

The following information is offered in response to the two follow-up questions regarding Grant Newsham's testimony to the Indo-Pacific Task Force on June 14, 2023. I am glad to provide additional details as desired.

Question #1:

How has the PRC been able to increase its influence in the FAS (Freely Associated States) even though the US and FAS had COFA agreements since 1986?

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 longstanding 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 towards PRC.

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

The US 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 US 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 US and other free-nations' presence and interests in the region.

One notes as well that the US 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 US 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?

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 US 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 US 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 US 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 US thought the COFA treaties alone were enough to ensure our presence and interests were guaranteed. We needed to do more. As one data

point, US 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 US 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 US 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.

Respectfully submitted,

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