



## Strengthening America's Asian Border: A Discussion with Northern Marianas Governor Arnold Palacios

February 22, 2024

*Featuring Governor Arnold Palacios, Cleo Paskal, and Hon. Randall G. Schriver*

*Moderated by Craig Singleton*

*Introductory remarks by RADM (Ret.) Mark Montgomery*

**MONTGOMERY:** Well, good morning, and thank you for joining us at the Foundation for Defense of Democracies for a conversation with the Honorable Arnold Palacios, Governor of the Commonwealth of the Northern Mariana Islands. Today is Thursday, February 22nd.

I'm Mark Montgomery, senior director here at Foundation for Defense of Democracies, and I'm happy to welcome you in person, on the livestream, or to those listening to our podcast.

As we mark 80 years since the Battle of Saipan, which set in motion the CNMI's [Commonwealth of the Northern Mariana Islands] place as part of the United States, this Pacific Island now serves as America's Pacific border and bulwark against Beijing's malign influence.

At numerous points in my career as a surface warfare officer, I saw firsthand the threat of the Chinese Communist Party and the effectiveness of its pressure campaigns targeting various Pacific nations, not least of all the Marianas.

Today's panel will discuss a breadth of topics. I don't think it could cover all of them. But it will look at military intimidation, economic undermining, and the fact that the Chinese Communist Party will stop at little to exert their influence in the region and subvert the stability of the Western-led world order.

As part of our panel, I'm pleased to introduce our — all four — all three panelists. Arnold Palacios is the 10th Governor of the Commonwealth of Northern Mariana Islands. Since taking office in January of 2023, he's made it his mission to clean CNMI's economy of PRC [People's Republic of China] influence. Prior to becoming governor, he served as Lieutenant Governor of the Marianas, where he oversaw the Office of Planning and Development and the Office of Grants Management, among other things.

Our next guest is Randy Schriver, an old friend, who formally served as the Assistant Secretary of Defense for Indo-Pacific Security Affairs. He currently serves as the chairman of the board of Project 2049 Institute, a nonprofit research organization dedicated to the study of security trend lines in Asia. Previously, he served as the Deputy Assistant Secretary of State for East Asian and Pacific Affairs, where he was responsible for, first and foremost, the Marianas and other Pacific Islands, but also China and Taiwan on the side.

Joining them is Cleo Paskal. She is a non-resident senior fellow at FDD and one of the true experts on this issue. In particular, she studies the Pacific Islands and India, but she's testified before Congress; she regularly lectures and moderate seminars for the U.S. military; and she's taught at defense colleges around the world.

Moderating today's conversation is my colleague, Craig Singleton. He's director of FDD's China program and a senior fellow with vast experience in national security. Craig has spent more than a decade serving in a series of sensitive national security roles — I think we all know what that means — within the U.S. government, where he primarily focused on East Asia.

Before I hand it over to Craig, a few things about FDD. For more than 20 years, FDD has operated as a fiercely independent, nonpartisan research institute exclusively focused on national security and foreign policy. As a point of pride and principle, we do not accept any foreign government funding. For more on our work, please visit us at our website, [FDD.org](https://www.fdd.org), or you can follow us on Twitter [@FDD](https://twitter.com/FDD).

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





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**SINGLETON:** Great, thank you so much, Mark. And thank you all for attending either in person here or live streaming. Let's dive right in.

Governor, welcome to the stage. We're excited to have you here.

**PALACIOS:** Thank you.

**SINGLETON:** Not everyone tuning in may be familiar with, I think, the Commonwealth of the Northern Mariana Islands, or CNMI, which is, I think, perhaps the least known U.S. territory. It's a Pacific Island, but it's an American Pacific Island, as Cleo always tells me.

I was wondering if you could tell us, a little bit, about the political relationship between CNMI and Washington and how your proximity physically in Asia plays a strategic role in U.S. national security?

**PALACIOS:** So let me start by, kind of, giving us a location. We're about 120 miles north of Guam. The closest of the Northern Marianas is Rota, the island of Rota, which is about 60 to 80 miles. So we're very, very close to where the actions are. And we're about three hours south of Japan, of Tokyo. So we're very, very close to the major countries in the Asia Pacific areas.

We are the newest member of the United States political family. We became a commonwealth in 1976. Prior to that, we were part of what was then called a Trust Territory of the Pacific Islands. The Trust Territory included the Northern Marianas, Palau, Yap, Pohnpei and the FSM [Federated States of Micronesia], the entire FSM and the Marshall Islands. And so we were administered at one time by the US under the trusteeship agreement.

And so, in the mid-'70s, we were — all the different — I mean, Micronesia was actually the US was obligated to give the islands a sense of self-governing. So that occurred, and the Trust Territories, each island unit or island areas made distinct decisions as to what kind of political status they wanted with the United States.

We chose to be a commonwealth, to be much closer to the United States. And, of course, Palau and the rest of Micronesia and — and RMI, the Marshalls, chose to be semi-independent but freely-associated with the United States. So that's our history, so that's how we became Americans, and I believe it was one day we woke up and Ronald Reagan signed this document that ended the Trust Territory, and we became U.S. citizens.

So since then, we have — well, we elected our first governor in, I believe in 1979. And so we became a full-fledged American family since then. We are the newest democracy, basically, and so it's challenging, you know? We make our mistakes across the board, but you see the U.S. government or federal agencies or in our Congress, or our people would make sure that we get back on track with governance.

But we've been a commonwealth since 1976, and part of that covenant agreement was we gave the federal government rights to certain islands. One is the Farallon in Indonesia, which is basically, you know, long-distance bombing range for the Air Force and the Navy and Tinian. Two-thirds of the island of Tinian became for, I believe 99 years, we had a lease with DoD to put in either a military base or military installations. In fact, today, that is going on. They're putting in what is called a divert airfield on Tinian, and it's creating a lot of activities, DoD activities, and ...

But yeah, we are as American as everybody sitting in this audience today.



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**SINGLETON:** With a few Canadians here, so...

(LAUGHTER)

**PALACIOS:** Well, you're American. But — so yeah, it's been a challenge, obviously. Throughout our, you know, 40 years of being in — a part of America, and we continue to grow. We continue to make sure that our community becomes vibrant, and we do figure out things sometimes by ourselves for our community.

**SINGLETON:** Yeah. No, I mean, those linkages are not as well-known. You know, we've had an opportunity to have other Pacific Island leaders here on the stage and, you know, one of the key takeaways that we constantly hear afterwards are people surprised by the large concentration of Pacific Island involvement in the U.S. military, for example, such high volunteer rates to serve and protect, and so...

You know, you mentioned something before. You know, there's — obviously, there are strong linkages between Washington and CNMI in the investment space, is one, and we're definitely going to get into that airstrip a little bit later on. But I'm interested in the flip side of the coin, which is the Chinese investment.

One of the things you've talked about in congressional testimony and through other platforms is some of the concerns about Chinese investment in CNMI. You've called it unsustainable. I think it's a — that's being diplomatic of you. We've — I would probably say it's coercive. But I was wondering if you could share a little bit about some of your strategy to pivot the commonwealth away from some of those Chinese investments, and maybe what the — what the implications are not just for CNMI, but also maybe some of the other regional sort of implications, as well.

**PALACIOS:** OK. So when everything was fine with our relationship with China, with the U.S. relationship with China, we — you know, we engaged also, just like a lot of U.S. corporations and world corporations, engaged with China economically. And so in the '70s or the '80s, through some of our balances that was due to us under the covenant, this is — one of them is the tariffs and quotas for manufactured goods.

So we engaged in the '80s with common industries, and that was mostly Chinese, and some Koreans, and then that went away. It was a — I would — real massive withdrawal on our economy when, you know, 34 of these garment factories that produce clothing for high-end shops in the common — I mean, in the US and around the world, that took away a lot of our economy.

**PASKAL:** That — now, was that the WTO [World Trade Organization]? Was that when they drove...?

**PALACIOS:** That was the WTO.

**PASKAL:** Yeah.

**PALACIOS:** When the WTO kicked in, we — and obviously, there's also practices in those industries that made Congress — and one of them is labor abuses and whatnot. So Congress eventually took away all this immigration and the minimum wage-setting for— from us. And so now, it's — you know, it's strictly under Immigrations, now under DHS, U.S. Immigration Service and minimum wage is now federally — federalized.

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So that took away all those advantages, and then immediately, we started looking for other activities, and of course, Chinese investments were going out and investing all over the world. So they started — we started bringing in Chinese tourists, and that improved our economy.

And most recent investment, big investment was casino. We had one in Tinian. That one ran into trouble and in — eventually closed down. The recent casino just closed down. In fact, we're in the process right now of relocation that — relocating that exclusive casino license.

But I'll tell you, even Macau was surprised at, supposedly, the volume of transaction that was going through that one casino, small casino, as it is. And you know, the Feds started looking into things, found labor abuses, but that also generated a very high volume of economic activities and revenue for the government.

So when that shut down with COVID, it just collapsed, and therefore our economy collapsed a little because we no longer have those revenue.

**SINGLETON:** So now you have to diversify, think — you a new opportunity.

**PALACIOS:** Yeah. And so, you know, that's — that was my thoughts coming in. I — I've observed this, our history, in terms of good investments, bad investments, but — so they were always there — they were always there.

We had — initially, we had a lot of...

**PASKAL:** ... the Chinese were always there?

**PALACIOS:** Yeah.

**PASKAL:** Yeah.

(CROSSTALK)

**PASKAL:** ... do you want to explain the visa thing for the Chinese so that — the issue with — the Chinese can arrive without a visa?

**PALACIOS:** Yeah, so in the early '90s, when we were trying to — when Japan — Japanese tourists was declining, we needed to find a way to entice Chinese tourism. So we requested executive branch — the federal government — to give us a different type of visa for Chinese tourists, only Chinese tourists. Oh, at the time, it was also the Russians. So Russians and Chinese were given this visa waiver where you could come in to the commonwealth without a visa and play in the sun and the sands.

So that became problematic in and of itself because then you have all these different activities that, you know — at the time, I mean, even as late as last — 2019, when the Chinese were still coming in with visa-free entry, they comprised of almost 50 percent of our tourism.

So COVID — when COVID closed down, of course everybody in the world's economy kind of closed down too and suffered from it, because we didn't have the — any industries that would sustain us internally as insular areas.

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So, when COVID dissipated and we opened up, it was only the Koreans. And so, the federal government took time — well, let me step back. During COVID, our relationships with China completely went south. It was during that time that it got really bad. And so federal government — our federal government also reviewed some of these policies for commonwealth and even from the states.

And so today, you know, that hasn't been completely taken away from us. So you still have a few Chinese coming in from China — mainly China through Korea. We haven't had the direct charter flight that was available back then, prior to the pandemic.

So...

**SINGLETON:** Well, I think...

**PALACIOS:** ... that's the — you know, it was visa-free. And so now I guess the powers to be in the business community that are involved heavily in the tourism industry started a push for the China market to come back.

At my inauguration, seeing all the things that I've seen over the years — our instability of going with Chinese investments and what it has done to our community and, secondly, the relationships that we have as a nation, that made me consider beginning to pivot away from reliance on Chinese investment and even Chinese tourism.

That's a big sacrifice for us, even today, and I can tell you that's not a very popular position to take with the business communities, because there are major businesses in Saipan and the commonwealth that rely heavily on the Chinese tourism. And so there continues to be push backs from many members of our business communities on this.

**SINGLETON:** So you mentioned, Governor, you know, China is keen and sort of has a history of exploiting some of these cleavages, this exposure that the United States has to China. You know, Randy, I want to draw you into the conversation a little bit because I think what we hear about the casino, what you hear about visa exploitation, these are sort of symptoms of a larger sort of disease, like a sort of a larger problem.

So can you help level set for us a little bit — you know, how does China see this part of the region? How does it fit into their broader ambitions? And sort of what may be — you know, how did those pursuits sort of maybe help or hurt U.S. interests in this part of the world?

**SCHRIVER:** Great. Thanks for the question, Craig, and thanks to FDD for having me. I know we're somewhat judged by the company we keep, and surely my reputation is enhanced today being seated alongside such distinguished and accomplished colleagues here. Governor, really an honor to be with you, and Cleo, thank you.

You know, you mentioned Project 2049, the institute I founded and currently serve as chairman of the board. We specialize in open-source Chinese language research, and we try to understand China through their own words and writings.

And we often think of China as being opaque, enigmatic, difficult to understand, but we believe our methodology, as sophisticated as it is, is pretty sound. We read what they write, we listen to what they say, we watch what they do.

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And among other areas, they're certainly very clear about their ambitions in the Pacific. And I would say they have multiple objectives which they're pursuing simultaneously. They're not mutually exclusive. But if I could sort of give it one tagline, what they're really seeking is maximum freedom of maneuver and a region that is deferential to its preferences on virtually all matters.

So they have interests in the Pacific that relate to resources, they are over-fishing like crazy right now but they have an interest in the fisheries, other potential resources — seabed minerals, energy. So that's a very sort of concrete, practical thing.

And, you know, they are — they're not at all deterred by rules of the game and international law, maritime law. They're very aggressive in trying to extract and acquire those resources.

And so that's sort of a problem for all of us. They have a diplomatic game that's sort of ongoing with respect to formal diplomatic relations between either the PRC or Taiwan.

Within the last year, of course, we've seen the Solomon Islands switch diplomatic recognition from the ROC [Republic of China] Taiwan to the PRC. And more recently, after the January 13th election of Lai Ching-te, we see Nauru change the day after the election.

I suspect that was a decision not made in the 24-hour period from the election to the announcement. I think that's something that Beijing was working on for quite some time, months and months, in fact, in order to communicate that the people of Taiwan voted incorrectly. Made the wrong choice.

But certainly, there are other remaining diplomatic allies in the Pacific, Palau, Republic of the Marshall Islands, Tuvalu, which, you know, sort of there's probably a spectrum there of how solid they are with Taiwan and how vulnerable they might be.

So, there's that diplomatic game going on. And then there's the security, military security issues, which are very dynamic right now. And I can get into a little bit of the reasoning behind that, perhaps later in the conversation.

But for China, they've been clear for decades that they want a region with diminished U.S. presence. They've attacked our alliances as relics of the Cold War. Anytime there's a contested area, and particularly when we get into situations where there's incidents near misses, you know, we will go and explain how the Chinese activity was dangerous, provocative, and they will go to root cause.

And the root cause is 'you shouldn't even be here,' right? 'You have no business even operating in this part of the Pacific, in the South China Sea, or even in the areas to the Second Island Chain,' what we refer to as the Second Island Chain, Micronesian, and the areas we're talking about now.

So they would like to see diminished U.S. presence, and they would like to see an end, or a diminished set of alliances and relationships. And that extends not only to our — extends beyond our treaty allies, it extends to our compact partners, the freely associated states.

And in many ways, it includes our territories, because they see that they have particular leverage in some instances and can exert influence there.

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So the military security dynamic is very much on their mind as well. The CCP is not interested in rule of law, international norms, a free and open order.

So I would suggest that the main thrust of what they're trying to do is anathema to our interests. We benefit from a free and open order, as do our partners and allies.

And very specific to the military piece, you know, we have a lot of interests in the Western Pacific, very much to include protection of our territories and compact partner states.

It's the – it – it's one of the economic life bloods for the United States, population centers, security interests when it comes to our treaty allies.

So as a general matter, this is an area where we're competing with China very vigorously. And they will, you know, pocket small gains. They will take incremental, you know, victories and peeling off, you know, another diplomatic ally of Taiwan into their camp is a significant move, but it's just one of many that they plan.

So this is a competition that's well underway. I think we've woken up to it and we've understood the stakes in a way that I think it was not fully appreciated not long ago.

But we're really at a stage now where we have to compete vigorously, we have to put resources towards it, and we have to be in partnership with our great territories, compact states and other partners.

**SINGLETON:** No, absolutely. I mean, Cleo, you have spent more time in this region than anyone I know. Anyone in Washington.

**PASKAL:** OK.

**SINGLETON:** I should say, American or Canadian.

**PASKAL:** Thanks.

**SINGLETON:** And Randy paints a pretty compelling picture, China leveraging all aspects of its national power and composite national strength to achieve these objectives. And it seems to be making some gains.

I'm sort of keen to hear from you a little bit about how like, how would you assess the overall success of what China is pursuing, and particularly on the political warfare front, which is a topic you study at a really close level? Like where do you think they sort of project in the next few years in this space, in this part of the world?

**PASKAL:** Well, I think — and this is something that we've spoken about, I'm speaking about. What is the ultimate goal, and the goal seems to be to push the US back to Hawaii? Now that leaves CNMI and Guam pretty exposed.

And if you take a look at the locations that they're targeting, they're very similar to the locations that were targeted by Japan in World War II, especially initially.

If you look at Solomon Islands, for example, the first place that they tried to emplace through political warfare what Imperial Japan did kinetically was Tulagi, which was the first place Japan went in.



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**SINGLETON:** Yes.

**PASKAL:** And it was where the British headquarters were.

And if you look at the old — the BRI [Belt and Road Initiative] airstrips that are being rehabilitated, or ports that are being rehabilitated, that's a very familiar map.

**SINGLETON:** Yep.

**PASKAL:** And they're coming in in a way that doesn't trigger a U.S. defensive response because it's below that radar.

But if you look at effectively, the U.S. ships have been declined or haven't been able to enter in Solomon's, haven't been able to enter in Vanuatu, it's starting to happen.

And the move that this region, that CNMI is part of, what the governor described about the Trust Territory zone, from 1914 until 1944, it was part of Japan. The Japanese mandate extended from CNMI through what's now Palau, the Federal States of Micronesia, and onto the Marshall Islands.

And so I'm sure the governor and his family, you know, would have spoken Japanese at some point in their ancestry, gone to Japanese schools.

And there was this gradual shift in Japan in the '30s of civil-military fusion, essentially. So, on Saipan, the — where the airport is, the Japanese initially said that they're going to build a baseball field.

**SINGLETON:** Mm-hmm.

**PASKAL:** Right? And then suddenly it became an airport.

So we're seeing a lot of those patterns that the people of the region know through their family history.

**SINGLETON:** Right.

**PASKAL:** And I learned an incredible amount about what the Chinese are doing from the sophisticated strategic analysis of the people in the region. You have somebody in your delegation whose mom we met in Saipan. And she's from Angaur in Palau.

And what she told us about what the Chinese were doing on the ground in Angaur was better than anything I've heard from anybody in DC.

So one part of it is to understand how to get this information from on the ground is that the US has this huge advantage of the CNMI being part of the US but being linked through blood and history to that entire Micronesian region.

**SINGLETON:** Yes.

**PASKAL:** The Congress of Micronesia was in Saipan. Those relationships are still there.





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So I would — I mean, I'm happy to talk about it, but I would also just encourage everybody to listen to the people from the region because they've seen empires come and go.

**SINGLETON:** Mm-hmm.

**PASKAL:** And they have incredible comprehensive strategic understanding of what's going on in the region.

**SINGLETON:** I think it hits that point Randy mentioned, too, in their own words. We read here Xi Jinping thought we want to understand what they're saying. You can't really understand what's happening on the ground here in the 'Beltway bubble'. You have to get out there. You have to talk to the people. It's a great point.

And I think something that is sort of missed in today's world where it seems easy to just come up with an op-ed or an essay from something you're reading here, but unless you get out there, I don't think you have that tactile touch. And you certainly don't have the family history that you can sort of draw from.

You know, Governor, I want to bring you back in. You know, you've expressed a lot of interest in ensuring and aligning CNMI's national security interests with the United States. You're seeing this Chinese encroachment up close and personal.

To do that, though, you do need funding. You do need resources. You need support to do those things. Do you ...

**PALACIOS:** Yes.

**SINGLETON:** ... think that you're getting enough of that help from Washington?

**PALACIOS:** Well ...

**SINGLETON:** What more needs to be done in that space?

**PALACIOS:** You know, it's been a year since I was here last for the last IGIA [Interagency Group on Insular Areas] and the National Governors Association meetings. And during the IGIA last year, I expressed this right off the gate, right out off the gate, I expressed this. And I met with some folks, particularly in Interior, and eventually talked to some folks at DoD.

You know, when we entered — we became Governor — Lieutenant Governor, our administration walked into a fiscal mess. And it didn't help that our economy was in the tank coming out of the pandemic. And so we were very, very challenged.

Unfortunately, and, you know, I don't want to continue to revisit this in a manner that seems like I'm blaming or I'm doing this victimhood narrative.

But we, the commonwealth governments squandered great opportunity that was provided to us, close to a billion dollars in a matter of two years. For a population of 58,000, that's absolutely crazy.

So when we came in, that was very challenging, so I had to reach out to our federal agencies for assistance. One of them is Interior requesting them to see if they could talk to Treasury to help us with financial management and to take a look at what happened, what happened here, because it was all confusing, chaotic.

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The records were all chaotic. I wanted to know. We all wanted to know, hey, what happened here? You know, this was the greatest opportunity to — this was almost generational.

The federal government has never given us a billion dollars in one year. That's a fact. I mean, that's how it is, right?

But we were given that to help us with a pandemic. We had CARES Act. We had, you know, disaster loans, everything.

But — so that — my ask is to take a look at this account for those funds. And for those people that's squandered that fun, if it requires criminal prosecution, then so be it, right?

But at some point in time, our community needs, our people also are wanting to know what the hell happened? But that's been slow walked. Hopefully, I was assured by Interior that they will provide some help for us.

And it's getting to a point where either I figure out a way to source this locally and get it done because our community needs to know, our people need to know what happened in that part of our history.

But right now, today, I'm very appreciative of a lot of the federal agencies that are coming in the last six months actually has been very, very, they've been very, very helpful – DoD, EDA [Economic Development Administration], Department of Commerce and Transportation, FAA [Federal Aviation Administration], Merit.

But I think mostly because of proddings from the Department of Defense that, hey, we need to figure this out because we can't. And I made a point that, you know, strong national security is only as strong as it be with its community.

When you have economic and social stability in the community, then you work with the national security also. But you can't have — you can't expect strong national security if your communities are falling apart, so.

**SINGLETON:** I mean, I wish other states here in the mainland were maybe being as diligent in sort of looking through some of those COVID-related expenditures and sort of shining a light on where some of that money went, as you are. And I think one thing that jumps out to me is that more is being asked of CNMI and it's difficult to do more with less.

So, you know, Randy, you were — led Asia policy at the Pentagon. You raised alarm bells early and often that more needed to be done, enhanced U.S. presence, enhanced U.S. capability. We really needed to stop ignoring this region and certainly, not counterintuitively take steps that would perhaps push different members of the Pacific family in towards China's sort of grip.

This has been a process to reallocate those capabilities, that personnel, those resources, that presence. Why is it so difficult? We all acknowledge the China threat is so serious to us. Tell us a little bit about maybe why you think it's been a little bit of a difficult process to bring that to reality?

**SCHRIVER:** That is a great question. I think the work has been underway for a while. I think when you look at an enterprise, just DoD alone, a massive enterprise, \$800 billion plus budgets and 3 million people counting civilian workforce, guard and reserve, I mean, to get that aircraft carrier to turn is pretty difficult. And I've always said the easiest thing to do is to change policy. People like me, policy people, we change our talking points.

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We travel to different places, meet with different people maybe, but policy is easy to change. It's really the implementation and the follow-on resources that become difficult and become contested. And I think the position we're in now is at a policy level if you look at our strategic documents, National Defense Strategy, National Security Strategy, we're all saying the right things. National Command Authority's saying the right things. Our diplomats are doing very good work. You look at work in the Philippines with EFTA [European Free Trade Association], you look at some of the initiatives. Our diplomats got the compacts done, right? I mean, I think they were slow and sort of brought this down to the 11th hour unnecessarily, but they got it done.

So, our diplomats are doing good work, but now we need the resources, and we need the implementation, and that gets into very arcane and difficult discussions with services and real tradeoffs. This is a case where a little bit will go a long way, but you got to get the little bit. You got to go find the little bit. And does it come from a major platform? We could all say one F-35. What that would get us in infrastructure and airfields and aprons on airfield. We can all do that math.

We can all do that math with an aircraft carrier. But when it comes to the real nitty gritty work of the services and the way we spend money and procure things, it's just been a slog. I think we continue to get help from the Chinese because they continue to shine a light on the problem over and over and over again. And I'm more optimistic now than when I left office.

I think if you look at what's going on at Tinian, we have the commander of Pacific Air Force is talking very specific numbers in the 2024 budget about, what can be done to build out an airstrip. Not an airstrip, excuse me, a facility, an airfield with all the associated support and facility. But it's a major endeavor to turn this in a different direction. If you look at our legacy posture, we're basically in two places. Korea. That's a pretty myopic mission, looking at North Korea and Japan.

And there we're pretty concentrated in one place, which is Okinawa. We cannot fight that way in an environment where the Chinese have increasingly accurate ballistic and cruise missiles. So, we need to think about dispersal, we need to think about distribution, and all of that, you know, we can put great taglines on that. What's the Air Force's Agile Combat Employment. That sounds great. It's agile. It's combat, right?

**SINGLETON:** Like a think tank report. I mean, we just come up with these things.

**SCHRIVER:** But that know all these distant places without a lot of infrastructure and support, all of that has to be built out, and that just takes time, and —

**SINGLETON:** Easier said than done.

**SCHRIVER:** I think we're on the right track. But as Will Rogers said, "even if you're on the right track, you can still get run over if you're not going fast enough."

**SINGLETON:** I'll take that to heart. Easier said than done, for sure.

Cleo, I wanted to hit on this Tinian airstrip again. We both have had an opportunity to engage with Japanese counterparts, and they all talk about the importance of some of these key nodes in the region during World War II, just the historical significance.

And this is one area where the Air Force is making significant and important strategic investments. They can go faster, but we're making them.

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I'm interested to hear a little bit about what's China's response to it though? Right? I can't imagine they know it's strategically significant. They are working, I would imagine, maybe not to undermine that per se, but certainly they have an opinion about what's going on there. So, I was wondering if you maybe have heard anything about that.

**PASKAL:** Right, so we were in Tinian with the mother of somebody else from the CNMI delegation.

**SINGLETON:** You're two degrees away. It's like two degrees of Kevin Bacon. Two degrees of CNMI.

**PASKAL:** The mothers of CNMI should be in every think tank across DC. They know everything, and they can make things happen.

**SINGLETON:** I think that's mothers everywhere.

**PASKAL:** So, Tinian, for those who don't know, was the busiest airport in the world at the end of World War II. It's where the super fortresses, the B-29s, were taking off from wave after wave after wave to bomb Japan because of the proximity. And that's where the Enola Gay took off from. And I highly recommend everybody should go and visit CNMI. I mean, if you want to help solve these problems and have a really nice vacation.

**SINGLETON:** Beautiful beaches. Unbelievable. Unbelievable, like, untouched.

**PASKAL:** And a lot of history. And it'll make you realize what a bad job United Airlines is doing because the easier way to get there would be to get there through Seoul, where you can get a budget airline. The four-hour flight from Seoul is cheaper than the 40-minute flight from Guam on United. And that's a big part of the problem for the economy. This isn't a small thing, this issue with United controlling ...

**SINGLETON:** Routes.

**PASKAL:** These routes is a big deal. And hopefully see somewhere. But in Tinian. So, Tinian was incredibly important. And Tinian is sort of shaped like Manhattan, which when the Seabees arrived noticed. And so, the street names are all Manhattan street names. So, there is a Broadway and a Central Park and a 42nd Street and the whole thing. And there is two thirds of it that belongs to the air force.

And they are rebuilding those runways. And you can see it when you fly in and you can see runway Abel, where Enola Gay took off from. And if you go to the harbor, you can see the brand-new Chinese casino. So, if you want to know what the Chinese are doing, they're fighting that political warfare on the ground battle while the US is focused on these big kinetic things that can be disabled quite easily on the ground when you've got those people right there.

And we went in to, there's a hotel affiliated with that casino. And so, I went in to go ask what the room rates were. And I've never had this happen before. They wouldn't give me the room rates. The woman at the desk had to go and ask the manager if she could give me the room rates. And there was a whole rigmarole around it. And then finally I was allowed to see sort of one piece of paper with two sides blocked off with, something like that. So, it's a very unusual operation.

**SINGLETON:** Opaque. Right? It gets to Randy's point, like the transparency, opacity, sort of divide, yeah?

**PASKAL:** Yeah, and — but the thing that hit me was, this is a location where a lot of marines died, and Saipan as well, obviously. And the beach, White Beach, where they came in, has a local name, Chofu Beach. Is it?

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**PALACIOS:** It's Chulu.

**PASKAL:** Chulu Beach. Yeah, Chulu Beach. And the name of the new hotel that the Chinese are building is the Chinese version of Chulu Beach, which to me is sort of deeply insulting, actually. And it's that level of hubris about the activities that the Chinese are getting away with that I think with a little bit of the support that the governor is talking about.

The thing that attracted me to this is I've never had an American politician say, come look at my books, clean us up, help us be as efficient and effective as possible for our population. But this administration has. And the longer the rest of the US waits to help them, the more difficult it's going to be because the opposing forces dig in to the administration and to the systems and fight back. And it gets harder.

**SINGLETON:** Yeah, they have that sort of a corrosive element to it. I mean, you hit on influence and access, and you've talked about the importance of these casinos in other parts of the world, other parts of the Pacific. Their sort of uses and sort of platforms for money laundering. Sort of hubs and spokes develop from these concentrated networks that sort of allow the Chinese to deepen and penetrate different parts of the community.

On the casino side, the importance of understanding financial transparency is big. We've talked a lot about defense posture. We've talked a lot about repositioning capability. We've talked a little bit about economic situation on — in CNMI, but I want to hit a little bit on the importance of having a really robust financial investigation, audit and accountability sort of capability on the Island.

Because you, once again, are sort of up close and personal with seeing the threat, and you understand your community far better than some auditor here, you know, downtown, who's out there on a two-week TDY [Temporary Duty Travel] to sort of Saipan.

So, I was wondering if you could talk a little bit about some of the things you're requesting in that space, and why they're important? Because I'm not sure that even as we hear from other sort of FSM nations and sort of other leaders in the region, I'd really like to hear your thoughts on why that transparency is just so important and sort of what you're asking for?

**PALACIOS:** Well, you know, being a territory in an insular area, a lot of our funding, whether it's infrastructure or programmatic funding comes from the federal agencies. And the last thing we want to do or want to see is for the CNMI community to suffer over a long period of time because of some of the careless squandering or even criminal squandering of resources that were given to us by the federal government.

And so, we saw it, I saw it, a lot of people in the community saw it happening. And so, we wanted that to be validated by a robust financial investigation. We needed to come clean.

I wasn't going to — I wasn't about to cover up all these things, because people knew the — I mean, our own delegate, actually not ready to — right there on interviews, said "I worked hard to get \$1.6 billion to the Commonwealth for — over a period of — during the pandemic. We would get CARES Act, ARPA [American Rescue Plan Act] funding." What happened to it?

You know, the last time I was here for the NGA [National Governors Association], I sat there after I gave my speech, Governor of Guam gave her speech, and she still had \$300 million in the coffers from ARPA that was going to help Guam transition out of the economic doldrums caused by the pandemic.

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American Samoa had the same, whereas the Commonwealth, when I came in — when we came in, we practically didn't know how much was there. We had to scramble on our own, that's why I asked for a very deep assessment of what happened to these resources that were given to us.

And that's why you know, to us it's better to be honest with yourself and to know what happened and to see what kind of guidance the federal government can provide to the Commonwealth, because every small community, especially in insular areas, we have a lot of our weaknesses, and that is professionally, some human resources.

We don't have the comforts and the luxury of having multiple professional auditing firms out there. We have been struggling trying to audit our books from 2020, 2021, because now there's only one auditing firm that's acceptable to the federal government. And even Guam, that's their — one company's doing Guam's books, Commonwealth's books, all the autonomous agencies and many other businesses.

So, those are the challenges that I'm kind of reaching at — you know, yesterday, I visited — no the day before, I visited the Department of Defense and so, I was talking to one of the Assistant Secretary on Policy — I — and I explained this to him and I say “you know, sometimes, maybe I'll just fold my 10 and raise my hand” and say OK, maybe I got it wrong, because sometimes I feel like I'm just a John — I'm John the Baptist out in the desert. Seriously, that's sometimes how — that's how lonely it has been for the past nine to 10 month.

Well — but, you know, it — it's encouraging. What is heartwarming is when people in our community says hey, I know it's difficult, it's been difficult trying to make ends meet, not to cut hours of our government employees, not to get rid of positions, not to cut a — certain programs that are critical — when I came in, I had to get rid of 500 positions in government, that was unfortunately created with ARPA funds and CARES Act during this — somebody just went to party. We just had a big party.

And when I came in, I realized that the party's over. And so, people were sacrificed, people lost their jobs — that we had to look at our educational system. We had to look at our public safety system. We had to look at our hospitals, make sure that our health, our public safety and our education continues. Those are the critical programs that we need to continue any community.

**SINGLETON:** You know, Cleo, the Chinese do like to sort of prey on these sorts of weaknesses, whether they're mistakes any elected government can make. We make plenty. Last time I checked, here in Washington, they have a few problems with the budget and the — looking at the books, that all our children will be paying for and their children's children.

I'm sort of interested, when you hear this story, just in general of how the Chinese are perhaps well positioned and poised to exploit this, we've seen this in other parts of the Pacific community what does it look like in these other places as well? How do the Chinese tend to exploit some of these vulnerabilities?

**PASKAL:** So, I'll — one of the things about the Pacific Islands and it's what's made it so difficult for the governor is that these are very tight-knit societies. So, when the governor describes what he had to do, because I was there at the beginning, and he had to make decisions about, you know, if somebody would get cancer treatment or not...

**SINGLETON:** Right.

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**PASKAL:** ... and some of the people who are — who have created that problem might be relatives, and they'll have other relatives who are people who you care about who will come after you, and who will make it very difficult at a very personal level, this isolation that he's talking about is something that, if you speak to former President Panuelo, who we've had here as well or President Whipps who — from Palau that we've had here as well — the — you know, the — if you decide — the way that the Chinese get into the society through corruption, creates a social environment that is — that it takes a very special sort of person to be able to withstand.

So, we talk a lot about the mechanisms of it, and I can — I mean it can — I — you know, it — there's story after story about the way that the Chinese collapsed the Palauan economy, for example, they went from zero tourists to over 50 percent — like they did with Saipan, then pulled them all out and said unless you de-recognize Taiwan, you're not getting our tourists back...

**SINGLETON:** Right.

**PASKAL:** ... and President Whipps stood up to that, but he's heading into a reelection now and there are now direct flights from Macau to Palau every single day, including charters, and they're coming into Palau and nobody really knows where all of that money is going. They've had a murder in Palau where four Chinese have been arrested for killing another Chinese who was a boat operator and apparently, it's — it looks like there was Chinese organized crime involved.

And one of the people who's been charged with the murder had the CNMI ID...

**PALACIOS:** Yes.

**PASKAL:** ... right so — yes.

**PALACIOS:** Yes, and another that was implicated in this murder used to live in Saipan, and he was wanted, and we couldn't find this guy for two years. We had an arrest warrant out for him. And so, lo and behold, Palau government called up and said do you know — do it — do you have an arrest warrant for this guy and — we say yes. So, they have to hold him back, because then they went through investigations, they were able to connect.

And to our surprise, Palau government actually send me a text and with a CNMI driver's license — from one of them. It was like oh, geez. So obviously, these are people that have lived in the Commonwealth too...

**PASKAL:** Yes, when — and you're ...

**SINGLETON:** ... a transnational component, right?

**PASKAL:** And there was a case and this is not — this is to show that — you know, that what is happening at the societal level is incredibly destructive and there was a woman who was helping to administer drivers licenses in CNMI who has now been found guilty of selling CNMI drivers licenses.

So, a Chinese national can arrive in CNMI without a visa, buy a U.S. driver's license...

**SINGLETON:** Yep.

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**PASKAL:** ... there have been cases of hundreds, reportedly, getting on boats and going to Guam illegally, using the postal service in CNMI to distribute methamphetamines into the rest of the United States.

And this casino was running billions of dollars, and it doesn't make any sense — it — unless it's a huge money laundering operation. So, what happens in CNMI doesn't stay CNMI, because it is a component part of the US ...

**SINGLETON:** Yep.

**PASKAL:** ... and what's happening in CNMI and in Palau, Marshalls, Federated States of Micronesia, Solomon Islands is destroying the society at a fundamental level, it's ripping families apart and making it increasingly difficult for people who care about their communities to stand up, because the rest of the community gets used against you as leverage...

**SINGLETON:** Yes, the corrosion is a feature, not a bug is sort of my sense.

Before we jump to Q&A, one quick question for Randy too. You know, the Defense Department can't do it all here; doesn't need to shoulder it all, and nor should it, but through those sustained Defense Department investments in lots of other parts of the world, there's a huge economic benefit to local communities sustained over time.

**SCHRIVER:** Yeah.

**SINGLETON:** And so I'm sort of interested to hear from you a little bit before we jump to Q&A, like, what are some of those things that maybe the Defense Department should be thinking about as it thinks about CNMI, creating that sort of structured sustained investment with the long-term view that can perhaps fill the void here on some of this? Is there a role for DoD to play, recognizing that it can't do it all and it's got a lot of competing requests?

**SCHRIVER:** They can't do it all. They shouldn't do it all.

**SINGLETON:** Yeah.

**SCHRIVER:** And for them to be successful, they absolutely can't do it all.

**SINGLETON:** Right, exactly.

**SCHRIVER:** You know, small things when I was in office. I never traveled to Pacific Islands without an interagency group. I — and I always had Coast Guard with me.

**SINGLETON:** Well, you had the planes, so that's the...

**SCHRIVER:** We provided the planes — that is a point though.

**SINGLETON:** Absolutely.

**SCHRIVER:** People look at DoD because we have this big budget. And a lot of the figures that we're talking about here are barely rounding errors in the — you know, in the overall defense budget.



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So, we should be creative in partnering with the interagency but also finding ways to make those DoD resources available for maybe some non-traditional things.

So, you know, when we go in and do an airfield, sort of the — everything outside the wire of a military facility supports that facility in one way or another — the local economy, the infrastructure, et cetera.

And so, finding ways to partner with USAID, finding ways with our — that wouldn't be the — necessarily the case with CNMI being a territory, but finding ways to have the interagency contribute to the overall effort is absolutely critical.

I think we could triple or quadruple the Coast Guard and it would still be insufficient for the challenges in the Pacific. I mentioned the fisheries, the overfishing of the Chinese.

Again, not necessarily applying to CNMI because it's a U.S. territory but going to the Compact States with Coast Guards and having these ship rider programs where we have a representative of the sovereign government aboard our ships. That kind of stuff is just worth its weight in gold.

(CROSSTALK)

**SINGLETON:** ... pays huge dividends, yeah.

**SCHRIVER:** And so, I mean, I think we have to be a little more creative. It — would be inappropriate and not effective if it was just a DoD enterprise effort, and it has to be interagency.

**SINGLETON:** Absolutely. Totally agree. I mean, the notion, right, that you guys can bring the plane but if you can get the whole agency on the plane, right, everyone can sort of piggyback on that success.

Sometimes, DoD can be a facilitator. We often so much, I think, think of DoD as both — as the executor of all. The last 20 years, so much responsibility and pressure has been foisted upon DoD to do everything, and I think unfairly so.

This is, I think, one of those opportunities where you can draw upon the strengths of the interagency and everyone sort of brings something to the ...

**SCHRIVER:** And other partners too.

**SINGLETON:** Absolutely.

**SCHRIVER:** I mean, everything I've talked about, with respect to U.S. interests and U.S. objectives, Japan wants to support that because it's in their interests for us to succeed, Australia wants to support that because it's in their interests for us to succeed.

**SINGLETON:** Absolutely.

**SCHRIVER:** In some cases, there's a division of labor, clearly where U.S. territories are concerned — that's ours — but in the broader effort in the Pacific, we need to bring not only a whole of government ...

**SINGLETON:** Right.

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**SCHRIVER:** ... but a whole of alliance partnerships.

**SINGLETON:** And building capability, which you talk about a lot at 2049, in your work in government; like, the ability to have maritime domain awareness, to prevent and monitor against illegal fishing, which is devastating fisheries around the world, from the Chinese. Like, it would be far superior if we can make those investments and that they could be sustained at a local level to sort of protect local and regional sort of treasures.

I think that is sort of the long-term view that I always take, is how can you build that capability and have it be self-sustaining at a very low cost? I won't get into the F-35 examples because you'll take me down a rabbit hole.

But I'm — we're sort of eager to take questions I think from the audience now.

If you have a question, we'll start with in-person. We have a few that were submitted virtually. But if you have questions, please raise your hand. A colleague of mine has a mic, and we're happy to answer them.

We'll start with Jessica.

**STONE:** Thanks so much. Good to see you, Governor.

I have two questions for you, Governor. The first is, as you know, the Compacts of Free Association are still not funded. I wonder what message that is sending to the region? How do you react to the news of that being the case?

And then I have a second question.

**PALACIOS:** You know, I watched the COFA Agreements negotiation very closely when Congress — I mean — and it was going through the hearings, and I'm very — I'm glad that we finally got an agreement signed. But the other side of that agreement needs to happen, and that's unfortunate and it got stuck.

The Marshallese, the Palauans, and the Micronesians from the Federated States, they need this funding. This is something that they agreed to in the agreement. So as a nation, we need to step up and really deliver on that part of the agreement because it's critical, it is very critical.

I read somewhere that a Chinese businessman said 'if you ditched Taiwan, we will fill up your hotel rooms overnight.' And that's to President Whips. That's exactly what we're talking about.

And I'm not sure I — you know, Panuelo is out. He took a stand, and obviously I don't want to say that that is the reason but I think that played a major factor in his losing the presidency.

You know, the Marshall Islands is — it's got missile range, major installations that we as a nation have invested for decades into those facilities. Can you imagine if the Marshallese decided, hey, never mind, we're going to walk away.

You know, Nauru and Kiribati are basically almost the same customary people as the Marshallese, and if they look across the way, over the oceans, and they, say, wow the Nauruans got it straight and they're getting the aids that they need to run their government and do — run the community's needs, and here we are.

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So those are the type of danger that we are running into if we don't expeditiously and purposely get this — get the second part of that agreement done.

**STONE:** OK. My other question is something I think a lot of people here probably also want to know, which is the follow-up to the visa program that's under review by the Homeland Security Department.

They've given you a proposed change. Can you tell us first of all what is your assessment so far of those changes? And did your government ask the U.S. federal government not to do a tourism visa as opposed to keeping the back door open for some Chinese visitors?

**PALACIOS:** Well, one of the things — and what was very interesting is we requested to find out what is this EVS-TAP visa. What is it, so that we can take a position. And I didn't get any answers. I got an abstract.

So I — at the time, the first interview that we had, I didn't know whether to support it or not. So the rules were published already. It — in glancing at it, it's a better system than what we've got today, and that's the visa free visa.

It — it's much more involved in terms of review of people, but still I always wondered why we always believe that, in critical situations or critical issues like immigration, why is it that we always try to be the exception? Why do we always say, "can you exempt us from here?"

Guam's tourism is very successful today. And they go through the regular visas, of course they don't got a lot of Chinese going to Guam. But you have Taiwanese, they have Koreans, they have Japanese.

And that's been one of the — my effort is to bring back the Japanese tourists, bring back the Japanese investment, bring back the Taiwanese investments. I have done my job. I actually flew to Japan, met with some government officials, met with the Japanese airlines, and met with major tourism players, and still urging them.

I went to Taiwan and one of the government officials says "this is the first time anybody from the Commonwealth came to us to talk about this. We'll be happy to figure out how we can help with investments, with tourism."

So we're going to make those efforts to reconnect with them. But yeah, it's — where that is going to be, what the Department of Homeland Security and the U.S. immigration is going to decide at the end, I'm going to leave that up to them.

**PASKAL:** So just for context for people in the room, this is — this became a congressional issue I think. 26 members of Congress or 24 members of Congress, and four senators wrote a letter to Homeland. This is a Homeland decision about the visas, requesting them to get rid of this back door and make CNMI not an exception, just like the rest of the United States.

So this is acknowledged to be a security concern within Congress. For whatever reason, Homeland decided to look at this other thing, instead of just saying, "OK you're like the US, you are the US, so you're going to have the same rules as the US."

**SINGLETON:** Let's make it more complicated ...

**PASKAL:** Yeah.

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**SINGLETON:** ... that's what I think the U.S. government often does. I think we have time for one more question.

**BREAUX:** Hey there, Reese Breaux. Thank you, all of you, for a wonderful event. My question is for Randy. You touched on — a little on what the DoD can do better as to our posture in the region. You also served as Deputy Assistant Secretary of State. What can be done on the State side of things to bolster our support for our Pacific allies, and also our territories?

**SCHRIVER:** Well, I think much is underway and improving. And I applaud the administration's effort to open new embassies and have representation in some of the Pacific Islands where we were, you know, covering from other embassies, that's very positive. I mean, there's no substitute for people on the ground, not only representing the US, but listening, seeing and understanding the needs.

I'm a big believer and in actually listening and trying to appreciate what our partners are interested in themselves. And that's another reason why I always traveled with an interagency group, I didn't want the questions that I knew I would receive on climate change, which is concerned about one, two and three, on fisheries and just have no answer for them.

So, you know, I think we need to have an appreciation for the issues of greatest concern, and then have, you know, concrete responses and, you know. There on climate change, boy, you know, you mentioned the facilities in the Marshall Islands, I think many of us saw the footage of the sea levels rising and the waves that came crashing into the U.S. facility in Kwajalein. Plenty of work to be done just on the resilience piece. But, longer-term work as well.

I'm always just — when people say a whole of government, I usually reach for my wallet, make sure it's still there. It's the friend Dave Helvey said that's the pixie dust you like to sprinkle on everything. But we truly need a whole of government and interagency approach. DoD cannot do this alone and shouldn't do it alone.

**SINGLETON:** You say whole government, I tried to say whole as society now because I've also triggered my whole of government ...

**SCHRIVER:** Yeah.

**SINGLETON:** ... after my time at government. But Cleo, I know you have something that.

**PASKAL:** Yeah. Which is that in terms the whole of government, actually the department that is the primary contact for CNMI and Palau, Marshall Islands, Federated States of Micronesia's interior. And as some leader who will remain unnamed said it's us in the Buffalo, right? It's not — yeah, it's not a high priority department within the U.S. government. And, and that means that CNMI falls through the cracks. So, it doesn't have a National Guard, but it also doesn't have a National Guard program.

So, the — if anybody is interested in truly understanding the US, this is a very interesting part of United States of America. The history is different than any other part of the United States, in that it was part of Japan for 30 years. It was part of the Trust Territories, the creation of this, these completely unique relationships with the compact states.

All of which, all the leaders of which have a very strong relationship with Saipan. It is within the U.S. government unusual, incredibly important, and a conduit to the rest of the Pacific, unlike anything else, we hear a lot from State Department about Pacific Island forum and how important that is. Understanding CNMI and working through CNMI with the rest of the Pacific, especially the U.S. allied ones in the north is really the key to creating a more stable, secure, and free and open Indo-Pacific.



## Strengthening America's Asian Border: A Discussion with Northern Marianas Governor Arnold Palacios

February 22, 2024

*Featuring Governor Arnold Palacios, Cleo Paskal, and Hon. Randall G. Schriver*

*Moderated by Craig Singleton*

*Introductory remarks by RADM (Ret.) Mark Montgomery*

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**SINGLETON:** I'm going to have to leave it there. I can't help you on that one. I want to thank you all for joining today, obviously, whether you're in person or online, and for more information on FDD and our work and analysis on the region, please check out FDD.org. I think some of our panelists are going to be sticking around afterwards, so feel free.

But thank you so much, and we hope to see you again soon.

(APPLAUSE)

END