

# Chinese Strategy in the Freely Associated States and American Territories in the Pacific

## Implications for the United States

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

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Before the Committee on Natural Resources  
Subcommittee on Indian and Insular Affairs  
U.S. House of Representatives

May 16, 2023

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

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

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<sup>3</sup> Timothy R. Heath, Derek Grossman, Asha Clark, *China’s Quest for Global Primacy: An Analysis of Chinese International and Defense Strategies to Outcompete the United States*, RAND Corporation, RR-A447-1, 2021, p. 40, [https://www.rand.org/pubs/research\\_reports/RRA447-1.html](https://www.rand.org/pubs/research_reports/RRA447-1.html).

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

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

## China's Strategy in the Pacific Islands

Although mainstream interest in China's strategy toward the Pacific has been growing in recent years, Western and Chinese scholarship on the subject remains thin compared with other regions, making it more difficult to discern the true nature of Beijing's objectives there.<sup>5</sup> Nevertheless, the available scholarly literature generally coalesces around China pursuing three interrelated objectives in the Pacific (not necessarily in rank order): (1) eliminating Taiwan's diplomatic space, (2) accessing natural resources and generating economic activity, and (3) breaking through the U.S. military's domination of the second island chain.<sup>6</sup> Differences among experts, whether Western or Chinese, usually stem from emphasizing one driver over another, but the debate is simply a matter of degree: Most, if not all, researchers recognize that China's Pacific strategy is the product of these three factors working together. Our research at the RAND Corporation draws this same conclusion.

Regarding China's goal to eliminate Taiwan's diplomatic space, Oceania is home to four of Taipei's remaining 13 official diplomatic partners worldwide: Marshall Islands, Nauru, Palau, and Tuvalu. Notably, two Pacific Island countries—Solomon Islands and Kiribati—switched

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<sup>5</sup> This section draws from my previous congressional testimony on China's strategy in the Pacific delivered to the U.S.-China Economic and Security Review Commission on August 3, 2022. See Derek Grossman, *China's Gambit in the Pacific: Implications for the United States and Its Allies and Partners*, RAND Corporation, CT-A2198-1, 2022, <https://www.rand.org/pubs/testimonies/CTA2198-1.html>.

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

their diplomatic recognition in 2019 from Taiwan to China, underscoring how quickly Taipei can lose diplomatic ground to Beijing in this contested region.

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

Finally, on the military objective of breaking through the second island chain, Beijing seeks to weaken U.S. partnerships in the Pacific that afford the United States military advantages, which could be leveraged against China during a Taiwan, South or East China Sea, or even Korea scenario.<sup>13</sup> Admittedly, the last time RAND researchers did an in-depth analysis of Chinese primary source literature on this subject in 2018, the record was scant, probably because Beijing had not been paying much attention to the Pacific Islands region; it will be interesting to see whether this changes over time. Nonetheless, there are several examples from the past decade worth noting here. One Chinese scholar, Qi Huaigao of Fudan University, outlined in 2014 how a school of contemporary Chinese foreign policy thinking viewed the development of ties in the

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<sup>7</sup> U. Rashid Samaila, William W. L. Cheung, Louise S. L. Teh, Ashley H. Y. Bang, Tim Cashion, Zeyu Zeng, Juan Jose Alva, Sophia Ie Clue, and Yvonne Sadovy de Mitcheson, *Sink or Swin: The Future of Fisheries in the East and South China Seas*, ADM Capital Foundation, 2021.

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

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

<sup>10</sup> Environmental Justice Foundation, 2022, p. 25.

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

<sup>12</sup> Meick, Ker, and Chan, 2018, p. 7.

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

Pacific as necessary to achieve “maritime breakthroughs” past encircling external powers.<sup>14</sup> Another Chinese expert, Zhang Ying of Beijing Foreign Studies University, wrote in 2016 that the “South Pacific region . . . hinders China’s expansion into the deep sea.”<sup>15</sup> And Xu Xiujun, a scholar at the Chinese Academy of Social Sciences, concurred with Zhang’s assessment. Xu added in 2014 that U.S. military presence in the region will very likely play a key role in U.S. efforts to contain China.<sup>16</sup>

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

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

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<sup>14</sup> Qi Huaigao [祁怀高], “Thoughts on the Top Design of Periphery Diplomacy” [“关于 周边外交顶层设计的思考”], *Journal of International Relations* [国际关系研究], Forum of World Economics and Politics [世界经济与政治], No. 4, 2014, p. 15.

<sup>15</sup> Zhang Ying [张颖], “China’s Strategic Choice in the South Pacific: Perspectives, Motivations and Paths” [“中国在南太平洋地区的战略选择: 视角、动因与路径”], *Contemporary World and Socialism*, No. 6, 2016, p. 132.

<sup>16</sup> Xu Xiujun [徐秀军], “The Diplomatic Strategy of China to Develop the Relations with the South Pacific Region” [“中国发展南太平洋地区关系的外交战略”], *Pacific Journal* [太平洋学报], Vol. 22, No. 11, November 2014, p. 21.

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

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

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

among the Pacific Island nations, Beijing seeks to boost economic, pandemic-related, people-to-people, and climate change cooperation, among other initiatives.<sup>20</sup>

Simultaneously, Beijing very likely employs information operations to control the narrative, such as by denigrating American, Australian, Japanese, Taiwanese, and perhaps New Zealander contributions to the Pacific and suggesting greater “win-win” or mutually beneficial Chinese involvement in the region with “no strings attached.” Beijing has even shown a willingness to block unfavorable media coverage from within Pacific Island states, as it did during then-Foreign Minister Wang’s visit to the region.<sup>21</sup> China also probably bribes government officials and entities at all levels and contributes to political activities that reinforce its narrative.<sup>22</sup> A new area of potential concern, as outlined in Micronesian President David Panuelo’s unprecedented and blistering warning letter of May 20, 2022, prior to the Pacific Islands Forum (PIF), the premier multilateral venue in the region, which held its annual summit in July 2022, pertained to China’s goal of dominating regional communications infrastructure. He noted that “the Common Development Vision seeks Chinese control and ownership of our communications infrastructure . . . for the purpose of . . . mass surveillance of those residing in, entering, and leaving our islands, ostensibly to occur in part through cybersecurity partnership.”<sup>23</sup> If his interpretation is accurate, Beijing seeks extensive control over Pacific Islanders’ daily activities.

## China’s Strategy in the Freely Associated States

China’s strategy toward the Pacific Island countries that I just described is also playing out in the FAS—a region of keen geostrategic interest to the United States.<sup>24</sup> As my RAND colleagues and I discussed in a 2019 report to Congress, the FAS are critical enablers of U.S. military operations that support the United States’ Indo-Pacific strategy.<sup>25</sup> Washington is seeking to sustain these long-standing security partnerships by renewing the Compacts of Free Association (COFAs) it has with them. The COFAs are unique international agreements that allow the United

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

<sup>21</sup> Edwina Seselja and Joshua Boscaini, “China’s Visit to Pacific Highlights Growing Threat to Journalism in the Region,” Australia Broadcasting Corporation News, June 1, 2022.

<sup>22</sup> Edward Cavanough, “China and Taiwan Offered Us Huge Bribes, Say Solomon Islands MPs,” *The Guardian*, December 7, 2019.

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

<sup>24</sup> Some language in this section is adapted and updated from Derek Grossman, Michael S. Chase, Gerard Finin, Wallace Gregson, Jeffrey W. Hornung, Logan Ma, Jordan R. Reimer, and Alice Shih, *America’s Pacific Island Allies: The Freely Associated States and Chinese Influence*, RAND Corporation, RR-2973-OSD, 2019, [https://www.rand.org/pubs/research\\_reports/RR2973.html](https://www.rand.org/pubs/research_reports/RR2973.html).

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

States to maintain sole and unfettered military access to the lands, waterways, and airspace of the FAS. China would like to convince the FAS to do away with the COFAs entirely, but more realistically, it is focused on blunting any military advantages that the U.S. military might accrue from the COFAs. What follows is an accounting of some Chinese activities vis-à-vis the FAS to achieve this objective.

### *Marshall Islands*

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

Because it has limited influence over the Marshall Islands, Beijing may be attempting to find ways to covertly secure its economic interests there. For example, at the Asia World Expo held in Hong Kong in April 2018, a Chinese businessman and the mayor of Rongelap Atoll proposed the creation of a special administrative region to attract investment to the atoll. The mayor of Rongelap supported turning it into a “special administrative region” and financial center on par with Hong Kong, Singapore, and Dubai.<sup>27</sup> The proposal quickly became a source of controversy in Marshallese politics, stemming from concerns that such a proposal could make the area a haven for money laundering and other illegal activities; the government declined to back it after it was declared unconstitutional by the Marshallese Attorney General. In November 2018, President Hilda Heine narrowly survived a no-confidence vote that was ostensibly brought because of opposition to plans to introduce a state-backed cryptocurrency, but President Heine stated that the real reason for the vote was her government's opposition to the Chinese-backed Rongelap plan: “Really the vote of no confidence is about the so-called Rongelap Atoll Special Administrative Region, or [RASAR] scheme, which is an effort by certain foreign interests to take control of one of our atolls and turn it into a country within our own country.”<sup>28</sup>

More recently, two Chinese nationals, Cary Yan and Gina Zhou, who have also become naturalized Marshallese citizens, were arrested by U.S. authorities in Thailand in 2020 on corruption and money-laundering charges involving a New York-registered organization. Yan

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<sup>26</sup> Grossman et al., 2019, p. 40.

<sup>27</sup> Mackenzie Smith, “Remote Marshall Islands Atoll Plans to Become the ‘Next Hong Kong,’” Radio New Zealand, September 21, 2018.

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



and Zhou were the drivers behind the RASAR scheme in the Marshall Islands. Nevertheless, in 2020, the Marshallese parliament passed legislation to establish RASAR, and some of these lawmakers allegedly received bribes of between \$7,000 and \$22,000. If RASAR moves forward, China would potentially gain access to natural resources and fishing with little oversight from Majuro, which is 420 miles away.<sup>29</sup>

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

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

### *Federated States of Micronesia*

FSM is the only state within the FAS that diplomatically recognizes China over Taiwan. As a result, Chinese contacts with state governments and state officials are numerous. In March of this year, Chinese Special Envoy to the Pacific Qian Bo visited and met with President Panuelo. In August 2017, Chinese Vice Minister of Foreign Affairs Zheng Zeguang visited Pohnpei with a high-level delegation and met with FSM political leaders. The previous president, Peter Christian, was also accorded a state visit to Beijing in March 2017—an honor that had a lasting positive effect on FSM's perception of China until Panuelo's tenure began in 2019. Panuelo has said "we are bribed to be complicit, and bribed to be silent."<sup>31</sup> He also described having to change his cell phone number because the Chinese ambassador to FSM kept pressuring him to accept Chinese-made vaccines during the pandemic so that China appeared to have a competitive edge over the United States.<sup>32</sup> At the time of this writing, the FSM Parliament is determining its next president, who might once again be more accommodative of Chinese wishes. We will have

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

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

<sup>31</sup> "Micronesia Takes on China," *The Economist*, March 16, 2023.

<sup>32</sup> "Micronesia Takes on China," 2023.

to continue to monitor the situation. Regardless, a key topic of dialogues between the two countries has been the U.S. Compact Trust Fund that the FSM government will rely on if U.S. economic assistance expires this year. Beijing has suggested that China might be willing to supplement the Compact Trust Fund to help the FSM achieve greater self-reliance.<sup>33</sup>

Beyond diplomacy, Beijing continues to pursue its economic interests in the country. In 2014, the two nations created the commission on economic trade cooperation. China's economic relationship with FSM includes substantial trade and aid components. Additionally, the FSM is a participant in China's BRI. Chinese embassy discretionary grants occasionally provide much-needed heavy equipment on an ad hoc basis. Larger infrastructure projects have ranged from building official residences for government officials at the national and state levels to providing ships for inter-island transport. China has also expressed interest in building resort hotels and casinos on Yap and Pohnpei.<sup>34</sup>

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

## *Palau*

Like Marshall Islands, Palau also recognizes Taiwan over China, which has made it a target of Chinese pressure. Although it is difficult to determine the exact causation, Chinese tourism to Palau ramped up for years until, suddenly in November 2017, Beijing barred tourists from traveling to this pristine vacation spot. It appears that Beijing's move was in retaliation for Palau's refusal to switch diplomatic recognition.<sup>36</sup> China has retaliated against other countries using this same tactic, including South Korea in 2017 because of its deployment of the U.S. Terminal High-Altitude Area Defense (THAAD) system. Palau's president, Surangel Whipps, Jr., said in a recent interview, "There's a lot of pressure on Palau . . . what we've told them is

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

<sup>34</sup> Grossman et al., 2019, p. 34.

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

<sup>36</sup> Grossman et al., 2019, pp. 41–42.

that we don't have any enemies—so we shouldn't have to choose. If you want to have relations with Palau, you're welcome. But you cannot tell us that we cannot have relations with Taiwan.”<sup>37</sup>

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

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

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

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

### *American Samoa*

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

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<sup>37</sup> Fumi Matsumoto, “Palau Maintains Taiwan Ties Despite Chinese Pressure,” *Nikkei Asia*, July 13, 2022.

<sup>38</sup> “Palau Urges the Rest of the World to Resist Deep-Sea Mining,” *Island Times*, April 14, 2023.

<sup>39</sup> “Chinese Fishing Boat Stripped and Escorted Out of Palau,” *Island Times*, January 5, 2021.

<sup>40</sup> Li Jie, “Palau Cannot Afford Being Geopolitical Strategic Pawn in US' Encirclement on China,” *Global Times*, August 16, 2021.

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

Chinese IUU fishing activities but also to bolster the U.S. Navy presence operating in the East and South China Seas, which is designed to counter China's gray zone operations against regional opponents.<sup>42</sup>

### *Commonwealth of the Northern Mariana Islands*

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

### *Guam*

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

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

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

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

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

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

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

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

## Recommendations for Congress and the U.S. Government

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

- **Ensure funding for the renewed COFAs.** The COFAs are essential for Washington to maintain because these unique international agreements with the FAS in the North Pacific enable the U.S. military to have near-exclusive access to the FAS territories and EEZs. COFAs provide Washington with a power projection superhighway into the Indo-Pacific to address potential future contingencies, including a Taiwan, East China Sea, South China Sea, or Korea scenario. Congress should consider ensuring funding that is at least equal to current levels, but an increased amount would demonstrate a strong commitment to this geostrategically vital subregion of Oceania.
- **Focus on non-China-related challenges as well.** The Biden administration's historic U.S.-Pacific Islands Summit at the White House this past September was a good start because the Joint Declaration and Pacific Island Strategy deprioritized countering China in favor of challenges much higher on Pacific Islanders' agenda. However, more needs to be done to build trust with Pacific Island states, who still believe Washington is primarily interested in geostrategic competition rather than helping them on issues of importance in the region, such as climate change, poverty alleviation, health security, and transnational crime. Softer forms of cooperation are likely to be welcomed throughout the region.
- **Consider opening diplomatic missions in every Pacific Island state.** Vice President Harris' announcement to PIF that the United States would open diplomatic missions in Kiribati and Tonga, which just opened, and Secretary of State Antony Blinken's announcement in February that Washington would reopen its embassy in Solomon Islands after nearly 30 years are welcome developments. However, more needs to be done. The current State Department posture has some ambassadors covering multiple Pacific Island countries or defense attachés doing likewise. Embassies act as Washington's eyes and ears on the ground, and requesting information from Australian and New Zealander representatives has proven insufficient toward accomplishing all of Washington's objectives. And doing so overburdens Washington's friends. Instead, the United States could look to build its own diplomatic capabilities to ensure that China does not acquire an informational advantage.
- **Consider Pacific-focused policy.** Bills focused on the Pacific Island region, such as the Boosting Long-term U.S. Engagement (BLUE) in the Pacific Act, which was introduced in the past two Congresses, show a renewed emphasis on the region and, particularly, on assisting Pacific Island states with challenges most important to them. The BLUE Pacific Act, for example, covered climate change, pandemic recovery, and natural disaster

preparedness, among many other areas, highlighting topics that Pacific Island nations cite as their most significant security threats.<sup>48</sup>

- **Offer economic assistance to U.S. territories particularly susceptible to Chinese economic coercion.** American Samoa and CNMI would greatly benefit from such a program because they are highly dependent on China for their livelihoods. Such an effort might involve subsidizing the tuna fishing or tourism industries in American Samoa and CNMI, respectively.
- **Provide additional maritime domain awareness and patrol capabilities to FAS and U.S. territories.** As shown in my analysis, Chinese IUU fishing activities are a growing problem across the entire region, and this challenge is compounded by the fact that the FAS and U.S. territories have large EEZs with typically limited capacity (excluding Guam) to respond to Chinese incursions within them.

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