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POLITICO

China Watcher

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With Stuart Lau

Congress' Pacific ally fumble

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A stalemate in Congress is kneecapping Biden administration efforts to deter Chinese diplomatic inroads with longtime U.S. Pacific island allies Palau, Micronesia and Marshall Islands.

Congress has failed to pass legislation that would turn on the funding taps linked to the renewal last year of strategic agreements with those three countries. Those deals — called Compacts of Free Association — provide the three countries economic support, federal government services and visa exemptions. In return, the U.S. has the right to deny other countries access to their waters, airspace and land in a region astride critically strategic sea lanes linking Hawaii to the Philippines.

The legislation has been stalled on Capitol Hill since October, cutting a financial lifeline to the three countries. Despite wide bipartisan praise for the renewals, the sticking point has been the absence of a governmental budget source for more than \$2 billion in funding promised in them. That foiled an attempt to package the agreement approvals as a standalone bill in October as well as an effort to include them in the National Defense Authorization Act in December.

The latest hope for the legislation had been the national security supplemental funding bill hammered out by the Senate earlier this week. But a proposed amendment that would have added in approval of the agreements' renewals wasn't included in the final bill that passed on Monday.

“At the moment there is no money flowing into Micronesia and Marshall Islands — that money stopped at the end of September,” said Joseph Yun, who the State Department appointed as special presidential envoy to renew the strategic agreements in 2022. Yun concluded those negotiations in October when Marshall Islands became the last of the three countries to renew its agreement. Palau is due a substantial increase in U.S. financial support when the legislation passes. For now, it receives a trickle of U.S. funding connected to the existing agreement, which expires in September.

The embassies of Micronesia and Marshall Islands in Washington didn't respond to requests for comment. Senior government officials of the three countries “are deeply disappointed that agreements that are in the interest of the U.S. and the COFA states are an orphan at the moment,” Yun said.

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Sen. Mazie Hirono (D-Hawaii), who co-sponsored the latest amendment, said on the Senate floor last week that U.S. ties to Palau, Micronesia and Marshall Islands “are a critical component of our ability to operate in the Pacific, especially as we work to counter China’s growing influence in this region.”

The legislative impasse has become a test of congressional resolve to support the Biden administration’s two-year push to reassert U.S. influence among Pacific island countries. Those efforts have been a response to the Solomon Islands inking a controversial security pact with China in 2022. The delay “is being used to sow doubt as to whether we can be trusted to stand by our commitments to our Pacific partners,” said Rep. Ed Case (D-Hawaii).

The leaders of Palau, Micronesia and Marshall Islands have warned that legislative logjam is creating a diplomatic opening for Beijing. The stalled funding is creating “undesirable opportunities for economic exploitation by competitive political actors in the Pacific,” according to a letter the leaders of Palau, Micronesia and Marshall Islands sent congressional leaders last week.

In a separate letter to an unidentified congressional leader last week, Marshall Islands’ President Hilda C. Heine said: “There have been ‘carrot and stick’ efforts by the PRC to shift our alliances — including discontinuing support for Taiwan.”

Palau’s President Surangel Whipps, Jr. is uniquely vulnerable due to the risk of the funding gap becoming an issue in his bid for reelection in November. Whipps “is genuinely concerned about money coming in from outside, presumably Chinese money, to affect electoral outcomes,” said former Special Presidential Envoy Yun. The Palau embassy in Washington didn’t respond to a request for comment.

The legislative bottleneck “makes it a lot easier for the pro-China lobbyists to say ‘the U.S. isn’t a reliable ally, we should at least be getting Chinese money,” said Cleo Paskal, a senior fellow at the Foundation for Defense of Democracies and an expert on the geopolitics of the Pacific Islands.