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Analysts: Congressional Budget Battle Gives Beijing Opening in the Pacific

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FILE - US Secretary of State Antony Blinken, second from right, speaks to the press with Marshall Islands Minister for Foreign Affairs and Trade Jack Ading, Federated States of Micronesia President Wesley Simina and Palau President Surangel Whipps, Sept. 26, 2023, in Washington.

WASHINGTON — When Congress passed temporary funding for the U.S. government at the end of September, it left out economic assistance for two small Pacific nations that U.S. defense officials say are critical to Washington's Indo-Pacific strategy and are targets of China's aggressive influence campaign.

Palau, Micronesia and the Marshall Islands control a large swath of the Pacific Ocean. Under a special agreement known as the Compacts of Free Association, or COFA, these three nations give Washington the right to deny access to other nations — including China — in exchange for American economic assistance.

But when funding for the compact expired on September 30, Palau and the Marshall Islands received no new economic assistance under the continuing resolution that kept the U.S. government open for 45 days.

“We have to draw a line somewhere,” argued Dave Stilwell, former assistant secretary of state for East Asian and Pacific Affairs, in an interview. “If the spirit of the compact[s] is to continue, it has to start with some limits on how the funds are spent, particularly on technology for data transfer.”

Cleo Paskal, a nonresident senior fellow at the Foundation for Defense of Democracies, disagreed.

“Effectively, the [continuing resolution] leaves the Marshalls high and dry,” she told VOA.

Paskal said the funding shortfall is most acute in the case of Palau, which stands to receive \$90 million if and when Congress approves an extension of its compact for 2024, documents show. The country ran a deficit of at least \$37 million on a total budget of less than \$150 million in fiscal year 2021, according to Palau government documents.

“Now, because the CR [doesn’t advance temporary funding to Palau], Palau’s debt continues, and it’s going to have to get into more debt,” said Paskal.

By contrast, Micronesia received more than \$16 million in the continuing resolution, according to a U.S. official who spoke on background because he was not authorized to speak for the administration.

Paskal says the uneven treatment is a mistake for U.S. national security.

“We need that corridor of freedom that stretches from Hawaii to Philippines,” she said, “It’s how you get to the treaty allies, how you get to Taiwan.”

Under the compacts, the Biden administration has proposed spending \$7.1 billion over the next 20 years to provide education, health care and environmental assistance to these island nations.

But while negotiations with Micronesia and Palau have been completed, the Marshall Islands is still in talks. Lawmakers expect to vote on the long-term funding once all agreements are signed.

“For a relatively low investment, [this] can have high impact,” said Jim Loi, chief operating officer at the Asia Group.

“This, by U.S. government budget standards, is nothing. It is literally a half day’s worth of Medicare fraud,” said Grant Newsham, a former diplomat and U.S. marine intelligence officer, in an interview.

Newsham calculates that Washington is actually saving money over the long term by signing compacts with these Pacific nations.

He said it would cost the U.S. at least \$100 billion to purchase the ships, aircraft, submarines, missiles and troops needed to secure the 5.6 million square kilometers of Pacific Ocean controlled by these tiny island nations.

Loi warned that Beijing is actively seeking to exploit any doubts about U.S. commitment to the region. “I think we would expect that the Chinese are going to push and so now would not be the time for us to turn a blind eye,” he said.

Newsham is particularly concerned about Palau, which is not only in debt but under constant economic pressure from Beijing, which shut down Chinese tourism to Palau in retaliation for its diplomatic recognition of Taiwan.

“They’re counting on the United States. They want to be a good ally, a good friend,” he said, “and we aren’t coming through with what they need.”