



# Constraining China's Advance in the Pacific: America's Compact Agreements in Micronesia

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**Related Categories:** Democracy and Governance; International Economics and Trade; China; South Asia; Southeast Asia

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On January 14, 2021, the American Foreign Policy Council (AFPC) hosted an event on America's strategic interests in Oceania. The discussion, *Constraining China's Advance in the Pacific: America's Compact Agreements in Micronesia*, outlined the importance of maintaining and strengthening relationships with island nations in the Indo-Pacific to accomplish this goal.

Mr. Michael Sobolik, AFPC Fellow in Indo-Pacific Studies, moderated the panel. The discussants were former Ambassador Karen B. Stewart, previously the ambassador to the Republic of the Marshall Islands; former Assistant Secretary for Indo-Pacific Security Affairs Randall G. Schriver; and Assistant Secretary for Insular and International Affairs Douglas W. Domenech.

## Background

In his opening remarks, Mr. Sobolik explained that because the islands in the Indo-Pacific region act as a geographical barrier to the Chinese military, the United States needs to maintain a presence in the Indo-Pacific. Mr. Sobolik also expounded on the Compacts of Free Association (COFA), which are treaties between the United States and Palau, the Marshall Islands, and the Federated States of Micronesia – collectively, the Freely Associated States (FAS).

## Remarks

In her comments, Amb. Stewart reiterated the importance of maintaining close relations between the United States and the FAS. A year ago, Secretary of State Mike Pompeo reaffirmed the U.S. commitment to the COFA agreements, parts of which expire as early as 2023. In light of this, the Trump administration tasked Amb. Stewart and Assistant Secretary for Insular and International Affairs Douglas Domenech to begin negotiations to renew these provisions.

Amb. Stewart also explained that foreign funding is essential to the FAS. Self-sufficiency is challenging for the islands, as they have few natural resources and small populations. At the moment, U.S. funding provides support in the form of economic assistance and various public services. However, if COFA revenue were to drop, the FAS might turn to competitors such as China. Amb. Stewart particularly highlighted the compact trust funds and the need to shore up their solvency.

Following Amb. Stewart, former Assistant Secretary Schriver focused on the FAS contributions to the military and the strategic importance of island geography to the United States. He highlighted the Reagan Missile Defense Center and the Space Fence program as top military assets in the region. Both are located on the Kwajalein Atoll in the Marshall Islands, which has played an outsized role in U.S. space operations. The technology these projects focus on will become increasingly important as competition between China and the United States goes exo-atmospheric.

To conclude the remarks portion of the event, Assistant Secretary Domenech shared the recent developments in renewing COFA. He also explained that the FAS became independent in the 1990s, but decided it was in their best interests to sign COFA agreements with the United States. Despite this long-standing treaty relationship with the United States, FAS governments often view China as an alternative source for money and investment, and Assistant Secretary Domenech made the case for the United States remaining focused on FAS to prevent increased Chinese influence.

## Panel

In the panel discussion moderated by Mr. Sobolik, the discussants took questions from the attendants and responded to points made by their counterparts. The discussants acknowledged the South China Sea as the public's primary focus in Chinese-U.S. geopolitics, but reiterated the importance of the oft-overlooked FAS as reliable partners to the United States. Mr. Sobolik commented that the farther west in the Pacific one goes, the more aware one is of China's influence.

Amb. Stewart explained that the United States' Indo-Pacific policy is much broader than simply containing China; it is also important to strengthen current relationships and to develop new ones. She also highlighted that the way to push back against Chinese influence is to not only focus on promoting higher standards and transparency, but also show the benefits of working with the United States through high quality projects we have partnered on in the past.

Former Assistant Secretary Schriver emphasized that if China is displaying an interest in a region or state, then the United States should take note. China is opportunistic; if it sees a chance to exert influence on the global stage, then it will do so. The way the United States can push back against China's appeal is to shape itself into the first partner of choice. Former Assistant Secretary Schriver also argued that bolstering our strategic advantage within the Pacific would not be an expensive or difficult feat; for example, performing maintenance on existing facilities like Kwajalein is a manageable expense.

Assistant Secretary Domenech expanded upon Mr. Sobolik's initial comment regarding China's growing influence within the region, such as how they always attend an annual meeting between the Pacific Island Countries to gauge how best to counter the U.S. However, he referred back to the strong ties the FAS and the United States share and commented that many FAS residents come to the United States for their education. Assistant Secretary Domenech expressed confidence that lawmakers would approve the renewed COFA as soon as negotiators had concluded their work, a sentiment that the other discussants shared in their closing statements.