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Don't hand China a victory in the Pacific

Congress must fund Compacts of Free Association

By Andrew J. Harding (Heritage Foundation)

It has been about 80 years since the Gilbert and Marshall Islands campaign, a bloody struggle against Japan that cost thousands of Americans their lives. Today, Congress is poised to squander their sacrifice for freedom by granting China a generational opportunity to severely undermine America's security position in the Pacific.

At issue are three long-standing, bilateral Compact of Free Association agreements between the United States and the Federated States of Micronesia, the Marshall Islands and the Republic of Palau. In exchange for modest financial assistance, each agreement grants the U.S. strategic denial rights and defense exclusivity with these nations.

Strategic denial rights allow the U.S. to unilaterally block the Chinese, or any other military, from entering the countries covered by the compacts. Exclusive defense rights allow the U.S. to access compact waters and to construct military sites on the first and second island chains. These facilities could prove critical in a possible defense of Taiwan or in protecting and resupplying our Japanese, Korean and Filipino allies in the event of a conflict with China.

The U.S.-Marshall Islands Compact also allows the U.S. to test and improve missile accuracy by launching missiles from California that land on the Kwajalein Atoll in the Marshall Islands. Furthermore, Palau will host the new Tactical Multi-Mission Over-the-Horizon Radar system, which will grant the U.S. expanded air and maritime awareness in the Indo-Pacific.

The compacts with Micronesia and the Marshall Islands formally expired this past Sept. 30. The recent short-term funding packages have kept the agreements on life support, and the U.S. has agreed to renew the agreements and maintain access for 20 years at a total cost of \$7.1 billion. But it has not arranged for the funds to pay that bill.

As is common with many congressional fights, the key holdup has been a dispute over how to pay for the compacts. In many cases, Congress requires spending increases to be offset by either a decrease in spending or an increase in revenue. In other words, Congress, like the American taxpayer, is encouraged to have a balanced budget.

Despite knowing for years that an offset would be necessary to cover the relatively small sums involved, the White House has refused to make cuts to pay for the deals their negotiators struck, and Congress has been unable to agree on a bipartisan proposal that funds the Compacts.

Because of how the prior compacts were funded, Congress needs to offset only about \$2.3 billion in new funding for all three countries across 20 years. That averages to around \$40 million per country per year. It should not be difficult to find that money elsewhere, considering that, between April 2021 and September 2022, the U.S. gave nearly \$2 billion to Afghanistan, Venezuela, Pakistan, and the Palestinian territories — much less useful "investments" by far.

Funding the compacts is the fiscally responsible move, as the agreements theoretically save the U.S. tens of billions of dollars, given the added military capabilities the U.S. would need to field and deploy to compensate for the loss of access. In comparison, since 1986, the U.S. has provided about \$6.5 billion in assistance to the compact countries in return for defense access and military privileges.

In addition, failing to renew the compacts leaves the U.S. less safe and raises major doubts about America's ability to fund its key priorities and support its key allies in the Indo-Pacific. To nobody's surprise, China is ready to pounce if the compact provisions expire.

To avoid handing China a major strategic victory, Congress must find a way to fund the compacts. While Congress works to identify an offset, the Biden administration must offer better solutions. For example, rather than requesting \$3.1 billion for a National Strategy on Gender Equity and Equality, the administration could reallocate its budget request to cover the compacts.

Options to pass the compacts seem limited. The National Defense Authorization Act does not include the compacts; this is a missed opportunity. The compacts could also be included in a possible national security supplemental package. If neither of these options is feasible, then the House and Senate could pass the compacts as a stand-alone bill. Regardless of the pathway, time is not on America's side.

Congress is at a critical juncture. There may be no other agreement in the world that matches the value that Micronesia, the Marshall Islands and Palau offer the United States in exchange for a relatively modest rounding error in the Pentagon's budget. Failure to fund the compacts would constitute strategic malpractice by Congress.

This material is distributed by Jeffrey Farrow on behalf of The Government of the Marshall Islands. Additional information is available at the Department of Justice, Washington, DC.