



American Foreign Policy Council

Congressional Testimony

Fiscal Year 2023 Budget Request of the Department of the Interior's Office of Insular Affairs

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Statement before the House Committee on Natural Resources

May 18, 2022





Vice Chair Sablan, Ranking Member Gonzalez-Colon, distinguished members of the Committee:

It is a privilege for me to appear before you today to discuss the FY23 budget request of the Department of the Interior's Office of Insular Affairs (OIA). Of paramount importance to OIA's mission is bolstering America's relations with U.S. Territories (American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands) and particularly with the Freely Associated States (the "FAS," which include the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau).

As tensions between the United States and the People's Republic of China (PRC) intensify, our longstanding relationships with these nations are growing increasingly important and contested. It is crucial for Washington to give these relationships the attention and priority they have long deserved, to strengthen our credibility as a partner, and to head off Beijing's ongoing attempts to increase its influence with these nations at our expense.

OFFICE OF INSULAR AFFAIRS' FY23 BUDGET REQUEST

The funding outlook for OIA includes \$125.7 million in current appropriations and \$610 million in permanent funding.¹ OIA has set out its policy priorities for its appropriations request for U.S. Territories: climate resilience, conservation, and clean energy programs. In regards to clean energy, OIA has requested \$15.5 million to support renewable energy and grid infrastructure. According to OIA, "Funding will help the islands reduce their dependence on energy imports to support energy independence and increase energy conservation and efficiency through reliable and affordable energy strategies." Indeed, OIA highlights these programs at the forefront of its budget request.²

Given the geographical realities of U.S. Territories, they could be exceptional candidates for these programs. They are all islands and archipelagos, and as such, according to the Department of Energy, are predisposed to maximize efficiency from renewable sources like solar and wind³ – provided the Federal Government works with them to mitigate risks to renewable energy infrastructure from natural disasters like hurricanes and typhoons.

Even so, the Biden administration should take particular care to account for other geopolitical factors that impact OIA's Pacific responsibilities—namely, the rise of the PRC. Much attention in Washington has centered on the threat of China's malign influence within the U.S. homeland, but Beijing is seeking to expand its clout and presence in the Pacific Ocean – with direct implications for American Samoa,⁴

1 Office of Insular Affairs, "Bureau Highlights," <https://www.doi.gov/sites/doi.gov/files/fy2023-bib-oia-508.pdf>, p. 1.

2 Ibid.

3 See "Island Energy Snapshots," Office of Energy Efficiency & Renewable Energy, Department of Energy, <https://www.energy.gov/eere/island-energy-snapshots>.

4 American Samoa is the victim of China's overfishing practices, which have on one occasion forced an American Samoan tuna cannery to temporarily shut down. Beijing's overfishing is constant and presents an economic strain for American Samoa, which lacks the stature to rebuff China's intrusions on its own. For more, see Robert C. O'Brien, "American Pacific Islanders Deserve Protection – In the Pacific," *The Diplomat*, June 30, 2021, <https://thediplomat.com/2021/06/american-pacific-islanders-deserve-protection-in-the-pacific/>.



Guam,⁵ the Northern Mariana Islands,⁶ and the U.S. Virgin Islands⁷ — but especially for the FAS.

U.S.-CHINA GREAT POWER COMPETITION

As the PRC has grown increasingly belligerent in recent years, the United States is seeking to blunt the advance of the People's Liberation Army (PLA) into the Pacific. Geography plays a key role here, for the Pacific Ocean hems China in with successive land barriers, or island chains. Beyond the first island chain (Japan, Taiwan, and the Philippines) lies a collection of islands few Americans are familiar with: the Pacific Island countries that span across the ocean from Papua New Guinea to Polynesia. Many of these islands are small. Most are remote. Eighty years ago, they were a critical front in World War II, but have since fallen out of the limelight. Today, however, policymakers ignore them at America's peril, for China is seeking to buy off these islands and, in so doing, break through their defensive perimeter into the Pacific and stymie America's military access to East Asia.

The Chinese Communist Party (CCP) views these islands through the prism of its broader geopolitical gambit — namely, to leverage its economic dominance and sideline the United States. From 2007 to 2017, Chinese trade with Pacific Island nations grew by a factor of four.⁸ China has also poured foreign direct investment into the region as it pulls more and more nations into its global Belt and Road Initiative (BRI).⁹

5 By virtue of its location between Hawaii and China, Guam is one of America's most valuable territories. The Air Force, Navy, and Army all host military installations there, and the island serves as a complement to America's bases in Japan. It is particularly notable for its housing of U.S. bomber aircraft, sealift capabilities, and attack submarines — not to mention personnel. Guam is a lynchpin of America's military presence in the Pacific — and a primary target of China's robust ballistic missile force. For more, see Alastair Gale, "Guam, America's Forgotten Territory, Is New Front Line Against China," *The Wall Street Journal*, December 17, 2021, <https://www.wsj.com/articles/guam-americas-forgotten-territory-is-new-front-line-against-china-11639737005>.

6 A mere 130 miles away from Guam, the Northern Marianas Islands provides geographic flexibility to the Department of Defense as it seeks to redeploy forces from Japan to Guam. Additionally, the Northern Marianas Islands rely heavily on tourism for economic growth. China has exploited this dependency in recent years, particularly in the gambling sector. For more, see Marian Faa, "No slowing down' of military presence in Mariana Islands," ABC Radio Australia, March 22, 2021, <https://www.abc.net.au/radio-australia/programs/pacificbeat/us-military-in-northern-mariana-islands-raises-concern/13266772>. See also Yuan Zhi (Owen) Ou, "The Northern Mariana Islands: US Territory China-Dependent," *The Diplomat*, September 25, 2021, <https://thediplomat.com/2021/09/the-northern-mariana-islands-us-territory-china-dependent/>.

7 The U.S. Virgin Islands lie amidst critical global shipping lanes: the Mona Passage (connecting the Continental United States to South America), and the primary container route from Europe and the Middle East through the Panama Canal. In regards to China, overdoses of fentanyl (an opioid manufactured in and shipped from the PRC) have rocked the USVI and have led to 200,000 deaths over the past 20 years. For more, see Alexander B. Gray and Douglas W. Domech, "U.S. Territories: The Frontlines of Global Competition with China," *RealClear Defense*, March 11, 2021, https://www.realcleardefense.com/articles/2021/03/11/us_territories_the_frontlines_of_global_competition_with_china_767683.html.

8 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, <https://www.uscc.gov/sites/default/files/Research/China-Pacific%20Islands%20Staff%20Report.pdf>, p. 8.

9 Anne-Marie Brady, "China in the Pacific: from 'friendship' to strategically placed ports and airfields," Australian Strategic Policy Institute, April 20, 2022, <https://www.aspistrategist.org.au/china-in-the-pacific-from-friendship-to-strategically-placed-ports-and-airfields/>.



Beijing often wields its commercial heft to isolate Taiwan and pick off its alliances – thus weakening the first island chain. Indeed, the Solomon Islands and Kiribati broke off diplomatic ties with Taipei in 2019 in favor of relations with the PRC.¹⁰ More recently, the Solomon Islands entered into an agreement with Beijing that would allow the People’s Liberation Army Navy (PLAN) to access its ports. This development has led Washington, Canberra, and others to worry that China may eventually establish a military base in the Southern Pacific.¹¹

In the Northern Pacific, however, the U.S. has the upper hand.

WHY THE FREELY ASSOCIATED STATES MATTER TO THE UNITED STATES

East of the Philippines and north of Papua New Guinea, this Pacific region includes Palau, the FSM, and the RMI – each of which have freely associated with the United States for decades under agreements called Compacts of Free Association (COFA). These nations are not formal American territories, but all rely on Washington for federal assistance and government programs, from the U.S. National Weather Service and the Postal Service to the Departments of Homeland Security and Transportation. Washington has also underwritten billions of dollars of economic assistance to these island-nations since the 1980s in the form of grants and trust funds.¹²

Even so, the relationship exceeds financial aid. Under the compact agreements with these nations, the United States has an explicit defense obligation to defend the FAS from attack. As a former State Department official explained to Congress in 1998, “we are completely responsible for their defense and are obligated to defend them as if they were part of the U.S.”¹³

In return, America retains certain defense planning privileges in this region. Of particular importance is the Ronald Reagan Ballistic Missile Defense Test Site on the Kwajalein Atoll within the Marshall Islands. This site, which defense officials have characterized as a “national treasure,” is one of the Pentagon’s most valuable overseas bases.¹⁴ Its equatorial location supports critical space tracking capabilities like Space Fence, a ground-based radar that can detect space debris as small as a marble.¹⁵

10 Ralph Jennings, “Kiribati cuts ties with Taiwan, presaging switch to China,” Associated Press, September 20, 2019, <https://apnews.com/article/90e8938980404130a63641162d125db2>.

11 Kristy Needham, “EXCLUSIVE Solomon Islands considers security cooperation with China – official,” Reuters, March 24, 2022, <https://www.reuters.com/world/exclusive-solomon-islands-considers-security-cooperation-with-china-official-2022-03-24/>.

12 Thomas Lum and Bruce Vaughn, “The Pacific Islands: Policy Issues,” Congressional Research Service, February 2, 2017, https://www.everycrsreport.com/files/20170202_R44753_3df36f0326f43bf7606086c536952e257506c856.pdf.

13 Stanley Roth, former Assistant Secretary for East Asia and Pacific Affairs, quoted in “Compacts of Free Association with the Marshall Islands, Federated States of Micronesia, and Palau,” Joint Oversight Hearing before the Committee on Resources and Subcommittee on Asia and the Pacific of the Committee of the Committee on International Relations, House of Representatives, October 1, 1998, <https://www.govinfo.gov/content/pkg/CHRG-105hhrg51943/pdf/CHRG-105hhrg51943.pdf>.

14 Kikki Maxwell, “LTG Mann visits ‘national treasure’: SMDC leader talks mission, budget at Kwaj QOL,” U.S. Army, March 5, 2016, https://www.army.mil/article/163588/ltg_mann_visits_national_treasure_smdc_leader_talks_mission_budget_and_kwaj_qol.

15 Sandra Erwin, “Space Fence surveillance radar site declared operational,” *SpaceNews*, March 28, 2020, <https://space-news.com/space-fence-surveillance-radar-site-declared-operational/>.



Beyond space domain awareness, the Reagan Test Site's unique location also supports America's nuclear deterrence. At 4,200 miles west of Vandenberg Air Force Base in California, Kwajalein is optimally placed to support both missile defense testing and intercontinental ballistic missile (ICBM) testing.¹⁶ Defensively, this allows the Department of Defense to assess the Ground-based Interceptor (GBI) program, which is America's only defense against an incoming nuclear attack. Offensively, Kwajalein can track the targeting precision of America's nuclear missiles, specifically the Minuteman III.¹⁷

But more important than one island or facility are America's right of "strategic denial" and its "defense veto."¹⁸ The former authority empowers Washington to deny foreign militaries access to the islands and their territorial waters; the latter constrains the FAS governments themselves from taking actions incompatible with America's defense obligation and authority.

Before China's military rise, government officials in Washington questioned the strategic payoff of America's relationship with the FAS. In 2002, the Government Accountability Office (then called the General Accounting Office) suggested to Congress that Micronesia and the Marshall Islands "currently play no role in U.S. strategy in the Asia Pacific Region," and went on to note that even the Pentagon characterized the compact terms as obligations, not assets.¹⁹ Today, in light of the PLA's growing capabilities, the DoD views these islands as one of its greatest strategic advantages against China. In the 2019 "Indo-Pacific Strategy Report," U.S. defense planners singled out "leveraging existing access in the Compact States" as a critical element of maintaining military access in the region.²⁰ The same year, the U.S. Army conducted military exercises in Palau,²¹ and in 2020 former Secretary of Defense Mark Esper reinforced the region's importance with a rare visit to the island.²²

Behind these words and actions lie dual strategic missions: denying sea dominance of the Pacific Ocean to the PLA and maintaining Washington's presence there. In the words of RAND analyst Derek Grossman, the FAS is "tantamount to a power projection superhighway running through the heart of the North Pacific into Asia, connecting U.S. military forces in Hawaii to those in the theater,

16 David Vergun, "Layered Missile Defense System Protects Homeland," U.S. Department of Defense, October 7, 2019, <https://www.defense.gov/News/Feature-Stories/story/Article/1982838/missile-defense-system-protects-from-attacks-of-all-ranges/source/layered-missile-defense-system-protects-homeland/>, p. 8.

17 "Minuteman III test launch showcases readiness as safe, effective deterrent," Air Force Global Strike Command Public Affairs, August 11, 2021, <https://www.af.mil/News/Article-Display/Article/2727913/minute-man-iii-test-launch-showcases-readiness-as-safe-effective-deterrent/>.

18 "Kwajalein Atoll Is the Key U.S. Defense Interest in Two Micronesian Nations," United States General Accounting Office, Report to Congressional Requesters, January 2002, <https://www.gao.gov/assets/gao-02-119.pdf>.

19 Ibid, p. 3.

20 "Indo-Pacific Strategy Report: Preparedness, Partnerships, and Promoting a Networked Region," The Department of Defense, June 1, 2019, <https://media.defense.gov/2019/Jul/01/2002152311/-1/-1/1/DEPARTMENT-OF-DEFENSE-INDO-PACIFIC-STRATEGY-REPORT-2019.PDF>.

21 Wyatt Olson, "US soldiers return to Palau for exercise after 37-year hiatus," *Stars and Stripes*, April 7, 2019, https://www.stripes.com/theaters/asia_pacific/us-soldiers-return-to-palau-for-exercise-after-37-year-hiatus-1.576150.

22 "Readout of Secretary of Defense Dr. Mark T. Esper's Meeting With the President of the Republic of Palau and Other Members of his Cabinet," The Department of Defense, August 28, 2020, <https://www.defense.gov/News/Releases/Release/Article/2328409/readout-of-secretary-of-defense-dr-mark-t-espers-meeting-with-the-president-of/>.



particularly to forward-operating positions on the U.S. territory of Guam.”²³ This geographic reality makes the FAS and their territorial waters bigger than the sum of their parts. They are the crux of the second island chain.

The previously mentioned leaked agreement between the Solomon Islands and the PRC, and America’s haphazard response,²⁴ suggest that Washington has taken its eye off this critically important region. Unfortunately, this reality is borne out in America’s ongoing COFA negotiations with the FAS.

RENEGOTIATING THE COMPACT OF FREE ASSOCIATION AGREEMENTS

America’s economic assistance to FAS nations guaranteed under the COFA agreements is set to expire in 2023 for the RMI and FSM, and in 2024 for Palau. Were the COFA assistance to expire, it would provide an open door for China to approach these island-nations with counteroffers. The Trump administration worked to extend economic assistance,²⁵ and President Trump met with these leaders in Washington – the first time a sitting U.S. president had invited FAS leaders to the White House.²⁶ The Biden administration has continued this work, but progress has remained slow. To the president’s credit, he recently appointed a Special Presidential Envoy, Joseph Yun, to lead America’s negotiations.²⁷ Special Envoy Yun appears focused on renewing the economic assistance under the COFAs. In order to do so, however, the United States may find itself negotiating on issues it would rather avoid, particularly nuclear waste contamination with the RMI.

From the end of World War II to 1958, the United States detonated 67 nuclear bombs in the Marshall Islands, displacing hundreds of Marshallese from their homes.²⁸ In the 1970s, the U.S. collected the 3.1 million cubic feet of nuclear waste and deposited it in a bomb crater, then built a concrete structure over it. According to the Department of Energy, the facility, Runit Dome, remains stable, but the political leaders of the RMI are concerned about risks to the groundwater, among other fears, and have asked to include this issue in Compact renewal negotiations. The United States has thus far refused this request, on grounds that the issue was settled years ago.²⁹ Legally, however, the issue is

23 Derek Grossman, “America Is Betting Big on the Second Island Chain,” RAND Corporation, September 8, 2020, <https://www.rand.org/blog/2020/09/america-is-betting-big-on-the-second-island-chain.html>.

24 Phelim Kine, “U.S. turns the screws on Solomon Islands to counter China,” *Politico*, April 28, 2022, <https://www.politico.com/newsletters/politico-china-watcher/2022/04/28/u-s-turns-the-screws-on-solomon-islands-to-counter-china-00028449>.

25 Colin Packham and Jonathan Barrett, “U.S. seeks to renew Pacific islands security pact to foil China,” Reuters, August 5, 2019, <https://www.reuters.com/article/us-micronesia-usa-pompeo/u-s-seeks-to-renew-pacific-islands-security-pact-to-foil-china-idUSKCN1UV0UV>.

26 “Interior Secretary Bernhardt Applauds President Trump for Historic Meeting with Presidents of Palau, Marshall Islands, and the Federated States of Micronesia,” The Department of the Interior, May 21, 2019, <https://www.doi.gov/pressreleases/interior-secretary-bernhardt-applauds-president-trump-historic-meeting-presidents>.

27 Antony J. Blinken, Secretary of State, “Announcing the Special Presidential Envoy for Compact Negotiations,” The Department of State, March 22, 2022, <https://www.state.gov/announcing-the-special-presidential-envoy-for-compact-negotiations/>.

28 Susanne Rust, “How the U.S. betrayed the Marshall Islands, kindling the next nuclear disaster,” *Los Angeles Times*, November 10, 2019, <https://www.latimes.com/projects/marshall-islands-nuclear-testing-sea-level-rise/>.

29 Susanne Rust, “Rep. Katie Porter presses Biden team on Marshall Islands nuclear waste, gets few answers,” *Los Angeles Times*, October 22, 2021, <https://www.latimes.com/environment/story/2021-10-22/marshall-islands-nucle>



not as clear-cut as the Biden administration suggests.³⁰

Geopolitically, however, the situation is remarkably clear. The FAS are sovereign nations. While they rely on Washington for military protection and defer to America on defense policy, they conduct their own foreign policies. Of immediate relevance to the COFAs, they are an equal party with the U.S. in those renewal negotiations. If we do not uphold our legal and moral obligations to these nations, we risk more than a diplomatic setback. We could potentially open the door to Beijing in a critical region that would undermine key tenants of our own Free and Open Indo-Pacific framework.

Ironically, the Biden administration is touting clean energy as a cornerstone of its Build Back Better World (B3W) initiative, a project meant in large part to provide alternative infrastructure investment and aid to Beijing's BRI. Yet, when it comes to an environmental risk in a U.S. partner – with direct bearing on China's regional ambitions – the administration has appeared resistant to the RMI's overtures. Putting aside the debate over the merits of B3W, administration must recognize the potential opening they are making for the PRC and engage in good faith with the RMI on this issue.

CONCLUSION

Constraining China's geopolitical advance is crucial work that, in large part, depends on bolstering the second island chain. These atoll nations are vital in the broader great power competition now unfolding between Beijing and Washington. Moreover, the FAS are critical partners to whom the United States owes a great debt of gratitude. Legally, we are bound to their defense and economic assistance. Morally, we are responsible for significant disruption of generations of families during Cold War nuclear tests. The COFA negotiations are more than a necessity for Washington's strategy in the Pacific; they are a test of America's trustworthiness as a partner. OIA is to be commended for its explicit commitment to renew these Compacts, but much work remains to be done to ensure these critical relationships thousands of miles away.

[ar-waste-congressional-hearing-compact](#).

³⁰ When the Reagan administration resolved the RMI's nuclear claims in 1983 (see Articles X and XII), Article XIII of the agreement included the ability for both parties to consult each other and revise cooperation on the nuclear issue without reopening the claims. See "Agreement Between the Government of the United States and the Government of the Marshall Islands for the Implementation of Section 177 of the Compact of Free Association," June 25, 1983, <https://www.doi.gov/sites/doi.gov/files/section-177-agreement.pdf>.



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Prior to joining AFPC, Michael served as a Legislative Assistant in the United States Senate from 2014 to 2019. While in the Senate, Michael drafted legislation on China, Russia, India, Taiwan, North Korea, and Cambodia, as well as strategic systems and missile defense.

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