

# 6

## Engaging with China and the US

### Introduction

Independence has meant that the FSM's external relations have moved from essentially bilateral relations with colonial powers to multilateral relations with the international community at large. The world's two largest economic powers, which are also military superpowers, China and the US, are potentially heading towards a battle for influence in the western Pacific. The challenge the FSM now faces is managing the US and China under the new global regime in order to promote its own interests. This chapter will demonstrate that the FSM has handled this challenge in a skilful and considered way that has served its best interests.

Far too often scholars have falsely argued that since the colonisation period, Pacific Islanders have been largely lost to the overwhelming forces of outside powers, almost to the point of extinction.<sup>1</sup> It has been claimed that local religious practices have been absorbed into Christianity, traditional social organisation has transformed into a Western style of government, codified laws have replaced common laws, and land has been appropriated by a capitalist mode of production. A litany of misguided comments added to this misinterpretation, suggesting that Micronesians succumbed to the 'first taint of civilization', which reduced them to

---

1 Hanlon, 'Micronesia: Writing and Rewriting the Histories', pp. 1–3; Roland W. Force and Maryann Force, 'Political Change in Micronesia', in *Induced Political Change in the Pacific: A Symposium*, edited by Roland W. Force, Honolulu, Hawai'i, 1961, pp. 1–6, 8–10; Petersen, 'Lessons Learned', pp. 45–63.

'strangers in their own land' because they could not withstand 'the winds of change' in their 'broken canoe'.<sup>2</sup> Such assertions of collapse fail to address how one accounts for the rich and dynamic Micronesian cultures that survived over 100 years of colonisation and still exist today.

## The FSM under the Spotlight

The FSM is shaping up as the next potential flashpoint in Chinese–US relations in the northwest Pacific because of its strategic position in the Asia-Pacific region. Currently, it is going through an intense economic and political transition in preparation for the scaling down of the Compact of Free Association in 2023. The Compact is a bilateral treaty between the FSM and the US, forged as a result of their common historical experience and interests post WWII. It was first implemented in 1986, renegotiated in 2001 and extended to 2023. The US has provided just over US\$7 billion to the FSM Government in return for America having exclusive use of the islands for military purposes.<sup>3</sup> Already, the US is scaling down its Compact assistance. As a consequence, questions have been raised about the FSM's ability to survive economically in the post-2023 era. China, some observers argue, is likely to partially fill the gap by increasing its engagement with the FSM due to its own interests in the region.<sup>4</sup>

Located in close proximity to Asia, the US military base in Guam and the missile range in the Marshall Islands, the FSM must tread cautiously and exercise due diligence in its foreign relations because of its geopolitical position. For the FSM to maintain its position of strategic importance, it must learn from the lessons of WWII and balance the presence and scope of influence of each of these superpowers in the region. China's

---

2 These are titles from Francis X. Hezel's books, except for *Broken Canoe* which was written by Ann Nakano. The titles connote ethnocentrism as still part of Micronesian scholarly discussion.

3 Paul D'Arcy, 'The Role of the Tuna Fishery in the Economy of the Federated States of Micronesia', *Pacific Economic Bulletin*, Vol. 21, No. 3, 2006, pp. 75–87. During my interviews with them, government officials openly voiced and accepted the fact that the US will use the Compact to question the FSM's motives for dealing with countries viewed as unfavourable by the US. For example, an incident occurred over the introduction of an FSM Congress resolution that favoured granting China exclusive rights to fish in the FSM's EEZ. It was speculated by many that after the US objection to the resolution, the FSM Congress quietly withdrew the proposal. Additionally, the public at large opposed the resolution, especially supporters of the US both in the FSM and the US.

4 My experiences while working in Congress in 2010, interviews with many of the congressmen (e.g. Lorin Robert (Secretary of Foreign Affairs), Interview, Palikir, Pohnpei, 7 January 2011) and the adoptions of various resolutions (discussed in this chapter) are good indications of the FSM's positive engagement with China based on Micronesians' own understanding of the new global order.

increasing presence in the FSM raises concerns among some political observers over China's long-term objectives. The FSM has stated on many occasions that its relationship with China is based purely on economic interests. Notwithstanding this, the US may decide to invoke its right to deny certain external relations under the Compact if it perceives its interests are under threat.<sup>5</sup>

The undermining of Chinese activities in the FSM has already been attempted. For example, China proposed to loan the FSM Government US\$22million to fund the overhaul and refurbishment of Micronesian fishing facilities. A US fishing company called Oceania then attempted to undermine this offer. In its letter of memorandum to the FSM Congress, Oceania complained about China's move to overhaul the fishing facilities in the nation, stating in part that China's fishing infrastructure proposal:

does nothing to create additional industries, promote economic projects, or even guarantee a sustainable revenue basis. The difference between [the] Chinese proposal and Oceania's detailed comprehensive plan is the latter includes university economic study ... Oceania's plan also comes with its own financing; there are no loan requirements or guarantees incumbent upon the FSM.<sup>6</sup>

It went further, asserting that the 'PRC [People's Republic of China] participates only in projects that benefit [itself]; and maintain its interests only to the extent the needs of PRC is met'.<sup>7</sup> The question of what benefits the FSM will continue to receive once loan monies have been exhausted is unclear.<sup>8</sup> As yet, there has been no government-to-government confrontation between China and the US over their interests in the FSM.

---

5 Carl Apis, pers. comm. (online), 3 July 2012.

6 Bob D. Rosen, 'Oceania Memorandum to Speaker of the Congress of the Federated States of Micronesia', Issac Figir, 7 January 2011, p. 2; Nick Solomon (chief executive officer, National Fisheries), Interview, Kolonia, Pohnpei, 17 January 2011.

7 Rosen, 'Oceania Memorandum', p. 2; Solomon, Interview.

8 Rosen, 'Oceania Memorandum', p. 3; Solomon, Interview.

## The FSM and the Pacific Region

In 2007, University of the South Pacific academic Ron Crocombe noted the fast-growing involvement of Asia in the Pacific and strongly suggested that Pacific nations should take serious notice of this influence.<sup>9</sup> The rippling effect of the economic influence wielded by emerging powers like China, Japan and South Korea would mean positioning Pacific interests to optimise engagement with these countries.

Political scientist Terence Wesley-Smith has observed that China's growing engagement in the Pacific region is part of its own rise as a new economic and political global power, reaching out to the developing world with similar initiatives in Asia, Africa, Latin America and the Middle East.<sup>10</sup> It is a new opportunity for Pacific Island nations to explore new possibilities instead of being trapped in an outdated system that often undermines their own interests.<sup>11</sup> The Pacific consists of many independent nations, and they possess the right to exercise their choice as to which countries they engage with.<sup>12</sup>

The FSM is conscious of other Pacific Island nations' engagement with China and the resulting reconfiguration of Oceania's collective engagement with the rest of the world. For example, former US Secretary of State Hillary Clinton, during her trip to the Pacific Forum meeting in the Cook Islands in 2012, said that the US would remain active in the South Pacific for the 'long haul' as the region is big enough for all interested parties, including China.<sup>13</sup> Beneath this diplomatic rhetoric lies genuine American concern about the threat of China's growing influence in the Pacific. Australia and New Zealand's heavy-handed response to the 2006 Fijian coup resulted in the island nation strengthening ties with China. It is seen as an example of US apprehension about the Pacific becoming a non-Western lake.<sup>14</sup> Moreover, Clinton's comments were one-

9 Ron Crocombe, *Asia in the Pacific Islands: Replacing the West*, University of the Pacific, Suva, 2007, pp. 213–220.

10 Yongjin Zhang, 'A Regional Power by Default', in *China in Oceania: Reshaping the Pacific?*, edited by Terence Wesley Smith and Edgar A. Porter, Berghahn Books, USA, 2010, pp. 60–61.

11 Zhang, 'A Regional Power', pp. 60–61.

12 Peter Christian, 'Patriot Games: Island Voices in a Sea of Contest', *Pacific Institute of Public Policy*, Discussion Paper No. 21, June 2012, p. 2.

13 Jenny Hayward-Jones, 'China No Rival in the Battle for Island Influence', Lowy Institute, 17 May 2013.

14 Fergus Hanson, 'Don't Ignore the Big New Player in Fiji', *The Sydney Morning Herald*, 9 May 2008, pp. 1–2, [www.smh.com.au/articles/2008/05/08/1210131163040.html](http://www.smh.com.au/articles/2008/05/08/1210131163040.html).

sided as the tone did not include the perspective of the Pacific Island nations and neglected to consider how they play an important role in maintaining stability in their own region.<sup>15</sup>

The FSM is learning from other Pacific Island nations to better position itself in regard to relations with China without offending the US. Its diplomatic relations with China have been maintained for more than 20 years, while its longstanding relationship with the US is under review. Its relationship with China has been the subject of debate over the years, with critics claiming that China is using the FSM as part of a moving frontier into the northwest Pacific. This is not so according to supporters of China, as the FSM has a constitution that defines its foreign policy; China is a part of this policy by Micronesian design.<sup>16</sup> Moreover, the FSM has been benefiting from China's assistance, so this relationship remains firm, particularly in view of the scaling down of the US's Compact monies since 2003. Many Micronesians are suspicious of China's foreign aid programs; they perceive China as slowly gaining ground in the northwest Pacific.<sup>17</sup> The US may exercise the option under the Compact to unilaterally dislodge China should it perceive China as a threat. However, such an action would raise the issue of violating the supremacy of the FSM's Constitution<sup>18</sup> and relevant international laws of non-interference in the sovereign affairs of other nations.

## Contact with China

The FSM's initial contact with China dates back to when it was still part of the US-administered TTPI. The traditional inhabitants had waited patiently for the transition to independence following the decolonisation of the other trust territories around the world. However, the US was not in a hurry to forgo its interests in the islands. China, as a member of the UN Security Council, was aware of the US's tactical move in slowing

15 Jenny H. Jones, 'Big Enough for All of Us: Geo-strategic Competition in the Pacific Islands', Lowy Institute, 16 May 2013, [www.lowyinstitute.org/publications/big-enough-all-us-geo-strategic-competition-pacific-islands](http://www.lowyinstitute.org/publications/big-enough-all-us-geo-strategic-competition-pacific-islands).

16 *The Constitution of the Federated States of Micronesia*, Article II, Section 1.

17 Bill Jaynes, 'FSM Congress Pushes for Exclusive Fishing Rights: Single Foreign Country Would Have Access to Grounds', *Kaselehlie Press*, 26 July 2010, p. 1.

18 *The Constitution of the Federated States of Micronesia*, Article II, Section 1.

down the process of terminating the trusteeship agreement.<sup>19</sup> In an effort to gain support in the UN Security Council for the purpose of ending the trusteeship agreement, the FSM contacted Chinese diplomats in the UN. To demonstrate its support for the FSM's anticipated independence, China invited the leaders of the FSM to Beijing for political discussions and to initiate diplomatic relations. A delegation from the FSM, headed by the FSM's first president, Tosiwo Nakayma, and first secretary of the Department of External Affairs (now Department of Foreign Affairs), Andon Amaraich, visited China in the early 1980s to gain more knowledge about China as a developing nation.<sup>20</sup> According to former FSM President John Haglelgam, the US was not fully aware of all the discussions that took place between the FSM and China.<sup>21</sup> At the time, Haglelgam perceived the trip as a sign of the FSM leaders' growing confidence to engage with other countries in the international arena.

## The Road to Control

The transition to independence remained slow as the US was still studying the details of its relationship with the FSM under the Compact. However, China and the USSR reminded the US of its obligations under the trusteeship agreement to honour the demands of the FSM people to pursue their goal towards self-determination. Again, Haglelgam noted, 'the Americans and Europeans were too legalistic in their approach to strictly follow the text of the decolonisation process',<sup>22</sup> which would take time to unfold, while China often opted for more flexible diplomatic dialogue in dealing with the issue. China's support for the FSM struck a chord with Micronesian leaders. In response, the FSM pledged to honour the 'One China Policy' when it became a member of the UN.<sup>23</sup>

---

19 John Haglelgam, currently a professor at the College of Micronesia, was the second president of the FSM. He had direct contact with Chinese diplomats during his term in Congress and as the second president. I interviewed him and others about these issues: John Haglelgam (professor), Interview, College of Micronesia, National Campus, Palikir, Pohnpei, 11 January 2011; Epel Illon (special advisor to SBOC and former secretary of the Department of Foreign Affairs), Interview, Palikir, Pohnpei, 11 January 2011; Lorin Robert (secretary of the Department of Foreign Affairs), Interview, Palikir, Pohnpei, 7 January 2011.

20 Haglelgam, Interview.

21 Illon, Interview; Lorin Robert, Interview.

22 Haglelgam, Interview; Illon, Interview; Lorin Robert, Interview.

23 Haglelgam, Interview; Illon, Interview; Lorin Robert, Interview.

Since then, the relationship between both nations has been built on trust, respect and mutual cooperation.<sup>24</sup> The One China Policy remains at the heart of the diplomatic relationship between the FSM and China.

However, China's presence in Micronesia has lately been under scrutiny by critics. They question China's sudden interest in the FSM, a region it had not shown much interest in before. They speculate that China is positioning itself to become a major influence in the Pacific area.<sup>25</sup> China's intention, according to these critics, is to create a climate of mistrust, which is likely to evolve into a new Cold War front in the Pacific. This Sinophobia may be a new phase in Micronesian politics, but many see it as a continuing legacy of the Cold War period when the USSR and the US were at each other's throat.<sup>26</sup>

In the case of the FSM, this underlying fear of China is externally derived; it is connected to the colonial history of the islands. This antagonism towards China is part of a concerted effort by the former colonial powers of the Pacific, who remain the leading aid donors to the region, to continue their dominance in the Pacific, including the FSM. Micronesians were indoctrinated to support the Western style of political philosophy by successive Western colonisers and the entrenchment of Western governance.<sup>27</sup> When one takes a closer look at Micronesia, however, one can discern some socialist features present in the island's traditional social superstructure. For example, the inter-island extended family has socialist elements based on the principle of *eaea fengan*.

The undermining of socialism as alien to island cultures has been facilitated by Christian and colonial agencies. These twin forces attempted to dissuade islanders from getting too close to socialism.<sup>28</sup> Islanders were taught that democracy and Christianity were precursors for a tranquil world, as opposed to the antagonistic and godless socialism. They were also taught that any doctrine that undermined the fundamental principles of

24 Haglelgam, Interview; Illon, Interview; Lorin Robert, Interview.

25 Rachel Reeves, 'China Not Threatened by U.S. Presence at Pacific Forum. Vice Foreign Minister: Clinton's Visit Not Attempt to Override Influence', *Pacific Scoop*, 2 September 2012.

26 My personal experience when growing up in the FSM was that communist countries like Russia and China were frowned upon by many Micronesians as being untrustworthy and to be feared because of their undemocratic practices.

27 Gonzaga Puas, 'Is China a Threat in the Pacific? The Case of Micronesian Experience', Paper delivered in the Pacific Islands Political Science Association (PIPSA), Apia, Samoa, 2012, pp. 20–21.

28 Florian Seady, *Church Song: Moun Russia*, Satawan Island, 1974; Crocombe, *Asia in the Pacific*, p. 340.

democracy and Christianity was inherently bad and not conducive to the sustainability and survivability of Micronesians. For example, I remember my high school years, when discussion on the future political status of the FSM was in full swing. The students were taught that if they rejected American democracy, an evil empire would take over the islands and impose its evil wrath on Micronesians, worse than the Japanese during WWII. This was supported by the Catholic faith, which propagated socialism as naturally evil because of its opposition to biblical scriptures. Christians and non-Christians would be slaughtered by the socialist states should they allow socialist ideologies to take root on their islands.

Anti-Chinese sentiment is part of the contemporary socialism versus capitalism debate in the FSM. For example, many Micronesian soldiers who serve in the US military strongly support American democracy and have spoken against China's growing influence in the nation.<sup>29</sup> They claim that the FSM is treading on dangerous ground in allowing Chinese influence to rise in the region, and is undermining US interests in doing so. To date, however, the Chinese have been extremely cautious about challenging or upsetting US interests in the western Pacific. In my interviews with the Chinese ambassadors to the FSM in Pohnpei in 2011 and 2013, they emphasised China's support for the FSM as a developing country, like China.<sup>30</sup> China wants to learn more about Micronesians as a people, including their cultures and history.<sup>31</sup> On these points they expressed their frustration at not being able to locate materials written from a Micronesian perspective.<sup>32</sup> They also emphasised the point that they are not in the FSM to antagonise the US but to assist the FSM in whatever capacity possible.<sup>33</sup> However, it remains to be seen at what point the US will object to the diplomatic relationship between Micronesia and China, especially in relation to the end of the current Compact in 2023.

---

29 Haglelgam, Interview. Professor Haglelgam explained that the Micronesians who joined the US military forces are the promoters of US interests in the FSM. He referred to them as a fifth column and as Micronesian super patriots of Americanism. No statistics are available yet as to the number of Micronesian citizens in the US armed forces.

30 Yongjin Zhang (Chinese ambassador to the FSM), Interview, 13 July 2013, Palikir, Pohnpei; Zhang Weidong (Chinese ambassador to the FSM), Interview, Palikir, Pohnpei, 19 January 2011. Both ambassadors commented on the Compact of Free Association as being a major part of FSM foreign policy.

31 Zhang, Interview; Weidong, Interview.

32 Zhang, Interview; Weidong, Interview.

33 Zhang, Interview; Weidong, Interview.

Micronesians have always adapted successfully to foreign influences and have managed and lessened the impact of such incursions through a number of strategies. Currently, the emergence of the internet and globalisation have enabled the FSM's citizens to learn more about the outside world for the purpose of contextualising such externalities from their own perspective. Micronesian educational institutions have also heralded a new period of intellectual discourse to respond effectively to the major foreign players who are trying to control their islands. At the forefront of this discourse are the challenges the FSM needs to consider in relation to its future development in search of an economic model that complements its present social order. Additionally, the FSM diaspora has been growing tremendously over many decades, and their economic knowledge of the outside world has contributed enormously to the development of the FSM. The FSM also has a constitution that outsiders need to respect if they want to retain their interests in the FSM's jurisdiction. Finally, under its constitution, the FSM has the right to forge relations with any country of their choosing, including China.<sup>34</sup>

## The FSM–US Connection

The FSM–US connection was forged after WWII when the US took control of the islands as their last colonial master. As noted in the previous chapter, the US consolidated its power by registering the islands in the UN as a trust territory, the TTPI. The TTPI was the only trust territory placed under the jurisdiction of the UN Security Council, because of its strategic value to the US, pursuant to Chapter XII, Article 83 of the UN Charter.<sup>35</sup>

The process of independence took a long time as negotiators on both sides sought to secure optimal outcomes in their country's best interests. The key issue for Micronesians was why was the FSM pressured to gain political independence prior to economic development?<sup>36</sup> In weighing the options, Micronesian leaders decided that economic matters should be negotiated under a Compact of Free Association and kept separate

<sup>34</sup> *The Constitution of the Federated States of Micronesia.*

<sup>35</sup> *Charter of the United Nations and Statutes of the International Court of Justice*, Article 83 of Chapter XII.

<sup>36</sup> This was the Congress of Micronesia's response to the US's foot-dragging approach towards Micronesian independence. Nevertheless, political freedom was the priority. See Hanlon, *Making Micronesia*, p. 95.

from political issues. Political independence only was therefore sold to the Micronesian people and accepted in 1979. However, formal termination of the TTPI awaited US approval in the UN Security Council.

The UN trusteeship agreement came to an end in 1986, followed immediately by the formalisation of the Compact, although not without controversy.<sup>37</sup> At the heart of this ongoing controversy is the 'permanent denial clause', which is interpreted by critics as providing the US with permanent and exclusive rights to use the islands for military purposes. Many supporters of this interpretation claim that, although the financial assistance ends in 2023, the security provision remains in American hands indefinitely. This view was rejected by most FSM government figures interviewed during my fieldwork as being without any basis. The denial clause, they argued, only survives for the duration of the Compact. Further, the Compact can be unilaterally terminated as subject to Title IV, Article 4, Sections 441, 442 and 443.<sup>38</sup> However, Section 443 must be scrutinised closely because it requires a constitutional process (i.e. a referendum) for final termination of the Compact by the FSM.<sup>39</sup> This places the burden of terminating the Compact on the Micronesian side, as holding a referendum is costly and time consuming to administer across all the islands. It is obviously designed to make the Compact difficult to be unilaterally terminated by the FSM. However, the US cannot prevent the FSM from terminating the Compact by other means if provided for by the Micronesian Constitution, which supersedes the Compact as subject to Article 2, Section 1.<sup>40</sup>

## Dishonouring the Compact

A political outburst by Senator Dan Inouye of Hawai'i and his supporters in the US Congress exemplified the continuing paternalistic attitude of many US officials towards Micronesians. In 2012, the senator wrote a letter to

37 Lorin Robert, Interview.

38 *Compact of Free Association between the Federated States of Micronesia and the United States of America.*

39 *Compact of Free Association between the Federated States of Micronesia and the United States of America.*

40 My personal interpretation (as a lawyer). Lorin Robert said that the Compact derives from the FSM's Constitution, so it is secondary to the Constitution. There has been an ongoing debate as only the financial parts of the Compact are subject to renegotiation, with the military part remaining in perpetuity (Lorin Robert, Interview).

the US secretary of state expressing dissatisfaction over the influx of FSM immigrants to Hawai'i, Kansas and the US territories of Guam and the Northern Marianas Islands. The senator claimed that immigrants from the FSM were draining the states' and territories' financial resources despite the Compact money to compensate their costs.<sup>41</sup> This led to tension and resentment between the new immigrants and many US citizens of these states and territories. Senator Inouye advocated for all Micronesians to be screened before entering the US to determine whether they were able to support themselves independently. Such a demand ignores a basic feature of Micronesian social organisation—they are not individualistic; they rely on the support of the family system, so any individual assessment at entry masks kin support networks in place upon arrival. Such demands also ignore the tax payments Micronesians inject into the US economy. As taxpayers, they are surely entitled to receive medical attention and social welfare.

The senator's letter was also sent directly to the president of the FSM, something seen by both the FSM's people and leaders as disrespectful and lacking the courtesy of international protocol. For example, Senator Inouye is not the US president and should not have dealt directly with the FSM's head of state. Inouye's actions were perceived as nothing more than a continuation of the belittling of Micronesian leaders as being inferior to their US counterparts.<sup>42</sup> This attitude needs to be curtailed by the top tiers of the US Government as the Compact was negotiated between the sovereign governments of the FSM and US, not the states of Hawai'i and others.<sup>43</sup> Micronesia is an independent nation with its own identity. It is not part of the US's domestic jurisdiction.

The FSM Congress's Resolution No. 17-61<sup>44</sup> was tabled in response to the US Senate Committee for Appropriations, chaired by Senator Inouye, directing the Department of Homeland Security to implement 'all legally allowable grounds of inadmissibility under the Compact which apply to

---

41 Giff Johnson and Bernadette Carreon, 'Micronesia's Access to U.S. under Review', *Marianas Business Journal*, 18 July 2011; Giff Johnson, 'US Lawmakers Seek Limit on Micronesian Migrants: Marshall Protests, Cite Compact Terms', *Marianas Variety*, 23 May 2011; Bill Jaynes, 'Senate Appropriations Committee Takes Concrete Steps to Begin Barring Some FAS Citizens from Entry to the United States', *Kaselehlie Press*, 19 September 2011, p. 1.

42 Reactions to Inouye's comments were widespread on the *Micronesian Forum*; Inos Walter (Chuuk State legislator and Chuukese historian), Interview, 10 December 2012.

43 Walter, Interview.

44 *FSM Congress Resolution No. 17-61*. It was introduced by Senator Peter Christian of Pohnpei to terminate the Compact by 2018.

nationals from the (FSM) ... to establish ... advanced permission for prospective travellers from the (FSM) to enter the United States'.<sup>45</sup> Many Micronesians regard Senator Inouye's action as the branding of FSM citizens as terrorists.

The FSM's response to Senator Inouye's letter was swift and deliberate, with strong overtones expressing the FSM's dismay and disgust. The new generation of FSM leaders like David Panuelo responded to the letter by expressing outrage at Inouye's insensitivity in treating Micronesians as scapegoats for domestic Hawaiian problems, which could affect the historical relationship between the US and FSM. In his letter, Congressman Panuelo (and like-minded colleagues) stated that:

the U.S. can no more unilaterally create a bottleneck for FSM citizen's right to freely travel and work in the United States, than the government of the FSM can revisit the defence provisions of the Compact. Aren't the veto powers over the waters and air space of the FSM that the two countries agreed to in the Compact a security and strategic lifeline for the U.S.?<sup>46</sup>

These comments were supported by many FSM leaders and also reflected the sentiment of educated members of the public. For example, the Micronesian Seminar website received many comments from the FSM diaspora reminding the US that if it changed the terms of the Compact unilaterally to the detriment of FSM citizens, the FSM might see fit to terminate the US's interests in its territorial jurisdiction.<sup>47</sup> The political tension between the two congressmen may produce negative consequences, but it effectively demonstrated the extent to which the FSM has come of age and is able to deal with matters of international concern on its own terms. Congressman Panuelo represents a new style of leadership that puts the FSM first, and he sincerely articulated the Micronesian perspective without fear of political repercussions.<sup>48</sup>

Two resolutions introduced by the two longest serving FSM congressmen, Peter Christian and Dohsis Halbert, provide good examples of how the FSM was considering terminating the Compact. Christian's Congressional

---

45 Jaynes, 'Senate Appropriations Committee', p. 1.

46 David Panuelo, 'Where Did Our Real Friends Go?', *Honolulu Civil Beat*, 5 April 2012, [www.civilbeat.org/2011/08/12669-where-did-our-real-friends-go/](http://www.civilbeat.org/2011/08/12669-where-did-our-real-friends-go/).

47 Panuelo, 'Where Did Our Real Friends Go?'.

48 My personal reflection based on analysis of his background. He has held many positions in the FSM and Pohnpei governments.

Resolution No. 17-61 asked the FSM president to terminate the Compact early, in 2018 rather than 2023, while Halbert's Congressional<sup>49</sup> Resolution No. 16-89 proposed granting China exclusive fishing rights in the FSM's EEZ. In return, the FSM sought higher fishing fees from China and guaranteed that it would effectively patrol its EEZ and arrest ships not displaying the Chinese flag.<sup>50</sup>

China also expressed its interest in redeveloping the FSM's fishing facilities and increasing its fishing activities in FSM waters through a US\$30 million soft loan and other assistance packages aimed at filling the gap in the FSM's fishing capacity. As previously noted, an American company, Oceania, torpedoed the plan.<sup>51</sup> The US objected to the resolutions and cautiously reminded the FSM about its obligations and duties under the Compact. The response from the FSM Congress was that the resolutions were economic in nature and fell outside the Compact's denial clause, thereby rendering the US's claim as being without legal effect.<sup>52</sup> The above concerns have prompted the FSM to seriously reconsider its foreign policy vis-à-vis the Compact.

The actions of the US-dominated JEMCO have also raised questions about the US's intent to continue to honour the Compact in good faith. Critics perceive the Compact as nothing but a vehicle for facilitating the recolonisation of Micronesia.<sup>53</sup> JEMCO, which has a set majority of American members, dictates how Compact funds are to be used, even if there are objections from the Micronesian members. This was seen in the dispute over the spending of funds earmarked for the Chuuk education sector, discussed in Chapter 4.

As US financial contributions under the Compact dwindle, the FSM has to find ways to sustain itself. US ambassador to the Marshall Islands Martha Campbell noted the grim reality in 2010:

---

49 Jaynes, 'Senate Appropriations Committee', p. 1.

50 Hers, 'US Congress Pushes for Limits on FAS Entry to the US', April 2011, [www.micronesiaforum.org](http://www.micronesiaforum.org).

51 Hers, 'US Congress Pushes'.

52 Sitan, Interview, Kolonia, Pohnpei, 27 January 2011.

53 *FSM Congress Resolution No. 17-61*.

[there is a] dangerous belief that the U.S. will extend more aid when the current Compact of Free Association grant package ends in 2023<sup>54</sup> ... there is no intention on the part of anyone anywhere in the government of the U.S. to extend Compact funding past 2023.<sup>55</sup>

This stance poses two key dilemmas for the US and FSM. Will the US allow increased Chinese funding to replace its own diminishing funding in the FSM leading up to 2023 and beyond? If not, what other means will the US use to persuade the FSM to circumvent China's rise in the Micronesian region and Oceania if it determines not to extend its rent for influence? These issues are increasingly germane in view of the FSM's close proximity to Guam, the Northern Marianas Islands and the Marshall Islands, all of which host US military installations and bases.<sup>56</sup> The question of influence will continue to escalate before 2023 while the FSM is calculating its future economic interest and viability.

## Managing the US and China

The FSM's diplomatic relations with China and the US remained essentially bilateral and separate until 2006 when China's foreign aid to the FSM increased, particularly in light of the watershed announcement of Chinese President Hu Jintao in Fiji in April 2006 of a dramatic increase in Chinese assistance to Pacific Island nations.<sup>57</sup> President Hu announced a package of US\$300 million in preferential loans and other aid to expand trade, investment and infrastructure development.<sup>58</sup> As a result of this, the FSM will secure a significant increase in Chinese aid and may exhibit less care in undertaking actions that could be construed as antagonistic towards the US.

Chinese assistance has resulted in the construction of a series of infrastructure projects, especially public buildings, development projects in farming and fisheries, and a series of smaller targeted grants to assist

54 Giff Johnson, 'No More Compact for the RMI', *Pacific Islands Report*, 5 November 2010, [pidp.eastwestcenter.org/pireport/](http://pidp.eastwestcenter.org/pireport/).

55 Johnson, 'No More Compact'.

56 Lorin Robert, Interview.

57 Olivier Wortel, 'China Increasing Its Presence in FSM in Big and Small Ways', *Kaseleble Press*, 7 February 2007, [www.fm/news/kp/2007/feb07\\_3.htm](http://www.fm/news/kp/2007/feb07_3.htm). The following details on China's aid program are based on Wortel's extended interview with Ambassador Liu Fei.

58 Wortel, 'China Increasing Its Presence in FSM'.

local community project infrastructure.<sup>59</sup> These projects have largely been based in and around the state capitals like Kolonia in Pohnpei and Weno in Chuuk. For example, in 2006, the use of Chinese aid money resulted in the construction on Pohnpei of the Western Pacific Tuna Commission headquarters and official residences for the nation's president, vice president and speaker of congress. School buildings have been constructed for Kosrae State, while Yap and Chuuk states have benefitted from the delivery of two custom-built cargo and transport vessels for the far-flung islands. The Chinese are also keen to further assist each of the four state governments in their future infrastructure projects.<sup>60</sup> Although Chinese assistance is well received by the FSM, the US remains the largest contributor to Micronesian development programs.<sup>61</sup> However, China's policy of political non-interference in the FSM's governance, unlike the US (exemplified by JEMCO), has led to FSM leaders embracing China's presence in the FSM.

China's consultative approach in providing infrastructure as requested by national and state governments is a dramatic contrast to the previously discussed American domination of the budget and aid allocation of Compact monies. Chinese Ambassador Liu Fei has had a number of Pacific postings and earned a reputation for being sensitive to local needs and respectful of Micronesian aspirations as a developing nation. The ambassador notes that China is also a developing nation, and characterises her country's aid policy as 'very open and practical'.<sup>62</sup> She notes that, in addition to providing requested infrastructure, China's aid is aimed at assisting economic ties, trade and investment between China and the FSM, and giving people a better and more positive understanding of China.<sup>63</sup> The latter objective figures prominently in small-scale aid projects for individual institutions below the level of national and state governments, such as providing libraries with books on China. Another example is the first wave of these small-scale aid projects including new computers for the FSM Congress and a donation of over 200 books on Chinese subjects

---

59 Weidong, Interview.

60 My personal notes on *WikiLeaks Documents*. China's assistance to the FSM since the two countries opened diplomatic relations with one another is estimated to be over US\$170 million. Compare this to the over US\$7 billion provided by the US. See also Philippa Brandt, 'The Geopolitics of Chinese Aid', [www.lowyinstitute.org/publications/geopolitics-chinese-aid](http://www.lowyinstitute.org/publications/geopolitics-chinese-aid).

61 My personal notes on *WikiLeaks Documents*.

62 Wortel, 'China Increasing Its Presence'.

63 Wortel, 'China Increasing Its Presence'. The Chinese ambassador said the people of the FSM should know more about China than what is reported in the media.

to the Pohnpei Public Library and College of Micronesia. Chinese library collections are available for many other educational institutions, such as Kosrae and Xavier high schools.<sup>64</sup>

Educational exchange programs for students and high-ranking officials are also an important part of China's policy of enhancing understanding of its culture and intentions in the Pacific Islands, as a means to counter the generally negative reporting in Western media and academic analysis. Examples of this include collaboration between Zhejiang College in southern China and the College of Micronesia, including learning exchanges and scholarships in marine science. Chinese scholarships offered to FSM citizens jumped from two to three per year before 2006 to 17 in 2006 and have continued to increase. In April 2014, Chinese Ambassador Zhang Lianyuen stated that 'over 100 FSM students [were] granted the full government scholarship to study in China'.<sup>65</sup> In the health sector, two groups of Chinese medical experts have visited FSM and offered precious services to local people, and 'China will continue to offer its sincere assistance within its ability to help FSM achieve sustainable development and enhance its people's living standards'.<sup>66</sup>

China is increasingly involved in the FSM's agriculture and fisheries sectors as an aid donor, trainer and participant. China has developed a large pilot farm in Madolenihmw District, Pohnpei, growing a large variety of vegetables. A large tuna fishing fleet and operation, Luen Thai, from Hong Kong, is also based permanently in Pohnpei, and has plans to significantly increase the size of its fishing fleet.<sup>67</sup> China also assists the FSM trade schools on Pohnpei by offering training in trades such as carpentry, plumbing, washing machine repairs and electrical repairs. The Chinese acknowledge the merit of developing primary industries that add value to locally produced foods such as noodles made from taro, breadfruit or banana flour, which Ambassador Liu notes are 'healthy, balanced, [and] cheaper' than imported foods.<sup>68</sup>

64 Wortel, 'China Increasing Its Presence'.

65 Zhang Lianyuen, '25 Years' Run toward Amity and Prosperity. Commemorating the 25th Anniversary of Diplomatic Relationship between China and FSM', *Kaselehlie Press*, 6 April 2014, p. 8.

66 Lianyuen, '25 Years' Run toward Amity', p. 8.

67 Peter Sitan (president of the FSM National Fisheries Corporation), Interview, Micronesian Symposium, The Australian National University, 28 April 2014.

68 Lianyuen, '25 Years' Run toward Amity', pp. 8-9.

China has been sensitive to American and Micronesian critics. China is at pains to emphasise that its aid program in the Pacific Islands is far smaller than those of the US, Japan and Australia. China's aid to the Pacific Islands amounted to US\$850 million in 2006–2011,<sup>69</sup> compared to Australian aid of US\$4.8 billion in the same period.<sup>70</sup> China desires collaboration with other donors and denies it is ratcheting up aid in direct competition with other donors. Ambassador Liu emphasises that China sees itself as filling a supporting role to the region's big three aid donor nations. She notes:

We are very keen on helping the education, private, and infrastructure sectors, as well as trade and investment and the other areas that have been outlined in the country's Strategic Development Plan. We are very much the same in focusing on the key sectors here ... we actually are on the same policy with the U.S. Government in this regard. ... If the U.S., Australian, and Japanese Embassies want to work with me, I always welcome them.<sup>71</sup>

## The Exhibition Travel Group

A new tourist project proposed by the business group Exhibition Travel Group (ETG) seems at odds with Ambassador Liu's statements. The project is massive and has deeply divided local communities. The company is still negotiating with the Yap Government and landowners. Initially, ETG planned to build a mega-tourist resort with 10,000 hotel rooms and associated infrastructure, such as expanding the airport and constructing docks, a golf course, roads, hospitals, shopping centres and beaches.<sup>72</sup> The company anticipates direct flights to the FSM and large profits, although tourism is a fickle market dependent on the buoyancy of the home economy of travellers and jet fuel prices. The ETG project will not compete with the nearby tourist industry of Guam and Saipan since it is anticipated that direct flights from China will become the norm, sidestepping US security checks and delays in Guam.<sup>73</sup>

69 Brandt, 'The Geopolitics of Chinese Aid'.

70 Brandt, 'The Geopolitics of Chinese Aid'.

71 Gonzaga Puas, 'Micronesia and the Rise of China: Realpolitik Meets the Reef', Paper delivered to the Pacific History Association, Taiwan, 3 December 2014, pp. 20–22.

72 Rubinstein and Mulalap, 'A Proposed Chinese Mega-Resort in Yap', pp. 8–10.

73 Rubinstein and Mulalap, 'A Proposed Chinese Mega-Resort in Yap', pp. 8–10.

However, there has been controversy about the scale of this mega tourism project, prompting voices of concern from within the FSM and the international community. Many have condemned the size and the impact it will have on the pristine Yap environment. A recent study conducted by anthropologist Donald Rubinstein and attorney Clement Mulalap indicated the polarisation of views in the Yapese community. For example, anti-ETG proposal citizen groups such as the state legislature, Yap Women's Association and Catholic Church are at odds with pro-ETG proposal lobby groups such as the executive branch of government, the business community and certain traditional leaders.<sup>74</sup> The anti-ETG forces claim that the proposal is unrealistic and unsustainable, while the pro-ETG forces argue in favour of the development on the basis of the enormous financial windfall that the project could bring to Yap. Rubinstein and Mulalap raised two important questions about ETG's intentions. First, 'what is China's real purpose in building a billion-dollar resort complex in Yap'?<sup>75</sup> Second, why is Yap still considering the project in light of ETG Chairman Deng Hong being remanded in jail in China for alleged corruption since March 2013?<sup>76</sup> Despite this, China's government has no plan to slow down its diplomatic relations with the FSM, although there is no evidence that the mega-resort has any political motive behind it. If the Yapese people approve the project, the FSM will become a tropical playground for Chinese tourists and other Asian nationals, as well as for tourists from the US and Europe.

It is anticipated that Micronesian scholars and professionals trained in Chinese higher education institutions will benefit the FSM's future. An association between the citizens of China and the FSM, the Micronesia–China Friendship Association, was established in early 2011.<sup>77</sup> Its first president was the highly esteemed Micronesian scholar Professor Haglelgam. He possesses a vast wealth of knowledge on China due to his previous position as the second president of the FSM. The association's stated aim is to promote greater contact between the citizens of both countries through education and cultural programs.<sup>78</sup> Direct business contact between citizens is also encouraged.<sup>79</sup>

74 Rubinstein and Mulalap, 'A Proposed Chinese Mega-Resort in Yap', pp. 8–10.

75 Rubinstein and Mulalap, 'A Proposed Chinese Mega-Resort in Yap', pp. 11–12.

76 Rubinstein and Mulalap, 'A Proposed Chinese Mega-Resort in Yap', pp. 8–10.

77 Haglelgam, Interview.

78 Haglelgam, Interview.

79 Haglelgam, Interview.

In 2009, the FSM and China celebrated the twentieth anniversary of their friendship. Chinese President Hu Jintao and FSM President Emmanuel Mori exchanged congratulatory notes praising the hard work of their countries in maintaining their ongoing friendship based on a model of mutual respect. President Hu indicated that China and the FSM have maintained ‘a good momentum of reciprocal cooperation’ that has ‘delivered real benefits’ to both nations and ‘promoted stability’ and prosperity in the region.<sup>80</sup>

President Mori’s speech highlighted the ‘growing bonds’ that exist between the two nations and noted that the FSM is ‘looking to the challenges ahead’.<sup>81</sup> The FSM will continue ‘to count on the strength of the partnership and friendship’ between the two countries. He further noted that the FSM has ‘greatly benefitted’ from the assistance provided by China.<sup>82</sup> Although China is a recent actor in FSM politics, the island people consider China as a new addition to Micronesia’s list of diplomatic friends. This is part of the FSM’s diplomatic adaptation to the external world to assert its identity and continuity.<sup>83</sup>

On 24 March 2014, China’s ambassador to the FSM again reinforced China’s growing relationship with the FSM, noting:

China and FSM offer each other unfailing support in their own capacities and with sincerity. In the past 25 years, the bilateral trade volume between our two countries rose from nearly nothing to 15 million dollars last year.<sup>84</sup> The pilot farm donated and constructed by China has successfully run for 18 years and quite a number of biogas generators have been set up in local farmers’ homes. The two cargo-passenger vessels donated by China are playing vital roles in Chuukese and Yapese people’s daily life. The fruitful outcome of our practical cooperation can also be easily seen around us, like China-FSM Friendship Sports Centre in Pohnpei and High School Building in Kosrae. More and more FSM people begin to appreciate Chinese culture and see China as a genuine friend ... China will continue to offer its sincere assistance within its ability to help FSM achieve sustainable

---

80 ‘The FSM President Hu and President Mori Exchange Congratulation Letters to Celebrate the 20th Anniversary of China-FSM Relations’, *FSM Information Service Press Release*, Palikir, Pohnpei, 1 September 2009.

81 ‘The FSM President Hu and President Mori Exchange Congratulation Letters’.

82 Lianyuen, ‘25 Years’ Run toward Amity’, p. 8.

83 Lianyuen, ‘25 Years’ Run toward Amity’, p. 8.

84 Lianyuen, ‘25 Years’ Run toward Amity’, p. 8.

development and enhance its people's living standards. And there are more exciting new projects under detailed discussion and are making important progress. Great potential also lies in tourism, infrastructure, transportation and fisheries, etc.<sup>85</sup>

Epel Illon, a former negotiator for the Compact, former secretary of the Department of Foreign Affairs and currently senior advisor for SBOC, commented on how China can deliver benefits to the FSM: 'China can buy up all FSM exports overnight and that will be a great benefit to the FSM. Can you imagine that?'<sup>86</sup>

## Is China a Threat?

China's growing influence in the FSM has been met with optimism at the top level of the FSM Government. However, others continue to speculate that China is using the FSM as a means to develop its strategic presence in the region.<sup>87</sup> China dismisses this claim, stating that its presence in the FSM is based on mutual respect and common interests as developing nations. In my interview with China's ambassador to the FSM on 15 July 2013, he cited the Preamble of the FSM's Constitution as part of China's foreign policy: 'We extend to all nations what we seek from each: peace, friendship, cooperation, and love in our common humanity',<sup>88</sup> China shares this goal with the FSM.<sup>89</sup> The FSM is part of the Pacific region—a region of competing interests between external powers—and so too is China because of its strategic interests. China has been unfairly demonised as the red dragon ready to create disequilibrium in the region.<sup>90</sup>

85 Lianyuen, '25 Years' Run toward Amity', p. 8.

86 Illon, Interview. Illon said China is economically important to the FSM. For example, China could buy up all the FSM's export commodities within one hour. The FSM private sector can benefit immensely from China's assistance.

87 The FSM is the only country among the Compact nations with diplomatic relations with China. There are suspicions and speculations regarding China's presence and intentions in the FSM. In my personal communications with many FSM government officials and diplomats, many stated that China is not in the FSM for military purposes. Many of them support the idea of the US engaging with China rather than fearing it. However, many did not want to be identified as they fear repercussion for making comments contrary to official FSM Government policy. The two Chinese ambassadors I interviewed claimed that there is a strong relationship between the US and the FSM and that China is in the FSM for reasons other than military (e.g. for mutual diplomatic and cultural assistance) (Zhang, Interview; Weidong, Interview).

88 *The Constitution of the Federated States of Micronesia*, Preamble.

89 Zhang, Interview; Weidong, Interview.

90 Terrance W. Smith, 'China in Oceania: New Forces in Pacific Politics', *Pacific Islands Policy*, No. 2, East-West Center, Hawai'i, 2007, pp. 13–19.

The FSM seeks friendship with all powers in order to develop itself and its interests. This principle will be tested by circumstances where friendly powers act in ways contrary to the FSM's perceived interests. For example, the Chinese fishing vessel *Ping Da 7* ran aground on Nankapenparam Reef in Pohnpei State in December 2013. A state of emergency was declared out of concern for the environmental threat to the reef and its marine life posed by leaking fuels and chemicals from the vessel. The ship's owner, Jianghai Ping, indicated that he had no intention of taking full responsibility for salvaging the boat, much less collaborating in undertaking preventive measures against environmental harm.<sup>91</sup> This kind of response will jeopardise relationships between the two nations. The bottom line is that it is for Micronesia to decide its own future, including which countries to associate or disassociate with. China and the US are not immune from such a decision-making process.

## Conclusion

The FSM does not believe that it will sink into oblivion without Compact funding.<sup>92</sup> The economic wealth of the FSM is yet to be tapped because of the vastness of its EEZ and lack of technology and investment. Many suspect that vast mineral deposits and marine resources exist in its EEZ. The FSM has been bleeding economically because much of its fishing harvest has been stolen due to illegal fishing activities or foreign fleets paying a mere fraction of the sale value for fishing licenses.<sup>93</sup> Exploitation of and profits from the FSM's marine resources will depend on the FSM's understanding of international business practices and diplomatic relations within the global community.

Already, many Pacific nations are forming new regional organisations to protect the potential economic wealth in their EEZs, demonstrated at a meeting of Pacific Island leaders in the Cook Islands on 15 May 2014.<sup>94</sup>

91 FSM Updates, 'President Mori Declares "State of Emergency" as Ping Da 7 Post Greater Threat Sitting on Nan Kepkepin Param Reef in Pohnpei', 23 January 2014, myfsm.blogspot.com.au/2014/01/president-mori-declares-state-of.html.

92 Interviews with many FSM officials during my fieldwork in 2011–2013. They did not believe that the FSM would sink into oblivion without the Compact funds. The question is, how did Micronesians survive for centuries? Did they need the Compact?

93 D'Arcy, 'The Lawless Ocean?', pp. 4–5; Peter Wilson, 'A Tuna Industry in Micronesia?', *Micronesian Counsellor*, No. 66, April 2007, pp. 1–4.

94 Ben Chapman-Smith, 'Income from Sea Bed Mining in Cooks Could Eclipse Tourism and Cook Islands has "World Class Resource" Worth "a Vast Sum"', *Cook Island News*, 15 May 2014.

Harmonising environmental laws and claiming a bigger share of profit from future seabed mining are top priorities for Pacific Island states. This emergence of big ocean nations in the Pacific to control their potential wealth will bring about a new perspective of the Pacific. The FSM is taking the same steps to exploit the potential wealth in its EEZ to become self-reliant and ensure its continuity.

Roger Gale has noted that Micronesia will always be in someone else's strategic plan.<sup>95</sup> This sums up why the FSM must be mindful of its history and identity. The FSM's future security will depend on understanding how valuable it is to the outside world, and how empowered it is to engage in mutually respectful dialogue in the present environment of competitive bidding for engagement.<sup>96</sup> Much of that value lies in the natural resources in its territorial seas and seabed. Yet, the greatest immediate threat to the FSM derives not from superpower strategic rivalry in the western Pacific but, rather, from the climatic consequences of the race to modernise by means of industrialisation and its polluting residue. Its future is threatened by the consequences of climate change, including increasingly frequent and destructive typhoons and rising sea levels, as will be discussed in the next chapter.

---

95 Gale, *Americanization of Micronesia*, p. vi.

96 Paul D'Arcy, 'Leading by Example: Micronesians and the Sea as World's Best Practice', paper delivered at the Micronesian-Australian Friends Association (MAFA) Symposium, The Australian National University, 28 April 2014.

This text is taken from *The Federated States of Micronesia's Engagement with the Outside World: Control, Self-Preservation and Continuity*, by Gonzaga Pugas, published 2021 by ANU Press, The Australian National University, Canberra, Australia.

[doi.org/10.22459/FSMEOW.2021.06](https://doi.org/10.22459/FSMEOW.2021.06)