

SCHANZER: Good morning, and thank you for joining us here at the Foundation for Defense of Democracies for a conversation with former president of the Federated States of Micronesia David Panuelo to discuss the Chinese Communist Party's coercive tactics in the Pacific.

I'm Jonathan Schanzer, senior vice president for research here at FDD. It's Friday, December 1st, and on behalf of FDD, I'm happy to welcome you both in person and on live stream, and to those listening on our podcast.

I am pleased to introduce President Panuelo, who led the island nation of Micronesia from 2019 to 2023. Before leaving office, President Panuelo wrote a series of letters warning of the CCP's [Chinese Communist Party's] political warfare and maligned influence targeting the FSM [Federated States of Micronesia] and the Pacific region more broadly. Today, he will discuss how his predictions have been borne out over time.

Joining President Panuelo is Cleo Paskal, nonresident senior fellow here at FDD focusing on the Indo-Pacific region. She has testified often before the U.S. Congress, she regularly lectures for the U.S. military, and she's taught at defense colleges around the world.

Moderating today's conversation is Craig Singleton, FDD senior fellow with over a decade of experience in national security roles focusing on East Asia. Craig previously spent more than a decade serving in a series of sensitive national security roles with the U.S. government.

Before the panel begins, Richard Clark, visiting adjunct fellow at FDD, will deliver remarks. Richard previously served as a special assistant and press secretary to President Panuelo from 2018 to 2023.

Before Richard takes the podium, just a little bit about FDD. For more than 20 years, we have operated as a fiercely independent, nonpartisan research institution exclusively focused on national security and foreign policy.

As a point of pride and principle, we do not accept foreign government funding — never have, never will. For more on our work, please visit our website, [FDD.org](https://www.fdd.org), and follow us on the platform formerly known as Twitter, now known as X. We're at @FDD.

That's enough from me. Richard, the floor is yours.

CLARK: Thank you, Jon, for the introduction.

Let me set the stage for this important and timely panel, but at the outset, I would wish to pay my respects to each and every one of you.

Kaselehlie Maingko, oh ahi tungoal sakaradahn wahu ohng aramas koaros oh pil koarusie. [Greetings to everybody, and my deepest respects to everyone]

*In Pohnpei Sarawi, a Place of His Own Creation, when there is an attempt to find the truth amongst a range of narratives and beliefs, it can be said to be *Nan Tehlik*, that is, lost in the weeds, like a coconut that has fallen into the bushes surrounding the trees.*

What the Foundation for Defense of Democracies is intending to do today with the topic of China's Pacific coercion is to find that truth lost in the weeds by hearing from the former president of the Federated States of Micronesia.

The former president, David W. Panuelo, did not enter office in May 2019 with opposition to the People's Republic of China. The president saw the PRC as a friend with whom our country could share technical and economic cooperation.

When we thought of China, when we thought of PRC, we thought of their people and their culture which we liked, and we thought of their government and how much we appreciated infrastructure like the Chuuk State Government Complex, vessels like the Hapilmohol-1, and aircraft like the Y-12.

It was not a mistake, then, that when seeking to create a name for the relationship, the president dubbed it "the FSM-China Great Friendship", which stood alongside the FSM-U.S. Enduring Partnership, the FSM-Japan Kizuna, and later, the FSM-Australia Trusted Pacific Partnership.

President Panuelo's administration looked to the people of China as a friend and saw the PRC government itself as a friend. But over the course of his four years as president, Panuelo's view shifted, at first marginally, then significantly, and finally, precipitously. In response to cyber attacks from foreign actors, including state actors such as the Russian Federation and the PRC delivered through email and through flash drives themselves, delivered either through diplomatic notes or the regular mail, the president developed the FSM Cybersecurity and Intelligence Bureau in September 2021.

As a means of first obtaining information on the novel coronavirus in January 2020, and later, as a means of identifying and countering foreign coercion and interference in the FSM, the president developed the FSM Information and Intelligence Service.

PRC coercion and interference in Micronesia's context is significant and extensive to the point that — and a fascinating question itself is to ask, where does it even begin?

Do we discuss how the PRC protested to the FSM in January and February of 2020 that COVID-19 was not a health threat, or the time when the PRC insisted over the course of months that the FSM ought to approve its vaccines until finally the FSM government did approve PRC vaccines, only without the President's approval?

Do we discuss how the PRC worked with Micronesian officials at the embassy in Beijing to propose a free trade agreement with PRC and the Pacific region when the FSM government itself had never discussed those matters internally?

Do we discuss how FSM foreign service officers were denied trainings in Hawaii and Guam on the premise that such trainings were funded by Taiwan? Do we discuss the dual use research vessels that track the FSM's fiber optic cable lines and hovered around the edge of our EEZ [Exclusive Economic Zone] searching for submarine travel paths?

Do we discuss how, at a time when the United States is strengthening the Yap State's primary airport, that a PRC state owned enterprise is attempting to do the same thing in Woleai Atoll? Or do we simply begin with how President Panuelo had PRC diplomats taking photographs of his wife and his family this September, months after he left office, the latter of which the President could show you photos on his phone today?

The point being that with PRC coercion and interference in Micronesia's context, the truth that's lost in the weeds isn't about whether or not coercion and interference exists. Coercion and interference are debatably the whole of the FSM-PRC relationship in its entire whole self.

And as our conversation today will demonstrate, I've omitted from my remarks the examples of such coercion that are plausibly the most shocking and disheartening.

By extension then, what we're looking for isn't a coconut that fell from a tree, so as to say there it is, I found the truth, it was behind this bush, but rather to say look at the trees themselves and notice the forest that they are in, because the story of PRC coercion and interference in Micronesia's context is relevant to all Micronesians and all Americans.

This is a Micronesia sovereignty story, this is a Taiwan story, this is a forward deployment story, this is a basic human security story, and this is a story of whether or not our rules-based international order will endure. And that's why although PRC coercion and interference is the topic of the day, foundational knowledge on why this ultimately matters, be it to Micronesians or to Americans, and the Compact of Free Association that ties the people together is essential.

Thankfully, our panel today consists of persons who see the forest for the trees, including my former boss and dear friend and brother, President David W. **PANUELO**: a man who protected his country from COVID-19 with no cases in country until July 2022; a man who severed diplomatic relations with the Russian Federation following their brutal and unjustified invasion of Ukraine; a man who defended democracy in the Pacific by recognizing Fiame, the Prime Minister of Samoa, when no one else would; and a man who gave up everything, including his political career and his own personal safety, to protect his country and his people from PRC.

With my deepest respects, I yield the floor to you all. And Craig, please take it away.

SINGLETON: Richard, thank you so much for the wonderful scene-setter, and Jon for the great introduction. It's wonderful to have you all here today at FDD. Mr. President, of course it's a pleasure to have you on the stage here, and Cleo — to have Cleo in town is always a special treat for us at FDD. Normally, we are texting with her and she's all around the Pacific Islands. We're sort of trying to identify her. I think we have to air tag you the next time you go on your next trip so we know where you're at.

(LAUGHTER)

It's a — it's always a treat to find out where are you today?

But we're really excited about today's conversation, so let's get right to it. You know, Mr. President, there is a lot of conversation today in Washington about the significant developments surrounding the Compacts of Free Association renewal that are ongoing here.

Can you help explain to us and folks maybe who are new to the issue but also those who have been tracking for a long time the importance of the compacts to the FSM but also how the COFA [Compacts of Free Association] renewals impact broader efforts to perhaps counter Chinese-maligned influence in the region?

PANUELO: Right. Well, thank you, Craig, for having me on your program, the FDD. Thank you, Richard, for the great layout of the issues we're going to be talking about. And Cleo, good to see you again, and old friends around here. As I was coming in here, I've been meeting people that are significant in our, you know, strong, enduring partnership with the United States. Alan [Tidwell] from Georgetown that I just saw, Ambassador Currie, and then Andrew [Harding] from the Heritage Foundation, many others who are here.

I just want to begin by saying that I was invited here. Thank you to do it virtually), but I found it to be useful to fall into here myself, to be here in person. And so it was — it has been productive. The first night, I had a good conversation with Teng at *The Epoch Times* and meeting with many friends that I have mentioned.

Thank you for having me on this program, and I'll too — as best as I can to be very frank and be as insightful that I can be.

Compact of Free Association, I cannot overemphasize how important it is. It's the cornerstone of U.S. policy in the Indo-Pacific region. I need not belabor it but the big issue is that, you know, I didn't think it was going to take the entire four years of my administration.

As I was getting ready to become — or take the oath of office, foreign affairs was already briefing me that I might be the person to be invited by President Trump to come out to Washington, D.C., along with our brothers and sisters of Freely Associated Nations.

And so we were here, met President Trump. I just want to do that recap of that important visit. And so when we met the — Pompeo, the question he asked us was "how can we help you?" And I quickly say "please quickly give the green light authorization to begin the negotiations between foreign countries," and he did by visiting the country, inviting us in the capital of Palikir, and announced that big news.

And so we went ahead and created the —our negotiating arm, the JCRP [The Joint Committee on Compact Review and Planning], and to fast track it, we signed a treaty in May and then quickly I had to come in to meet high level to also finalize the agreement with the top level funding because we were going to miss the train, in terms of Biden's budget done by OMB [Office of Management and Budget] to be submitted to Congress.

So we met that , you know, deadline, and I thank everybody and friends who are involved with that. Now, it's pending in Congress. And of course, as a former president now, or ninth president , I am here in my capacity to talk here frankly on the issues that we've touched.

But the importance of the compact cannot be overemphasized enough. And I think it's a win-win investment that must be addressed as quickly as possible in the funding because our nation is leveraging everything under sectors of health, education of our children. A new sector of climate change is added to it.

And so at the — at – the entire security infrastructure of the Indo-Pacific, this being the cornerstone foreign policy of the US in the Pacific, in terms of the strategic partnership that we have, that has the overall impact for the Pacific, and so you can see that.

And you talked about Chinese influence. And we've just met friends recently, and while we're doing the best efforts as we are doing right now, in relation to the compact, the baseline activities that are happening is already too much. But imagine, without the compact, without the funding of the compact being approved for the compact nations, imagine what can be happening more.

Richard portrayed, when you arrive in the capital nation of Pohnpei, the state of Pohnpei, the capital of our nation, the first visible building you will see is the administration building housing our State of Pohnpei administration office.

You go to Chuuk, the same thing. China has built the arbitration building that houses the three branches of government.

The college, biggest college of our nation, the FSM-COM, you see China friendship building.

But the point is that, you know, I've always stressed how important it is to make the United States be the reflection of our success development infrastructure in the Federated States of Micronesia. But as you see now, China is making a bigger footprint, that is more visible, you know, to the eyes of anyone visiting our country.

But underneath all of that — I'll talk about it more, but I think I'll leave it there, to continue the discussion. But that's by way of my opening to all of you.

So thank you, Craig.

SINGLETON: Yeah, no, absolutely. Of course, the COFA negotiations that are occurring, literally right now in Washington, they're not exactly occurring in a vacuum.

So can you share a little bit about how other Pacific Island nation leaders are, sort of, viewing these conversations?

I mention that because there is a strong countervailing narrative from the Chinese about U.S. dysfunction and perhaps that the US isn't a reliable partner. Are you hearing, sort of, reflections from your colleagues and former colleagues throughout the region about how these negotiations are, sort of, being perceived?

PANUELO: Thank you, Craig. I think the first thing that comes to mind is, you know, the first U.S.-Pacific Summit, which I participated with President Biden and the entire Pacific family was out there. I chaired the Pacific Island Conference of leaders in Honolulu prior to coming here. And I advocated that the entire family of the Pacific Islands forum be invited by President Biden, because only the sovereign nations were invited.

And I had already foreseen that the chairmanship of PIF, or the Pacific Islands Forum next leaders' meeting, which recently was held in Rarotonga, was going to be Cook Islands' prime minister, because we had already laid the ground for that. And imagine not having a — well, a — a Cook Islands not invited and the rest of the Pacific Islands Forum.

And so when I met the deputy secretary of state in our bilaterals, I really stressed the importance — in the press conference with the Governor of Hawaii, the importance of inviting the entire family.

So they did, quickly invited us. We did the U.S.-Pacific Partnership Declaration, the outcome of which the various countries met with State Department, you know, Secretary of State, and also negotiated the language of that. And the U.S. did say and agree to, you know, the funding to be approved.

And so the entire Pacific countries saw the language of that and the intention of the US And so I think it's critical that the US, you know, come up with that investment in this relationship as quickly as possible because the islands are looking at this relationship and wondering what's happening with Washington, DC right now, when they say, you know, this is a priority.

And so my message to the leadership of the United States today is that it is very critical that approval of this is done as soon as possible. I think being here, you learn that the funding might miss that NDAA [National Defense Authorization Act] legislation, which is a priority, and so I don't know the progress, it's too massive for me...

(LAUGHTER)

... to understand, coming from a small island. But first time I've heard of 'air drop', you know, whether that can happen.

(LAUGHTER)

It's nice, you know, words that can be done.

But we have incredibly good friends in the institutions here that I've also met, and I really have the confidence that it can happen. So if it misses the NDAA, maybe the supplemental legislation, or whatnot, after that.

And I thank our friends that I met, including the Heritage Foundation, with the deep connections they have with the leaders on the Hill. I believe that that can happen, because some of the scenarios are a little bit pessimistic. Some are optimistic. But the bigger issue that's watching this with a feasting eye, I believe, is the People's Republic of China, looking at the chaos that's happening in Washington, DC.

And it's imperative that we see the compact that's not only the security of the Federated States of Micronesia or the Compact nations but the entire Pacific, Indo-Pacific, which is integral to U.S. security and defense in our family of nations and relationship with the Pacific Island nations.

SINGLETON: No, absolutely, it's a critical time. I think everyone who's watching the region feels it. And there's tremendous, I think, optimism but also pressure to make sure that the renewals go and are completed, hopefully — fingers crossed — by the end of the year. You can count on FDD's support, of course, I think, on that front as well.

You know, Cleo, I want to bring you into the conversation. You travel extensively throughout the region. I made a joke in the beginning of the panel, but it's very true. We're constantly hearing on-the-ground atmospherics from Cleo as she criss-crosses the region and racks up all those SkyMiles, which I hope one day you treat yourself to a nice vacation for.

(LAUGHTER)

Can you provide a little sense, for those here, about some of the specific security challenges and perhaps vulnerabilities that you hear about from the COFA states, including the FSM, in the face of some of these current evolving geopolitical dynamics?

PASKAL: Sure. Thank you to Richard, Craig, and President Panuelo, all for being here. And if you want to find me, just ask the Chinese embassy. I'm sure they'll be able to...

(LAUGHTER)

SINGLETON: I'll give them a call. I have them on speed dial.

PASKAL: Yeah.

(LAUGHTER)

So essentially what's happening is that the US is looking at the region from a kinetic warfare perspective, right? A lot of the discussion you'll hear about is bases or power projection or the Ronald Reagan defense site that — you know, where they test these missiles. And these are incredibly important. I mean, the fact that there is this base in the Marshall Islands where you can launch a missile from California to test its accuracy, hitting a location in the Marshall Islands, is something that would be even hard to do in the Homeland. I mean what from a kinetic perspective what these countries have offered the US in terms of development of security is unlike any other relationship.

If anybody asks you what three countries are the best friends of the United States, it's Federated States of Micronesia, Palau, and Marshall Islands. That's what enables U.S. power projection across the Pacific to the First Island Chain, to the Second Island Chain, to the treaty allies of Japan. It allows them to get to Taiwan unencumbered. As a result, China wants to break the chain, wants to break that ability, that East-West ability to get across the Pacific.

So what they're doing is working on a political warfare level to try to undermine it societally, economically, and politically. And you see use of things like Chinese organized crime, to bring in large amounts of money, to corrupt the political process, and the economic process.

Palau had an issue with Broken Tooth, who was leader of one of the major triads, Chinese triads. The amount of just pure cash coming into these countries to buy off individuals is off the charts but at the same time there's a co-option of the media. There's an incredible amount of political warfare around the narrative.

Like we talked about Ngeaur putting in the over-the-horizon radar installation. So what the — you have people on the ground in Ngeaur saying, you know, if — “do you really want to be a target? Because if we go after Taiwan, we're going to knock you out, you know, half an hour beforehand so you can't see us hitting Taiwan.”

SINGLETON: Sure.

PASKAL: And this is a — people in that island were bombed by the US when they were trying to displace the Japanese. They have family memories of hiding in caves from bombings so that Chinese on the ground saying do you want to be a target or do you want us to put in this nice casino or a civilian airport where we can help you develop your economy, is a pretty powerful thing.

So what do they need? It's actually what they need are things like lawyers to be able to — the Attorney General of Palau is asking for lawyers to come in and help her prosecute some of the criminal organizations that are corrupting her organizations.

They need intel, which is why the setting up of this Information Intelligence Service was so important. They need to know who the bad actors are and then be able to go after them.

Richard was being very modest but he was involved in the setting up also of these two services which helped defend on the political warfare front.

So while you're looking at the kinetic, the undermining from the political and economic warfare perspective is ongoing, and that needs to be countered on the ground.

SINGLETON: Yeah, I really appreciate you bringing up the political warfare aspect because sometimes I think Chinese political warfare is confused as narrative shaping when it's increasingly focused on undermining democratic governance, right.

And so it's all of these tactics that are employed in this space. And often, small investments in capability development can have this outsized impact, in terms of enforcement and strengthening governance. And I think we sometimes forget that the small drops of investment from the United States, its partners, can over time build up just tremendous muscle memory to counter this.

I want to bring it back to you Mr. President. You know, Cleo lays out a pretty stark perspective on the region and where things currently stand.

One narrative that we encounter here a lot in Washington and think it's a misnomer is that U.S. defense rights in the freely associated states exist in "perpetuity." There's this myth here I think in Washington. That isn't true, right? And – or from your perspective, do you think that is true? And is it theoretically possible that the compacts could end if enough political will and force isn't sort of brought to bear on the issue?

PANUELO: Craig, thank you for bringing that up. The Compact of Free Association is a very, you know, fine treaty, I think unique one that cannot be found anywhere else in the world, at least as I know it.

And so as you know, the – Title 1 is the Political; Title 2, Economic; and Title 3 is the Defense Cooperation. And so picking up the Defense Cooperation, because you touched the denial rights. It is a part of the treaty. As in any treaty, it can be shaped in any form by, you know, unilaterally or jointly through a discussion.

But the denial right is really the essence of the strategic nature of the compact. And I think it's something that, while it could be changed, is something we really don't talk about it because we know how important it is to the United States.

We want it to be perpetual. I think both countries need not say it, although there's been attempts of certain members of Congress that attempted via resolution in the past to try to, you know, cancel out the –you know, the Compact.

And so yes, it can be changed, depending on the political landscape, but both US and FSM knows that that's a very treasured provision of the compact, that we don't want to look at it or even discuss about changing.

Just as immigration is important because the visa-free entry of our citizens into the US is so important – you know, we know we're treated as part of their homeland security. That's very important.

The fact that our young men and women serve in the United States Armed Forces at the higher rate per capita than any of the U.S. states speaks for itself, that we also provide our young men and women to be part of the team sacrifice for freedom, to fight for freedom that is so treasured by the United States.

And so that's the mechanism of the treaty that's so important, that makes us unique with the United States, and, you know, with the bigger implications of the Pacific region.

SINGLETON: No, absolutely. And I thank you for bringing up the fact that the percentage of involvement in our Armed Forces is so much higher. I think that once again these are sort of lost facts sometimes here in Washington, DC.

And having served abroad, not in the military but with the military, it was amazing to learn about those experiences from Pacific Island nations, and for other Americans who perhaps aren't as familiar with the COFA to understand the sacrifice that's being made from these perceived far-flung islands that are such an important part of our historical legacy, particularly in the Pacific.

You know, Cleo, when we say that the motto in DC is to "hurry up and wait until the last minute," it feels very much like we are living that nightmare again right now on COFA renewal.

I know you've had a chance since you've been back in town to really get a sense and do what you do best, which is actually just report on the ground the facts. It's one of the reasons that we love Cleo so much. Can you give us a sense a little bit of the current state of play and particularly this offset issue, which I know that we're all tracking pretty closely. It's confusing and jargony, but I think it's —when you put it into stark perspective, the small amount of money, investment, once again, and the outsized impact, it really hits home why we have to finish and finalize these agreements soon.

PASKAL: Yes. So for FSM, the last minute was actually September 30th. But because there was no budget, it was included. It — so this — this is — what's —being agreed now, the agreement is settled. It's closed. Everybody has signed off on it. There's huge bipartisan support. And it covers the next 20 years of funding. So this is a big cycle. We knew this — as the president was saying, four years before it expired, they were starting to negotiate.

September 30th, it was not renewed, but the money for FSM was included in a continuing resolution, but at the old rate, not at the new negotiated rate. It was the same thing happened in the second continuing resolution. But the problem is that they have budgeted — the country has budgeted based on the new amounts.

SINGLETON: Right.

PASKAL: So when the — when January 1st comes around, there's going to be a huge budget gap. Palau is in even worse shape for other reasons. The problem is that the entire amount for the three countries for 20 years is \$7.1 billion. \$600 million of that goes to the post office. I mean, as — those sorts of things.

What government is requiring, what the House leadership is requiring, is an offset for \$2.3 billion — \$2.3 billion for three countries for 20 years.

SINGLETON: So the cost of a table pretty much that DOD spends is what we're talking about.

PASKAL: Yeah, I mean, or , you know, half an F-35 per country per year ...

SINGLETON: Right.

PASKAL: ... right? But nobody wants to give up their \$2.3 billion. And so they've been kicking it around. The — as you know, this could be waived. This could come from DOD, which is one of the great beneficiaries of this agreement. It could come from State.

There are a whole bunch of different places it could come from, but nobody is stepping up to the plate. That's why it wasn't included in the NDAA, as of now. It could — as the president said, could be airdropped. It's all ready to go, but because the offset wasn't a — sound. The other thing it could go into is the supplemental, but again, it would need an offset.

And those are the two things that are likely to move before this cliff at the end of the year.

SINGLETON: Absolutely. It's often — we are often our own worst enemy. It is — it's — watching the sausage being made is sort of frightening.

PASKAL: Yes. So this is— just to the point of — I definitely understand the point of view of fiscal conservatives. But it's been estimated in congressional testimony by retired U.S. Marine Colonel Grant Newsham that the — to replace the value, just from a military perspective, would be about \$100 billion a year to have the aircraft carriers there, the deployment.

So this is a very, very good deal, even if you're just looking at that narrow perspective.

SINGLETON: Absolutely. And so, Mr. President, big picture, pulling back a little bit – as we think about Chinese maligned influence in the region, it's bigger than, I think, just political warfare, it's bigger than simply countering the United States.

We've talked about it a little bit, but Taiwan also features really centrally to how China views the region and its long-term reunification objectives.

In your third letter that you published – and we have copies in the front, I encourage everyone to take a look, and they're available on our website as well – you know, you wrote about discussions with Taipei to move FSM closer to Taiwan.

I was wondering if you could describe a little bit of that process for us here, and perhaps if you're willing, a little bit about what you were hearing from Washington about whether they were maybe supportive or not about some of those conversations?

PANUELO: Well, you know, I know that in the context of the United States, we're two sovereign nations and each country forges their foreign relations and, you know, their policies towards other countries. And so I know that it is a sensitive issue.

When our nation was seeking self-determination, I was a young diplomat. So I was aware of the – you know, our nation diplomatic relations and the efforts we've made over the years.

And, of course, China was one of the countries earlier in that – you know, our history who recognized our country some 30-plus years ago. And, of course, the communique that we signed was that One China Policy, and I believe most countries have executed the same communique with the – with China.

But over time, we know that the evolution of the geopolitics and what we know about, you know, the Pacific Island nations – we have two of our freely associated states nations, Palau and the Marshall Islands, which recognizes Taiwan.

And so my efforts was to be more – warmer towards Taiwan, in terms of exploring Taiwan economic and cultural office, and I was open to do that.

And so my trip to Japan, when I met Prime Minister Kishida on the way back, communications that were happening, I accepted a meeting with the Foreign Minister of Taiwan. And I know that's sensitive. But we, as a sovereign nation, I believe that we determined our course of action and the future that we see as appropriate.

And I met the Foreign Minister of Taiwan to discuss that very aspect. And I know Taiwan was very surprised with that move, that we can meet with Taiwan.

And so some other Pacific countries also enjoy a economic and cultural office with Taiwan. And I think that was the first move that I was indicating to open up and warmly engage Taiwan in that respect, because our relationship with the – with China, you know it's also an economic and technical cooperation. It's something, during the course of my administration, that I had to draw the line in the sand very clearly that our relationship with China must be that and nothing more.

But in the course of our engagements with China, they've tried to always push them and follow up to make it strategic. And so when we discuss things, they always go out to press releases, to include in their press releases a strategic relationship to be part of it. It's something which I instructed our government not to ever sign with China, any kind of agreement with financial or development assistance that will have that language embedded in the – these types of agreements.

And so there are many things that I can share here, including moratorium on the research vessels that I also stopped from entering our exclusive economic zone. So some of those are laid out in the letters that we — you've read. And I think those are examples of what I see as Chinese influence that they're trying to do in the Federated States of Micronesia.

SINGLETON: Sure. I think one of the things you raise is the enormous pressure that Beijing is bringing to bear on countries, not just in the Pacific but also around the world, who are seeking to strengthen informal and trade ties with Taiwan without a formal recognition switch.

It was a key topic of interest when a few of us from FDD had a chance to travel to Taipei this summer and meet with President Tsai Ing-wen and her cabinet to talk about creative ways that we could strengthen these informal and trade relationships while recognizing that China does not maybe get a veto, but they certainly get a vote.

Cleo, I'm sort of interested about whether you're hearing similar sort of stories as you go and travel across the region and meet with other leaders and officials on the ground about what that pressure looks like specifically over Taiwan and how countries in the region are sort of navigating this very complex landscape where I think many feel a little torn or a little trapped perhaps between these competing pressures?

PASKAL: So, in the three U.S. freely associated states, two recognize Taiwan, Palau and Marshall Islands. Federated States of Micronesia is with China — as mentioned, it's in the middle. And so, what President Panuelo had proposed potentially would have created an incredible, solid band across.

The fact that he wasn't supported, I mean, I – if – mistake – did you get any support from anybody for your move?

PANUELO: Well, you know, you've asked the United States, and I understand that knowing that we're a sovereign nation, we did not hear any noise about — you know, our warning up with Taiwan, and that was something that I expected, you know, from the United States.

But from within our country, I think you know, one of the things that I'd like to talk about is that the kind of feeling by leaders, and I think that's true across the Pacific nations, that our relationship with China is like walking on egg shells that you — you're going to be very, very overly cautious to kind of go beyond a certain way when you're dealing with the China.

You know, human rights can be one of the issues. Our country recently, in late October, abstained from the resolution on the issue of Uyghur human rights issue. And you can see that China is constantly, you know, talking to nations in the Pacific to make sure that they do the right thing, in their terms by not folding on similar resolutions like that.

And examples can be very many, you know, throughout — you know, I remember going to an embassy reception with the Japan Embassy, with the celebration of the Emperor's birthday, as they normally do every year, and how the Chinese ambassador will come to me and constantly, as I arrive, be whispering in my ear and be walking with me as I go to be careful when I visit Palau, because I could be influenced with the — with Taiwan. They're very sensitive with those things.

And — and you know, it's so persistent to the point that I had to stop and do something rude that you don't do with ambassadors in the conduct of diplomacy. I – you know, my career is the foreign service prior to my becoming a member of Congress and, you know, ninth president of our country.

So it's to the point where it was so persistent that I had to do something rude by saying "Ambassador, don't ever do that to me ever again, because we are a sovereign nation, and when you tell me once, that is already enough," you know, rather than when I sit down, he sits down with me and constantly repeating that. I say it's kind of – to go in the line to – get the training, it's like that.

But I — I'm giving you these examples, and Richard has portrayed some of them when they tried to do an approval of the vaccine, when we already say that you know, the United States has already given us more than enough.

When I say no, it's so persistent. It's like no is no – and so to the point where I had to say yes, but only for your citizens who are residing in the Federated States of Micronesia. But when they take their press release, it's just — you know, it's a whole out yes for their vaccine, even though we got enough from CDC. Those kind of — types of, you know, persistent movements.

And Richard has touched some of these things, where I even looked at, you know, working with Congress to give the term limits with our diplomats, especially who are based in Beijing, because as we review things that are coming from China, we have to be extra cautious with what our own diplomats are doing because it's though as they're walking and talking — you know, talking points of China.

And you can see that as president, working on these type of things, whether it's a proposed trade agreement with China or, you know, blue economy agreement that I've already said no to, they would work with cabinets to really try to have them sign such a thing.

So you can see that persistence, including when I say no to a meeting, because the Pacific Island leaders are occupied with meeting, including Cabinet, they would pull out a private citizen to put them on the virtual meeting and call it a government meeting with the PRC and the Pacific Island nations.

So you see those examples as very persistent. And so, therefore, the letters had to be done to warn our leaders for these types of activities by China.

PASKAL: Just to – yeah, just to — and just to see how it's — how the other two — the two countries Palau and Marshall Islands are experiencing this, Taiwan isn't just a country, right? If you have — if Taiwan — if you recognize Taiwan, that means you don't have a Chinese embassy in your country and the Chinese embassies function like forward operating bases for their intelligence community and their influence operations and that sort of thing.

So, not having a Chinese embassy gives you this layer of protection, which is why the Chinese are working very hard to get the other two countries to de-recognize Taiwan. Well, Marshall Islands just had an election, we'll get the result within the next week or so, but we know that there's been a lot of Chinese money to try to flip them.

And this gets back to this issue of what the US can do. The Chinese — two Chinese nationals got Marshallese citizenships some way or another and tried to setup a country within a country by bribing — and I can say that legally, because they were found guilty in a New York court — people in the Marshallese government. And it was overtly a Hong Kong type system, what they wanted to set up, this kind of enclave in a country where there's a critical U.S. military base and that recognizes Taiwan.

The US prosecuted them, found them guilty, and then deported one of them back to the Marshall Islands, without giving the case files to the Attorney General of the Marshall Islands so that he could prosecute them and the people who they bribed before they — and it happened right before the election.

So those sort of gaps in U.S. engagement with the FAS [Freely Associated States], and helping them protect themselves on the political warfare front, are critical. And if that woman continued her operations, as it was before, and successfully managed to influence the outcome of the election, you may see a situation where Marshals, de-recognizes Taiwan and Palau has an election coming up next year also. And you can see with the possibility within a year, all three of the FAS becoming — having Chinese embassies in them. It is — the situation is critical.

SINGLETON: Yeah. There's this sophisticated war of attrition, right? The Chinese perceive that time is on their side, and that by exploiting democratic governance in each of these countries, eventually, with enough time, pressure, influence, they can achieve that desired political objective.

And it's in the Pacific, and it's in Latin America. And when you talk to and sort of reflect upon what the Chinese are saying amongst themselves, there's a sense of confidence there.

PASKAL: Yeah.

SINGLETON: It does sort of necessitate us to think through alternative means to strengthen ties to Taiwan, whether it's through free trade agreements, whether it's through people-to-people connections, whether it's do even just meeting with and engaging with Taiwanese officials.

But I think you raise a great point in that, it, talking just about the headache is usually insufficient. Here, we had FDD, sort of a motto, 'if you're going to come to us with a headache, you need to bring the aspirin also.' Because just coming to policymakers with the problem and not coming with a solution, I think we often find, can result in a lot of frustration.

And so, we're hearing about all the myriad problems and challenges. And so, I'm sort of interested to get both of your takes on just, are there specific measures beyond COFA renewal that you think the United States and its partners can and should take to help counter some of this maligned influence, all aspects of malign influence? And to do so in a way that perhaps doesn't draw such severe ire from Beijing, because we have to, I think, be cognizant of some of those equities as well.

I'll start with you, Mr. President, perhaps, and then Cleo.

PANUELO: Well, you know, the —one of the mechanisms, which I thought it was very important in decision-making, was the establishment of the Information and, you know, Intelligence Bureau, which I established by executive order, because capacity for information and the intelligence for the Pacific Island nations, of course, it's limited. What we know, in terms of what's happening, can be augmented with the more intelligence by trusted partners.

And so that's— to me, it's very important. And I began by already talking to some members of our Congress that the long-term view was to introduce a legislation to create a national sort of security, you know, mechanism council or — you know, by law that can exist for a long-term.

So continuity is important. Engagement with — you know, with the allies who share the same values is very important. You know, in the context of the region, because security is also beyond just the — the nations alone, sovereign nations, Pacific Islands Forum is another way of working with the Pacific Island nations to put in the guard rails of things that impacts the Pacific overall...

SINGLETON: Right.

PANUELO: ... and working together so that, you know, what needs to be discussed between the family of nations to the Pacific needs to be brought forward, as in the case where I had to write Prime Minister Sogavare when they signed the security agreement with the — with China, concerns of escalating geopolitics in the region.

I directly pointed to Prime Minister, who's a good friend, and it necessitated him to come to the family of the Pacific Island Forum. When we discussed security, to have him also share his views, and that's where he assured us, the Pacific Island leaders, that there will be no militarization of China in Solomon Islands.

So, I think overall, future lens between, you know, nations and the leadership cooperation is a very important thing, to be paying attention to these things. So that's my take, but Cleo?

PASKAL: So currently, there's no downside to taking Chinese money, right? You don't lose money, you don't lose your assets, you don't use your political position, you don't end up in jail. So that distorts the entire political and economic landscape.

So, unless there starts to be a cost, unless you can, you know, then the cost benefit analysis goes against freedom, democracy, accountability, rule of law, and the whole system starts to get corrupted, which goes to your point if they're going after democracy.

SINGLETON: Right.

PASKAL: Right. So even in the — in Solomon Islands, you know, what we saw was a lot of the money, the Chinese money that went to corrupt that system, that Solomon Islands system gets laundered through Australian banks, New Zealand banks, Australian real estates. The Australians could shut it down very quickly, just by doing what they're supposed to do legally, domestically, by going after those kinds of assets. It's what the US did on the Rongelap issue that I just mentioned in the Marshall Islands. But they didn't follow it up with being able to prosecute the Marshallese domestically. So now you've got Marshallese, who may be getting elected into the next parliament, who have taken the Chinese money, who are concerned that the US could come after them, and that pulls them even closer to China, if you don't do it properly.

The US has, you know, put in place a policy in Bangladesh about concern over election integrity, but they haven't done it in the Solomon Islands where they've already postponed elections. So, there are all these mechanisms where you kind of can try to increase the costs.

And the other thing that you mentioned, just in terms of how important this is, strategically, you mentioned Latin America, the Pacific Island — control on the Pacific Islands is essential for China to get to Latin America. This isn't just an Indo-Pacific going down through the old that map story, it's also getting across. So, the value of control in the Pacific Islands to China can't be underestimated. They're playing very hard. And they've got many of these elements, but they ride in on money and criminal behavior.

So that's the weak point. That's where you go after it. That's where you can cut off that oxygen that's feeding this political warfare and give the locals who are fighting for their countries a chance to compete on a level playing field with democracy, transparency, accountability, rule of law.

SINGLETON: Absolutely. And I like that you both mentioned the need for vigilance, obviously, but you have to match that with capability.

One thing that we've talked about here, and there's always a need sometimes and they sound like nuts and bolts and sort of boring and almost bureaucratic speak, but trusted means of communicating in the region is such a key factor.

China's ability to weaponize infrastructure and telecommunications networks sort of prevents even leaders and officials on island to have secure communications about security threats, let alone communicate with partners in the region about what they're seeing.

And I think one of the key lessons I've learned from Cleo's research and — is you typically see something very similar happening in one country that's occurring in the other, and currently, there's very little connective tissue allowing countries and leaders to securely exchange that information, particularly on the money laundering front, which — I think you're totally right — underpins so much of this criminal architecture that they're building there.

I wonder whether you have any thoughts on some — and it sounds so silly, but some specific ideas that could help strengthen some of that — those trusted partnerships. I mention that because the former Trump administration took this head-on, and they said the key factor is trust, and I couldn't agree more with this idea. Ambassador Currie is actually here. She helped spearhead that effort — all about trusted networks and partnerships since beyond Huawei.

Is there something more that needs to be done in that space? We think through the COFA renewal today. It's the near-term target. This is going to require constant investment and vigilance. I'm sort of interested to hear whether we/us should be thinking about other investments, as mundane as they perhaps sound, on building out some of the secure architectures so that leaders can actually make decisions on their own and in an informed way.

PANUELO: Well, one of the examples of the East Micronesia cable, if I may touch that, because that is something that happened during my administration, and I clearly recall how a World Bank-funded laying of the fiber optic and run into issues that compromised security, even though the mechanisms of the World Bank was really targeted to implement infrastructure.

But you know, in the competition of the implementation of these major communications infrastructure, you know, we ran into an issue where Chinese companies severely underbid the other competitors under that program to the point where air security concerns were raised, and then it was discussed because of the Title III element of the compact allows FSM and US discuss these issues very openly.

And that led to the three allies to work with the Pacific nations of the FSM, and now, it'll help us to totally fund, separate from the World Bank fund, to connect the remaining state in our nation, which is Kosrae, to be connected to the fiber optics. These are very costly...

SINGLETON: Yeah.

PANUELO: ... infrastructure, and today, I thank those three countries for working with the three Pacific nations which connected, and it provided the outlay, and I think contracts have been signed. And implementation may be happening as we speak to connect Kosrae, Nauru and Kiribati.

So those are the bigger-picture types of cooperation that we can look at, but I'm sure many areas that can be worked on is still out there that can be addressed. And Cleo may have some of that — these ideas to share.

PASKAL: So the president has brought up a really important point about how some elements of what we had thought of as the BRI [Belt and Road Initiative] are migrating into multilateral institutions. So you're seeing a lot of the projects in the Pacific, ADB [Asian Development Bank] projects and World Bank projects, being won by China. So essentially, we are subsidizing the BRI outbuild and giving it a veneer of legitimacy through these organizations. That has to stop, you know? We need to figure out how to stop it.

In terms of the other things that you're talking about and how to build it up from the inside in terms of trust, it's helpful to look at the Chinese way of looking at things in terms of unrestricted warfare, and of course, the three — I mean, there are 24 as per the book, but the three main warfares, which is lawfare, media, and psychological.

And if you look at a place like the Federated States of Micronesia, you can see all of that playing out. You can see the breakdown of the rule of law. There was recently a situation where a duly-elected senator has not been given her seat, and the questions are why? And the concern is that it's because she's honest. And so they're using sort of legislative mechanisms to try to delay that situation.

In terms of the media, the main editor, the main newspaper in FSM just went on a trip to China, along with media from across the region, and you'll start to see very positive covered about China all across the region.

And in terms of psychological warfare, the idea that China is the inevitable partner, China is on the rise, US is in decline, is very much in play.

SINGLETON: Sure.

PASKAL: So now that we know kind of how they target, we know where to counter. So you need to clean up the legal system, you need to support an independent media and you need to show that you're there, that China is a murderous, authoritarian, evil system. The Chinese Communist Party is — kills its own people.

It's a bad place. It's not a system that you want to see metastasizing to other locations, which is ultimately the goal, and get out the message, because fundamentally, you know, the democracy that is in FSM is a better system than the Chinese Communist Party system.

SINGLETON: Right.

PASKAL: And— which is also – if I— I just may, because I've heard you speak about this before. It's often described as this being a conflict between China and the US. But that's not why you took the positions you took, right? Why did you make the stands you did in regards to China?

PANUELO: It— it's a culmination of the issues that prompted me to take the position that I took as president of the nation. You know, this is the most — democracy is something that we treasure, US being the champion of democracy. I see that, you know, the values that we see as important, we need to make sure that those are preserved there. Rules-based international order is very important.

And you know, the competition of the bigger influences in the Pacific is happening, and that's expected. The hegemonic competition is something we expect. When the Pacific Island nations come together, we make it clear to China and others that we're not so much interested in the superpower competition of these two big, you know, nations, but to look at the very serious issues that we're concerned about. We've always talked about climate change and invite, you know, China and the US to champion this cause, as this is an existential threat for the entire Pacific nations.

And you know, on that level, it's important, and to me, it's doing the right thing in our nation without being afraid of any repercussions, because we're there to protect our nation, to protect our sovereignty, and you know, first and foremost, to do what is in the best interest of our citizens as we look to the future.

And so I've had quite a few experiences that I had to take in a bold manner, never mind whether I'd be unpopular about it.

But I think the — you know, the most surprising to me was after I'd written the letters, I felt that that would be easily supported by our leadership across the board, but then it's quite a deafening silence when I wrote those things. And I was telling myself, you know, what is happening? Am I the only one seeing these things in our nation?

So that was the thing where it alarmed me the most. So I did get a letter, I got a letter from one of our governors from the State of Yap who expressed the concerns and thanked me for the warning that I wrote to the leaders across our nation.

And that's quite alarming to me. I felt alone in what I was feeling about China because I thought that everybody was seeing all of these things. But if you, you know, would like not to see it, maybe you're not going to see it, or if you don't care about it, you may not see it, but a lot of these things are happening.

I know in the U.S. system, bureaucracy and — similar with ours. We have to be accountable with the money that we receive because it has to fit through the bureaucracy to comply with financial management regulations.

But in the system of the authoritarian governments, when you seek assistance from China, from a certain politician to satisfy his constituents, it could be the next day when a check is written and you pick it up and then go out and implement your part — project.

So I started out by saying the visible infrastructure that is out there built by China — the road infrastructure — when I was seeking Pave the Nation, China was quick in coming up with the assistance to give our states to help with implementation of the road infrastructure, but COVID has — still ate some of that. So, you know, post-COVID, you see that these things are being implemented.

But these are the competition that's happening. And so delaying the compact would severely impact what we see — US being the major player in our region, especially in the Freely Associated States. Implementation takes very long. But when China comes in with their development assistance, it can be done as quickly as they can do it within the system that they have, which is faster to deploy the resources to help implement these projects.

So looking at it, I think the US can see it very clearly, other developing nations can see it very clearly. And so the question is a very big one — who's winning the competition of influence via the way they are implementing major infrastructure projects throughout the — you know, the Micronesian freely associated states and in the bigger Pacific region?

SINGLETON: You know, we thank you so much for your insight. I know that sometimes you can — it can feel as if you're alone, and you're certainly not with, I think, support from friends here in Washington or this packed room, which I want to turn over to Q&A for folks here. I think we are eager to sort of here additional insights that you have.

But with that, I'll turn it over to Q&A. And to anyone in the audience, please raise your hand and we'll get you a mic for a question.

BERKOWITZ: Cleo's like a one-man shop. I mean...

SINGLETON: She's a machine.

BERKOWITZ: ... and I — you know, you made a great point — when somebody has — you know, sick, when they have a headache, you come with an aspirin, and that's what we used to tell people who came to us on the Hill, like the Bangladeshis or the Indians before they were lobbyists. You know, they — go get yourself a lobbyist or go hire a young Indian with a Masters degree or a law degree or something and then come back.

But the resources are so small for these islands, they can't afford that. You have Cleo, and she's — I don't know where she's getting her, you know, resources, but we need more people like her.

(LAUGHTER)

So I...

SINGLETON: Individual donors to FDD.

BERKOWITZ: Yeah — no...

PASKAL: Thanks Dad!

(LAUGHTER)

BERKOWITZ: I just want to point that out. Somehow or another, we've got to fill that — the — if it wasn't for her, we wouldn't know so much about what's going on there. So — but they don't have the resources, and somehow we've got to fill that, whether Heritage puts somebody on board, like you've — guys put her on board, or — so I don't know if that's a question or a suggestion but I hope you can look into that with some of your compatriots at the other think tanks.

SINGLETON: Yeah, it's a top priority for us. I think I'd like to flip it around a little bit to you, Mr. President, because the stories that need to be told on the ground — and I agree completely — aren't told enough.

So what — and COVID, I think, did derail and sort of hinder a lot of traditional travel and people-to-people connection because it was a really trying time. We're on the other side of it today, I would like to think.

What are some other ways that we can do what I think the questioner's describing, is to increase the knowledge base, not just in Washington but perhaps across the United States about the importance of Micronesia, about the COFA, and in — what life is like in the Pacific Islands, especially as it relates to changes like climate change, where I think is just a key area where the United States needs to step up to assist Pacific Island leaders in addressing some of those changes as well?

PANUELO: It — it's hard to think about it because I thought it's out there already. You know, every meeting on the major issues that we've been having is being covered in some form or another. I mean, media coverage in our country's limited. We're talking about only one free media, and they didn't exist in the FSM.

Other meetings have been known in the Pacific, whether it's climate change through the Pacific Islands Forum, when we go out to the conference for parties, for example, to raise this issue, it's known, whether it's at the United Nations.

So the bigger issues are pretty much covered but what I see that's not being provoked enough is the issues like what we're talking about here, the influence of China in — in the Pacific. Maybe it gets a story or two and it's out there. I came out here to — meetings I had — you know, I just had with friends here. I think they're asking the same question — how can we do more to get the coverage much — known throughout in the leadership?

And so I appreciated my meeting with *The Epoch Times*. You know, I think that can help with the story. I felt like it's a conversation. I'm trying to be as frank and candid as possible, in terms of the insight I had during the presidency, with these experiences.

And so maybe the question will be flipped back to you with countries that's got more of the capacity to help, you know, these issues to be, you know, known more throughout. Competition of priorities is very tough right now in this day and age. And so maybe I'll flip it back, to have you give us your perspective on how these things can...

SINGLETON: Other than cloning Cleo, which...

(LAUGHTER)

... we've explored, but is impossible.

(LAUGHTER)

Cleo, I'm, sort of, interested to hear your thoughts.

(LAUGHTER)

PASKAL: So, I mean, it's all very kind and generous, and I hope my parents are very proud, for once. But the — there are great people in this room that are doing this in their own organizations, and there's a lot more media interest. We've got...

STONE: I now give you my number.

SINGLETON: Yeah...

(LAUGHTER)

PASKAL: Jessica Stone, from *Voice of America*. We have Kushboo from the *South China Morning Post*. We have — the interest is growing. But I — personally, I think the problem has been, specifically for the Freely Associated States, that they've been lumped in with "the Pacific Islands."

SINGLETON: Right, totally.

PASKAL: And the Freely Associated States are completely different. They have a totally different arrangement with the U.S. You know, their importance and integration is different. There are — voting blocs in places like Arkansas that are made up of — Marshallese, I think you were in Oregon, right? There's a big voting bloc in Oregon.

The relationship is different, and it's a structural issue. I know that there's, in the new arrangement, there's the thought of setting up, kind of, a, like they used to have, a Freely Associated State unit, maybe, within State, to take that out of this whole Pacific Islands.

Because the issue has been, and we hear it a lot in the rhetoric — Dr. Campbell would talk about it often, about relying on Australia, New Zealand, to inform the Pacific Island policy, and then through the Pacific Island forum, which means that the U.S. State, in some cases, has been looking at the region from the bottom up, through other people's eyes.

And it's really put blinders on when it comes to the FAS. So understanding that the FAS are not just more Pacific islands. They are different. And we — and it's been great that we've been getting some coverage here, but these should be — we should be — we should have reporters here from the defense sector, from, you know, all of those other sectors that don't even know they rely on this relationship to be able to deploy to Japan or to be able to reinforce Guam, or things like that.

SINGLETON: No, totally agree. I mean, like, the US obviously has to show up here. You have media as a huge component and constituency, obviously, members of the Executive Branch, the Legislative Branch, and academia, too. We have representatives here from Georgetown and Texas A&M, where I got a degree. Go Aggies.

(LAUGHTER)

I think so much more needs to be done in the academic space because we have, obviously, for the last 20 years, been very focused on counter-terrorism missions. We have this return to great-power competition. I think we've lost a little bit of muscle memory, to be honest, about how to wage great-power competition. And there are reams of great reporting and great information about the Pacific, in particular, that I think, by re-educating this next generation of students and scholars who are going to be looking at the region, at great-power competition with China, you are really in a position to, I think, build up this ecosystem that can grow over time and generationally, sort of, address these issues.

I think that's just so critical, to me, and building up those academic linkages and partnerships, both for students in FSM to come to the United States but, sort of, a two-way exchange.

With that, we're at the end of our remarks here. I know the President is going to be sitting around a little bit before he moves on to some other very important meeting, so there might be an opportunity to chat with him after.

But we wanted to thank you all for coming today, and for the President for taking so much of his time to speak with us.

PANUELO: Thank you.



China's Pacific Coercion: A Conversation with Former President of Micronesia David Panuelo

*Featuring David W. Panuelo and Cleo Paskal
Moderated by Craig Singleton
Introductory remarks by Jonathan Schanzer
Opening remarks by Richard Clark*

SINGLETON: For more information about FDD, I encourage you to look at FDD.org. And thank you so much for being here today.

PANUELO: All right. Thank you.

(APPLAUSE)

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