these chains and to dominate the region.

China is building a world-class military, but there is a problem. Controlling the South China Sea matters little if the PLA is bottled up inside the first island chain. Thus, China is trying to leapfrog the first island chain. If the PRC establishes a foothold or political dominance in the COFA states, it can break down America's first island chain defense from behind. The existing U.S. regional strategy will be in tatters.

Imagine fighting a war in Europe and having to fight your way across the Atlantic. That will be the Pacific. And even if there is no shooting war, the Freely Associated States that are under Chinese domination may resist a U.S. military presence, regardless of any Compact language. In any event, the U.S. military will need to devote scarce resources to cover this threat. These are resources that cannot be used to assist Taiwan, Japan, and South Korea.

The terms of the Compacts of Free Association do give the United States the legal right to keep foreign militaries out of the COFA states. Yet, the COFA agreements can be terminated. Or suppose a COFA government simply tells the Americans that it will do what it wants with whoever it wants. What is the United States going to do, send in the Marines?

China is using political and economic tools to undermine the U.S. presence in the Freely Associated States, and Chinese survey ships have recently scouted underseas cables in Federated States of Micronesia and in Palau against Guam and CNMI. We have seen cyber attacks, spy balloons, underwater listening devices to track U.S. submarines, and Guam killer missiles. Yet, despite this central Pacific strategic military location, the U.S. military only has four permanent bases in the region. Only one is in the COFA states, that is on Kwajalein. The other three are on Guam. Such

a limited, permanent presence seems inexplicable. These are essential for conducting operations, logistics repair and maintenance, intelligence collection, and missile defense, among other things. Having too few bases and operating locations is putting a lot of eggs in one basket, and vulnerable to the PLA's strategic rocket force.

The U.S. Air Force and Navy understand the problem. The FAS provide plenty of places to spread out and stay alive and to hit back effectively on multiple vectors. Palau, in fact, asked the U.S. military to establish a base in the country in 2020, but the Americans have not taken up the offer.

U.S. forces do a lot of routine, large-scale exercises and training in Guam and CNMI. However, most U.S. military focus is on the western edge of the Pacific, not in the middle of it. U.S. military activities elsewhere in the Freely Associated States include regular, but smaller-scale activities.

Now, some things to do.

First, remember that if you are not there, you are not interested. In fact, much U.S. military engagement in the Central Pacific seems ephemeral. Key leader engagements and other official fly-in visits are of limited value, compared to Chinese diplomats, officials, and businessmen integrating, ingratiating, and inserting themselves into local societies. Indeed, the representative of a Chinese fishing company living in a COFA state probably has more real influence than any four-star U.S. admiral. Why? Because he is there.

So, we should expand the U.S. military presence and make it as permanent as possible. Small units led by junior officers work fine. Engineering and medical units should be deployed widely, and there is much demand for such services. The U.S. State Partnership Program also has promise. Make use of local veterans. The extensive network of FAS citizens who are U.S. military veterans can be enormously valuable. Have them serve as the basis of a local defense force. It just takes some imagination.

And illegal fishing is a problem that is being admired to death. What is needed are effective surveillance networks and, as importantly, the means to actually enforce the laws.

Extend the financial parts of the COFAs. Support for the Compact states is a necessary maintenance cost. The cost of the agreements is a pittance compared to the expense of trying to re-establish a U.S. presence or to hold it in the face of local opposition.

Now, without the COFAs and the Freely Associated States on our side, everything we are doing or plan to do militarily in the Indo-Pacific gets very hard, if not impossible.

And don't forget, you must have the Pacific's non-COFA states on our side, as well.

And, finally, remember that we can get the military part right and still lose. We need to get the economic, commercial, diplomatic, and propaganda parts right, as well.

Thank you very much for having me.

[The prepared statement of Mr. Newsham follows:]

PREPARED STATEMENT OF COL. GRANT F. NEWSHAM

Chair Radewagen, Co-Chair Sablan, and distinguished members of this Task Force, thank you for the privilege and honor of inviting me to testify today.

I will be focusing on the role and importance of the Compacts of Free Association to U.S. defense and security interests and countering Chinese influence.

Broad Outline of Current U.S. Military Pacific Strategy

The Compacts of Free Association (COFAs) with the Republic of Palau, the Federated States of Micronesia, and the Republic of Marshall Islands underpin the entire United States defense posture and strategy in the Western Pacific and East Asia.

U.S. Pacific defenses are concentrated on the western edge of the Pacific—along the so-called ‘first island chain’. This ‘chain’ runs north-south from Japan to Taiwan to the Philippines and on to Malaysia. One should also include South Korea and Australia as part of this broad defense line. America has major military bases in Japan and South Korea, along with expanding military access in northern Australia, and has recently obtained access to a number of military sites in the Philippines. Taiwan is also an informal ally.

The thinking behind the strategy is that geography and U.S. forward deployed and partner forces can serve to hem-in the Chinese military and restrict the ability of the People’s Liberation Army (PLA) to conduct operations beyond the first island chain.

This somewhat linear U.S. defense scheme requires a secure ‘rear area’—particularly for operations and logistics in support of the forward defenses. The Freely Associated States, along with U.S. Territories Guam and the Commonwealth of Northern Mariana Islands (CNMI), occupy what is effectively part of a huge east-west corridor running from the U.S. West Coast to Hawaii, beyond to Guam and onward to the first island chain defense line.

One analyst has correctly described this as a ‘power projection super-highway.’

The ability of U.S. forces to operate along this corridor—free of enemy interference—is indispensable. The Guam U.S. Asia Security Alliance (GUASA) has also described Micronesia—including the Freely Associated States and Guam/CNMI as constituting “a natural ‘plug’”, potentially closing off the South Pacific and the whole of the remainder of the Pacific south and east from Asia beyond the International Dateline,—to Hawaii and past to the West Coasts of North and South America.”

China Understands the Importance of (Undermining) the COFAs

The military importance of COFA is obvious, if not intuitive, when viewed from the American perspective. The Chinese perspective is equally instructive as to COFA’s value.

Viewed from a Chinese strategist’s perspective, the Central Pacific’s geography is both an obstacle and an opportunity. The easiest way to understand Chinese thinking is to look at the map of the Western Pacific with the PRC mainland on the left and the Hawaiian Islands at the far right. Then, imagine you are hovering over the Chinese mainland and looking eastwards.

The first thing you see is a chain of islands starting at the Russian Kuriles in the north and extending southwards through Japan and the Ryukyus (Okinawa) and onwards to Taiwan. Continue on and the Philippine archipelago appears, and then the chain ends at the island of Borneo before anchoring at the Straits of Malacca.

The only way for People’s Liberation Army Navy ships and submarines and PLA Air Force aircraft to penetrate this portion of the first island chain is via a number of narrow straits. If the occupants of the land on either side of the ‘gaps’ are unfriendly, it is a small matter to effectively close off access by employing anti-ship missiles, sea mines, submarines, and anti-aircraft weapons.

This is a major headache for Chinese defense planners. The founder of the modern People’s Liberation Army Navy, Admiral Liu Huaqing referred to the first island chain as a ‘metal chain’ restraining Chinese aspirations.

China does not have any obvious friends anywhere along the first island chain, especially now that President Ferdinand Marcos has replaced the mercurial President Rodrigo Duterte in the Philippines and has quickly shifted the country back toward its long-standing alliance with the United States.

Look at the map and it’s easy to understand Chinese interest in breaching the first island chain—say by threatening Taiwan into submission—and using force if necessary.

However, as the Chinese strategists look beyond the first island chain they see another island chain. This one runs from Japan down through Iwo Jima and onward to Guam and the Commonwealth of Northern Marianas, and then continues southwards through the Federated States of Micronesia and on to Indonesia and Papua New Guinea, and then to Australia. This is the second island chain.

There is even a third island chain running from Alaska through Hawaii and ending in New Zealand. Although not well remembered these days in the West as the World War II generation passes away, for decades the names Tarawa, Saipan, Guam, Tinian, Kwajalein and Peleliu were widely recognized as synonymous with the bloody fighting the Pacific. And are resonant in the minds of military planners in China.

The PRC fully intends to break these chains.

China is dead set on building a world class military able to project power—spearheaded by the Chinese Navy (PLAN)—that is capable of challenging, and eventually displacing, the United States Navy as the world's preeminent naval power. The Chinese Navy is well on its way. For the last decade the PLAN has been launching five ships for every one the American Navy launches and now has far more surface combatants than does the US Navy.

American naval strategist, Paul Giarra stated things grimly but correctly:

Between 2016 and 2020, the Chinese navy has added to its fleet essentially the equivalent of Japan's entire current surface fleet The Chinese navy is building larger and more formidable surface combatants far faster than anyone else, with at least eight hulls already launched of a brand-new class of large surface warships. It is starting to deploy its new carrier force in ways reflecting [America's] own practice. Its growing amphibious force is a tangible threat to its neighbors. The PLA Navy is on track to have nearly twice as many surface ships as the US Navy before the end of this decade.

And the PLA Air Force is developing its long-range overwater capabilities equally fast.

But here's the problem for China: in order to employ its new, powerful Navy (not to mention its Air Force) it must have secure, safe, ready access to the Pacific. Controlling the South China Sea, and even the East China Sea matters little if the PLA's enemies can keep it bottled up inside the first island chain.

If you're a Chinese planner, you might reasonably think China can with some effort 'break' the first island chain—in fact, this is a prerequisite. It is also why one shouldn't underestimate how serious China is about capturing Taiwan. Do so and the first island chain is broken and the PLA has an unsinkable aircraft carrier and launching point for operations into the Pacific. The problems that create for the U.S. and allies at that point are obvious.

But, taking a page from the US World War Two playbook, at the same time China is trying to leapfrog the first island chain. If it can burrow itself into the second island chain it will roil American (and Japanese and Australian) defense plans and can potentially break down first island chain defense from behind.

It is a truism that conducting defensive or offensive military operations is impossible without a secure 'rear area.' If your adversary is operating behind you or has a presence and/or proxy influence you will have a very hard time. COFA nations are the 'rear area' of the U.S. Pacific defense strategy.

Should the PRC establish a military foothold or gain political dominance with de facto strategic veto power in the COFA states, it will have 'leapfrogged' America's island chain defense and ensconced itself in the U.S.'s once secure 'rear area'.

Support for U.S. allies such as Japan and South Korea will become difficult. Prospects for a successful defense of Taiwan will be much reduced.

China knows this, which is why undermining the relationship between the COFA states and the United States is one of Beijing's highest strategic priorities.

Palau, the Federated States of Micronesia, and the Republic of Marshall Islands are perfectly situated as footholds from which to disrupt China's adversaries. If the PLA is deployed in the FAS life gets difficult for U.S. forces as Chinese aircraft and naval ships operate from the erstwhile COFA region. And Chinese intelligence and surveillance has a better platform from which to cover US activities—and target them. With surface-to-surface missiles, surface-to-air missiles and Maritime Militia operating aggressively, the US military will at best be treading carefully, excluded from the area, or taking casualties.

One Marine noted to the author:

Surface to air and surface to surface missiles turn these island locations into A2AD (anti-access, area denial) zones. These islands become an armed picket fence which receive aircraft for long range patrols and support PLAN operations as well as replenishment of Chinese subs as well as their irregular maritime forces, including dual hulled fishing vessels that cruise at speeds that fish can't keep up with 22–25 knots.

The existing U.S. strategy will be in tatters.

Imagine fighting a war in Europe and having to fight your way across the Atlantic. This will be the case if the Chinese are able to set up in the FAS.

Even if there is not a 'shooting war', FAS that are under Chinese domination—owing to economic and political influence—may adopt a stance of 'belligerent neutrality' and resist a U.S. military presence in their territories, regardless of any Compact language.

Meanwhile, Chinese intelligence collection would focus on U.S. forces. Our communications would also be vulnerable.

And this all requires the U.S. military to devote scarce resources to cover this threat—a threat that wants to encircle and choke U.S. Pacific territories and come up right up against Hawaii. These are resources that cannot then be used along the 'western defense line'—say, to assist Taiwan, Japan, or other allies.

China has studied the Japanese seizure and occupation of Micronesia and large parts of Oceania during World War Two—and it does not intend to make the same mistakes. Particularly Japan's failure to isolate Australia and sever lines of communications and supply routes with the United States.

And while the Japanese saw the Central Pacific as a bastion to keep the Americans at bay, China's long-term objectives are to use the area as springboard for expanding eastwards. They are already setting up the infrastructure on Latin America's west coast.

Indeed, the PRC sees the COFA nations as a power projection super highway—in the other direction.

However, the terms of the Compact of Free Association between the FAS nations and the United States are a problem for the Chinese since the treaties effectively prohibit PLA ships and aircraft from operating inside COFA state's territorial space.

Yet China is persistent. And while currently a direct military presence is not feasible, the COFA agreements can be terminated. Additionally, even if the United States has the sole legal right to conduct military operations in the COFA states—and even set up military bases if it wants to do so, local popular and political support is nonetheless necessary.

China is using political, economic, and other soft-power tools to undermine the U.S. presence in the Freely Associated States—and even in the Commonwealth of Northern Marianas, actual American territory, and thus weaken the US military defenses and capabilities in the Central Pacific.

Chinese survey ships have been scouting out undersea cables in Federated States of Micronesia waters in recent years, and have been doing the same in Palau.

But the PRC has been more aggressive regarding U.S. territories Guam and CNMI—where the U.S. military presence is greatest.

Recently exposed cyber-attacks, suspected to be from the Chinese state-sponsored hacker group, Volt Typhoon, was revealed to have installed malware on critical US military infrastructure on Guam.

Spy balloons too have been hovering over Guam.

But this is nothing new. China has been explicitly threatening, with suggestions the U.S. military presence puts Guam citizens at risk. For example, Chinese media and defense commentators refer to the PRC's DF-26 missile as the 'Guam killer'—able to range to U.S. bases on Guam. And the Chinese have admitted to installing underwater listening devices in the nearby Marianas Trench—posing a potential threat to U.S. Navy submarine operations.

Additionally, North Korea has threatened Guam with its new long-range missiles. Pyongyang's threats, not particularly worrisome to the local population but causing predictable harm to tourism, presumably do not displease the PRC—which also played a sizable role in North Korea's nuclear weapons and missile programs, as well as providing the mobile TEL launcher vehicles that make the North Korean missiles mobile and hard to find.

For the Chinese Communist Party to achieve its aspirations, it needs to at the very least, render the FAS 'harmless', and ideally be able to use them as launch points under its control. No domestic talk of 'friend to all, enemy to none' and 'not wanting to get caught in the middle' will change that until there is a different regime in power in Beijing. The U.S. didn't come looking for, and doesn't want, this

fight (which ironically has made the fight more likely). If in doubt, just look at the wide range of options the U.S. has in the Pacific American Territories and the FAS that haven't been exercised.

Military Installations in the Pacific American Territories and FAS

Despite the Central Pacific strategic military location, the way it is coveted by China and the hard lessons Americans learned in the 1940s about the region being in an adversary's possession, the U.S. military presence is surprisingly small—consisting of only four permanent military facilities—and only one of these is in the COFA states. That one is the U.S. Army-administered Ronald Reagan Ballistic Missile Test Site at Kwajalein Atoll in the Republic of the Marshall Islands. Kwajalein is a one-of-a-kind facility that would be hard to replace for any price.

The other bases are on Guam and include the U.S. Naval Base Guam at Apra Harbor, Andersen Air Force Base—famous as the launch point for B-52 strikes against North Vietnam during the Vietnam War—and the newly open U.S. Marine Base, Camp Blaz.

Such a limited permanent presence seems inexplicable, though in the U.S. military's defense, it might be argued that until the mid-2000s or even later, there appeared to be no realistic threats to the Central Pacific. In fact, the U.S. Department of Defense seriously considered shuttering Andersen Air Force Base. However, the PRC's military build-up and expansion has considerably changed the regional security dynamic and gradually changed threat perceptions in Washington, D.C., and Honolulu.

The COFA nations potentially offer basing and access locations for U.S. naval and air Forces and ground forces (Palau, in fact, asked the US military to establish a base in the country in 2020, but to date the Americans not taken up the offer). These are essential for purposes of facilitating operations as well as logistics support, repair and maintenance activities, intelligence collection, missile defense, etc.

Another serious risk arising from the U.S. having too few bases and operating locations in the Indo-Pacific is that it is putting a lot of eggs in one basket. All of it is vulnerable to the PLA's Strategic Rocket Force.

The vulnerability of U.S. bases (and ships and aircraft) to Chinese missiles is a fact of life (and a headache) for American defense planners. And it is a driving force behind the U.S. military's move toward a more dispersed presence and 'distributed operations' concepts for the Oceania region.

The U.S. Air Force is adopting a new strategy called 'Agile Combat Employment' and is looking for runways and operating locations in as many places as possible. Similarly, the U.S. Navy's 'Distributed Maritime Operations' concept aims for something similar—all to provide a more difficult target for Chinese missiles.

Dispersal—combined with deception and concealment complicates an enemy's targeting. Even if the PLA Rocket Force has the 'range' to hit out to the second island chain and beyond, it still has to locate the targets. And even the PRC only has so many missiles.

The FAS provide plenty of opportunity to 'spread out' and stay alive, and hit back on multiple vectors. Just being serious about setting up in the region and raising the cost to China of an attack makes it less likely an attack will happen, and in the meantime, the facilities can be used to build local infrastructure, combat illegal fishing, assist during humanitarian disasters and more. This is the essence of deterrence through strength—in a range of sectors.

Military Exercises in the Pacific American Territories and FAS

U.S. forces routinely conduct large-scale exercises on and around Guam and the CNMI, including with allies and partners. One advantage of the area is that there is plenty of open space. That allowed, for example, for the 2020 running of the annual COPE NORTH exercises to bring together over 100 aircraft and over 2,000 personnel from the U.S. Air Force, the Japan Air Self-Defense Force, and the Royal Australian Air Force.

Naval forces regularly train at Guam and the trend is for increased activity. In 2017, the French Navy made an appearance (with British Marines embarked) for joint training with the U.S. Navy and Marines and the Japan Self-Defense Force (JSDF). In July 2020 the Japanese and U.S. Navies conducted joint drills with the Royal Australian Navy and Air Force, with U.S. Air Force also participating. The 2023, iteration of the annual Exercise Sea Dragon saw participation from the Royal Canadian Air Force, Indian Navy, Japan Maritime Self-Defense Force, Republic of Korea Navy, and the United States Navy.

The Japanese, in particular, are keen to make more use of Guam and surrounding areas as training areas for the JSDF. This is owing to difficulties,

mostly self-imposed, in making full use of training locations in Japan. More permanent facilities in the FAS would make more essential training and exercises (both unilateral and multilateral) easier in the FAS easier for both U.S. forces and our allies (such as the Japanese), as well as bring improved infrastructure and funding to the FAS, (which, in a complementary manner provides its own form of security for the people of the FAS). The alternatives are either to not exercise or to return to the U.S. West Coast or perhaps Northern Australia to conduct such training.

Other Military Engagements in the Pacific American Territories and FAS

U.S. military exercises and activities elsewhere in the FAS include regular but generally smaller scale exercises that might be considered ‘engagement’ more than serious warfighting training.

Small detachments are regularly deployed that conduct useful engineering and infrastructure development work. In addition to U.S. Marine teams, these have included the U.S. Navy removing underwater obstacles to improve harbor access and safety for inter-island cargo and passenger ships transiting FSM islands. The U.S. Navy’s Seabees and visiting U.S. Army teams have provided infrastructure improvements, such as building new schools. The U.S. Navy’s Pacific Pathways exercise conducted HA/DR training throughout the Federated States of Micronesia (FSM).

What’s There to Worry about? We Have a ‘Contract’ Agreement, Don’t We?

While COFA agreements provide legal grounds for keeping the Chinese military out of FAS, the risk exists of polarized societies or ‘PRC-leaning’ governments that permit a civilian but ‘dual use’ PRC presence. Suppose, for example, a move to allow Chinese monitoring facilities for ‘civilian space’ or ‘environmental’ or ‘oceanographic’ monitoring purposes. Each of the FAS is only an election away from dropping out of America’s defense architecture—leaving a gaping hole and betraying generations on both side who sacrificed so much to keep it strong.

The U.S. potentially faces something like this with Kiribati—where the government dumped Taiwan for China in 2019 and moves are currently afoot to (among other things) allow a Chinese company to refurbish a decrepit American World War Two airfield on a remote atoll—for ‘tourism purposes.’ A treaty exists giving the U.S. veto rights should it be used for military purposes, but enforcing is difficult, and anyway, the Chinese said it was for tourism, didn’t they?

Anyway, if they don’t agree, what’s the U.S. going to do, send the Marines to Tarawa again? That’s bad optics. To say the least.

Winning Phase Zero

This is why it is so important to pay attention to what is actually going on in country now (something you can only do properly if you are there). What goes on in peacetime—so-called ‘phase zero’—is directly related to what happens, or doesn’t happen once the shooting starts (so-called ‘phase one’), and also the success or failure of a conflict.

The discussion of a Pacific conflict with China too often overlooks what is known as phase zero—the phase we are in now.

‘Peacetime’ military (or dual use) activities shape the environment—and ready oneself for a war, or even better, positioning one’s forces and building capabilities (both one’s own and allies’) to deter an opponent from ‘trying something.’

Phase zero military activities include training and exercises, intelligence collection, contingency planning, setting up or maintaining basing and logistics facilities—that often requires diplomacy to ensure partner nation cooperation. Indeed, this is ideally done with an eye to building partner capabilities and confidence—and creating new partners who see the you as reliable and likely to prevail.

The United States has been conducting phase zero operations throughout the Pacific for over six decades. It has, however, tended to give relatively little coverage to the COFA nations (and the Southeast and South Pacific). Most activities tend to focus on Northeast Asia and Southeast Asia, closer to the Asian mainland.

Meanwhile, if looked at through this lens, it becomes clear China has been very actively focused on phase one engagement and entrenchment.

Much of the discussion about China in the Pacific centers on warfighting considerations and what might happen in a future war with the PRC. However, to date the PLA’s overt activities in the region have been stayed largely below the ‘red line’, but building the phase one groundwork.

The PLAN Peace Ark hospital ship makes voyages through the region, gathering intelligence on the health conditions of key leaders.

There have been humanitarian assistance missions (as seen with the Tongan volcanic eruption) that gave China insight into local emergency operations, and gave the excuse to argue for the prepositioning of supplies.

Although nominally for civilian purposes, Chinese hydrographic survey ships have mapped huge swathes of Oceania, including in the FAS, and including the location of undersea cables. And the huge Chinese fishing fleet is reported by some analysts to conduct signals intelligence activities (and more) on occasion.

This is a pattern seen worldwide. Chinese military presence tends to come after a lengthy ‘set-up’ period that includes commercial inroads, a physical presence of Chinese citizens, diplomacy and building political ties—especially with key leaders at all levels. Financial inducements—bribes—are often part of the deal. The military presence will come along slowly. The PRC’s first overseas military base in Djibouti (which Beijing swore it was not developing) is a textbook example of this process. In Oceania, the Chinese push and prod in many places. It is just a question of time before the PLA has a place or two to call home.

We know it is trying. In 2018 Australian newspapers reported that the PRC had requested to be allowed to build a military base in Vanuatu. Both nations denied this. But fears that the PRC might fund the refurbishment of the Fijian military’s Black Rock camp in 2018 caused the Australians and Americans to step in and preempt the Chinese. Something similar also happened in 2018 when a ‘private’ Chinese company showed interest in the Manus Island port—a strategically valuable base during World War II. And in 2019, a Chinese company signed a contract to develop a port on Tulagi in the Solomon Islands—across the water from Guadalcanal. After a local outcry—and serious concerns in Washington and Canberra, the contract was canceled, for the time being.

In 2019 Solomon Islands switched recognition from Taiwan and a year later the Prime Minister signed a deal with the PRC that can give the People’s Liberation Army access to Solomon Islands. The same Prime Minister also took out a US\$66 million loan from China to put Huawei towers all over the country—essentially paying China to wire the country for the benefit of Chinese intelligence. That’s some good work for phase one.

RECOMMENDATIONS

Be There, In the Right Way, With the Right People

There is something ‘ephemeral’ about much US military engagement in the Central Pacific. A senior officer drops by for a visit or a military detachment builds a school and goes home. Key leader engagements and other official fly-in visits (in particular) from INDOPACOM in Hawaii and the U.S. Mainland are of limited value compared to Chinese diplomats, officials, and businessmen (playing the role of the ‘Yankee Traders’ of old) ingratiating, and aggressively inserting themselves from top to bottom into local societies.

Besides providing financial benefits locally—Kwajalein in RMI being a good example—there is the practical and psychological advantage of ‘being there.’ It is even better when the U.S. military and ‘white hull’ USCG activities directly benefit the local governments—as in the case of radar and ocean surveillance systems planned for Palau. While serving a military purpose, these systems potentially assist the Palau government to monitor and protect its ocean territory and resources.

We should expand the US military presence and make it as permanent as possible, but it needs to be the right people doing the right things. What’s needed in many cases are small units that integrate locally and that learn from and help the communities. Engineering and medical units should be in as many places as possible and there is considerable demand for such services. It’s not about rank, it’s about who is best able to build and strengthen the FAS—and our relationship with them. The right young Captain is better than the wrong Colonel.

The U.S. Marine Corps might establish a training site (or more than one) to develop its Expeditionary Advance Base Operations (EABO) scheme. The FAS offers any number of locations, and is in fact the kind of terrain and setting the EABO concept has in mind.

Make Use of Local Veterans in the COFA States

The extensive network of FAS citizens who are U.S. military veterans can be enormously valuable in understanding local concerns and in getting things done and bolstering defenses. A reserve system (under FAS command) should be considered. It is their country, after all. It just takes some imagination. One U.S. officer suggested:

The Freely Associated States have a lot of veterans. We should do a survey. We could harvest retirees to stand up 'reserve' centers immediately then back fill with new recruits. Units should be anti-surface and surface-to-air batteries.

Need to stand up a 'Navy' reserve operating PT boats from their home islands that are armed to the teeth.

No need for expensive housing and bases, have them operate from mobile CoCs and allow the reservists to use the boats for commercial fishing.

No Chinese fishing fleet will mess with heavily armed patrol fishing boats.

It contains costs, boosts local economy, and create ownership mentality so they take extra care of the vessel. They won't be tied up pier side waiting for a Pearl Harbor.

Out fishing will make them harder to target and makes coordinating a first strike a severe pain.

Defend FAS Waters from Illegal Fishing

Illegal, unreported, unregulated (IUU) fishing is a problem that is being admired to death.

There are any number of workshops being held to advise the COFA states of a problem they are well aware of. What they need are both effective surveillance networks and, as importantly, the means to actually enforce the laws. Without the ability intercept, search, and detain it is sort of like watching a shoplifter but not intervening.

Fisheries are the main asset of the COFA states. Look at it as a matter of national defense. 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 U.S. has responsibility under the Compacts of Free Association. 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.

A few ideas for consideration, and keeping in mind that the U.S. Navy is already hard pressed to cover existing requirements in the region. The U.S. Coast Guard has only a handful of ships to cover an area bigger than the continental United States.

Other ideas:

- Develop a scheme, starting with American territories and the FAS, where junior U.S. Navy, Marine, or Coast Guard officers are assigned to implement and carry out an 'IUU prevention scheme'—from surveillance through enforcement. Have them work with the local enforcement, and provide them with suitable boats—needn't be 'purpose built' government ships, but are ideally locally built—to cover a designated stretch of ocean. This can be supplemented by up what amounts to a local 'watchers' network based on local fishing boats and locals ashore—the Canadian Rangers (Reserves) model might be worth examining for relevance. This scheme has the advantage of a permanent presence, ability to draw on considerable resources, and brings locals in as partners—thus building up their capabilities. And it is focused solely on IUU and related maritime security. This will also require an aerial surveillance component.
- Work consistently with regionally appropriate local partners. For example, in the FAS, bring in the Japan Coast Guard (JCG) where possible and make this a U.S.-Japanese joint effort. As Palau and Marshall Islands recognize Taiwan, work with Taipei there as well.
- 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.

Extend the Financial Parts of COFA

The United States should consider support for the Compact States as a necessary ‘maintenance cost’ for U.S. national strategic interests. Consider the COFA value from a military perspective. The cost of providing ongoing funding and support for the COFA states is a pittance compared to the expense and difficulty of trying to reestablish a U.S. presence should it be lost—or to hold it in the face of local opposition. Indeed, there are other places on earth (and even in the USA) that are less critical to long-term U.S. interests and where the U.S. spends more money with even fewer chances of success.

Offer Versions of COFAs to Kiribati, Nauru and Tuvalu

Beijing’s prospects received a boost in 2019 when the government of Kiribati established formal diplomatic relations with the PRC and severed its state-to-state ties with Taiwan. Kiribati is an independent nation and without a COFA arrangement with the United States so, in theory it could permit PLA access to local ports and airfields. China tends to move surprisingly cautiously when capitalizing on military access opportunities, but there is some ‘precedent’ in the case of Kiribati. In the early 2000s the PRC operated a satellite tracking facility—believed to also have military uses—in Kiribati, prior to the local government shifting diplomatic recognition to Taiwan. Now, as mentioned, it is looking at an airfield. There is strong domestic opposition to the switch to China, but with few economic alternatives, the case can be hard to make. And the longer China is there, the harder it will be to extricate. A timely offer of a COFA might be very well received.

Nauru and Tuvalu, independent countries each with populations of around 11,000. Both recognize Taiwan and so are under heavy PRC political warfare attack. Offering them modified versions of Compacts would show that the United States backs by those willing to take a stand for democracy and freedom, whatever the costs. Apart from being the right thing to do, it would fundamentally change the political warfare narrative about Taiwan—giving hope to many.

Final Note

Sometimes one just doesn’t know how good they’ve got it. Remove the FAS from ‘our side’ and everything we are doing in the Indo-Pacific gets very hard—if not impossible. And the FAS are just one piece of puzzle. Without the FAS states on-side it’s hard to ‘defend forward’ or operate from a forward position along the first island chain. But you’ve also got to have the ‘non-COFA’ states secure as well.

You can get the military part just right, and still lose. American engagement needs to cover economic, commercial, diplomatic, propaganda, and social aspects in a coordinated way and with same effort. The COFAs give us the tools to do that, if we want to. Doing it right could mean ensuring phase zero goes so well, it stays at phase zero.

QUESTIONS SUBMITTED FOR THE RECORD TO GRANT NEWSHAM, COLONEL, U.S.
MARINE CORPS. (RET.)

Questions Submitted by Representative Westerman

Question 1. How has the People’s Republic of China (PRC) been able to increase its influence in the FAS (Freely Associated States) even though the U.S. and FAS had COFA agreements since 1986?

Answer. Ultimately, the United States took the FAS for granted—apparently assuming that since it ‘had a contract’ there was nothing to worry about. Washington also assumed that all would be well since it was providing considerable aid to the FAS—direct financial payments as well as support for education, health care, infrastructure development, and even postal services and weather forecasting services, as well as offering the right of FAS citizens to reside in the United States and providing ‘military protection’.

The PRC took advantage of American complacency and patiently and diligently went about establishing and expanding its influence in the FAS. The Chinese applied a recognizable ‘sequence’—starting with a commercial presence that included Chinese nationals on the ground and operating businesses—and down to the corner shop level. Chinese economic inroads also included Chinese involvement, and indeed, outright control of key industries—particularly local fishing industries—that also are the main economic resources for the FAS nations.

This commercial presence created political influence—directly with local officials and other citizens who saw the Chinese presence as a valuable thing in an economy with limited prospects. It was also personally valuable for many local officials and politicians. In Palau the Chinese successfully ‘weaponized’ the tourism industry to both influence with local officials and others. And this approach has also been used in the Federated States of Micronesia (FSM) via the offer of massive investments by Chinese resort companies.

All in all, the Chinese were (and are) seen by many in the FAS as an economic lifeline. And while the local intention may be to have Chinese money in addition to American support via the COFA’s, the effect—and the PRC’s intentions—are to eventually displace the United States in the Central Pacific.

Note that FSM recognized the PRC since 1989 (while the Marshall Islands (RMI) and Palau still recognize Taiwan.) China reportedly pays the costs of FSM Embassy in Beijing, and hosts visits to China by FSM officials and other influentials, that include emoluments and ‘envelopes of cash.’ Chinese under the table payments to officials and politicians in the other FAS nations are well known. The PRC’s aim is to have RMI and Palau switch recognition, and that objective is reportedly within sight.

As noted, bribery and under the table payments are part and parcel of Chinese activities in each FAS nation. There is next to no downside risk to taking Chinese money owing to scant prospects of such activities being revealed.

The PRC also reportedly promotes secession movements in FSM—in Chuuk state. And the recent Rongelap scheme in RMI—looking to set up a nation within a nation—was carried out by Chinese nationals (with RMI citizenship) after successfully subverting RMI officials.

China’s diplomatic mission in FSM is well-staffed and aggressively pushing Chinese interests—at American expense. The PRC has made highly publicized contributions to the FSM ‘trust fund’, built infrastructure such as roads and government buildings, and it has donated ships and aircraft (to address the long-standing need for better transportation between in the country).

Beijing also has a ‘quasi-diplomatic’ presence in Palau and RMI—and is looking to shift recognition to PRC from Taiwan. And to also shift local attitudes away from the USA and toward PRC.

The U.S. has been too slow to recognize what has been happening—even though Chinese influence efforts have been reported—even via U.S. diplomatic channels. The Americans had (and still have) no political warfare scheme of their own—so the Chinese have effectively operated unchallenged.

The U.S. has been unsuccessful in drawing commercial interests into the FAS in any meaningful way. This, in my opinion, is owing to a lack of know-how and imagination in U.S. diplomatic and official circles. It is exacerbated by a failure to work together with partners—such as the Japanese, Taiwanese, South Koreans, and Indians on commercial and other broader approaches to bolstering the U.S. and other free-nations’ presence and interests in the region.

One notes as well that the U.S. government has too-often stumbled on simple matters that include giving FAS leaders and Ambassadors proper respect. As one example, FAS Ambassadors in Washington are typically relegated to meeting with ‘desk officers’ rather than State Department officials of proper rank. Meanwhile, the PRC rolls out the red carpet for Pacific Island leaders when they visit China.

Chinese influence efforts (aka political warfare) are a phenomenon throughout the Pacific—and not only in FAS nations.

For further details and background I recommend reading the following for concise, detailed looks at how the PRC has undercut U.S. influence in the Central Pacific;

1. Winning Without Fighting/A case study of Chinese political influence operations in US Territories and the Freely Associated States in the Western Pacific. (Page: 17–25) https://csbaonline.org/uploads/documents/Winning_Without_Fighting_Annex_Final2.pdf
2. This piece by Cleo Paskal in The Diplomat introduces the letters written by then-FSM president, David Panuelo that highlight Chinese subversion and influence efforts in the FSM and beyond. The letters are linked in the text. <https://thediplomat.com/2023/03/micronesias-president-writes-bombshell-letter-on-chinas-political-warfare/>
3. This China Unscripted episode is particularly informative about Chinese subversion in the FAS. <https://www.youtube.com/watch?v=WCJ8DS6EDEU>

Question 2. How would renewing the COFA help counter Chinese influence if it hasn't kept the PRC from increasing its influence?

Answer. Were it not for the COFA—and the fundamental loyalty and affinity to the United States on the part of the residents in the FAS nations—the Chinese would already have control over the FAS nations and the Central Pacific.

The problem isn't the COFAs. It is the lack of additional proper attention and effort by the United States—to include the State Department and the Department of Defense in particular. The Trump Administration was the first administration to actually devote time and effort to the FAS (and the rest of the Pacific Islands), but it did not have enough time to fully implement their 'campaign plan.'

The FAS do notice when the United States hems and haws over renewing the COFAs and appropriating necessary funding. This gives the impression—rightly or wrongly—that the FAS nations are not considered all that important. Impressions and psychology matter a lot.

The COFA's are best viewed as maintenance fee and a foundation for the U.S. presence in the Central Pacific—and the right to exclude foreign militaries from the FAS territories. But it is essential to ensure that requirements beyond the COFA payments and other current assistance are met.

As described in Question #1, developing and implementing a joint scheme for the FAS with our partners in Japan, South Korea, Taiwan, India, and perhaps Australia would make our efforts in the FAS far more effective than just the U.S. acting alone. It can also help address the need for commercial development that is lagging—and that is dominated by Chinese interests.

Beyond the 'treaty' aspect of the COFA relationship, the U.S. needs to ensure proper respect and appreciation for the FAS nations is demonstrated and articulated.

As mentioned earlier, the expansion of Chinese influence is not the fault of the COFA agreements. The bigger problem is that the U.S. thought the COFA treaties alone were enough to ensure our presence and interests were guaranteed. We needed to do more. As one data point, U.S. embassies in the FAS are generally tiny and somewhat sleepy operations—and service in the FAS is not highly sought by American foreign service officers.

The Chinese have been operating without any real American pushback for decades. In other words, the American have been remiss and have allowed Chinese influence to expand and take hold almost by default. As noted, it's amazing they haven't got the entire place locked up by now. Read then-president Panuelo's letters and you'll shiver at how close they have gotten to their objective.

The majority of FAS citizens want nothing to do with the PRC. But they want, indeed they need, the Americans to 'step up' and demonstrate their reputed commitment to the region.

The USG needs to realize what is at stake and quickly develop and implement a proper campaign plan to bolster our presence and position and to take on Chinese influence efforts—to include the PRC's highly effective use of under the table financial and other corrupt methods of establishing Beijing's influence. This needs to be exposed—and U.S. intelligence and law enforcement resources need to be deployed at proper scale.

Finally, the amounts of money needed to renew the COFA deals is a pittance. It's roughly \$300 million a year for seven years. That is literally a day's worth of Medicaid and Medicare fraud. The costs of having to properly defend or having to occupy the FAS to forestall Chinese influence? Maybe start at \$100 billion—yes, \$100 billion. And that is not considering the costs of having to actually fight.

Just to get started on the calculation, we will need at least 20 new U.S. Navy ships. That's close to \$40 billion alone. Add in additional aircraft to cover the FAS region (an area the size of the USA), facilities to handle and operate the new hardware, and additional personnel to man the ships and aircraft (if you can find them) . . . and we're getting close to \$50 billion just in one-time, up-front costs.

And having to become an occupying power in a region where we were once welcomed and liked has a 'cost' of its own. That cost alone may be hard to precisely quantify, but if Beijing were to put a price on the political warfare 'win' for the CCP it would make \$300 million seem like peanuts.

If a fight is required to keep the Central Pacific in American hands, the costs will be astronomical—as we saw in Afghanistan and Iraq.

Mrs. RADEWAGEN. I thank the witness for their testimony.

The Chair will now recognize Members for 5 minutes for questions. I will start by recognizing myself. This question is for all witnesses.

It is very clear how the non-expiring security provisions of COFA support U.S. interests and protects us from our adversaries. However, it is not as clear as to how the economic provisions play a role in this.

Furthermore, China has attempted to undermine the United States by offering more money and cheap infrastructure. How exactly does U.S. economic assistance to FAS under the COFA support U.S. interests and counters PRC influence?

And what keeps the FAS from accepting Chinese economic assistance?

Mr. Short?

Mr. SHORT. The economic assistance that we provide under the Compacts of Free Association is primarily focused on development. That is, education, health, and infrastructure, and other related activities. There are also U.S. Federal programs that provide assistance to these governments.

The PRC's activities generally revolve around large infrastructure projects, high-visibility projects, and they have had a checkered track record on these projects. For example, the buildings in the Federated States of Micronesia that literally fell down had to be rebuilt.

But this does present a challenge, because we cannot respond directly, one for one, in a bidding war with the PRC. I think the underlying relationship that we have, this people-to-people, government-to-government relationship, this is a tie that binds. It is a 40-year relationship. And, let's face it, Compacts of Free Association, in the various iterations, have worked very well. Free association has been a direct benefit to the United States, as we have pointed out, in the security area and others. It has also been a direct benefit in developing self-government and democracy in these islands.

The challenge going forward is that the PRC doesn't play by the rules, and we have to be doubly aware of the threat economically, politically, and otherwise that they pose to small islands. Let's face it, the small island governments are remote, they are fragile. They have very limited natural resources, with the exception of fish. So, they are vulnerable.

A good example is Palau, where the Chinese PRC built up tourism from the PRC to Palau. Then, when Palau didn't kowtow to the PRC on the Taiwan issue, they invented a health issue and tourism stopped. Well, it crashed the Palau tourism economy. This is a good example of how the PRC uses, basically, a multi-faceted approach to gain their objectives. That is political, economic, social, you name it. It is all in the basket. Thank you.

Mrs. RADEWAGEN. Yes. Dr. Lum?

Dr. LUM. Yes, the Freely Associated States, Micronesia in particular, will accept foreign assistance, whether it is from Australia, Japan, China.

Ideologically, they are much more aligned with the United States, culturally.

There are various areas where we are not competing head to head with China, but health care, education. China has started to

provide climate-related assistance in the region, but that is one area that we could build goodwill.

Palau is doing a little bit better economically, but there are areas, such as tourism and fishing, that we should bolster. And, of course, through the Compact assistance. Thank you.

Mrs. RADEWAGEN. Yes. Ms. Paskal?

Ms. PASKAL. Chair Radewagen, the question of why Palau didn't flip after all that pressure was put on is incredibly important. They understand the threat that they are facing, and they don't want to be pulled into that Chinese orbit. They are very overt about it.

The problem is that China is not democratic. All it needs to do is capture an elite of a dozen or so, like it did in the Solomons, to flip the country. So, understanding how brave they are and the risk that they are taking by not flipping to China in the case of Palau, even though that pressure was put on, shows the incredible determination, sophistication, and courage of the people of the FAS. But it also shows how vulnerable it is if they pull a Solomons and find the right dozen people to buy off, and then all of this falls apart. Forget strategic denial, forget being able to base.

Mrs. RADEWAGEN. Thank you, Ms. Paskal. I am out of time, so the Chair now recognizes Mr. Case for 5 minutes.

Mr. CASE. Thank you, Madam Chair, and thank you for the accommodation, and thank you to our great witnesses. I think you have painted the picture very well.

I think, Mr. Short, yesterday we had a very good discussion among the Ambassadors from the various countries of the Pacific, including the Freely Associated States, through our Pacific Islands Caucus, in conjunction with Australia and New Zealand. And one of the issues we have is we view this very much in a defense-related perspective because we have the geopolitical challenge of China and we recognize it. We have identified China as our top geopolitical challenge.

We, whether we are at Natural Resources or Appropriations or Armed Services, need to consider these areas of the Pacific in a defense perspective, and yet the Pacific Islands don't want us to just look at this as a defense-related issue for the United States. They have their needs. They have their concerns. They deal with climate change on an existential basis. They deal with economic disadvantage. They deal with social safety nets.

I think my question is, and I am trying to sort this through, how do we talk about both of these concerns and areas in a way that is relevant to them, responds to their concerns, but is realistic about the world that we are living in, and about the fact that the Pacific Islands is part of this geopolitical challenge?

Mr. SHORT. You have hit on a very important point. On one hand, you have the sovereign state, the Micronesian state. On the other hand, you have the U.S. Government and the Administration providing financial and other supports. So, there is almost a built-in conflict.

On one hand, the Micronesians rightfully can say, "We are sovereign, we are administering our own internal affairs, our own foreign affairs. You are responsible for our security and defense. We are members of the United Nations, send us a check." And that is what was done in the first Compact. Unfortunately, it didn't

work out too well. The emphasis that we hoped would take place on education, health, infrastructure, economic development didn't take place.

When I renegotiated the Compacts in 2003, I instituted an agreement called the Fiscal Procedures Agreement, which held the Micronesian states to the same level of accountability that we, the Federal Government, holds state and local governments. And we felt that was a fair balance between, on one hand, the sovereign responsibilities and prerogatives of the Freely Associated States, but on the other hand this is appropriated funds, and there has to be accountability.

The mechanism I feel, looking at it from the outside, has worked reasonably well. It has been administered by the Office of Territorial Affairs in the Department of the Interior. And I feel that an agreement is a piece of paper, but it is the relationships that we build with the staffs here and with the governments there that has made it effective. And we have tried to emphasize education, health, and infrastructure. Is it perfect? No, but it is sure a lot better than what we did before, and I think it sets parameters for future engagement.

Mr. CASE. Great, thank you.

And Mr. Newsham, I can't ignore you since you are my constituent. Welcome. I am really happy to have you on the panel. But what other countries are our partners in the Freely Associated States, in particular?

Of course, the United States, special relationship going back to the trust territories. But countries like Japan, Korea, Australia, these are partners in the Freely Associated States, from a strategic perspective to an economic assistance perspective and beyond. And what may we be missing here that we need to focus on?

Mr. NEWSHAM. Thank you, sir. Well, I think we are not taking full advantage of our partners.

The Japanese have a very strong interest in the region in particular, and they know how to operate in this place, and they have financial resources, they have people on the ground. And they do their thing, and we sort of cooperate a bit. But what is needed is a fully coordinated strategy between the United States and the Japanese. Bring the South Koreans in it, get the Taiwanese in it as we can, and look at it from that perspective, not each side doing whatever it feels like. And that has been a fundamental failing.

And one other point I just want to bring up, sir, is you correctly identified this tension between the economic and the security, and it is almost regarded by many people as if they are two different things. The idea is, well, we have a contract, they have to let us in, they have to allow us to keep people out. Well, not necessarily. Security rights are dependent on us ensuring the economic well-being of the Compact states, and that is often not recognized. There is actually language in the Compacts that addresses this clearly.

Mr. CASE. OK, thank you so much. My time is up, as well, but I appreciate that final point. Aloha.

Mrs. RADEWAGEN. The Chair now recognizes Mr. Tiffany for 5 minutes.

Mr. TIFFANY. Thank you, Madam Chair.

Ms. Paskal, you highlighted in your testimony the former FSM President's letter. And how has this situation evolved since the release of that letter?

Ms. PASKAL. Thank you. So, when that letter was leaked, because it was actually designed to go just to internal leadership in the country, he had already effectively lost re-election.

This was the third of three letters. So, some will say that, well, he did it because he lost the election. But while he was in power he wrote two others, one to Prime Minister Sogavare of Solomon Islands about how concerned he was about the security deal signed with China, and one when Wang Yi went through the region to try to sign deals with others. I would suspect that that would have made him a very serious target for Chinese political warfare to ensure that he wasn't re-elected.

He, in that letter, put the most incredible blocking offer on the table, which was to de-recognize China and recognize Taiwan. He was in power during the transition period for a few months. And if the United States would have backed that proposal, it would have completely changed the strategic dynamic of the middle of the Pacific. You would have had the three Freely Associated States all recognizing Taiwan. It would have been incredibly operationally important. You could have had the Taiwanese navy running through it, as well.

That didn't happen, he is out of power. And now, undoubtedly, the Chinese are going to try to make his life as miserable as possible so that nobody else tries that again.

Mr. TIFFANY. So, why did that fail? Why did they fail? Why did we in America fail?

Ms. PASKAL. I would ask the State Department.

Mr. TIFFANY. What year was that?

Ms. PASKAL. The letter came out March 9, 2023. He was in power until, I think, May 11, 2023. So, that was the window that you had. And he was willing to take the hit to recognize Taiwan.

The Taiwanese can't move without the U.S. approval. Taiwanese were interested. They had negotiated. And in the letter, he detailed the amounts of money he had talked to the Taiwanese about, what they would need in order to pull away from China, because China would have pulled all their money out. So, in order for the economy not to crash, they needed a very minimal amount, like \$50 million over 3 years, something like that.

Mr. TIFFANY. And the opportunity has now passed?

Ms. PASKAL. Yes, that opportunity has passed. But when China loses a country, when a country goes to Taiwan, the Chinese stay in the country and fight to get it to flip back. When a country flips to China, we don't fight. We have kind of given up on Solomons or Kiribati, but there is opposition in both Solomons and Kiribati who wants to go back to Taiwan.

Mr. TIFFANY. Mr. Newsham, is that what you were driving at? I just jotted a note. I just said, "Are you saying we are not showing up", when I was listening to your testimony, is that what you are talking about?

Mr. NEWSHAM. Well, that is certainly part of it, sir, is that we don't have enough of a presence. I would cite that the embassies that we have in the region, and not where we should. It is not as

if diplomats are lining up to get those assignments. There are not enough of them. We are not on the ground, as we need to be. And that is one of the issues I am getting at, that an offer like this comes along, and well, we almost don't have the players on the field to deal with it.

Mr. TIFFANY. Was it you, Mr. Newsham, that said the Chinese do not play by the rules, the Chinese Communist Government does not play by the rules? Did you say that?

Mr. NEWSHAM. I don't think I said it, but I would have said it.

Mr. TIFFANY. Yes, OK. So, how do you react when, as a country that believes in the rule of law, how do we operate, then, when we are up against an adversary that does not want to play by the rules? What do you recommend? Showing up?

Mr. NEWSHAM. Well, that is a good thing to do, for starters.

And keep in mind that, in the COFA states and throughout the Pacific, the Americans are actually very well liked. People want us to be there. But you do have to have diplomats on the ground. You have to have a military presence. You have to have a commercial presence, as well. And that is where people like the Japanese, the Taiwanese, the Indians can be very useful.

But all of this has to be combined in a systematic political warfare campaign, and we have forgotten how to do political warfare some time in the 1980s. And what the Chinese are doing is political warfare. Much of it is greased by these under-the-table payments, and it is very effective because it doesn't get exposed.

We should pay some intelligence attention to the region and expose this stuff, give the honest people in these states the ammunition to go after what the Chinese are doing. Let them do it, but give them the resources. But we have to have some sort of a campaign plan to do this. But as it is, it is sort of a very, very modest, sparse, haphazard approach to things too often.

Mr. TIFFANY. Madam Chair, unfortunately, my time is up.

But if you would be willing to share with my office, I just find it very intriguing when you talk about we forgot how to do political warfare in the 1980s. If you would care to send a summary document on what you are referencing to my office, I would really appreciate it, because I could be asking a whole lot more questions.

But I yield back.

Mrs. RADEWAGEN. The Chair now recognizes Mr. Gallego for 5 minutes.

Mr. GALLEGO. Thank you, Chair Radewagen and co-Chair Sablan. And thank you to our witnesses for your insight today.

As a member of both the Natural Resources Committee and the Armed Services Committees, I am glad that we are having this important conversation about the crossroads between national security, our natural resources, and relationships in the Indo-Pacific Region. And I did take a CODEL with a couple of Members here as past Chairman of Intel Special Operations, in particular, to talk some of our friends out there. And what I am hearing from you is what I heard from the President of Palau, the Prime Minister of Papua New Guinea, and a couple other allies and friends.

Mr. Newsham, please elaborate on your idea that the United States should consider support for the COFA states as a necessary maintenance of cost for U.S. national strategic interests.

Mr. NEWSHAM. Yes, sir. One way to look at this is to consider what would it cost us to secure that region if one or more states told America, "Look, you haven't done what you said you would. The Chinese are offering us a ton of money. We renounce the treaties."

What you would have to do is you would have to get a much bigger navy. You would have to have a lot more ships to cover this. You would have to, literally, send in the Marines. You would have America as an occupying force in this region, like we did in the Caribbean in the 1920s. And that costs a ton of money. The amounts that are being talked about in the COFA negotiations, goodness, we were spending \$45 billion a year on Afghanistan.

Mr. GALLEGO. What is the amount that they are asking, that they are talking about in COFA?

Mr. NEWSHAM. About \$7.1 billion over some period of time.

Mr. GALLEGO. Right. As someone that served on the Armed Services Committee, that is just a rounding error, which is amazingly sad.

Can you also elaborate on your statement that the ability of U.S. forces to operate between the corridor from Hawaii to Guam free of enemy interference is indispensable? I think you kind of already talked a little bit about it.

Mr. NEWSHAM. Yes, sir. As a worst case, if you had the People's Liberation Army set up in those islands, it would effectively be an A2/AD area, anti-access area denial zone, that you would, at best, tread carefully. At worst, you would steer clear of it.

And it is hard for us to imagine, because we have taken this access for granted. But you could even have it done by the Chinese very efficiently with their maritime militia doing it.

So, you literally would fight your way through the region.

Mr. GALLEGO. Right. And the goal of China is to make sure that they keep enough distance from us being able to get as close to them as possible, so that we can effectively use our air superiority to potentially protect Taiwan or suppress their abilities to cross the Straits of China. So, the further we have to fly, the harder it is for us to be able to coordinate, refuel, and essentially assert any type of control over the shipping lanes. Is that correct?

Mr. NEWSHAM. That is exactly it, sir.

Mr. GALLEGO. And I think it was Ms. Paskal, or maybe it was Mr. Short or Dr. Lum, we talked about the State Department in terms of diplomats. And this is actually something that I heard also in Papua New Guinea, where they, No. 1, they said, "Please stop using the Australians as your proxies and treat us as you would treat any other country." And also that China is opening up embassies on individual island nations, and we are not.

So, (1) have you seen any shifts, we will go with Dr. Lum first, then Ms. Paskal, if you can answer that. Have you seen a shift? Are we actually starting to open up embassies?

And (2) how can we make this an attractive posting for diplomats? I mean, this is extremely important. This is going to be essentially what many, I think, diplomats had to deal with in

terms of Eastern Europe during the Cold War. What can we do to attract that very young but capable diplomat to go take that post in Palau, for example?

Dr. Lum, do you want to start?

Dr. LUM. Oh, sure. So, the State Department has recently opened two more embassies in the region, which are in the Solomon Islands and Tonga.

Mr. GALLEGO. Great.

Dr. LUM. Then it plans to open two more in Vanuatu and Kiribati. So, that covers most of the countries, but not all of them. I would say, compared to China, I think we are finally about on the same level. China also appointed a Special Envoy to the Pacific Islands Forum, and then we are in that process.

Mr. GALLEGO. That is great. So, there is movement there. OK.

Dr. LUM. In terms of your second question, I have heard anecdotally it is a hardship post type of situation, but that is something to think about, in terms of making the position more attractive.

Mr. GALLEGO. Yes.

Ms. Paskal?

Ms. PASKAL. Yes, you have opened two new embassies. Neither of them have consular services, and they are very small staffed. The one in Tonga was opened when both the King and the Prime Minister were out of the country, which was a bit of a diplomatic faux pas, and quite confusing.

This Task Force helps people want to be posted there. The attention to the area is incredibly important.

The other thing about this Task Force, which goes to Representative Case's question, is the FAS and the American Pacific Island countries are different than the other Pacific Island countries. They shouldn't be thought of in the same sense. The FAS know their defense and security relationship. They are active Chinese targets. So, thinking of them as disaggregated is what is very important about this Task Force. You don't have to deal with all the Pacific Islands. In fact, you are not supposed to. You can just deal with the FAS and the territories, and put that together.

The other thing about zoning is that China is also trying to get to Latin America, where they are building up a lot of facilities, which you know. They need to go through the Pacific Islands for that. So, it is not going to just stay up in the FAS, it is going all the way through, which is why American Samoa is such an important component that really needs more attention.

Mrs. RADEWAGEN. Yes.

Mr. GALLEGO. Thank you.

Thank you, Madam Chair.

Mrs. RADEWAGEN. The Chair now recognizes Mr. Moylan for 5 minutes.

Mr. MOYLAN. Thank you, Madam Chair.

Colonel Newsham, alongside other members of the Pacific Island Caucus, I requested an increase in appropriations in support of diplomacy in the Pacific. These requests included increased appropriations for State Department staffing in the Pacific, USAID's Pacific America Fund, natural disaster relief, and humanitarian

assistance. Colonel, can you speak to the importance of increasing America's diplomatic and humanitarian presence in the Pacific?

Mr. NEWSHAM. Yes, sir. If we are not there, we have almost no ability to shape the region, shape events, shape what people think.

And as I noted, people want us there. It is not like us trying to turn Afghanistan into a liberal democracy. We are wanted in the Pacific, and you have to be there.

The humanitarian assistance/disaster relief part of this, this is a very good opportunity for us. One, it serves a practical need, it addresses real problems. There are disasters that happen all the time. But it also allows you to set up the infrastructure that we need that is useful from a security standpoint. It allows you to bring in your allies and get them working.

But also, you can really bring in the locals. And I mentioned sort of a local defense force. Getting the islanders directly involved in their own defense, there are a lot of veterans that you can use as the basis for this.

But these are two very good opportunities, and you have to make it attractive to the people that will do it. And they are human beings, and if you make it clear that, "If you go out to the Pacific, this is the hot area, this is where your career is going to take off." But as it is now, everyone wants to go to Vienna, but not so much the Pacific. That has to change, and it should change.

Mr. MOYLAN. Thank you, Colonel.

Colonel Short, the continuation of COFA agreements is important to the U.S. strategy and strategic interests. This also means there will be continued migration to the United States. Colonel, do you anticipate an increase in COFA migrants coming into the country, and what impact does COFA migration have on the United States?

Mr. SHORT. I think your concern is the United States increasing military presence in the area?

Mr. MOYLAN. Actually, no, Colonel. We are talking about the COFA agreement will allow COFA migrants to come to the United States. Your input on this, how does it come into the country, and what impact COFA migration has on the United States.

Mr. SHORT. Oh, migration. OK. Going back to the whole issue of migration of Micronesian citizens to the United States, in the initial Compact we provided for visa-free entry of Micronesian citizens to the United States, and they can work and stay as long as they want. It is not a path to citizenship. And this was really made under the assumption that population increases were so great in the islands, and the land mass wasn't expanding, that there was simply going to be an over-population situation.

That immigration facility was continued in the second Compact, and I assume it is going to be continued in the third. And it has resulted in impact specifically on the U.S. territories, but also on Hawaii and in the United States.

When I renegotiated the Compacts, we made provisions for what was called impact on the U.S. territories, including Guam, Northern Marianas, American Samoa, and Hawaii, not the continental United States. Those funds were increased by the Congress, and they are administered through the Department of the Interior

to basically ameliorate the impact of this migration. It has been most pronounced, for example, in Hawaii and Guam.

I am not sure exactly how it is going to be addressed in the Compact that you will be receiving shortly, but it is something to look at and assess, the effectiveness of the program over the last 20 years, and how it should be fine-tuned or continued.

Mr. MOYLAN. Thank you very much.

Madam Chair, I am pretty much out of time, but I appreciate it. Thank you to the panel.

Mrs. RADEWAGEN. The Chair now recognizes Mr. Grijalva for 5 minutes.

Mr. GRIJALVA. Thank you, Madam Chair.

Ms. Paskal, the COFA agreements, approving the renewal of those Compacts with FASs in a timely manner, it is not a question in terms of the urgency that we have before us in that underlying discussion on those agreements, that both deal with military security, economic security, underlining those discussions, at least with representatives from Freely Associated States, has been the issue of respect. Can you speak to that in terms of how that is an underlining issue?

Ms. PASKAL. That is a very serious issue. And I think the nuclear issue kind of encapsulates it, where the United States conducted 67 nuclear tests in the Marshall Islands, and the Marshallese were well aware of the sacrifice that they were making for American security, but also global security.

And the way that this renewal has been framed, where this kind of \$700 million of undivided money that is not really dedicated to nuclear, there is no apology, is, I think, perceived as a lack of respect for what they have had to go through. Also, frankly, a lack of gratitude for what they have sacrificed.

Whereas, if you flipped it on its head, and acknowledged it, and dealt with it up front, it is a bonding relationship of mutual sacrifice for the sake of freedom and liberty that could then be built upon in the current context to figure out how we are going to work together again.

Mr. GRIJALVA. Yes, which speaks to the issue of a timely agreement.

Dr. Lum, the Pacific Islands have identified climate change as an urgent concern for their security and their overall development. How may a failure to deal and mitigate climate change impacts on the Pacific impact the U.S. relationship with these islands, going forward?

Dr. LUM. How does addressing climate change impact our relationship with—

Mr. GRIJALVA. Or not. Or the failure to address that mitigation, the failure to work with the very important issues of loss of land, loss of climate. The change.

Dr. LUM. The Freely Associated States are among the low-lying island and atoll countries in the region, and they are directly threatened by rising sea levels.

Regionally, the Pacific Islands Forum came out with the Boe Declaration, they consider climate change as a type of security threat. So, they see climate change, along with the traditional

security threats that we have been discussing today, as a very big issue.

Mr. GRIJALVA. As does the military, our military sees that in that region, as well.

Dr. LUM. And it also involves this notion of respect that we have just been discussing. So, listening to the Pacific Island countries about climate change, even if it is just listening, along with the other issues, I think that does go a long way.

Mr. GRIJALVA. Thank you.

And Mr. Newsham, how do the provisions of economic support and climate change mitigation to the FAS and other Pacific Islands serve the specific security interests that the United States has in the region, and needs to secure even further in the region?

Mr. NEWSHAM. It is as I noted earlier, sir, they are directly related. You can't distinguish the two, in my opinion. The economic well-being of the Freely Associated States, it creates the political conditions which allow the security parts of the Compact to exist.

This relationship that the Freely Associated States has with the United States is unprecedented. I think it is the only three countries on Earth that have given up their sovereignty and control of a part of their government to the United States. And that is a huge sort of act of trust. And there is an obligation, I think, which it creates. And I would say this is not just to defend, but it is also the economic well-being.

And yes, it is a challenge, given the nature of the Freely Associated States, but it is not insurmountable. There are plenty of things that can be done.

And once again, working with our partners, the Japanese, the Indians, Taiwanese, there are lots of opportunity there that provides an alternative to these blank checks that the Chinese are offering.

Mr. GRIJALVA. Thank you, Madam Chair. I yield back.

Mrs. RADEWAGEN. The Chair now recognizes Chairwoman Hageman for 5 minutes.

Ms. HAGEMAN. Thank you and thank you to the witnesses for being here.

Colonel Newsham, in your testimony you pay a lot of attention to the strategic positioning of the FAS, and you reference how the island nations make up the rear of our deterrence posture in the first island chain, and how they make up the power projection superhighway.

The PRC has developed A2/AD capabilities on the other side of the first island chain to protect its homeland. If the United States lost exclusive military rights among the FAS, and China gained a military foothold, what would the deployment of its A2/AD capabilities mean for freedom of movement and projection of our own military forces?

Mr. NEWSHAM. Once again, ma'am, the map tells you a lot. These Freely Associated States, they are an area as big as the United States. And with the Chinese ensconced there with long-range precision weapons, it would create a huge zone that you would have to either go around or deal with. You might have to fight your way through, once again.

And as was mentioned earlier, it is important to note also that the Chinese see this as a springboard to the East, and they are setting up the dual-use, potentially military infrastructure in Latin America. They have brought successive administrations, regimes onto their side. And one day the PLA will be operating in Latin America and off the U.S. West Coast. They are going east, actually, at the same time.

But it is hard to overstate just what problems this would cause.

Ms. HAGEMAN. Well, it sounds like we would have serious economic and trade impacts for the United States, because this is such an important region for the world.

Is it safe to say that this breakdown in the second island chain would do enough damage to our forward-deployed deterrence that the PRC would be on a path to achieving regional dominance to serve as a base for global power projection?

Mr. NEWSHAM. Yes.

Ms. HAGEMAN. OK. Dr. Lum, Taiwan is a significant piece of the first island chain, and China is looking for openings and opportunities to break through that first island chain. We have rightfully discussed here how military action is not the only mechanism in which this can be achieved, but through other tactics like political warfare, as you mentioned just a moment ago, Colonel, economic influence, trade war tactics, espionage, and more.

Palau and the Marshall Islands give diplomatic recognition to Taiwan. Micronesia rejected a PRC-proposed pact with 10 Pacific Island nations, which caused the PRC to shelve that particular plan.

We have strong allies in the Freely Associated States, and this Congress must recognize the mutual benefit in this agreement. Yet, as you testified, the PRC's influence in the region is most likely growing.

Dr. Lum, in your written testimony, you included a map of the Pacific Islands and the Southwest Pacific subregions. We can see that in the Micronesia subregion are all three of the Freely Associated States, as well as some of our territories. And in this subregion and the Melanesia subregion, which borders it, is Kiribati and the Solomon Islands. Can you detail for us some recent developments with these two island nations when it pertains to growing Chinese influence?

Dr. LUM. Are you referring to Kiribati?

Ms. HAGEMAN. Yes.

Dr. LUM. What was the other country?

Ms. HAGEMAN. Solomon Islands.

Dr. LUM. Solomon, OK. And Ms. Paskal could also talk about the Solomon Islands.

For Kiribati, I would say, and then maybe I will defer to Ms. Paskal. For Kiribati, it is an interesting case. There is an airfield that China is helping to build or upgrade. Kiribati is also an interesting case because it has switched back and forth, recognized China, and there was a sort of military installation back in the early 2000s, and it went to Taiwan, and then switched back to China. So, it shows how easy it could be for some countries to go back and forth without a lot of consequences.

Ms. HAGEMAN. Instability and volatility, it sounds like.

Dr. LUM. Yes.

Ms. HAGEMAN. Ms. Paskal, if you could, speak on the Solomon Islands.

Ms. PASKAL. Yes, sure. In both cases what you see China do when it goes into a country is they have a term called the Three Warfares. So, they go after these, the institutions that enable democracy to happen. They go after the media, and you can see them doing that in places like the Solomons, where there are articles coming out about how somebody who still supports Taiwan actually met up with the Americans in Taiwan to put together a hit squad to kill the prime minister.

It is completely fallacious, but they are setting up a case for the second thing, which is lawfare, which is to put their political opponents in power. And in Kiribati, what you saw, one of the first things they did when they switched, was they went after the independent judiciary. So, now they have the attorney general being chief justice, I think.

And then the third is psychological warfare, which is they instill fear in the population to make sure that they don't try to counter. So, you are seeing a fundamental transformation in both Solomons and Kiribati of the nature of the society from a free, democratic, open society to increasingly authoritarian and, effectively, a metastasization of the CCP system, a Hong Kongization of those islands very, very quickly. They started in 2019, and they have gotten very far, very fast.

Ms. HAGEMAN. OK, that is extremely helpful information. I am out of time, but I appreciate you explaining those points. Thank you.

Mrs. RADEWAGEN. The Chair now recognizes Ms. Stansbury for 5 minutes.

Ms. STANSBURY. Good morning, everyone, and thank you, Madam Chair. Thank you to our Ranking Member, as well.

I am truly honored to be able to serve on this bipartisan Committee with my colleagues, and I want to thank all of our witnesses for being here today. I think the role of this Committee in highlighting how essential our continued engagement with the Freely Associated States is obviously not only important for our national security and economic interests in the Pacific, but also global security, and that is why we are here.

The Freely Associated States and their citizens have, as we have discussed, played a crucial role in the strategic interests of the United States and its allies for the last 30 years. But they are also our friends and our colleagues, and we are grateful, of course, for our association.

As we have heard this morning, China has made a concerted effort to undermine the U.S.' long-standing economic and security relationships with these entities, and it is imperative that we renew our Compacts with the Freely Associated States and continue to hold the line with respect to Chinese aggression in the Pacific.

For those who are watching at home, I want to take a moment to talk about why I am serving on this very important Committee and alongside my sister from New Mexico. Some may be asking why two Members from New Mexico are interested in the South

Pacific and the Compacts of Free Association. And that is in part because many of our constituents back home play a vital role in national security, from the airmen and women who serve at Kirtland Air Force Base in my district to the scientists at our national labs who help to support these missions and our proud service members across New Mexico, of which we have many, including my own partner, who is a proud veteran and Marine who served in the Pacific. So, these issues are very important not only to our strategic interests as a country, but also to the people of New Mexico and our continued commitments in the area, as well as the safety of our service members.

And I want to thank you, Colonel, for your service and for being here with us today.

I think that a lot has been covered already this morning with regards to some of the aggressions and activities that are happening. But Dr. Lum, I wonder if we could sort of zoom out the discussion a little bit and help contextualize what exactly is going on in the Pacific. I know that my colleague, Mr. Gallego, touched a bit on this in his questions, but what is the end goal of the Chinese Government?

Why are we seeing this expanded influence in the Pacific, and why is it a threat to U.S. interests and to the safety of the Freely Associated States?

Dr. LUM. Thank you. I can give some responses and then maybe defer to my fellow panelists.

One, China always hopes to gain support in the United Nations on votes. So, that is one area. It doesn't have to even cover the security arena, it is just support in global organizations. When it gives money to a country, whether it is in the Pacific or Latin America, it often receives support in the United Nations or other global organizations.

In the security area, of course, we were talking in the first and second island chains and being able to, in a Taiwan contingency, achieve its military goals.

China also has economic interests, like mining in Papua New Guinea. China needs a place to put its excess capacity when its own companies in China don't have anything left to build. So, it sends those abroad.

So, those are some of the goals that China is attempting to achieve in the Pacific Islands.

Ms. STANSBURY. Thank you, Doctor. That is extremely helpful.

And Colonel Newsham, I will put the question to you with a follow-up question, given your background and experience with the Marines and serving in our armed services. What do you feel like are the most significant things that Congress can do to help support our military presence in the area, and strategically to help support the Freely Associated States?

Mr. NEWSHAM. I think in the immediate term, ma'am, in the Freely Associated States, as I said, small units, engineering units, medical detachments, put in there for some extended period of time, and you keep replacing them. This permanent presence, show that you are there and that you are interested.

And also, as I said, create something along the lines of a local defense force, so that you are not just there doing all the work, but

have the locals brought into this, as well. That would be something I really would stress. And there are a lot of good, young officers who want to be in these places using their initiative away from the headquarters. And a lot of good things happen once you are there and you leave things up to the young captains, and that is something that should be done, wouldn't cost much in terms of money or manpower.

Ms. STANSBURY. And I think your comments also point to one of the benefits of our Compacts, which is the opportunity for those residents of our Freely Associated States to serve in the U.S. military, as well. So, I appreciate that.

I realize I am out of time. I have many, many questions. But Madam Chair, I really appreciate the opportunity to serve on this Committee and for your leadership. Thank you.

Mrs. RADEWAGEN. The Chair now recognizes Mr. Wittman for 5 minutes.

Mr. WITTMAN. Well, thank you, Madam Chairwoman. I appreciate our witnesses for joining us today.

I wanted to sort of summarize what many of you have spoken about, and what our Members here have asked questions about. We know the dichotomy between United States policy with the Freely Associated States, as well as the Chinese policy. The Chinese policy is about a totalitarian regime that is transactional and exploitive. They are looking at gaining an advantage out of whatever relationships they want to develop with the Freely Associated States. The United States has always been more of a mindset of being a partner, you know, how can we share in those things, how can we both mutually benefit from those relationships?

The challenge with that is many times the outcome of that is longer-term than it is shorter-term. And the Chinese are very good about exploiting the shorter-term aspects of that.

Give me your perspectives, and I will ask each of you, Colonel Newsham, beginning with you, give me your perspectives as you look at the things that the United States needs to do in the region. Give me your list of priorities, things we should do in priority in the short term, and things we should do that are more long-term in their prospects.

Mr. NEWSHAM. A couple of things, sir, is first I would recognize that the Chinese are at war with us. They have been very clear about that, and there is no deal to be cut with them. So, it requires a changed mindset. And recall that for many years you couldn't, in the U.S. military, even say China was an adversary. That changed around 2017. So, you have to change the mindset.

But also, I said that permanent presence in the region, and that will get you an awful long way, and I really do stress that. Helping out with the illegal fishing, this is the main asset many of these countries have and we are good at workshops, but we are not very good at actually helping these people see where the bad guys are, giving them the resources to enforce it, and getting in with them.

And the last thing that I would do, and we have really reduced our chances of success if we don't, is to go after the Chinese corruption, \$80 billion a year on intelligence. You think we would put a little bit into the Pacific.

Mr. WITTMAN. Yes, sir. Very good.

Ms. Paskal?

Mr. SHORT. Sir? Just to add a bit more.

Mr. WITTMAN. Go ahead, yes.

Mr. SHORT. I think you are right on. The United States tends to look at things, if you will, single-dimensional. It is a transaction. The PRC, on the other hand, is basically multi-functional. They have the concept of struggle. We think of things almost in pigeon-holes and boxes. We have peace, we have war, we have this, we have that.

To the Chinese, it is a continuum of discrete but integrated actions, all focused on the goal. And we have to understand the goals, understand what actions are being taken, and hopefully get out of the reactive mode and get in the proactive mode. It is very difficult, and this really is a cultural underpinning, if you will.

We tend to think of things black and white, left and right, peace, war, we have a problem, we solve the problem. We don't look at long-term impacts.

We simply have to get into that ball game if we are going to be successful. Otherwise, as alluded to earlier, what we have seen in the South China Sea with nefarious Chinese activities could very well in the future be happening in the Micronesian economic zone and the other Pacific islands, as well. And if you look at it in military terms, what is that? It is a flanking attack. They jump over the main line states and attack the rear, and are successful.

The threat is clear and present. It has been growing for years, and we have to recognize and respond to it.

Mr. WITTMAN. Very good, thank you.

Ms. Paskal?

Ms. PASKAL. Short term, go after the dirty money. But there are very specific things we can do. The Attorney General of the Republic of Marshall Islands has asked for the information to prosecute those two Chinese who tried to take over his country. FBI hasn't given it to them yet.

You could also start with putting FBI detachments in some of these countries to help with the investigations on some of these things. As mentioned, there is a lot of intel that isn't being shared.

Direct flights, cheaper flights, easier to get in and out of the region would be incredibly important.

Sorting out the issue with the veterans, the people who served in the U.S. military who go back home and then who are left with no support. Our visual, emotional display to their families and communities about whether the United States cares or not about the relationship.

Longer term, maybe look at COFAs for Nauru, Tuvalu, and Kiribati once we have shown that the relationship with the existing COFA states is something that is beneficial to them. Thank you.

Mr. WITTMAN. Thank you.

Dr. Lum, I am out of time, but if you could, just shortly, give us your perspective.

Dr. LUM. I can think of three points.

One is visits, diplomacy, inviting Pacific Island leaders here, going out there. President Biden had to cancel a trip to Papua New Guinea. That was a big disappointment.

Two is providing incentives for U.S. companies to go out there. For China it is a state-private mix, but we are a private enterprise, so it is difficult for us.

And third is more coordination perhaps between DoD, State, and Interior, particularly on the Compact countries.

Mr. WITTMAN. Thanks.

Madam Chairman, I yield back.

Mrs. RADEWAGEN. The Chair now recognizes Ms. Porter for 5 minutes.

Ms. PORTER. Mr. Short, you negotiated the previous COFA agreement. What country is the largest threat right now to finalizing a COFA agreement with all three Compact states?

Mr. SHORT. Please repeat the question.

Ms. PORTER. Mr. Short, you negotiated the previous COFA agreement. What country is the largest threat right now to finalizing a COFA agreement with all three Compact states?

Mr. SHORT. Yes, I renegotiated what became the 2004 agreement, but only with the FSM and the Marshalls. Palau was on a separate track.

Ms. PORTER. Right, I want to ask you about the Marshall Islands.

Mr. SHORT. The Administration correctly this time is putting all three together into one negotiated package.

Now, you recognize we say Compacts or Compact. There are three separate agreements. While they have many factors in common, there are three separate established relationships with the U.S. Government.

Ms. PORTER. Mr. Short, reclaiming my time, I understand how the Compacts work, and that there are three of them.

I read your 2003 testimony before this Committee in which you talked about the importance of securing our Department of Defense sites at the Kwajalein Atoll in the Marshall Islands. What would happen to those defense sites if the Marshall Islands decided not to sign a Compact with the United States, and instead side with China?

Mr. SHORT. OK, the specific defense rights are embodied in something called military use and operating rights agreements. These are sub-agreements under the umbrella of the Compact. If the Compact is not renewed or expires for whatever reason, those agreements could be terminated. It would be a matter of negotiation between the United States and the FAS.

I would note that the lease for Kwajalein was renegotiated for a period of 50 years in the 2003–2004 renewal.

Separate from that, of course, is our right of strategic denial, which I alluded to in my presentation. That gives us the right to preclude any hostile or any third party that we determine is hostile to our interests from operating there. That has never been used and, hopefully, never will be. But with the PRC's activities, it is possible in the future that we may have to invoke that.

And in developing that denial provision, it is very general. It doesn't say, if you, the FAS, do A, B, C, or D, we will respond to A, B, C, or D. And purposefully, it was left vague in the negotiations, but this was in the 1980s. The FAS would come to us and say—

Ms. PORTER. Mr. Short, I am going to have to reclaim my time. Let me turn to Dr. Lum.

Would you say that securing a Compact agreement with the Marshall Islands is essential to our national security?

Mr. SHORT. I am not familiar, no.

Ms. PORTER. I am talking to Dr. Yum.

Mr. SHORT. Oh, excuse me.

Ms. PORTER. Dr. Lum, Dr. Lum.

Would you say that securing an agreement with the Marshall Islands is essential to our national security?

Dr. LUM. Yes, that would be essential to our national security.

Ms. PORTER. Thank you. If we are going to get to an agreement with the Marshall Islands, and we are going to get it across the finish line, and we have not yet secured their agreement, then the United States is going to need to address the issues that are standing in the way of the finalization of that, the progress of that agreement.

Madam Chairwoman, I would like permission to enter into the record this article from the *Los Angeles Times*.

Mrs. RADEWAGEN. Without objection.

Ms. PORTER. This 2021 *LA Times* article said, "For months, U.S. refusal to accept responsibility for a leaking dome of radioactive waste in the Marshall Islands has complicated negotiations with the Marshallese Government on an international Compact viewed as critical for blunting Chinese influence in the Central Pacific." Dr. Lum, what has the United States done since this article to address the leaking of radioactive waste at Runit Dome?

Dr. LUM. I can only point to a 2020 report that the Department of Energy released stating that the dome was secure for 20 years. But in actual activity, I could try to find the answers.

Ms. PORTER. I mean, the DoE is running simulations instead of actually going there and doing the testing, and they are not up to date on the groundwater monitoring that they are supposed to do.

If the United States cannot address the radioactive waste disposal in the Marshall Islands today, then you think we could at least acknowledge the harms of nuclear testing in the past. And I have had two hearings on this when I was Chair of the Oversight and Investigations Subcommittee. I think, if you feel wronged by someone, that it helps to rebuild trust to acknowledge that they harmed you. And I think the United States taking greater responsibility for its nuclear testing program might help us get to a COFA agreement with the Marshall Islands.

I am reintroducing my legislation to formally apologize for the nuclear legacy of the United States in the Marshall Islands, and I would hope that all members of this Task Force would consider signing on and recognizing this is a real barrier to getting to the agreement with the Marshall Islands.

I yield back.

Mrs. RADEWAGEN. The Chair now recognizes co-Chairman Sablan for his 5 minutes.

Mr. SABLAN. Thank you very much.

I am actually pleased with this first hearing for various reasons, but here is one thing.

[Slide.]

Mr. SABLON. I borrowed your slide, if I may, and just to show the area involved with the Freely Associated States and parallel with the United States' territory of Guam, the Northern Marianas, and American Samoa, there with Australia.

But Mr. Newsham, if you can, how much do you think it would cost the United States to secure this large swath of ocean without a Compact from all three island nations, Palau, Federated States of Micronesia, and the Marshall Islands?

Mr. NEWSHAM. Sir, I actually did a sort of calculation in my head—

Mr. SABLON. Yes, OK, go ahead.

Mr. NEWSHAM. OK, thank you.

Mr. SABLON. And happy 284th birthday of the Army. I assume you are in the Army?

Mr. NEWSHAM. No, I am not able to read and write, so—

[Laughter.]

Mr. SABLON. All right.

Mr. NEWSHAM. No, sir. I was with the Marines.

Mr. SABLON. OK. I joined the Army because you wouldn't take me, but go ahead. Thank you. I am celebrating.

Mr. NEWSHAM. Yes, sir. Actually, I tried to figure this out, just my rough estimate, and this is just for starters and is probably very low, you are going to need a lot more Navy ships.

So, say you need 20 more ships, and that is considering that you could have 7 on station at any time. Say each ship costs \$200 million, you are getting a real bargain price. Well, you are already well up into the billions now, and that is just for your initial cost. So, it is a huge cost to cover this terrain, and it will be an ongoing recurring cost. You are going to have to put people in there. That is going to cost you money. And it is resources that don't go somewhere else. So, you would be up, goodness, \$100 billion. I will just throw that out.

Mr. SABLON. Yes, so it would be billions, right? All the way from, oh, my goodness, so much in Asia all the way to Hawaii, for example, we are close to in the Marshall Islands, right?

Mr. NEWSHAM. I really don't think \$100 billion is that far-fetched, depending on how you figure it.

Mr. SABLON. All right. So, let me then ask. You mentioned there could be some presence on the ground, the Peace Corps. I am telling you, I benefited from the Peace Corps volunteers, and I was away from home also. The Peace Corps volunteers had an impact on the people of Micronesia.

And the one thing that is very hard for people to understand this, I think, is that in Micronesia, we are liked, people like the United States. To many Micronesians, the United States is family. They have allies, other allies, but the United States is family.

Coming to decide to come to negotiate with the United States was a somber and serious thought choice, thoughtful process. And then here we are going into agreement. Hopefully, we will have the remaining island state. But all of this is that we would give up this much and, in return, our people will get this. So, all of these were done with the best intentions possible for the best of the two partners here, the United States and the island nations.

And I am trying to figure out how to bring to the attention of many of my colleagues here the seriousness that this deserves, if only to show the respect we have for the people of these island nations and its leaders, the respect, because respect says, yes, please respect, but know the seriousness, the respect in conversations.

And I have heard people talk, too. And if you watch a Pacific Islander talk to another Pacific Islander, for the most part, it is different. The tone is different. But we are welcome, we are welcome in Micronesia.

And I am very happy that the Ambassador, Envoy Yun, was able to do this. I am wishing him good luck on the next agreement. But we need to push this through.

Madam Chair, thank you for doing this also, and I have no further questions. Thank you.

Mrs. RADEWAGEN. I thank the witnesses for their valuable testimony, and the Members for their questions.

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 Tuesday, June 20, 2023. The hearing record will be held open for 10 business days for these responses.

If there is no further business, without objection, the Committee stands adjourned.

[Whereupon, at 11:47 a.m., the Task Force was adjourned.]

