

STORY



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China's Push for Influence in Micronesia Tests U.S. Power in the Pacific

Country: [FEDERATED STATES OF MICRONESIA](#)

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From allegedly providing small gifts like cellphones and envelopes of cash to building residences for the president and other officials, China has long sought to make inroads with Micronesia's political elite.

POHNPEI, Federated States of Micronesia—Beijing is persistently courting one of America's closest partners in the Pacific, giving Micronesia the benefit of two superpower benefactors but prompting fears among local leaders that the island nation could be caught up in a brawl between them.

Why it matters: As U.S.-China competition grows on several fronts and tensions intensify over Taiwan, China is pulling new partners into its Pacific orbit. Beijing's focus on a country with deep ties to the U.S. comes as Washington urgently seeks to upgrade its military footprint in the region and remain the preeminent power.

The U.S. controls Micronesia's vast expanse of ocean, and it funds much of the country's budget. Micronesians attend U.S.-built schools, use U.S. dollars and serve in the U.S. military at a higher rate than any U.S. state.

But allegations earlier this year by then-President David Panuelo that the Chinese government was engaging in "political warfare" put the unlikelyst of countries in the international spotlight and posed deeper questions about the durability of U.S. power in the Pacific.

Just before he left office in May, Panuelo claimed in a letter that members of his own government recorded meetings on behalf of Beijing. He detailed the alleged bribes and perks that came with Beijing's interest and raised concerns about China's growing influence in the country.



Left: A dock near the town of Kolonia in Pohnpei, Micronesia, with a rusted out boat in the background. Right: A ship in the harbor near Pohnpei's airport. Images by Dave Lawler/Axios. Micronesia, 2023.

Axios traveled to Micronesia and interviewed the country's current and previous three leaders — including President Wesley Simina's first interview with an international reporter since taking office — as well as senior members of Micronesia's Congress, foreign diplomats and others to probe Panuelo's allegations and assess what the increase in attention from both Beijing and Washington means for the superpowers and the Pacific region.

They described how China has long been courting Micronesia's political elite — from providing small gifts like cellphones and envelopes of cash to constructing state government buildings and residences for the president and other top officials. Beijing has also built roads, schools and government offices, and has proposed additional projects.

Unlike Panuelo, most senior Micronesian officials said they see Beijing's interest as largely positive — both because of the cash and infrastructure China has provided and because its courtship has spurred the U.S. to scale up its own contributions.

But they expressed growing concern that a U.S.-China conflict could ensnare their country.

"I doubt very much that China will go to the U.S. and fight a war. I doubt that the U.S. will go to China and start a war. But they might fight here."

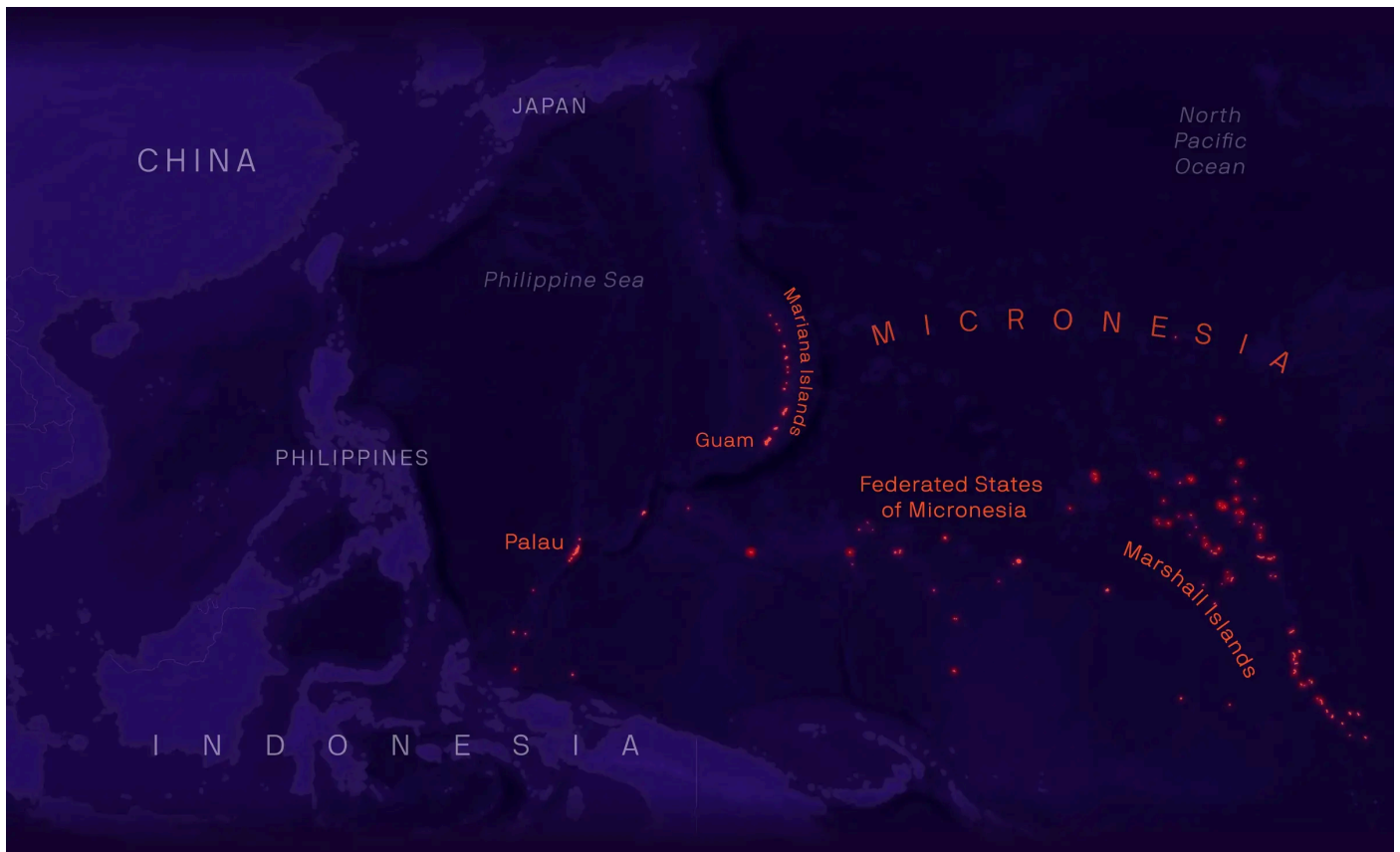
Sen. Peter Christian

Former president and current senator

THE BIG PICTURE: “Just look at a map”

Micronesia's strategic significance is largely a factor of geography.

The country's more than 600 islands encompass an area of the Pacific roughly the size of the continental U.S. — including the Northern Marianas, Guam, Palau and the Marshall Islands — where the U.S. has had unquestioned dominance since World War II.



Map courtesy of Axios.

While Guam and the Northern Marianas remained U.S. territories after the war, Micronesia, Palau and the Marshall Islands are the next closest thing. As “freely associated states,” citizens of the three countries can live, study and work in the U.S. visa free, while the U.S. effectively controls the waters and airspace.

Ambassador Joseph Yun, the U.S. presidential envoy tasked with negotiating a renewal of the 20-year compacts with the three countries this year, told Axios one merely has to look at a map to get a sense of their strategic significance.

“In terms of their airspace and their sea space, their EEZs [exclusive economic zones], they cover a lot if not most of the ocean between Hawaii and the Philippines,” Yun said. Micronesia, home to 100,000 people, has a population around the size of Billings, Montana, but its EEZ is on par with Mexico’s.

Across that vast expanse of ocean speckled with small islands, the U.S. has “strategic denial rights — that is the ability to deny any security presence we deem inappropriate for us,” Yun noted.

While the U.S. largely took that arrangement for granted for decades, China was making inroads in these sparsely populated but strategically important countries.

ZOOM IN: China’s long game

China has undertaken a range of infrastructure projects in the Federated States of Micronesia (FSM) in recent years — investments that indicate Beijing wants the goodwill of Micronesia’s citizens, but even more so the country’s small and insular political elite.

A drive around Pohnpei takes you past a school bus, a farm, a road network, a large gymnasium and local government offices all emblazoned with Chinese flags or signs making clear they are gifts of the Chinese government. Chinese laborers are currently constructing a convention center directly across the parking lot from Congress and the president’s office.

Government-linked Chinese firms have also proposed major projects, such as a massive tourist resort on the remote island of Yap, that some Micronesian officials suspect are designed in part to establish a foothold for China. None have yet gotten off the ground.

China has constructed residences for the president, vice president, speaker of Congress and chief justice of the Supreme Court.



Left: A sign referring to a Chinese road-building project in Pohnpei. Top right: A school bus gifted by China. Bottom left: A sign for the Pilot Farm funded by China Aid. Images by Dave Lawler/Axios. Micronesia, 2023.

Multiple former FSM officials acknowledged to Axios that they had received gifts from the Chinese, such as cellphones, tablets or envelopes of cash purportedly to cover their expenses while on official visits to China.

Panuelo, the former president, alleges it went further than that — that members of his government had effectively been bribed to put China's interests ahead of the national interest. Axios couldn't independently confirm most of those claims.

A spokesperson for the Chinese Embassy in Micronesia told Axios that China had "long been providing assistance to the FSM with no political strings attached" and without interfering in its internal affairs.

"We have no intention of competing with anyone for influence, nor are we interested in engaging in geographic competition," the spokesperson said, adding that it would be "extremely irresponsible ... to attempt to negate the merits of China-FSM relations."

STATE OF PLAY: The giant awakens

As competition with China ramped up over the past five years, the U.S. posture toward Micronesia and the other freely associated states shifted from gradual disengagement to renewed commitment, with an added military dimension.

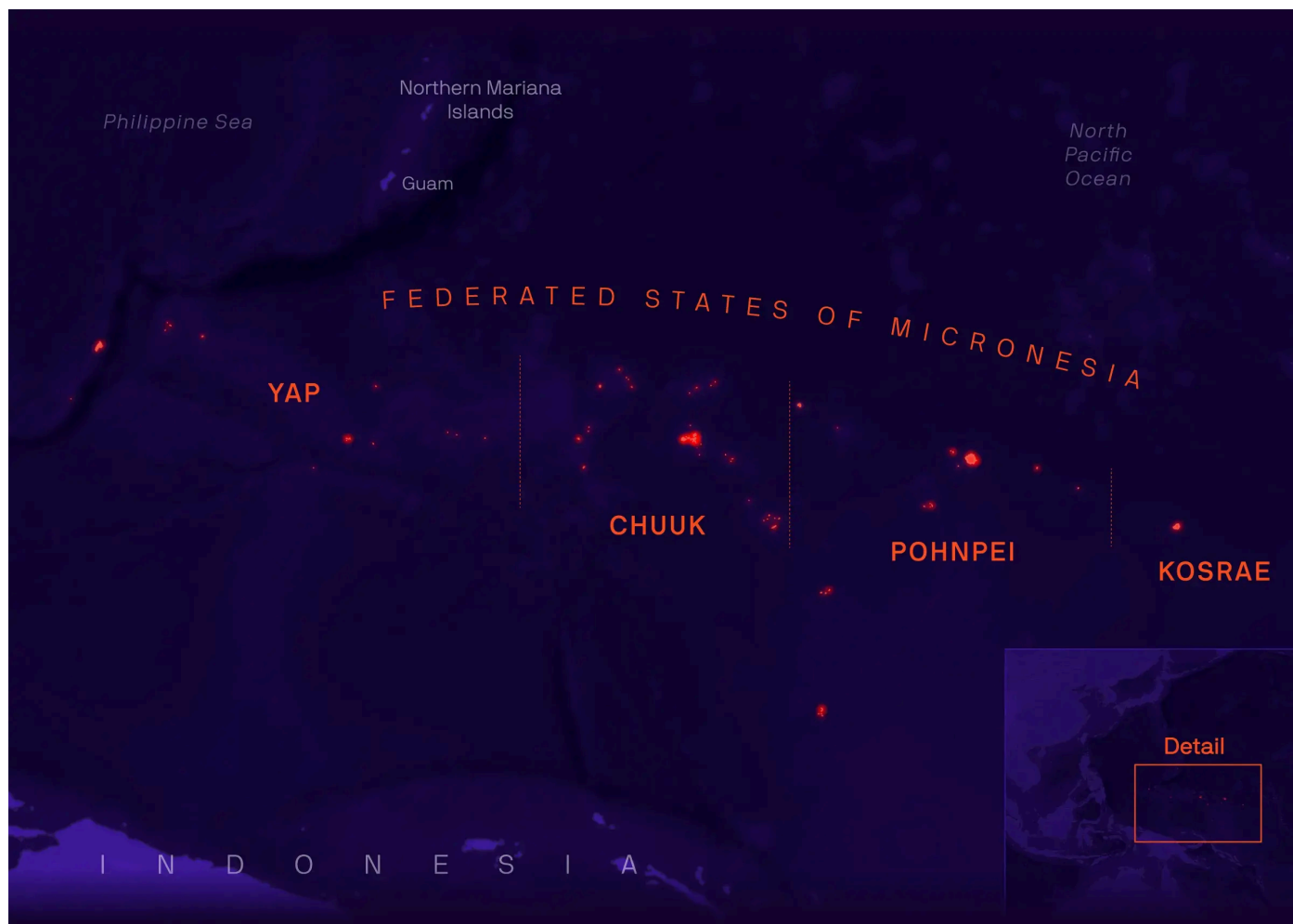
The 20-year compact Yun negotiated, which Congress has yet to approve, includes a substantial increase in U.S. funding — a sharp reversal from the warnings Micronesian officials said they received during the George W. Bush and Obama administrations that the previous compact agreement, ending in 2023, would be the last to include financial assistance.

Former President Manny Mori told Axios he spent much of his presidency, from 2007 to 2015, worrying about how to fill the massive budget gaps that would be left after the U.S. turned off the tap. Mori said Washington didn't initially object when he asked China for contributions to the national trust fund, planes and more.

But Mori did get a glimpse of growing U.S.-China competition late in his tenure. The U.S. refused to fund a major telecommunications project but swiftly changed its tune after China agreed to step in, Mori says.

Now, the U.S. is bringing more than new funding.

The U.S. recently expanded a runway in Yap, the westernmost of Micronesia's four primary islands, that could be a fallback location for U.S. bombers and other aircraft if the U.S. base in nearby Guam comes under attack.



Map courtesy of Axios.

While Axios was visiting Pohnpei, an executive from a U.S. firm specializing in airfield construction was on the island. The executive said he was there for “scuba diving and general business development,” but declined to be named.

“Suddenly, it’s on,” said Leo Falcam Jr., Yun’s Micronesian counterpart in the compact negotiations. “We are going to see and be host to a lot of military uniforms, and they are here to stay.”

The U.S. has not proposed building additional facilities or bases in Micronesia, according to President Simina, but he acknowledged he would have to accede to such requests if they were made. “The U.S. has obligated itself to defend us if we are attacked or invaded by others, and we just cannot accept that and not accept the other side of the coin,” Simina said. Part of that reality, he noted, was that “we might become a target.”

“I would be a fool not to be worried,” Simina said of the prospect of a U.S.-China conflict ensnaring his country.

HOW IT HAPPENED: Cooling tensions

Micronesia’s stance toward Beijing has shifted from partnership to animosity and back again within the past few years.

Many countries in the Pacific are grappling with U.S.-China tensions, but Panuelo was unique in his willingness to align fully with Washington and pick fights with Beijing. In interviews with Axios, Panuelo alleged Beijing tried to bully his government into everything from accepting Chinese-made COVID vaccines to endorsing stronger economic ties. When he put up opposition, he says, Chinese officials tried to circumvent him by pressuring his Cabinet ministers directly or even, in one case, releasing a “joint” statement without his approval.

Panuelo rejected Beijing’s ambassador-designate on the grounds that the ambassador had worked for the Chinese security services. He also placed a moratorium on Chinese research vessels, rejected a Chinese memorandum on deepening economic cooperation and openly lobbied other Pacific Islands leaders to spurn Beijing’s proposals.

Panuelo even went so far as to meet Taiwanese officials to discuss establishing relations — the reddest of China’s red lines.

Simina acknowledged he felt an immediate responsibility to deescalate the tensions with China when he took office in May. "It was kind of becoming tense, so I had to do something."

He started by accepting Wu Wei's credentials as China's ambassador to Micronesia. Simina also rehired multiple presidential appointees Panuelo had fired over their alleged ties to China. He said investigations undertaken by departments of Justice and Foreign Affairs uncovered no evidence of Panuelo's claims. He also eliminated a new intelligence directorate Panuelo had established in part to keep an eye on China, arguing that it was inappropriate for such a body to sit within the president's office.

Still, Simina told Axios that he plans to impose limitations on relations with China: no dealings in the security sphere, no loans of any kind and no major Chinese projects — such as the resort in Yap — that carry undue risks to sovereignty.

Simina has kept the moratorium on research vessels in place and has not signed the Beijing-authored memorandum on economic ties. He told Axios both policies are under review.

Simina met Axios in Washington soon after attending President Biden's second annual summit with Pacific Island leaders — one of several signals from the White House that the region is moving up on its priority list again.

Still, Panuelo told Axios he fears his successor is ignoring his warnings. Panuelo's letter detailing his allegations against China was actually addressed to Simina, who was then the speaker of Congress, and other officials.

Then-Speaker Simina and Congress not only declined to hold hearings on Panuelo's allegations, they passed a resolution reaffirming the status quo with Beijing, including respect for the One China policy over Taiwan.

The senator who introduced that resolution was Ferny Perman.

Now out of office and speaking with Axios at his bar and grill tucked into a bayside mangrove thicket, Perman claimed Panuelo had "put our little country on the map" because of what he described as hearsay.

"It's OK for the U.S. to worry about the big China issues. We're a small country and we have our own problems [to worry about]."

Sen. Ferny Perman



An aging sign on the side of the road referring to USAID projects in Pohnpei. Image by Dave Lawler/Axios and the International Organization for Migration. Micronesia, 2023.

Perman, who took multiple trips to China during his eight years in Congress, acknowledged he had received gifts from Chinese officials.

But he said he also received gifts while on visits to the Philippines and Indonesia, and he would give out gifts himself — such as a large pig and sakau, a traditional drink made from the kava root — when visiting constituents. He argued these were cultural practices, not bribery.

“Maybe they do think they’re buying us because they give us those gifts,” he conceded. “On a bigger scale, maybe they’ll give you a \$15 million road,” he added. Left unsaid was the fact that the U.S., Japan and Australia have also funded such projects.





Four photos showing the completed construction work of the Jelawat Reconstruction Project. Images by Dave Lawler/Axios and the International Organization for Migration. Micronesia, 2023.

On one hand, Perman said Chinese officials were aggressively working to establish a presence across every inch of the Pacific and would “do anything” in that pursuit.

On the other, he argued, American influence is largely irreversible. “Our culture is Americanized. We can never be Chinese-ized.”

Besides, China was building infrastructure at no cost to the Micronesian citizen, and the interest from China had encouraged the U.S. to step up its own commitment. “Thank god for the Chinese,” he said, alluding to that dynamic. “We can’t turn our back on the U.S., but it’s good to have friends.”

DRIVING THE NEWS: What China wants

No matter how many roads and buildings Chinese workers build on the islands, the U.S. military still effectively controls the waters and the air. That reality raises the question of what China hopes to gain from a friendship with Micronesia.

Some argue the interest is mostly economic, driven by fishing or deep-sea mining.

Others say Beijing is playing the long game. A future president could seek to rip up the compact with the U.S. or the secessionist movement in Micronesia’s Chuuk state could succeed in breaking apart the federation itself, leaving an opening for China because a newly independent state would not necessarily be allied with Washington.

Christian, the former president, argues it’s actually pretty simple: “They’re behind, so they’re doing whatever they can to get ahead. There’s nothing wrong with that.”

Christian has been either in Congress or the presidency since those offices were first created in 1979 and he’s helped shape the conventional wisdom on relations with both major powers.

“The U.S. doesn’t have to worry about us. We understand the compact, we understand both countries. We don’t have any intention of reneging on the compact,” Christian said, speaking to Axios while passing a bowl of sakau around a group of family members and fellow politicians.

But he added that Micronesia has no intention of downsizing its relationship with Beijing just because it makes Washington uncomfortable.

Christian also lamented that the recent surge in U.S. interest was “just a reaction to China.”

U.S. officials acknowledge that China is one factor in their renewed interest in the Pacific island states, though Yun, the U.S. envoy, argued the U.S. focus in the freely associated states of Micronesia, Palau and the Marshall Islands should be less on what China is doing than on ensuring U.S. support remains stable.

All three of those state economies are so fragile that any delay or withdrawal of U.S. support could leave an opening for China, he said.

"I wouldn't say it's an immediate concern that any of them will go over to China, but we are risking and exposing that because the small island economies are fundamentally fragile."

Ambassador Joseph Yun

Special presidential envoy for compact negotiations

THE BOTTOM LINE: “The best of both worlds”... for now

Despite their country being caught in an unexpected geopolitical whirlwind, many Micronesian leaders continue to believe they can navigate between the superpowers and benefit from both.

Like many Micronesian politicians, Speaker Esmond Moses treasures his country's independence — and he notes that China helped secure it.



Left: Construction for a new Chinese-built convention center across the parking lot from Micronesia's Congress and the Office of the President. Right: A Chinese-funded sports complex in downtown Kolonia. Images by Dave Lawler/Axios. Micronesia, 2023.

Beijing played a key role in Micronesia's eventual admission to the UN.

“China did something for us in the early stages of this country. And for that we owe them a lot,” Moses said.

In his view, Micronesia has “the best of both worlds,” because if the U.S. doesn't want to fund a particular project, “we have China to turn to.”

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