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Toward more efficient Pacific Island security investment: the prospects for the future

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Security problems in the Pacific Island countries are many and complex. The island states of Oceania face rapidly evolving and increasingly complex security challenges, some traditional and others less so, including poor maritime domain awareness, the uncertain effects of climatic change, high susceptibility to natural disasters, and pandemic diseases. Issues related to maritime domain awareness such as piracy, illegal, unreported and unregulated fishing, illicit trafficking, weather effects, and emergency early warning, are the biggest concern in the minds of both island nations and donor countries. Indeed, states in the region must urgently realize that while the waters surrounding them hold important resources that can further accelerate their economic growth and development, their insularity also makes them especially vulnerable to maritime threats. Thus, effective maritime domain awareness is a critically important strategic dimension in the security-diplomatic-development nexus for the Pacific Islands region.

While actors in the region are keenly aware of the need to address these security challenges and improve maritime domain awareness in the Pacific Islands region, resources—and the programs to deliver and manage those resources—are often limited. For island nations, all things, whether good or bad, come from the sea. Hence, small insular nations in the Pacific, "with no industrial economy to speak of and a tax base too small to sustain a modern government … must depend on [donor] aid to make up the shortfall if they are to provide the government services their citizens need in today's world," including security. The reliance on foreign aid varies significantly across the region: Fiji receives 1 percent of its total government income in foreign assistance, while the Federated States of Micronesia (FSM) and the Republic of the Marshall Islands (RMI) received over 60 percent of their income from foreign grants.

What is the contribution of the US interagency?

Since the turn of the century, the Asia-Pacific region has seen increased trade flows and the development of robust militaries, such as China, generating a shift in US interests towards Asia and a readjustment of US strategy and priorities. It is in the economic and strategic interests of the United States to "pivot" or "rebalance" its foreign policy toward the Asia-Pacific. Consistent with this need, in the fall of 2011, the Obama administration formally announced an expansion and intensification of the US role in the Asia-Pacific region. In an effort to articulate this shift, Secretary of State Hillary Rodham Clinton wrote that "one of the most important tasks of American statecraft over the next decade will therefore be to lock in a substantially increased investment—diplomatic, economic, strategic, and otherwise—in the Asia-Pacific region." More recently, in August 2012, she was the first US Secretary of State to attend the Pacific Islands Forum. During the Post-Forum Dialogue, she delivered remarks in which she underscored security as a priority for the United States in the Pacific.

Tools with limited lifespans: Compacts of Freely Associated States (COFA) and Trust Funds.

Many Pacific Island countries have strong and direct linkages with regional donor countries such as Australia and New Zealand. China is also swiftly expanding its diplomatic and economic presence with increasing official development aid (ODA) in the Pacific. The United States has had especially strong ties with the Republic of the Marshall Islands (RMI), the Federated States of Micronesia (FSM), and the Republic of Palau, since it served as their trustee following the Second World War.

The United States currently manages its relations with its Freely Associated States (FAS) via a Compact of Free Association (COFA). COFAs with RMI and FSM were ratified in 1986 and with Palau in 1994. Under the original COFA, the United States guarantees financial assistance for 15 years. This arrangement was renewed in 2003 for RMI and FSM, extending the assistance commitment by 20 years, to 2023, providing $3.5 billion in funding for both island nations. The 1994 COFA with the Republic of Palau provided $18 million annually in subsidies and grants. This arrangement expired in 2009, and negotiations on renewal haven't yet concluded. US financial support to Palau is funded under a continuing resolution. The COFA is administered through the Office of Insular Affairs at the US Department of the Interior. ODA disbursed to these three FAS under the COFA emphasizes self-sufficiency and economic advancement priorities to include: energy production, infrastructure improvement, health, and education. However, under the COFA, the United States is responsible for the security of its FAS.

Although the 2003 COFA calls for the discontinuation of US annual financial assistance after 2023, it also establishes Trust Funds for FSM and RMI with the goal of providing ongoing revenue past the 2023 horizon. Francis Hezel noted that this was an attractive strategy when first established, but the Trust Funds, which are invested in a variety of financial instruments, have suffered from the recent global economic downturn (although FY2012 saw the second-best return since

the funds' inception). Today, it is difficult to see a future where most Pacific Island Nations won't require continuing outside financial assistance (not just the one-time, trust fund solution) to make them viable as modern nation-states. Considering this bleak picture, how should the government of the United States think about the ongoing development and security problems of the region?

Current US programming in the Pacific Islands

The COFA and the current US interagency programming illustrate a significant political will and interest in the Pacific Island countries. In her remarks during the Post-Forum Dialogue in 2012, Secretary Clinton noted that through the US Coast Guard, the United States is working to expand existing security partnerships in the region in order to, among other things, protect fishing, fight human trafficking, and ensure free navigation of the waters. In this regard, Secretary Clinton's attendance at that forum illustrates the commitment to partnering with the Pacific Island countries to address the many security challenges facing the region. US Government efforts focus on climate change, economic development, gender equality, education, and peace and security. The US Agency for International Development provides assistance to 12 Pacific Island nations (i.e., Federated States of Micronesia, Fiji, Kiribati, Nauru, Palau, Papua New Guinea, Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu) to focus on the environment, climate change adaptation, heath, and democracy. The US Department of Defense also provides some humanitarian assistance through its Overseas Humanitarian, Disaster, and Civic Aid (OHDACA) instrument ($104.435 million worldwide). Through the Humanitarian Civic Assistance Program and various medical engagements, the combatant command (US Pacific Command) and military components aid island nations in preparing for and meeting the challenges associated with local disasters.

In his 2012 *Strategic Guidance* to the US Department of Defense, President Obama emphasized that the Department will, out of necessity, "rebalance toward the Asia-Pacific region." This rebalance emphasizes existing alliances and the expansion of networks of cooperation with emerging partners in order to build collective capability and capacity in the region. More specifically, the US Pacific Command strategy states that its ultimate goal is to support a secure and prosperous Pacific region through leadership, partnerships, and sustainable presence. The strategy emphasized key priority areas: Homeland Defense in the Asia-Pacific; Alliances; Partnerships; Shared Sea, Air, Space, and Cyberspace Domains; China; North Korea; Weapons of Mass Destruction; Terrorism; and All Hazards.

Improving security engagement with the Pacific Islands

This brief overview of the current US interagency commitment to the Pacific region highlights two key issues: (1) the current funding mechanisms for financial assistance to the FAS is expiring in nine years, and its "substitute"—Trust Fund—is underperforming, which could open these states to additional vulnerabilities after 2023; and, (2) the shortcomings of the US Government's agency-centric approach to assistance programming and delivery (for example, overlap, unclear goals, convoluted processes).

To extend the US interagency capabilities beyond 2023 and offer a solid foundation for a US Pacific strategy, interagency coordination and cooperation are *sine qua non*. In this regard, the Global Security Contingency Fund (GSCF) might be a good model to adopt as a framework for providing assistance to the Pacific Island nations in the future. The GSCF was enacted in 2011 at the request of the Obama administration, as a four-year pilot project to be jointly administered and funded by the Department of Defense (DOD) and the State Department for the purpose of jointly funding and carrying out security-related assistance. This pilot project was conceptualized to "enable the United States to 'better address rapidly changing, transnational, asymmetric threats, and emergent opportunities'" by pooling Defense Department and State Department funds and to "provide a model for interagency cooperation on security assistance that will overcome the disadvantages of the current system of agency-centric budgets and efforts."

Developing a mechanism similar to the GSCF for structuring security assistance to the Pacific Island nations post-2023 appears to be a compelling solution to effectively and efficiently (1) fill the void left with the expiration of the Compact agreements, (2) supplement the limited financial backing provided by the Trust Funds, and (3) expand US Government's engagement to all Pacific Island countries. Better cooperation and coordination among the US interagency in its development and delivery of security assistance to the region are necessary in order to efficiently support Pacific partners in addressing the mounting challenges facing them. Government agencies involved in providing security assistance to Pacific Island countries, especially the US Department of State, the US Agency for International Development, the US Department of Defense, and the US Department of the Interior, should be able to speak with one voice to support a common strategy.

PacNet commentaries and responses represent the views of the respective authors. Alternative viewpoints are always welcomed.