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Economic Security and Disinformation in a Fragmenting World

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Introduction

The world is undergoing a seismic shift. Economic interdependence, once seen as a path to shared values and stability, is now viewed as a strategic liability, prompting countries to diversify supply chains and markets away from excessive dependencies. The spread of information, once celebrated as a driver of mutual understanding, has become a battleground where disinformation and influence operations thrive in self-curated bubbles, dividing societies into competing realities. Major power competition is intensifying, the boundaries between security, economics, and information are blurring, and the division of labor between public and private sectors is being fundamentally redefined.

This volume brings together seven policy-oriented articles from emerging scholars and practitioners working on the front lines of these transformations. It addresses two broad, interrelated topics: the pursuit of economic security and the challenge of responding to disinformation. These are forms of non-traditional security shaped by advances in critical and emerging technologies, and they have increasingly become instruments that states use in pursuit of strategic advantage.

These contributions do not merely diagnose problems, but offer concrete, actionable insights and recommendations tailored to the fast-changing realities of the Indo-Pacific region and beyond. By highlighting the next-generation voices from across the region, each chapter offers a fresh perspective and contributes to a deeper understanding of how economic and informational power is wielded and resisted in today's increasingly unpredictable international landscape.

Part I: Emerging Issues in Economic Security

Articles in the first section, *Emerging Issues in Economic Security*, explore emerging topics that are gaining prominence in the calculus of economic security across countries worldwide.

Lea Thome's article, *A New Agenda for Trilateral Cooperation: Strengthening US-Japan-ROK Shipbuilding Capacity*, opens the section with a timely analysis of trilateral cooperation between the United States, Japan, and South Korea in the shipbuilding sector. Noting that China dominates global shipbuilding capacity with 53 percent of global output, while South Korea and Japan rank second and third, respectively, Thome argues that reviving US shipbuilding capabilities is essential. Achieving this will require both industrial policy at home and regional

partnerships abroad. This article highlights opportunities for initiating a trilateral strategic dialogue on shipbuilding and ship maintenance. This includes potential cooperation in areas such as co-investment in shipbuilding industries (including shipyards, ammonia-fueled ships, and icebreakers) and adjacent industries like steel; technology exchange and workforce development; and the formalization of routine ship maintenance at allied shipyards.

Wenjing Wang's contribution, *Financial Diversification amid Weaponization: China, mBridge, and the Prospect of a Global Public Good*, examines the narratives surrounding Project mBridge, a China-led multi-central bank digital currency (CBDC) platform. Wang notes that observers often characterize mBridge from a Sinocentric strategic perspective, portraying it as a tool for sanctions evasion, an attempt to counter US-led global financial institutions, and a means to displace the US dollar with the Chinese yuan as the primary reserve currency. This article argues instead that financial diversification offers tangible benefits to countries worldwide, as mBridge has the potential to serve as a global public good, especially for mid-sized and developing economies seeking monetary sovereignty. The article calls for a more constructive model of governance that avoids over-weaponizing financial institutions and instead promotes cooperative standards for CBDC platforms.

Sae Kobayashi's paper, *Integrating Private Strategic Interests into National Economic Security: US-China Case Studies in Critical Industries*, serves as an important reminder to practitioners who believe that greater government intervention in the private sector has become widely accepted. Through detailed case studies in the automotive, pharmaceutical, and defense sectors, this article examines the extensive US-China private-sector collaboration and the strategic logic that sustains it, even amid rhetoric about decoupling. Kobayashi argues that the government must integrate private-sector interests into economic security policymaking through incentives, calibrated regulations, and structured consultation, thereby ensuring private-sector buy-in and sustaining long-term resilience.

Genevieve Donnellon-May shifts the focus to climate security in the Pacific in *Australia's Climate Engagement with the Pacific Islands: Aligning Policy with Regional Needs*. This article evaluates Australia's climate policy engagement with Pacific Island countries through case studies of Tuvalu and Vanuatu, examining the tensions between rhetorical support, fossil fuel politics, and adaptation finance. Donnellon-May calls for institutionalizing the agency of governments in the Pacific and working with like-minded countries such as Japan and the EU to create robust adaptation funding, enabling Australia to help build a more resilient and sovereign future for the Pacific Islands. This article underscores the importance of empowering local governments to achieve enduring, long-term resilience.

Axel Defngin's article, *Sovereignty as Strategy: Asserting Yapese Agency in Geopolitical Competition*, continues Donnellon-May's theme of honoring local agency, but shifts the perspective to that of

the recipient. This paper provides a detailed analysis of how Yap, a state in the Federated States of Micronesia, has become a focal point in US-China strategic rivalry and how events have unfolded in recent years. Drawing on indigenous perspectives and community responses, Defnign critically assesses the consequences of increased US military interest in Yap. This paper advocates for aligning external engagement with local values and self-determination frameworks while warning against development models that replicate neocolonial dependency.

Part II: Disinformation, Narrative Control, and Democratic Resilience

The second section of the volume turns to the challenge of disinformation and influence operations, exploring how states and non-state actors manipulate information to shape public opinion, undermine democratic institutions, and project geopolitical influence.

Josiah Patrick Bagayas's paper, *Truth on Trial: Fake News Regulation and Free Speech in the Philippines*, provides a case study of the Philippines, where false information has become deeply embedded in political discourse and social media ecosystems. Bagayas offers recommendations to the Philippine government that balance the regulation of false information and the protection of freedom of speech. This article proposes a dual strategy for countering false information that addresses the supply side, such as making reliable sources of information available, and the demand side, such as conducting media literacy initiatives. This entails a set of recommendations that includes a whole-of-government approach, stronger support for civil society fact-checkers, and robust media literacy programs.

Nguyen Phuong Thao's article, *Framing Chinese Media Strategies: Global Times Coverage of South China Sea Disputes*, presents a preliminary empirical analysis of Global Times coverage of the South China Sea disputes from June to December 2024. Using content analysis and regression modeling, the study identifies a clear pattern of assertive, sovereignty-based narratives, particularly during periods of geopolitical tension. It also documents instances of strategic softening of tone ahead of key diplomatic events, suggesting that Chinese media framing is calibrated and adaptive. This paper offers valuable insights into how narrative strategies may serve both domestic legitimation and international signaling functions.

Conclusion

The articles in this volume bring attention to facets of economic security or disinformation that are still not discussed as widely as they should be. As the editor, although I do not necessarily agree with every argument presented here, I regard them all as valuable contributions to the conversation, capable of stimulating further debate, refinement, and application in practice. Disagreement can be productive if it sharpens understanding and prompts new lines of inquiry.

It is also worth noting that many of these contributions are written from distinctly national perspectives, informed by the authors' own experiences, priorities, and strategic environments. Far from being a limitation, this diversity of vantage points enriches the volume, helping readers appreciate how the same challenges can be perceived differently depending on where one sits. In a world where the boundaries between security, economic, and informational power are increasingly fluid, cultivating this breadth of perspective is essential to developing responses that are both inclusive and effective.

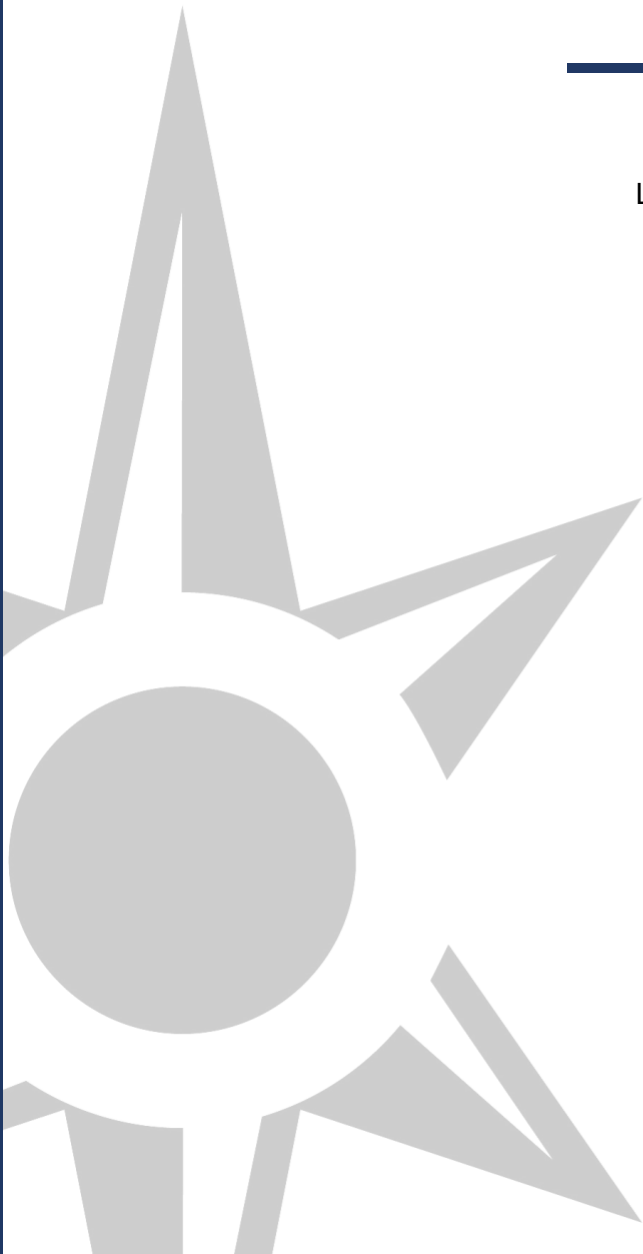
I hope that the next-generation perspectives, diverse national viewpoints, and underexplored challenges represented in this volume will serve as a catalyst for further research and actionable policy recommendations that strengthen economic security and counter disinformation in the Indo-Pacific and beyond.

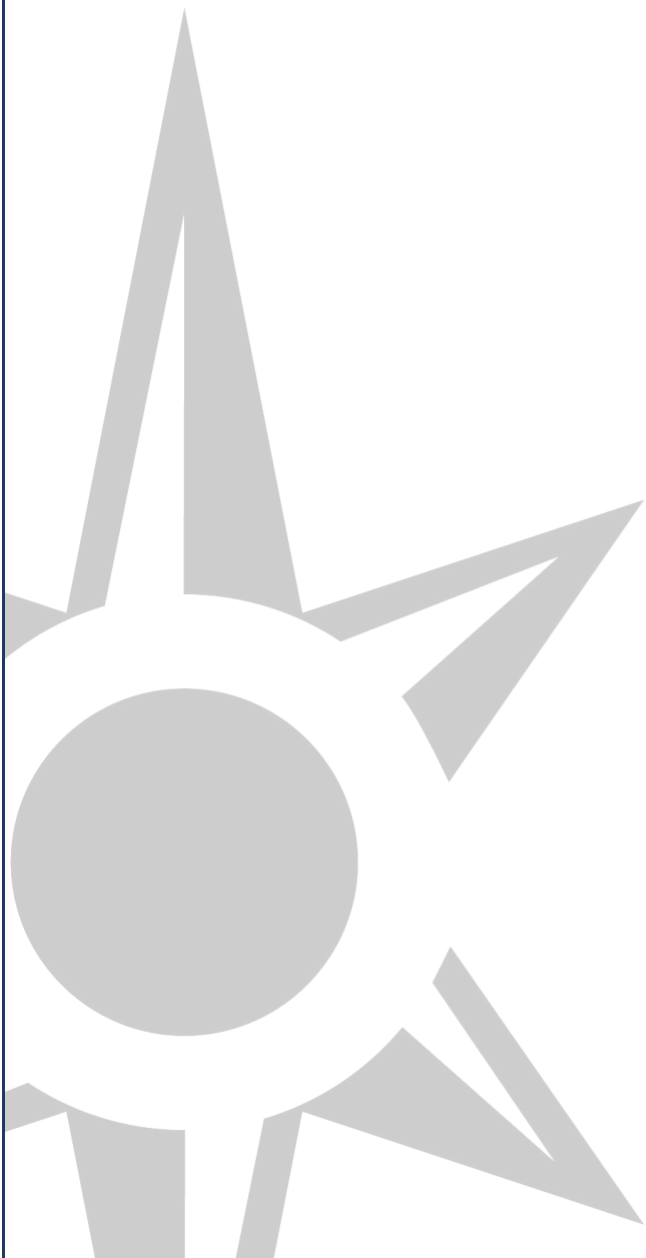
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A New Agenda for Trilateral Cooperation: Strengthening US- Japan-ROK Shipbuilding Capacity

By
Lea Thome





Executive Summary

Lea Thome

As the United States is looking to dramatically increase its domestic shipbuilding capabilities, Indo-Pacific partners can prove crucial in achieving short-term and long-term sector growth. Countries like South Korea and Japan, ranked second and third in the world as ship producers behind the People's Republic of China, especially offer new partnership opportunities.

Both countries have a long-standing partnership with the United States and a robust shipbuilding industry dominated by domestic conglomerates and shipbuilding giants. Strategic coordination on sector-specific investments, like steel or shipbuilding, and regional cooperation in places like the Arctic can bolster the Japan-US partnership. For the ROK-US partnership, a coordinated framework can build upon the momentum provided by Hanwha's acquisition of the Philly Shipyard and the first large-scale maintenance of a US military vessel.

Despite budding bilateral cooperation on shipbuilding between the US, South Korea, and Japan, this partnership can be officially cemented through further strategic action:

1. Officially initiate and maintain a trilateral dialogue on shipbuilding and maintenance to seek trilateral, not bilateral only, coordination on this critical area.
2. Seek out further investments into the US, like the Philly Shipyard, to accelerate onshoring of shipbuilding capacities in the US.
3. Strategically partner with Japanese and South Korean companies to establish joint ventures in the shipbuilding industry.
4. Upscale maintenance at South Korean and Japanese shipyards to now include large-scale routine maintenance, following the successful maintenance of the USNS Wally Schirra in March 2025.
5. Coordinate technical assistance and exchange programs between the three countries to upskill the current workforce and seek out next-generation shipbuilders.

Introduction

As part of his speech addressed to the Joint Session of the US Congress in March 2025, President Trump declared that his administration is “going to resurrect the American shipbuilding industry, including commercial shipbuilding and military shipbuilding.”¹ His first step was to open an Office of Shipbuilding situated within the White House. This announcement highlights the growing importance of building and maintaining ships—an issue not only critical to maritime commerce, but also security. The People’s Republic of China has excelled at shipbuilding, now accounting for over 53% of global shipbuilding.² To counter the growing challenge posed by China’s dominance over the manufacturing of both commercial and naval ships, the US requires well-equipped partners prepared to aid in its shipbuilding endeavour. This paper argues that the United States should pursue a trilateral shipbuilding partnership with Japan and South Korea to revitalize its shipbuilding sector, counter China’s maritime dominance and enhance Indo-Pacific security.

To revitalize shipbuilding, a vital venue for maritime commerce and security, Indo-Pacific cooperation shines as an avenue to make critical headway. The US now is turning toward working jointly with Japan and South Korea to transform the maritime sector fit for the 21st century vis-à-vis China. Japan and South Korea have emerged as the top shipbuilding nations, trailing behind China, and offer an opportunity to remediate the lack of manufacturing capability in the short- to medium-term until the US is able to onshore long-term capacity. Underpinning this policy need, the White House recently signed an Executive Order on April 9 that addressed shipbuilding and would require the delivery of a plan to engage allies and partners by July 8, 2025.³ As part of this Executive Order, Section 8 would specifically seek to “reduce dependence on adversaries through allies and partners” to incentivize allied shipbuilders to invest

domestically.⁴ However, shipbuilding partnerships with Japan and South Korea should not only be limited to domestic investments, but also require strategic cooperation and foresight.

While policy momentum in the US is taking place, it will take years to decades to drastically increase the manufacturing output of American shipyards. Cooperation with Indo-Pacific partners, such as Japan and South Korea, and commitment to trilateral action on shipbuilding present the opportunity to cut down these onshoring timelines.

Japan: bolstering the maritime supply chain

Trailing behind China and South Korea, Japan emerges as the world’s third-largest ship manufacturer, accounting for 13.1% of global shipbuilding, according to a recent report by the Center of Strategic and International Studies (CSIS).⁵ Further cooperation with Japan, such as direct investment in shipbuilding or adjacent industries like steel, offers the US the opportunity to rapidly fulfill its strategic goal of onshoring greater domestic shipbuilding capacities. In Japan, companies like Imabari Shipbuilding, Japan Marine United, Mitsubishi Heavy Industries, and Kawasaki Heavy Industries have populated the shipbuilding industry over the past decades. Just in February 2025, Imabari Shipbuilding celebrated completing its 3000th ship manufactured since completing its first vessel back in 1956.⁶ Japan has been a long-standing ally of the United States, and with the US’s recent attention on shipbuilding, this sector also showcases a blossoming partnership. While Japan remains one of the leading nations in this sector, the US-Japan partnership on shipbuilding has remained limited to other parts of the supply chain.

Steel is a critical component for building new vessels and a vital part of the shipbuilding supply chain. In 2023, Japanese company Nippon Steel agreed to acquire former steel giant US Steel; however, the sale ended up stalled when the former US administration protested this transaction.⁷ In May

¹ “Read Trump’s Speech Transcript for the 2025 Joint Address to Congress - CBS News,” March 5, 2025. <https://www.cbsnews.com/news/trump-speech-transcript-2025-joint-address-congress/>.

² Funairole, Matthew P., Brian Hart, and Aidan Powers-Riggs. “Ship Wars: Confronting China’s Dual-Use Shipbuilding Empire,” March 11, 2025. <https://www.csis.org/analysis/ship-wars-confronting-chinas-dual-use-shipbuilding-empire>.

³ The White House. “Restoring America’s Maritime Dominance,” April 9, 2025. <https://www.whitehouse.gov/presidential-actions/2025/04/restoring-americas-maritime-dominance/>.

⁴ The White House. “Restoring America’s Maritime Dominance,” April 9, 2025.

⁵ Funairole, Matthew P., Brian Hart, and Aidan Powers-Riggs. “Ship Wars: Confronting China’s Dual-Use Shipbuilding Empire,” March 11, 2025.

⁶ “Imabari celebrates building 3,000 ships”, February 24, 2025, <https://www.seatrade-maritime.com/shipyards/imabari-celebrates-building-3-000-ships>.

⁷ Nippon Steel. “Nippon Steel Corporation and U. S. Steel Finalize Historic Partnership.” Global Press Release & Newswire Distribution Services, June 18, 2025.

2025, the Trump administration allowed the acquisition to proceed. Partnering on other maritime issues, the White House also announced as part of its Executive Order on cybersecurity at ports that the US would onshore ship-to-shore crane manufacturing through a US-based subsidiary of Mitsui E&S.⁸ These actions are likely to bolster manufacturing of maritime equipment assembled in the US and strengthen maritime supply chains.

However, in order to increase ship output per year in the short- and medium-term until the US is able to drastically upscale its manufacturing, the US can significantly benefit from Japan's expert shipbuilding actors, necessitating further action in the partnership. Such cooperation must include direct coordination on and investment in shipbuilding, steps Japan has already suggested in recent weeks. As Japan has also been caught up in the proposed tariffs imposed by the United States, Minister of State for Economic and Fiscal Policy and Minister in charge of Economic Revitalization Ryosei Akazawa proposed a new fund for shipbuilding amid these ongoing negotiations. Such a joint fund would "create manufacturing jobs in the United States," "reduce the economic and security risks associated with China," "support [the] maintenance of ship-repair docks in the United States and joint development of next-generation ammonia-fueled ships and icebreakers that do not emit carbon dioxide," according to Japanese media reports.⁹

In addition to this proposed shipbuilding fund, Japanese Prime Minister Ishiba also suggested that such a joint fund could include cooperation on the Arctic, specifically related to icebreakers which are vital for Arctic passage and transport.¹⁰ Japan only recently started to scale up its participation in Arctic governance and only this year launched its first Arctic research vessel.¹¹

These proposed actions showcase Japan's eagerness to strengthen its partnership with the United States—and would allow both nations to benefit, with Japan softening the blow from proposed US tariffs and the US being aided in its shipbuilding endeavor, especially in critical regions such as the Arctic.

South Korea: fostering direct investment into shipyards

Meanwhile, South Korea is the second largest ship manufacturer behind China, presenting opportunities to collaborate and strengthen partnerships with the US further. In South Korea, companies like HD Hyundai Heavy Industries, Samsung Heavy Industries, and Hanwha Ocean have emerged as the top producers of ships annually by tonnage. Different from Japan, cooperation between the US and South Korea has already focused on direct investments into shipyards and maintaining already-built American ships. In 2024, Hanwha Ocean announced its acquisition of the Philly Shipyard for \$100 million.¹² The Philly shipyard previously featured both commercial and government construction and is now continuing under this new South Korean ownership.

As of September 2024, the Philly shipyard's order book consisted of seven vessels until 2027, with two of the contracts incurring losses, according to the shipyard's Q3 report.¹³ This foreign direct investment will allow the Philly shipyard to benefit from the management of a major shipbuilding company, Hanwha Ocean, already successful in South Korea, and to receive the investment necessary to bolster its orderbook. Such success can be replicated at other shipyards in the US in need of revitalization to equip them for 21st century shipbuilding.

In addition to shipyard operations and investments, the US military also recently trialed large-scale ship maintenance provided by South Korea. The US Navy reported that the "Military Sealift Command's

<https://www.businesswire.com/news/home/20250617350553/en/Nippon-Steel-Corporation-and-U.-S.-Steel-Finalize-Historic-Partnership>.

⁸ The White House. "FACT SHEET: Biden-Harris Administration Announces Initiative to Bolster Cybersecurity of U.S. Ports." February 21, 2024. <https://bidenwhitehouse.archives.gov/briefing-room/statements-releases/2024/02/21/fact-sheet-biden-harris-administration-announces-initiative-to-bolster-cybersecurity-of-u-s-ports/>.

⁹ The Asahi Shimbun. "Japan Floats Plan to Revive U.S. Shipbuilding in Talks on Tariffs." Accessed July 13, 2025. <https://www.asahi.com/ajw/articles/15795022>.

¹⁰ Nikkei Asia. "Icebreakers Are Key to Shipbuilding Cooperation with US, Ishiba Says." Accessed July 13, 2025. <https://asia.nikkei.com/Economy/Trade-war/Trump-tariffs/Icebreakers-are-key-to-shipbuilding-cooperation-with-US-Ishiba-says>.

¹¹ The Maritime Executive. "Japan Launches Its First Dedicated Ice-Class Arctic Research Vessel." Accessed July 13, 2025. <https://maritime-executive.com/article/japan-launches-its-first-dedicated-ice-class-arctic-research-vessel>.

<https://www.hanwha.com/newsroom/news/press-releases/hanwha-acquires-philly-shipyard-expanding-its-footprint-in-global-shipbuilding-and-deployment-of-naval-systems.do>.

¹² "Hanwha Acquires Philly Shipyard for \$100M." Accessed July 13, 2025. <https://www.hanwha.com/newsroom/news/press-releases/hanwha-acquires-philly-shipyard-expanding-its-footprint-in-global-shipbuilding-and-deployment-of-naval-systems.do>.

¹³ Philly Shipyard ASA. "Q3 2024 and First Nine Months 2024 Results", November 4, 2024. <https://www.phillyshipyard.com/wp-content/uploads/2024/11/Q3-2024-Report.pdf>.

(MSC) Lewis and Clark-class dry cargo ship USNS Wally Schirra (T-AKE 8) completed a seven-month regular overhaul (ROH) at Hanwha Ocean” in March 2025.¹⁴ Maintenance will prove crucial until US shipyards are able to drastically reduce maintenance times and shorten manufacturing. While the Wally Schirra was a logistics supply ship providing overseas forces with necessary supplies, this ROH can be replicated on a larger scale for other US vessels in the future. Just weeks after this successful maintenance, US Secretary of the Navy Phelan paid a visit to South Korea and its shipyards, including Hanwha Ocean, marking a positive sign for the future of the US-South Korean partnership on shipbuilding and maintenance.¹⁵

However, these visits, investments, and repairs have for now only represented singular instances of cooperation. These limited means of cooperation open the door in the future to further cooperation.

Recommendations for an Indo-Pacific Partnership for Shipbuilding

Indo-Pacific partnership in shipbuilding is key to advancing maritime security and commercial trade. With South Korea and Japan’s long-standing history and success in the shipbuilding industry, they are ideally suited to partner with the US to boost American manufacturing. By the end of 2025, the US National Security Advisor, currently also US Secretary of State Marco Rubio, will deliver a Maritime Action Plan that will lay out policy recommendations aligned with the White House’s Executive Order.¹⁶ But before then, alignment between partners over the coming months can already take place to build a road for success through a varied course of action.

1. Initiate a trilateral US-ROK-Japan dialogue on shipbuilding and ship maintenance.

Until now, shipbuilding partnerships have been limited to bilateral action, yet South Korea and Japan’s strong leadership on shipbuilding present

opportunities for multilateral action. The White House can initiate a trilateral dialogue on shipbuilding and ship maintenance. Following the success of the Camp David trilateral summit in 2023 and Japan’s recent offers to aid with American shipbuilding, such an ongoing dialogue can serve as an important mechanism to strengthen this partnership and build on initial agreements from the past few months, while offering routine coordination meetings.

2. Incentivize the onshoring of US shipbuilding capacities through investment funds, schemes, and maritime opportunity zones.

In the long term, the main priority of such a partnership should be to onshore domestic shipbuilding capacities in the US and to strengthen order books in Japan and South Korea. While recent policy, such as imposing port fees on foreign-flagged and foreign-manufactured vessels docking at US ports as a result of a Section 301 investigation by the US Trade Representative, may incentivize buyers to look for other manufacturers, active investment is also needed.¹⁷ Active investment in the US, however, necessitates incentives for South Korean and Japanese shipbuilders, such as a shipbuilding investment scheme or maritime opportunity zones, as laid out by the US Maritime Administration.

3. Encourage joint and special purpose ventures between US-ROK-Japan firms and shipbuilders.

The Philly Hanwha shipyard represents one of many opportunities for partnership on revitalizing crucial shipyards. While foreign direct investments are among the more drastic steps, joint ventures between American companies and Japanese and South Korean ones can represent a way forward. Such joint ventures can allow for equal stakes and retain American ownership over critical commercial and military products, like ships.

4. Conduct technical assistance and exchange to train the current and future US-ROK-Japan shipbuilding workforce.

¹⁴ Fontana, Grady T. “USNS Wally Schirra Completes Major Maintenance at South Korean Shipyard.” U.S. Pacific Fleet, March 13, 2025. <https://www.cpf.navy.mil/Newsroom/News/Article/4119656/usns-wally-schirra-completes-major-maintenance-at-south-korean-shipyard/>.

¹⁵ “SECNAV Phelan Visits Shipyards in South Korea.” United States Forces Korea, April 30, 2025. <https://www.usfk.mil/Media/Newsroom/News/Article/4172178/secnav-phelan-visits-shipyards-in-south-korea/>.

¹⁶ The White House. “Restoring America’s Maritime Dominance,” April 9, 2025.

¹⁷ United States Trade Representative. “USTR Section 301 Action on China’s Targeting of the Maritime, Logistics, and Shipbuilding Sectors for Dominance.” Accessed July 13, 2025. <https://ustr.gov/about/policy-offices/press-office/press-releases/2025/april/ustr-section-301-action-chinas-targeting-maritime-logistics-and-shipbuilding-sectors-dominance>.

These partnerships would make space for foreign technical expertise on shipbuilding, while inviting domestic investment within the United States. In order to drastically scale up manufacturing and orders in the US, not only do shipyards need an overhaul, but also the workforce. Technical assistance and exchange between American, South Korean, and Japanese shipbuilding and industry experts will allow for skill transfers to make this transition possible.

5. Formalize routine ship maintenance at foreign ally and partner shipyards when US shipyards are unavailable.

Yet despite all these steps outlined, revitalizing the American shipbuilding sector will require decades of dedicated commitment, funding, and action. Cooperation with other leading nations can help fill gaps until necessary output, workforce, and resources are secured. However, there are many challenges to make this long-term approach and partnership feasible. In the short-term, maintenance remains a crucial opportunity to extend the lifespan of American ships. With recent success of South Korea's Hanwha Ocean servicing an American naval ship, this avenue of collaboration should be continued and bolstered.¹⁸

Conclusion

Shipbuilding is vital for securing supply chains, strengthening maritime commerce, and allowing vital naval modernization—as China rapidly gains pace. Strengthening shipbuilding will not only strengthen trilateral cooperation but also the Indo-Pacific as a whole by upgrading capabilities to enhance maritime security and trade. Japan and South Korea have already signaled their willingness to further invest in and cooperate on American shipbuilding, with South Korea going as far as adopting a 'Make American Shipbuilding Great Again' slogan, as part of their tariff negotiations, a signal the US can now take further. But the trilateral partners—the US, Japan, and South Korea—once they have on-shored new capabilities, must also think of innovative solutions to incentivize buyers and support ship purchases.

¹⁸ Fontana, Grady T. "USNS Wally Schirra Completes Major Maintenance at South Korean Shipyard." U.S. Pacific Fleet, March 13, 2025.

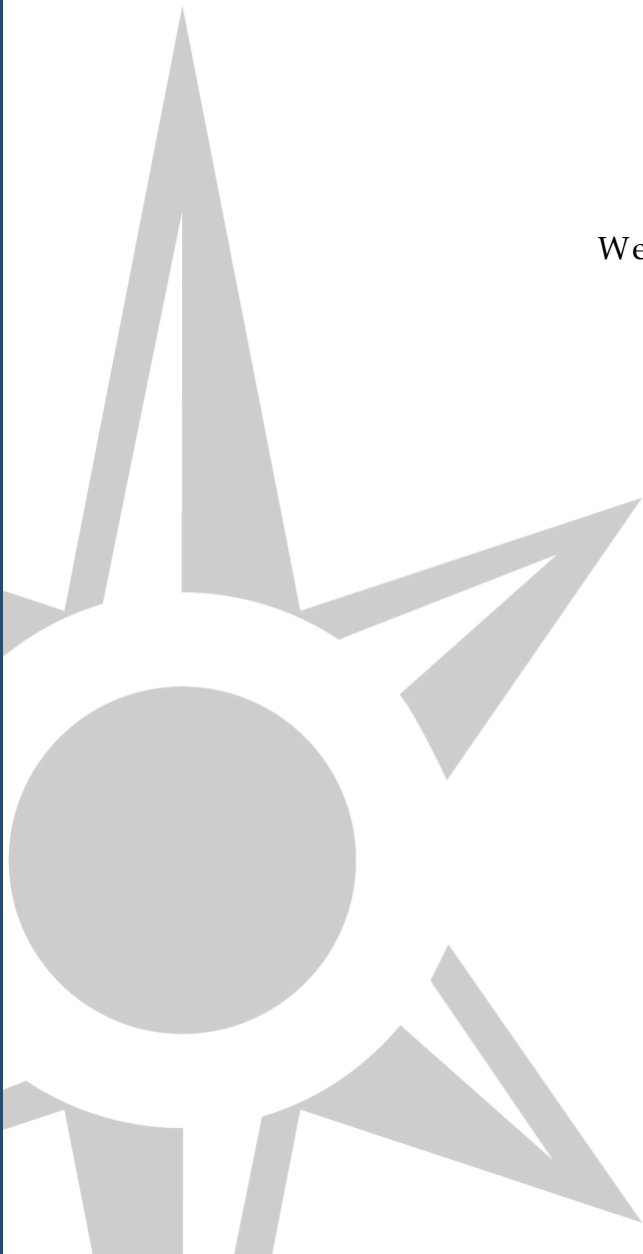
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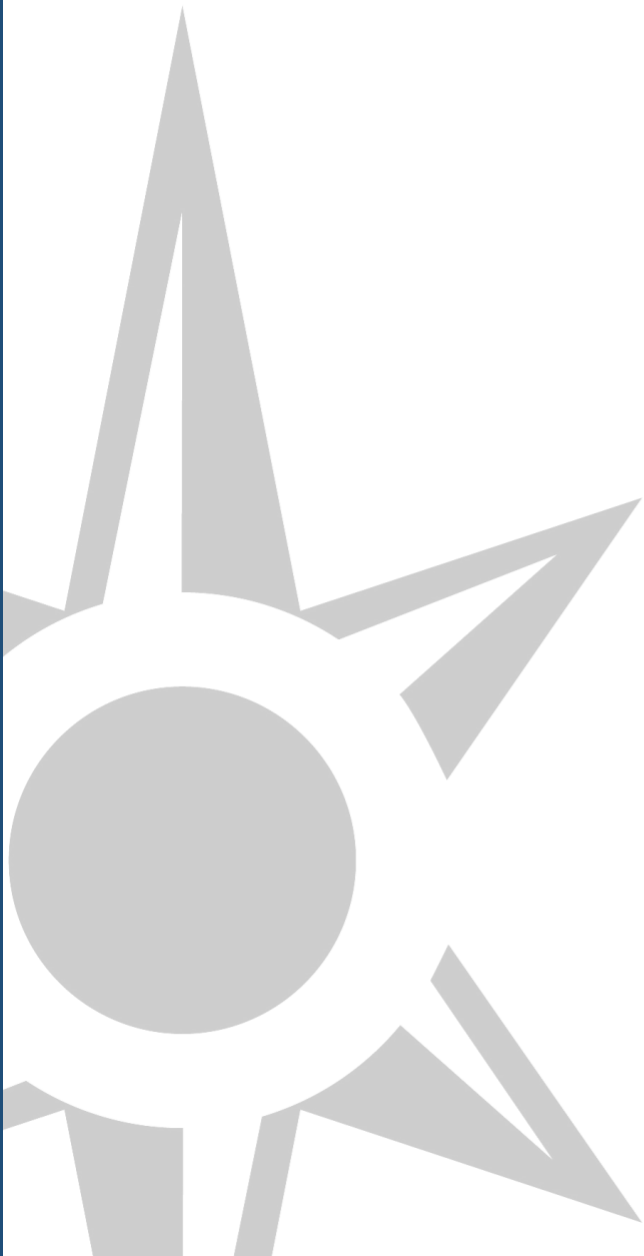
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Financial Diversification amid Weaponization: China, mBridge, and the Prospect of a Global Public Good

By
Wenjing Wang





Executive Summary

Wenjing Wang

The Bank for International Settlements (BIS) announced its withdrawal from the multi-central bank digital currency (CBDC) platform Project mBridge in late 2024, raising concerns about the future of this emerging fintech initiative amid intensifying geopolitical tensions. This paper examines the economic security implications of mBridge, focusing on China's strategic motivation to reduce reliance on the U.S. dollar (USD) and internationalize the Chinese renminbi (RMB) through mBridge.

The paper argues that despite concerns about mBridge, especially regarding sanction evasion, transparency, and the role China played, mBridge has the potential to serve as a global public good and yield significant benefit. It aligns with G20's roadmap for enhancing cross-border payments by offering a faster, safer, and more cost-effective alternative to traditional systems. With distributed ledger technology (DLT), mBridge can combat cross-border financial crime. By enabling settlement in local currencies, it contributes to currency diversification, enhancing the monetary sovereignty of member countries, which is increasingly important amid rising protectionism and weaponization of economic security.

Given that mBridge remains at the minimum viable product (MVP) stage, the paper recommends continued technical and regulatory collaboration among mBridge member countries and expanded testing and engagement from non-member countries. It emphasizes that mBridge should aim to offer an alternative, rather than directly countering US-led financial institutions. Despite the divergent paths on digital assets, the paper calls for China, the US, and others to avoid over-weaponizing financial institutions and instead pursue cooperative fintech governance to strengthen the stability of global financial institutions.

Introduction

On October 31, 2024, the Bank for International Settlements (BIS) announced its withdrawal from the multi-central bank digital currency (CBDC) platform Project mBridge,¹ raising concerns about the future of this emerging fintech initiative amid intensifying geopolitical tensions.

Situated at the intersection of finance, technology, and geopolitics, mBridge exemplifies an emerging category of issues at the core of economic security. Yet despite growing interest in economic security across policy communities, cross-border CBDC platforms like mBridge are rarely examined from that perspective.

Building on the earlier Project Inthanon-LionRock, launched in 2019, and incorporating lessons from other CBDC initiatives, mBridge aims to facilitate real-time, low-cost, and universally accessible cross-border trade payments and settlements in members' local currencies. The project reached the minimum viable product (MVP) stage in mid-2024. Despite the BIS's departure, it continues through collaboration among the Bank of Thailand, the Central Bank of the United Arab Emirates, the Digital Currency Institute of the People's Bank of China, the Hong Kong Monetary Authority, and the Saudi Central Bank, which joined in 2024.²

This paper analyzes the economic security implications of Project mBridge. The first section examines its global significance, followed by the analysis of China's role, associated challenges, and potential benefits. The paper concludes by arguing that mBridge has the potential to serve as a global public good that strengthens the international financial system by enabling low-cost and resilient access to cross-border payment infrastructure.

Beyond Swift

Traditionally, cross-border trade payments and settlements have relied on the financial messaging system, the Society for Worldwide Interbank Financial Telecommunication (Swift). Swift enables financial institutions worldwide to securely send and receive transaction messages, facilitating cross-border money transfers.³ However, with the advent of distributed ledger technology (DLT), CBDC platforms now have the potential to bypass Swift by enabling real-time settlements in local currencies directly between central banks.

Project mBridge was launched in response to the G20's 2020 roadmap to enhance cross-border payments, which aimed to promote a "faster, cheaper, more transparent and more inclusive cross-border payment service" through a three-stage process.⁴ The roadmap endorses mBridge as a potential global public good in facilitating international transactions. So far, despite the emergence of other cross-border CBDC initiatives, such as newly launched Project Agorá,⁵ mBridge remains the most advanced. Specifically, although Project Agorá is more inclusive in terms of participating countries, it is still in the design phase. In contrast, mBridge has already supported real-value transactions using DLT. However, geopolitical tensions, especially following the ongoing Russia-Ukraine War that began in 2022 and strained U.S.-China relations, have complicated mBridge's trajectory.

Shortly after the start of the Russia-Ukraine War, Swift announced its compliance with Western sanctions on Russian entities, cutting them off from the global messaging services.⁶ This disrupted Russia's interbank transactions and accelerated its pursuit of alternatives, including China's Cross-border Interbank Payment System (CIPS) and the proposed BRICS Bridge project, a new multi-CBDC platform introduced at the BRICS summit in 2024.⁷ On one hand, it raised Western concerns about the

¹ Reuters, "Bis to Leave China-Backed Central Bank Digital Currency Project," Reuters, October 31, 2024, <https://www.reuters.com/business/finance/bis-leave-cross-border-payments-platform-project-mbridge-2024-10-31/>.

² Bank for International Settlements, "Project mBridge Reached Minimum Viable Product Stage," The Bank for International Settlements, November 11, 2024, https://www.bis.org/about/bisih/topics/cbdc/mcbdc_bridge.htm.

³ Swift, "Discover Swift," Swift, accessed May 22, 2025, <https://www.swift.com/about-us/discover-swift>.

⁴ Financial Stability Board, "Enhancing Cross-Border Payments - Stage 1 Report to the G20," Financial Stability Board, April 9, 2020, <https://www.fsb.org/2020/04/enhancing-cross-border-payments-stage-1-report-to-the-g20/>.

⁵ Project Agorá is a partnership among France, Japan, Korea, Mexico, Switzerland, the United Kingdom, and the Federal Reserve Bank of New York. Bank for International Settlements, "Project Agorá- Frequently Asked Questions," Bank for International Settlements, accessed May 22, 2025, https://www.bis.org/innovation_hub/projects/agora_faq.pdf.

⁶ Swift, "An Update to Our Message for the Swift Community," Swift, March 20, 2022, <https://www.swift.com/news-events/news/message-swift-community>.

⁷ The Economist, "Putin's Plan to Dethrone the Dollar," The Economist, October 20, 2024, <https://www.economist.com/international/2024/10/20/putins-plan-to-dethrone-the-dollar>.

potential use of such platforms for sanction evasion. On the other, countries like China have drawn lessons from the Swift sanctions against Russia. From the Chinese perspective, leveraging the Swift system against Russia cast doubt on its neutrality, underscoring the importance of developing viable alternatives.⁸

Moreover, U.S. threats of secondary sanctions and rising bilateral tensions with China have raised concerns that Chinese financial institutions could be the next target. In this sense, Project mBridge carries strategic significance to China in terms of economic security. Consequently, but unsurprisingly, China seeks to reduce its dependence on the U.S. dollar (USD) and to internationalize its Chinese renminbi (RMB) through mBridge.⁹

China's mBridge Strategy and Its Global Benefits

Indeed, the goal of internationalizing RMB often appears to overshadow other objectives in discussions about mBridge. From the Chinese perspective, some scholars have examined the compatibility between mBridge and initiatives like the Belt and Road Initiative (BRI) and the Regional Comprehensive Economic Partnership (RCEP). For example, one article proposes including countries and regions along the BRI in mBridge and drafting relevant rules based on the international status of their currencies and their regulations on virtual currencies.¹⁰ In this case, mBridge could support not only major currencies (e.g., the Singapore Dollar and Thai Baht) but also non-major currencies (e.g., the Vietnamese Dong and Philippine Peso).¹¹ Similarly, another article illustrates ways to expand mBridge under the RCEP framework, including establishing standardized systems to improve the interoperability between CBDCs and increase China's global discourse power to attract more countries to join mBridge.¹² At first glance, these proposals appear Sino-centric as they tie the internationalization of RMB to Chinese-led frameworks to counter the U.S.-led global financial institutions. This approach risks fostering financial fragmentation rather than global collaboration.

However, further development and even the official launch of mBridge would yield significant global benefits, helping to offset current concerns. First, it aligns with G20's roadmap for enhancing cross-border payments, offering a faster, safer, and more cost-effective alternative to traditional systems. It can further facilitate international trade at a time of rising protectionism.

Second, fintech solutions like mBridge can help combat cross-border financial crime. The DLT enhances the transparency and immutability of such transactions, enabling participating countries to better trace transactions and combat illicit activities, thereby creating a more secure financial ecosystem. However, on the flip side, these benefits raise concerns about privacy and risks of cyberattacks. Nonetheless, these issues are not insurmountable. Continued development and international regulatory cooperation are needed.

Third, mBridge's support for settlement in local currencies contributes to currency diversification in the global financial system. Although China plays a leading role in mBridge, particularly after the BIS's withdrawal, the digital renminbi (e-CNY) is not the only currency involved in this project. It also facilitates transactions among other participants' CBDCs, such as the digital United Arab Emirates Dirham (e-AED) and the digital Thai Baht (e-THB). Moreover, because mBridge is designed as a decentralized system, it enables relatively fair international transactions and settlements without monopolization.¹³

The Case for Currency Diversification

Indeed, the ongoing trade war between the U.S. and China, along with the United States' unpredictable tariff policies toward the rest of the world, suggests the importance of currency diversification for non-U.S. powers.

The so-called "Mar-a-Lago Accord," aimed at depreciating the USD, has placed additional pressure on other currencies, such as the RMB and the

⁸ Xiaowei Huang, Li Du, and Yang Bian, "Exploring New Pathways for Cross-Border Payment Systems in the Context of Financial Sanctions: A Comparative Analysis of SWIFT and mBridge," *Asia-Pacific Economic Review* 5 (2024): 58–70, 59.

⁹ In this paper, RMB refers to China's currency in general, unless otherwise specified. e-CNY refers specifically to the digital version of the RMB."

¹⁰ Diyang Xie, "The Rule Construction of Cross - Border Application of e - CNY Under the Belt and Road Initiative," *International Economics and Trade Research* 40, no. 8 (2024): 102–16.

¹¹ Diyang Xie, "The Rule Construction of Cross - Border Application of e - CNY Under the Belt and Road Initiative," 110.

¹² Li, Ben, and Xiao Han. "The Feasibility and Approach of Expanding mBridge under RCEP." *Research on Financial Issues* 9 (2023): 77–86.

¹³ Yueqiang Zhao et al., "Multi-CBDC Arrangements(m-CBDC): Development Motivation, Operation Mechanism and Application Prospect," *Intertrade* 4 (2023): 81–88, 85.

Japanese yen.¹⁴ Unlike the trade war during the first Trump administration, the “reciprocal tariff” policies announced after “Liberation Day” on April 2, 2025, have shocked both stock and bond markets, casting doubt on the safety of U.S. assets.¹⁵ Although President Trump later announced pauses on most country-specific tariffs, the aforementioned financial sanctions against Russia and global market reactions to the U.S. reciprocal tariffs suggest that global financial institutions and markets are not immune to geopolitical forces.

Therefore, amid rising protectionism and the weaponization of economic security across the world, fintech solutions like mBridge are not only in China’s strategic interest, but may also help mid- and lower-power countries find alternatives to mitigate financial risk, enhance resilience to external shocks, and preserve monetary sovereignty in the long run.

Policy Recommendations

Since mBridge remains at the MVP stage, China, along with other member countries, should continue cooperating on technological and infrastructure development, as well as on establishing standards and regulations on privacy and anti-financial crimes. It should also conduct research on interoperability with other multi-CBDC platforms and actively seek common ground with major economies, as CBDCs and related platforms are likely to shape the future of the global financial system.

Within the current membership of mBridge, China should encourage more cross-border transactions and settlements to strengthen partnerships and send a positive signal to attract broader public and private sector participation.

Meanwhile, non-member countries seeking the stability of global financial institutions should actively and closely monitor the operation of mBridge. They can not only provide insights into its development through sandbox testing, but also help ensure its transparency.

In the short term, expanding mBridge under existing initiatives such as the BRI and RCEP will likely remain difficult due to technological challenges and concerns over settling in local currencies. While settlement in local currencies may appear more convenient, holding weak or volatile currencies is generally unfavorable. In this context, settling in e-CNY could be a more viable option—at least in the near term.

However, if mBridge is to evolve into a true global public good and aims to be decentralized, China and other members should provide technological support to prospective members that lack the capacity to develop their own CBDCs and work toward agreements on managing sovereign risk.

More importantly, the goal of mBridge should be to offer an alternative, rather than directly countering the U.S.-led financial institutions. Currently, mBridge raises concerns about opacity, sanction evasion, and threats to the dollar’s dominance amid the intensified geopolitical tensions between the U.S. and China. Additionally, the U.S. has taken a markedly different stance toward the CBDCs. The second Trump administration issued an executive order in January 2025, prohibiting CBDCs within the jurisdiction of the U.S. due to concerns over financial system stability, individual privacy, and national sovereignty.¹⁶

However, in the same Executive Order, the U.S. also affirmed its intent to strengthen leadership in fintech by promoting the development of digital assets driven by individuals and private-sector innovation. This indicates that there is at least some common ground for the U.S., China, and the rest of the world to collaborate on setting global standards and regulations for digital assets.

As both great powers and responsible global actors, both China and the U.S. should recognize the interconnected nature of the global market. It is not a zero-sum game. Over-weaponizing financial institutions may lead to financial crises that serve neither side’s strategic interests. Instead, prioritizing engagement and stability in the global financial

¹⁴ Stephen Miran, “A User’s Guide to Restructuring the Global Trading System,” Hudson Bay Capital, November 2024, https://www.hudsonbaycapital.com/documents/FG/hudsonbay/research/638199_A_Users_Guide_to_Restructuring_the_Global_Trading_System.pdf, 27-34.

¹⁵ Tom Westbrook and Dhara Ranasinghe, “Ten Trading Days That Shook Financial Markets | Reuters,” Reuters, April 11, 2025,

<https://www.reuters.com/markets/wealth/global-markets-tariffs-ticktock-pix-2025-04-11/>.

¹⁶ The White House, “Strengthening American Leadership in Digital Financial Technology,” The White House, January 23, 2025, <https://www.whitehouse.gov/presidential-actions/2025/01/strengthening-american-leadership-in-digital-financial-technology/>.

system is critical in an era of digital interdependence that demands cooperative governance.

Conclusion

Given its potential benefits, mBridge could serve as a global public good by promoting more efficient international transactions and settlements over the long run. Despite differing national approaches and perspectives, China, the U.S., and other countries should seek common ground to develop future standards and regulations for CBDC platforms, and even digital assets, to strengthen the stability of global financial institutions.

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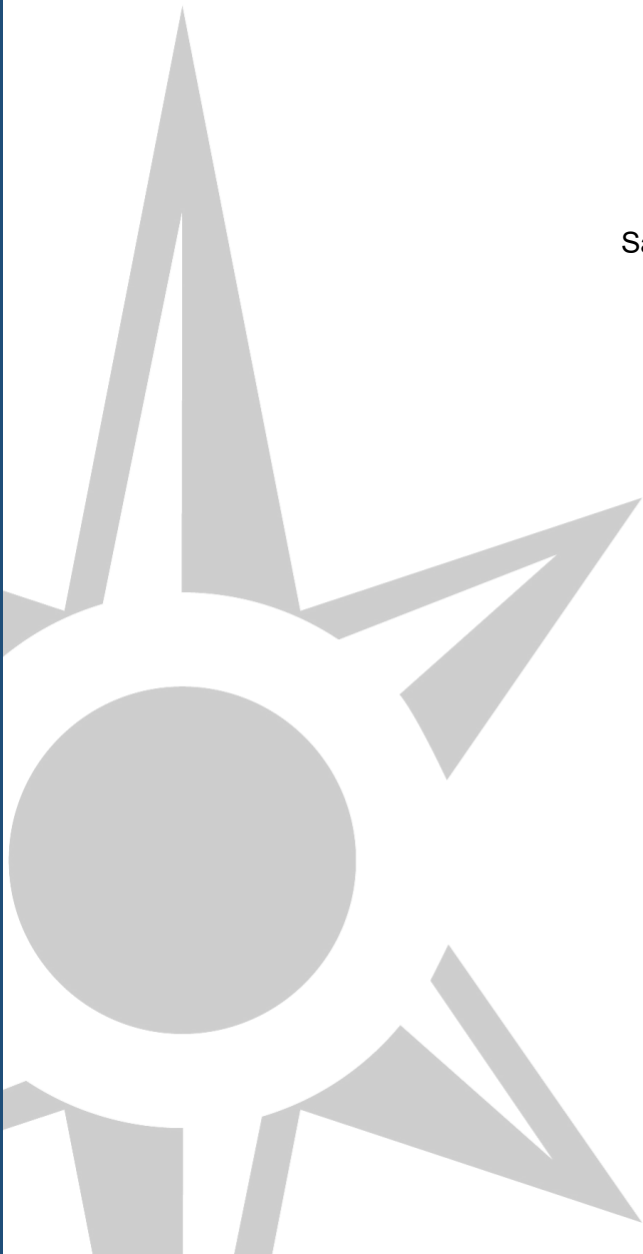
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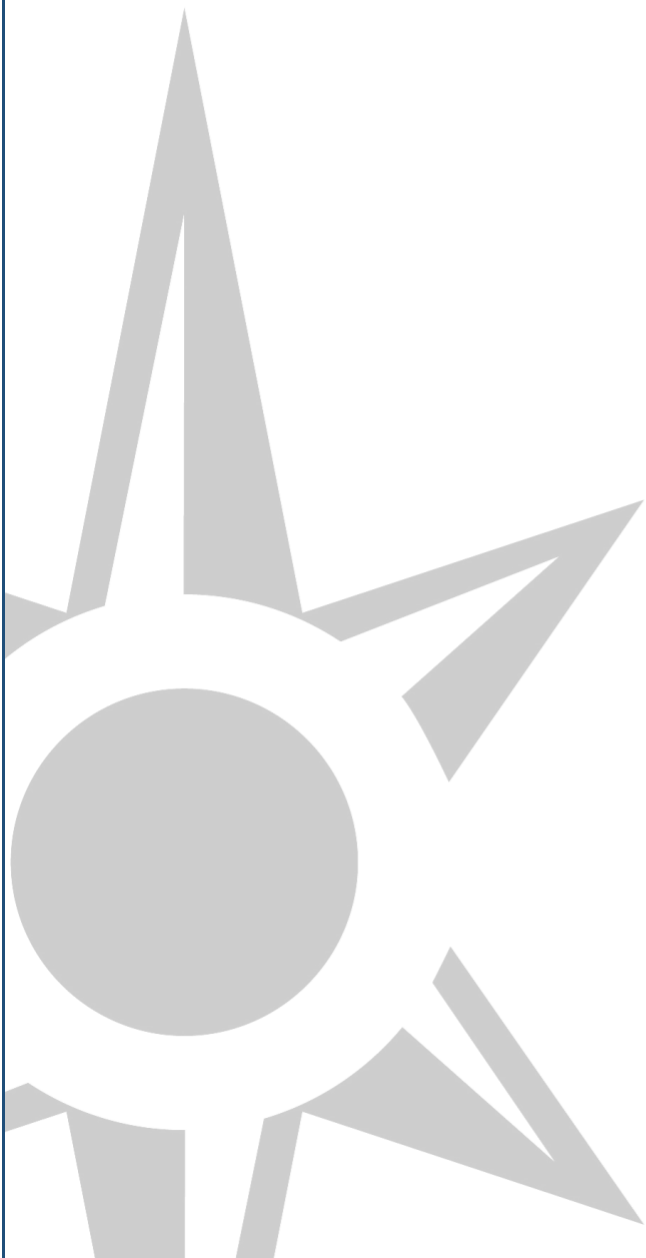
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Integrating Private Strategic Interests into National Economic Security: US-China Case Studies in Critical Industries

By
Sae Kobayashi





Executive Summary

Sae Kobayashi

This article argues that policymakers must integrate the strategic interests of private entities into national economic security policy to ensure both resilience and prosperity. Firstly, it highlights the widespread collaboration of US and Chinese companies, examining case studies of strategic partnerships in critical industries. The cases include Ford Motor Company's partnership with Contemporary Amperex Technology Co., Limited (CATL) for EV battery production, Amgen's collaboration with BeiGene and Moderna's collaboration with CARsgen to address the public health needs. Even the defense sector, despite its sensitivity, has seen procurement flows between the two countries. Unsurprisingly, some of these strategic collaborations have become entangled in geopolitical dynamics where both the US and China have implemented measures to reduce mutual dependence. For example, the US has introduced a series of restrictive regulatory and policy measures to address China's alleged state-led, non-market industrial policies and the associated risks. As the next step, the article identified legitimate interests of private entities to pursue such strategic cross-border collaboration: the uneven global distribution of resources, access to foreign markets, and regulatory compliance needs. Recognizing them, the article emphasizes the need for careful integration of private entities' strategic interests into national economic security policy amid growing national security concerns surrounding critical industries. After all, national security should align with respecting private entities' interests, as both orient to support the country's prosperity and stability. To achieve this, the article provides three policy recommendations: maintaining a foundational framework for cross-border collaboration; strengthening consultation between the public and private sectors in national security policymaking; and designing incentives that guide private entities away from overdependence. Last but not least, this is the case not only for the US and China, but for any country seeking technological advancement while safeguarding national security.

Introduction

In the context of deepening and increasingly complex economic integration, governments have intensified their focus on critical industries - those sectors vital to the functioning of society, where disruption would threaten national security, the economy, public health and social welfare. This, for example, includes energy, financial services, information technology, food and water industries. Recognizing the strategic importance of these industries and their increasing risk, policymakers are keen to implement various measures to safeguard them, such as supporting R&D, diversifying supply chains, and regulating trade and investment. China's successive export controls on critical minerals and the US's outbound investment restrictions on critical technologies are prime examples. Nonetheless, such policies inevitably constrain private entities' global activities and require a delicate balance.

This balance between national security and economic interests has sparked debate on the extent to which governments should intervene in private sector cross-border collaboration. Specifically in the context of US-China relations, numerous discussions have emerged, including the Council on Foreign Relations' open debate, "Should the U.S. Decouple from China?"¹ Several experts, such as Martin Wolf in the *Financial Times*, emphasize balanced approaches, suggesting "the wisest way to pursue industrial policies is to target the identified problem as precisely as possible while minimizing damaging side-effects on international co-operation."² Jeffery Kucik and Rajan Menon argued in *Foreign Policy* that decoupling has some benefits, such as reducing reliance on fragile supply chains, although full decoupling remains unrealistic.³ Loren Thompson commented in *Forbes*, "What US policymakers and producers need to do is find a middle ground between pulling out and stoking China's superpower pretensions,"⁴ referring specifically to the US-China

relations in the defense sector. In contrast, strong proponents of decoupling are found in the bipartisan backlash against US-China partnerships in critical sectors, led by figures like Marco Rubio and Glenn Youngkin.⁵ On China's side, President Xi's well-known push for self-sufficiency in key technologies is accelerating the country's own form of decoupling.⁶

Against this backdrop, this article argues that policymakers must integrate the strategic interests of private entities into national economic security policy to ensure both resilience and prosperity. It highlights case studies of strategic partnerships between US and Chinese companies in the automotive, pharmaceutical, and defense sectors—industries widely recognized as vital and thus strategic. This case analysis demonstrates the reality of widespread collaboration and the rationale behind it, emphasizing the need for such careful integration amid growing national security concerns surrounding critical industries. Ultimately, the foundation of national prosperity and societal well-being rests on the economic activity of private entities. In this light, national security should align with respecting private entities' interests, as both orient to support the country's prosperity and stability. Effective economic security policy, therefore, requires policymakers to engage with and reflect the strategic interests of private entities. Finally, it is the case not only for the US and China, but any country seeking technological advancement while safeguarding national security.

US-China Cross-Border Collaboration in Critical Industries

1. Automotive sector

The automotive sector is critical, as it accounts for a substantial share of GDP⁷ and is closely connected to emerging technologies and social infrastructure. Despite a restrictive commercial environment shaped by geopolitical tensions, the sector has seen active

¹ Derek Scissors, Isaac Stone Fish, Susan Shirk, and Benn Steil, "Should the U.S. Decouple from China?," *Open to Debate*, April 25, 2025, <https://opentodebate.org/debate/should-the-u-s-decouple-from-china/>.

² "How Not to Do Industrial Policy," *Financial Times*, June 18, 2024, <https://www.ft.com/content/a1a99a43-eca1-42ac-942b-30351daba248>.

³ "Can the United States Really Decouple From China?," *Foreign Policy*, January 11, 2022, <https://foreignpolicy.com/2022/01/11/us-china-economic-decoupling-trump-biden/>.

⁴ Loren Thompson, "RTX Chief Says Washington Needs To 'De-risk' With China. Biden Gets It, But Some Big Companies Don't," *Forbes*, July 10, 2023, <https://www.forbes.com/sites/lorenthompson/2023/07/10/rtx-head-greg-hayes-says-us-cant-decouple-from-china-but-can-de-risk-biden-gets-it-but-some-big-companies-dont/>.

⁵ Seaton Huang, "Ford-CATL Partnership Illustrates the Challenge of Decoupling EV Supply Chains," *Council on Foreign Relations (CFR) Blog*, March 7, 2023, <https://www.cfr.org/blog/ford-catl-partnership-illustrates-challenge-decoupling-ev-supply-chains>.

⁶ *South China Morning Post*, "Tech war: Chinese leader Xi Jinping called for tech self-sufficiency a decade ago, according to speech in new book," SCMP, June 24, 2023, <https://www.scmp.com/tech/policy/article/3222599/tech-war-chinese-leader-xi-jinping-called-tech-self-sufficiency-decade-ago-according-speech-new-book>.

⁷ Approximately 3 % in the US, and 4% in China.

collaboration between US and Chinese companies. In February 2023, Ford Motor Company and Contemporary Amperex Technology Co., Limited (CATL) signed a Global Strategic Cooperation in the form of a non-binding memorandum of understanding (MOU).⁸ Under this agreement, CATL's lithium iron phosphate (LPF) battery cell knowledge and services support Ford's expansion of electric vehicle (EV) manufacturing at new factories in Michigan.⁹ As of 2025, the Ford BlueOval Battery Park Michigan is under construction, with plans to license CATL technology for LPF battery production.¹⁰ Another example is the reported collaboration between Baidu and Tesla on autonomous vehicle (AV) operations in China.¹¹ Under Chinese regulations, companies must obtain a mapping service license to operate AVs. By integrating Baidu's mapping data with Tesla's Full Self-Driving (FSD) software, Tesla improved the performance of its advanced driver-assistance systems (ADAS) in the Chinese market.¹² A March 2025 article reported their deepening partnership as a strategy to boost sales in China, one of the world's largest AV markets.¹³

2. Pharmaceutical sector

Another critical sector that has frequently seen US-China strategic collaboration is the pharmaceutical industry, which contributes significantly to GDP and directly impacts public health and lives. In October 2019, Amgen, a US biotechnology company with annual revenue of \$30 billion,¹⁴ and BeiGene, a Chinese oncology-focused biotechnology company

with \$4 billion,¹⁵ agreed to a strategic collaboration.¹⁶ Amgen acquired a 20.5 percent stake in BeiGene, which would commercialize three Amgen drugs in China and contribute to Amgen's experimental oncology programs. Amgen and BeiGene will share profits of three Amgen drugs for at least five years, and one of them will be retained by BeiGene in exchange for royalties on sales in China.¹⁷ Both companies emphasized the importance of addressing urgent public health needs in China through this partnership.¹⁸ Another example is the 2023 collaboration agreement between Moderna and China's CARsgen Therapeutics. This partnership aims to develop a combination therapy targeting tumors using CAR T-cell therapy developed by CARsgen and an mRNA cancer vaccine by Moderna.¹⁹ Making the best use of respective expertise, the success of this preclinical trial would demonstrate the positive advancement on tackling challenging cancer types.

3. Defense sector

Finally, despite a diminishing trend driven by geopolitical tensions, ongoing procurement activities between the US and China in the defense sector warrant attention. Raytheon Technologies Co. (RTX), a major US defense contractor, supplies smart weapons, missiles, advanced sensors, and radars to US government agencies, including the US

⁸ Contemporary Amperex Technology Co., Ltd., "CATL and Ford announce Global Strategic Cooperation to promote EVs worldwide," CATL (news release), July 21, 2022, <https://www.catl.com/en/news/968.html>.

⁹ Ford Motor Company, "Ford Taps Michigan for New LFP Battery Plant; New Battery Chemistry Offers Customers Value, Durability, Fast Charging, Creates 2,500 More New American Jobs," *Ford Newsroom*, February 13, 2023, <https://media.ford.com/content/fordmedia/fna/us/en/news/2023/02/13/ford-taps-michigan-for-new-lfp-battery-plant-new-battery-chemis.html>.

¹⁰ Peter Johnson, "Ford Stands by Controversial LFP Battery Plant to Cut EV Costs," *Electrek*, June 25, 2025, <https://electrek.co/2025/06/25/ford-stands-by-controversial-lfp-battery-plant-to-cut-ev-costs/>.

Ford is building a battery plant in Marshall, Michigan, and plans to license CATL technology to produce low-cost lithium-ion batteries at the facility.

¹¹ "Baidu, Tesla Agree on Mapping Deal for FSD in China, Sources Say," *Reuters*, April 29, 2024, <https://www.reuters.com/technology/baidu-tesla-agree-mapping-deal-fsd-china-sources-say-2024-04-29/>.

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¹⁵ *Forbes*, "Beigene," *Forbes Company Profile* (date n.d.),

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¹⁶ Amgen Inc., "Amgen Enters into Strategic Collaboration with BeiGene to Expand Oncology Presence in China," press release, October 2019, <https://www.amgen.com/newsroom/press-releases/2019/10/amgen-enters-into-strategic-collaboration-with-beigene-to-expand-oncology-presence-in-china>.

¹⁷ Drew Armstrong and Dong Lyu, "Amgen to Take \$2.7 Billion Stake in BeiGene for China Growth," *Bloomberg News*, October 31, 2019, <https://www.bloomberg.com/news/articles/2019-10-31/amgen-to-take-2-7-billion-stake-in-beigene-for-china-expansion>.

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¹⁸ Amgen Inc., "Amgen Enters into Strategic Collaboration with BeiGene to Expand Oncology Presence in China," press release, October 31, 2019, *Amgen Newsroom*, <https://www.amgen.com/newsroom/press-releases/2019/10/amgen-enters-into-strategic-collaboration-with-beigene-to-expand-oncology-presence-in-china>.

¹⁹ BioSpace, "Moderna, CARsgen Join Forces: Combining mRNA Cancer Vaccine with CAR-T," *BioSpace*, date n.d., <https://www.biospace.com/moderna-carsgen-join-forces-combining-mrna-cancer-vaccine-with-car-t>.

Department of Defense.²⁰ Simultaneously, Raytheon is known to source certain product components from Chinese suppliers. One analysis shows that 95 percent of commodities related to aircraft and spacecraft parts come from Chinese sources, including all tubes, pipes, hoses and fittings.²¹ Simultaneously, a 2019 study found that 20 percent of Chinese defense industry imports originated from the US.²² However, the current state of procurement in China's defense sector remains unclear, and according to Stockholm International Peace Research Institute, China's arms imports have drastically decreased and China is not among the top 10 arms importers for the first time since the 1990-1994 study.²³

National Security Measures and Their Impact on Private Entities

Unsurprisingly, some of these strategic collaborations have become entangled in geopolitical dynamics where both the US and China have implemented measures to reduce mutual dependence. In particular, the US has introduced a series of restrictive regulatory and policy measures to address China's alleged state-led, non-market industrial policies and the associated risks. This section offers insight into this perspective underlying the aforementioned cases.

In the automotive sector, Ford and CATL drew concerns among several US lawmakers about Ford's future reliance on Chinese technology, materials, and employees.²⁴ In January 2025, the US Department of Defense designated CATL as a "Chinese military company," citing its alleged ties to China's military,²⁵ which caused additional counter discourse against the ongoing partnership between Ford and CATL. In response, Ford temporarily paused construction of the Ford BlueOval Battery Park Michigan in September 2023.²⁶ This collaboration also encounters challenges related to tax credits, as vehicles containing battery materials from China and other countries concerned are highly likely to be ineligible for the full tax credit under the 2022 Inflation Reduction Act starting in 2024.²⁷ From China's side, more generally, the automotive sector, especially the EV manufacturing supply chain, is subject to pressure due to export restrictions on specific medium and heavy rare earth materials implemented in April 2025.²⁸

The pharmaceutical sector faces uncertainty due to the proposed US Biosecure Act, introduced by a bipartisan group in December 2023 and passed by the House of Representatives in September 2024. The Act prohibits companies receiving US government funding from working with five designated Chinese "companies of concern," aiming to address risks such as supply chain vulnerabilities, data transfer, and surveillance.²⁹ While the two cases above are not

²⁰ RTX Corporation, "RTX's Raytheon Receives Follow-on Contract from U.S. Army for Advanced Defense Analysis Solution," *RTX News Center*, March 24, 2025, <https://www.rtx.com/news/news-center/2025/03/24/rtxs-raytheon-receives-follow-on-contract-from-u-s-army-for-advanced-defense-analysis-solution>

²¹ Vladi Nikolov, "Raytheon Supply Chain Analysis: How Dependent Is Top U.S. Government Contractor on Chinese Suppliers," *TenderAlpha Blog*, November 28, 2023, <https://www.tenderalpha.com/blog/post/fundamental-analysis/raytheon-supply-chain-analysis-how-dependent-is-top-us-government-contractor-on-chinese-suppliers>

²² Courtney Weinbaum, Caolionn O'Connell, Steven W. Popper, M. Scott Bond, Hannah Jane Byrne, Christian Curriden, Gregory Weider Fauerbach, Sale Lilly, Jared Mondschein, and Jon Schmid, *Assessing Systemic Strengths and Vulnerabilities of China's Defense Industrial Base*, RAND Research Brief RB-A930-1 (Santa Monica, CA: RAND Corporation, 2022), https://www.rand.org/pubs/research_briefs/RBA930-1.html.
https://www.rand.org/pubs/research_briefs/RBA930-1.html#:~:text=Top%20Weapon%20System%20Imports%20to,this%20decrease%20as%20a%20trend.&text=Unit%20of%20measurement%20is%20TIV,including%20aerospace%20and%20nuclear%20applications

²³ Dr. Mathew George, Katarina Djokic, Zain Hussain, Pieter D. Wezeman, and Siemon T. Wezeman, *Trends in International Arms Transfers, 2024*, Fact Sheet (Stockholm: Stockholm International Peace Research Institute, March 2025), 9, <https://www.sipri.org/publications/2025/sipri-fact-sheets/trends-international-arms-transfers-2024>

China's reliance on the US in the defense industry may be limited, as various private entities follow the US government's export control policies.

²⁴ U.S. House Select Committee on the CCP, *Letter to Ford Motor Company Regarding Its Partnership in Chinese Battery Technology*, letter, July 2023, <https://selectcommitteeontheccp.house.gov/media/letters/letter-ford-chinese-battery-partnership>

²⁵ U.S. Department of Defense, "DoD Releases List of Chinese Military Companies in Accordance with Section 1260," news release, January 6, 2025, <https://www.defense.gov/News/Releases/Release/Article/4023145/dod-releases-list-of-chinese-military-companies-in-accordance-with-section-1260/>. CATL officially publishes a statement: "CATL has never engaged in any military-related business or activities."

²⁶ David Shepardson, "US Adds Tencent, CATL to List of Chinese Firms Allegedly Aiding Beijing's Military," *Reuters*, January 6, 2025, <https://www.reuters.com/business/autos-transportation/ford-pauses-work-35-billion-battery-plant-michigan-2023-09-25/>

²⁷ Tom Krisher and Matthew Daly, "US Loosens Some Electric Vehicle Battery Rules, Potentially Making More EVs Eligible for Tax Credits," *Associated Press*, May 3, 2024, <https://apnews.com/article/electric-vehicle-tax-credit-treasury-government-bcbbc0fd7eac8b970d419260c8ed577b>

²⁸ Ministry of Commerce of the People's Republic of China, *Announcement on Investment Measures and Guidance Policies* ("投资措施和指导政策公告"), January 2025, https://english.mofcom.gov.cn/Policies/AnnouncementsOrders/art/2025/art_0dd87cbee7b045bf93fab6ab2faceee.html

²⁹ Sabine Nauges and Llewelyn M. Engel, "BIOSECURE Act: US to Target Chinese Biotechnology Companies," *Lexology* (McDermott Will & Emery blog), September 26, 2024, <https://www.lexology.com/library/detail.aspx?g=6dffa12e5-4949-46c6-8c90-7728f56bc2eb>

directly affected by the Act, the evolving regulatory environment may present challenges.

The defense sector also finds growing constraints, as both the US and Chinese governments have demonstrated increased sensitivity towards cross-border defense-related business. In April 2023, China imposed export and import bans on Raytheon and Lockheed Martin, citing the need “to prevent Chinese products from being used in Taiwan’s military business.”³⁰ In January 2025, the US imposed an export ban of dual-use products from 28 US defense contractors.³¹ On the US side, the State Department identified 750 violations of the Arms Export Control Act by RTX, including unauthorized data and product exchange with China, and resolved them through an administrative settlement in August 2024.³²

Drawing from these observations, there is a gradation in the level of government intervention, corresponding to the perceived national security risks of each sector. This differentiation appears reasonable, as it reflects the varying levels of sensitivity and exposure among the industries. Of the three, the defense sector faces the greatest constraints, being the most sensitive and directly tied to national security. In contrast, the pharmaceutical sector is subject to relatively lighter regulation and both the US and China continue to allow room for collaboration in practical research and development.

Strategic Rationales Behind Cross-Border Collaboration

The development of these partnerships, despite the regulatory and geopolitical constraints, has several compelling reasons.

First, the uneven global distribution of resources, especially rare earth elements, forces private entities to operate internationally. The critical need in the defense sector is a typical example: 18 out of 37 defense-related critical minerals are concentrated in China.³³

Access to foreign markets is another significant driver. These include production markets, which offer affordable and skilled labor, and consumption markets where demand is large and growing. Technological and research excellence is increasingly distributed across a range of countries, including the US and China. One study shows that China has recently narrowed the gap with the US in contributions to the top one percent of high-impact global scientific publications, demonstrating the need for cross-border collaboration.³⁴ This dynamic is seen in the defense and pharmaceutical sectors, where the US companies often struggle to find qualified alternative suppliers. On the consumer side, the incentive is particularly strong in US-China collaboration, given that these are the two largest commercial markets globally. China and the US rank as the top two markets in automobile sale, significantly outpacing Japan as the third, and the pharmaceutical market size follows the same pattern.³⁵

Lastly, regulatory compliance also serves as a major incentive for partnership. US companies, including Tesla, are exploring building relationships with Baidu to navigate China’s restrictions on cross-border data transfers.³⁶ Conversely, Ford’s partnership with CATL enables the Chinese firm to enter the US market in compliance with the CHIPS Act. In this context, Seaton Huang, a research associate at the Council on Foreign Relations, commented, “it is not surprising that US automakers

Jonathan Gardner, “House Backs Bill Restricting China Role in U.S. Biotech,” *BioPharma Dive*, September 10, 2024, <https://www.biopharmadive.com/news/biosecure-pass-house-vote-wuxi-china-biotech/726566/>.

³⁰ David B. Larter, “China Reveals New Details of Raytheon, Lockheed Sanctions,” *Defense News*, April 18, 2023, <https://www.defensenews.com/industry/2023/04/18/china-reveals-new-details-of-raytheon-lockheed-sanctions/>.

David Shephardson, “Raytheon, Lockheed Executives Banned From China,” *Reuters*, April 18, 2023, <https://www.reuters.com/business/raytheon-lockheed-executives-banned-china-2023-04-18/>.

³¹ Gerry Mullany, “China Slaps Dual-Use Export Ban on 28 U.S. Defense Contractors,” *South China Morning Post*, April 2024, <https://www.scmp.com/news/china/military/article/3293156/china-slaps-dual-use-export-ban-28-us-defence-contractors>.

³² U.S. Department of State, “U.S. Department of State Concludes \$200 Million Settlement Resolving Export Violations by RTX Corporation,” press release, April 2025,

<https://2021-2025.state.gov/u-s-department-of-state-concludes-200-million-settlement-resolving-export-violations-by-rtx-corporation/>

³³ Weinbaum et al., *Assessing Systemic Strengths*.

³⁴ Niccolò Pisani, Hanjo D. Boekhout, Eelke M. Heemskerk, and Frank W. Takes, “China’s Rise as Global Scientific Powerhouse: A Trajectory of International Collaboration and Specialization in High-Impact Research,” *SSRN Electronic Journal*, November 7, 2024.

³⁵ F&I Tools (FactoryWarrantyList.com), “Car Sales by Country: Global Car Sales Results,” accessed July 13, 2025,

<https://www.factorywarrantylist.com/car-sales-by-country.html>.

World Population Review, “Pharmaceutical Market Size by Country 2025,” accessed July 13, 2025,

<https://worldpopulationreview.com/country-rankings/pharmaceutical-market-size-by-country>.

³⁶ Cissy Zhou, “Baidu Builds up Ties with Apple and Tesla in Diversification Drive,” *Nikkei Asia*, May 2024,

<https://asia.nikkei.com/Business/China-tech/Baidu-builds-up-ties-with-Apple-and-Tesla-in-diversification-drive>.

would feel compelled to partner with Chinese manufacturers.”³⁷ As regulatory pressure increases, these types of strategic collaboration would increase.

Policy Recommendations

Through these case studies and analysis, this article proposes three policy recommendations to better integrate the strategic interests of private entities into national economic security policy.

First, maintaining a foundational framework for cross-border collaboration is important regardless of geopolitical tensions. Such frameworks benefit both private entities seeking strategic collaboration and governments aiming to monitor and guide these activities. A notable example is the renewal of the amended US-China Science and Technology Agreement, which proceeded despite two deadline extensions and an initial expiration, reflecting the US and China’s shared recognition of the value of such a framework.

Second, governments should strengthen consultation between the public and private sectors in national security policymaking. Ultimately, mutual understanding is key to shaping balanced and effective policies. The risks are real. In 2022, for example, factory lockdowns in China abruptly halted GE Healthcare’s production of iodinated contrast media, a substance used to enhance CT scans, without which many diagnostic images would be significantly limited. This exposed the vulnerabilities resulting from excessive reliance on global supply chains in critical sectors.³⁸ At the same time, global business activities remain indispensable and advantageous. As Raytheon Chairman and CEO Greg Hayes remarked, “It isn’t feasible for US manufacturers to fully decouple from China.”³⁹ The only way to balance these considerations is to strengthen effective consultation between the private sector and the government. Yet such consultation in national security and economic security policymaking remains underdeveloped in many countries, despite broad recognition of its importance,

as acknowledged in the 2022 G7 Interior and Security Ministers’ Statement.⁴⁰

Third, the government can play a role in designing incentives that guide private entities away from overdependence. For example, by revisiting underlying regulations that may hinder foreign market entry, governments can reduce unnecessary collaboration by private entities while preserving voluntary, beneficial partnerships.

Conclusion

As global interdependence deepens, governments are increasingly compelled to address the risks associated with the expanding and dynamic activities of private entities. Nevertheless, the case studies and analysis in this article highlight the realities and legitimate interests that drive private entities to strategically pursue cross-border collaboration.

In light of these developments, this article argues that policymakers must integrate the strategic interests of private entities into national economic security policy to ensure both resilience and prosperity. Potential policies to realize this include maintaining a foundational framework for cross-border collaboration, promoting consultation between the public and private sectors in national security policymaking, and designing incentives that guide private entities away from overdependence.

As such, cooperation continues between the US and China, the need for thoughtful and strategic economic security policy becomes relevant not only for these two powers but also for other countries seeking technological advancement as well as protection of national security. Policymakers, particularly in countries developing new economic security measures, should actively incorporate the strategic interests of private sector actors into lawmaking and regulatory processes. This shapes both national and global resilience, as well as prosperity.

³⁷ Seaton Huang, “Ford-CATL Partnership Illustrates Challenge of Decoupling EV Supply Chains,” *Council on Foreign Relations (Renewing America/Cyber & Technology)*, March 7, 2023, <https://www.cfr.org/blog/ford-catl-partnership-illustrates-challenge-decoupling-ev-supply-chains>.

³⁸ S. A. Amukotuwa and R. Bammer, “The Iodinated Contrast Crisis of 2022: A Near Miss or a Missed Opportunity?,” *American Journal of Neuroradiology* 44, no. 5 (August 2023): 908–909,

<https://pmc.ncbi.nlm.nih.gov/articles/PMC10411830/>.

³⁹ Loren Thompson, “RTX Head Greg Hayes Says US Can’t Decouple from China but Can De-risk; Biden Gets It but Some Big Companies Don’t,” *Forbes*, July 10, 2023, <https://www.forbes.com/sites/lorenthompson/2023/07/10/rtx-head-greg-hayes-says-us-cant-decouple-from-china-but-can-de-risk-biden-gets-it-but-some-big-companies-dont/>

⁴⁰ G7 Interior and Security Ministers’ Statement, Nov 18 2022, para.27

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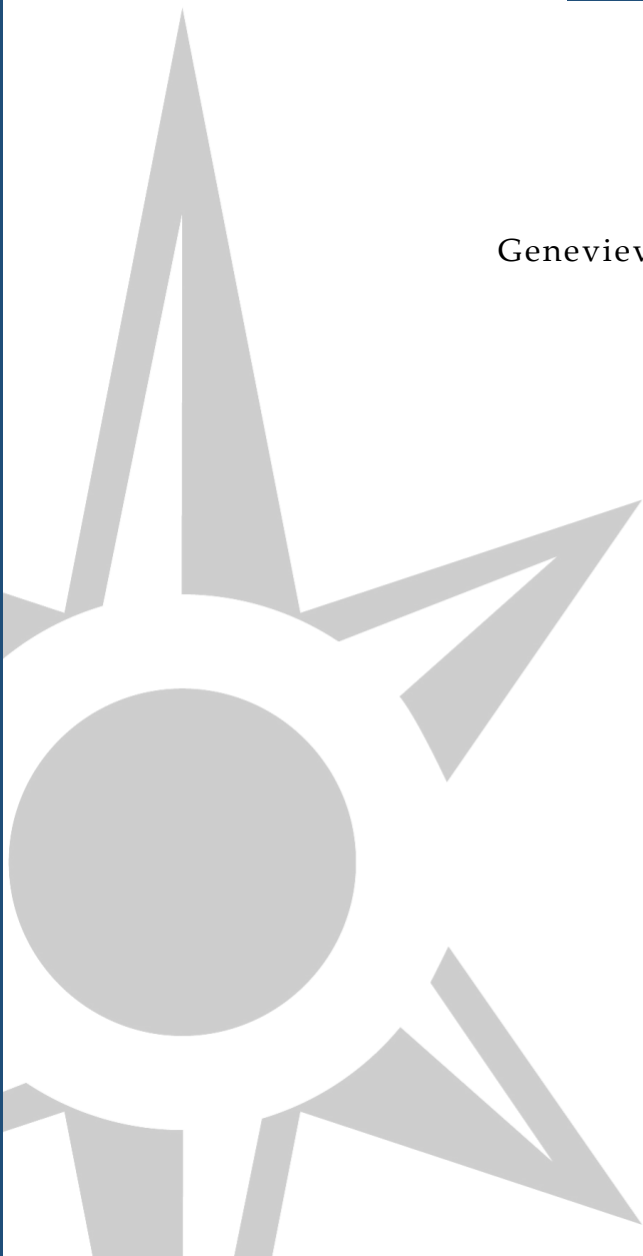
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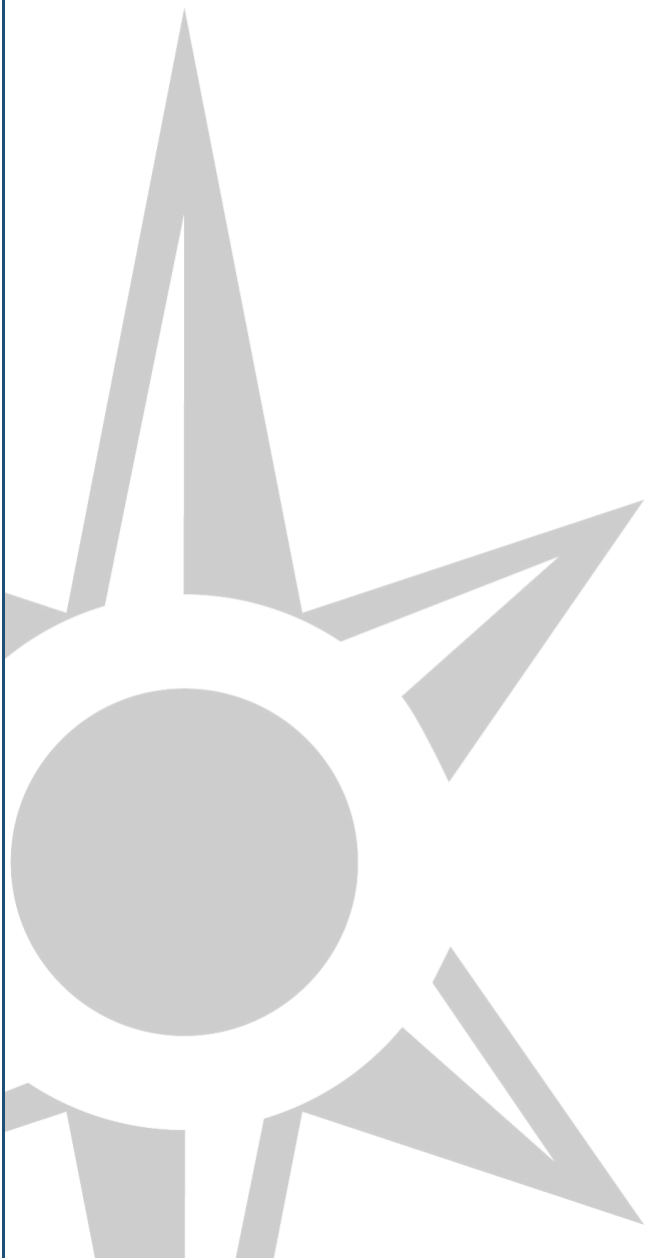
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Australia's Climate Engagement with the Pacific Islands: Aligning Policy with Regional Needs

By
Genevieve Donnellon-May





Executive Summary

Genevieve Donnellon-May

Pacific Island Countries (PICs) face severe climate risks despite contributing almost nothing to global emissions. Rising sea levels, stronger cyclones, and environmental degradation threaten livelihoods, sovereignty, and cultural identity. Recognising this, the Pacific Islands Forum declared climate change the “single greatest threat” to regional security in the 2018 *Boe Declaration*, reinforced by the *Framework for Resilient Development in the Pacific* and the *2050 Strategy for the Blue Pacific Continent*.

Australia, as the Pacific’s largest developed neighbour, pledged deeper engagement through the 2016 “step-change” and the 2018 promise of a “new chapter” in Pacific relations. Yet contradictions—such as continued fossil fuel exports and limited adaptation funding—undermine trust and weaken Australia’s climate credibility.

This paper examines Australia’s climate engagement through two case studies that highlight contrasting vulnerabilities and strategies. Tuvalu, threatened by slow-onset sea level rise, balances cultural preservation with legal efforts to protect maritime sovereignty. The 2024 Coastal Adaptation Plan and the Falepili Union with Australia (allowing migration for up to 280 Tuvaluans annually) illustrate adaptation and mobility responses, though the agreement’s security provisions have raised sovereignty concerns. Vanuatu, highly exposed to disasters like Cyclone Pam and a 2024 earthquake, pairs vulnerability with leadership—most notably through its successful 2023 UN resolution seeking an International Court of Justice advisory opinion on states’ climate obligations.

Australia’s recent strategy includes climate finance, infrastructure, labour mobility, and migration diplomacy, backed by an estimated AU\$705.6 million budget for 2025–26. Notable initiatives include AU\$350 million for climate-resilient infrastructure through the Australia Infrastructure Financing Facility for the Pacific, AU\$30 million for the Climate and Oceans Support Program, and AU\$9.5 million for the Pacific Insurance and Climate Adaptation Program. Economic engagement through the Pacific Labour Mobility Scheme has generated over AU\$526 million in wages, strengthening household resilience.

Yet tensions remain. Australia is the world’s second-largest coal exporter, with fossil fuel subsidies (AU\$11.1 billion in 2024) far exceeding its AU\$50 million pledge to the Loss and Damage Fund. Its 43% emissions target by 2030 is widely seen as insufficient for the Paris 1.5°C goal. Political sensitivities also persist; some Pacific leaders fear blending development and security could undermine sovereignty.

To rebuild credibility and foster durable partnerships, Australia should:

1. **Scale and restructure adaptation finance** – commit at least AU\$400 million annually by 2030 (50% for adaptation), create a **Pacific Adaptation Fund** within DFAT, and partner with Japan, the EU, and development banks to mobilise private investment.
2. **Embed Pacific agency** – co-design initiatives with Pacific governments and communities, create joint climate taskforces, and support Pacific-led legal and diplomatic efforts without overshadowing local leadership.

By aligning climate action with Pacific priorities, Australia can move from donor to trusted partner—helping secure a resilient and sovereign future for the Blue Pacific.

Introduction

Pacific Island Countries (PICs) face some of the world's most severe climate risks despite contributing almost nothing to global emissions. Rising sea levels, stronger cyclones, and environmental degradation threaten livelihoods, sovereignty, and cultural identity. Recognizing this, the Pacific Islands Forum declared climate change the "single greatest threat" to regional security in the 2018 *Boe Declaration*¹, reinforced by the *Framework for Resilient Development in the Pacific* and the 2050 *Strategy for the Blue Pacific Continent*.²

Australia, as the Pacific's largest developed neighbour, pledged deeper engagement through the 2016 "step-change"³ and the 2018 commitment to a "new chapter"⁴ in relations. Yet contradictions—such as ongoing fossil fuel exports—undermine trust. This paper argues that Australia's future role in the Pacific depends on its ability to transition from rhetorical engagement to a genuine partnership model, grounded in scaled adaptation finance and Pacific-led governance.

It makes this case through the contrasting experiences of Tuvalu and Vanuatu, two countries facing different forms of climate vulnerability, but united in their calls for autonomy, justice, and locally defined solutions.

¹ United Nations Development Program and Pacific Islands Forum Secretariat, *Pacific Climate Security Assessment Guide* (Suva, Fiji: UNDP and PIFS, 2023), 8, <https://forumsec.org/sites/default/files/2023-12/Pacific-Climate-Security-Assessment-Guide.pdf>; Pacific Islands Forum Secretariat, *Forty-Ninth Pacific Islands Forum: Forum Communiqué*, Yaren, Nauru, Sept. 3–6, 2018, PIFS(18)10, 3, <https://www.un.org/humansecurity/wp-content/uploads/2018/09/49th-Pacific-Islands-Forum-Communiqué.pdf>.

² For further reference, please refer to Pacific Islands Forum Secretariat, *2050 Strategy for the Blue Pacific Continent* (Suva, Fiji: Pacific Islands Forum Secretariat, 2022), <https://forumsec.org/2050>.

³ Australian Department of Foreign Affairs and Trade, "Stepping Up Australia's Engagement with Our Pacific Family," Sept. 2019, 1, <https://www.dfat.gov.au/sites/default/files/stepping-up-australias-engagement-with-our-pacific-family.pdf>.

⁴ Australian Department of Foreign Affairs and Trade, "Stepping Up Australia's Engagement with Our Pacific Family," Sept. 2019, 1, <https://www.dfat.gov.au/sites/default/files/stepping-up-australias-engagement-with-our-pacific-family.pdf>; see also Peter Layton, "Fixing Australia's Failing Pacific Step-Up Strategy," *The Interpreter*, Apr. 26, 2022, <https://www.lowyinstitute.org/the-interpreter/fixing-australia-s-failing-pacific-step-strategy>.

The Pacific Step-Up has also been featured prominently in national strategy documents. See, for example, Australian Department of Foreign Affairs and Trade, *2017 Foreign Policy White Paper*, Chapter 7: "A Shared Agenda for Security and Prosperity – Stepping Up Our Engagement in the Pacific," 104, <https://www.dfat.gov.au/sites/default/files/minisite/static/4ca0813c-585e->

I. Climate Security in the Pacific and Case Selection Rationale

The Pacific is among the world's most climate-exposed regions, with sea levels rising by 3.7–5 mm annually—about 1.5 times the global average⁵—putting low-lying atoll nations at risk of becoming uninhabitable by 2100.⁶ The region's dependence on fisheries, tourism, and agriculture deepens vulnerability. United Nations Environment Program estimates adaptation costs for developing countries could reach US\$140–300 billion by 2030 and up to US\$500 billion by 2050;⁷ for the Pacific, needs may rise from US\$447 million to US\$775 million annually.⁸

Tuvalu and Vanuatu highlight different challenges: Tuvalu's slow-onset sea level threat contrasts with Vanuatu's disaster-driven diplomacy—showing why Australia's engagement must be tailored and context-specific.

II. Tuvalu and Vanuatu: Contrasting Climate Vulnerabilities and Strategies

Tuvalu: Existential Risk and Migration Diplomacy

Home to just over 11,000 people on nine low-lying atolls, Tuvalu has seen sea levels rise by about 15 cm since the early 1990s.⁹ This slow-onset threat has led to saltwater intrusion¹⁰ freshwater contamination,

[4fe1-86eb-de665e65001a/fpwhitepaper/pdf/2017-foreign-policy-white-paper.pdf](https://www.unep.org/resources/adaptation-gap-report-2021).

⁵ World Meteorological Organization, "Climate Change Transforms Pacific Islands," news release, Aug. 27, 2024, <https://wmo.int/news/media-centre/climate-change-transforms-pacific-islands>.

⁶ Michael Oppenheimer et al., "Sea Level Rise and Implications for Low-Lying Islands, Coasts and Communities," in *IPCC Special Report on the Ocean and Cryosphere in a Changing Climate*, ed. H.-O. Pörtner et al. (Cambridge: Cambridge University Press, 2019), 321–445, <https://www.ipcc.ch/srocc/chapter/chapter-4-sea-level-rise-and-implications-for-low-lying-islands-coasts-and-communities/>; see also NASA Earth Observatory, "Preparing for Rising Seas in the Maldives," accessed June 30, 2025, <https://earthobservatory.nasa.gov/images/148158/preparing-for-rising-seas-in-the-maldives>.

⁷ United Nations Environment Programme, *Adaptation Gap Report 2021* (Nairobi: UNEP, Nov. 1, 2021), <https://www.unep.org/resources/adaptation-gap-report-2021>.

⁸ Asian Development Bank, "Major Report Details Potential Costs of Climate Change in the Pacific," news release, Nov. 26, 2013, <https://www.adb.org/news/major-report-details-potential-costs-climate-change-pacific-adb>.

⁹ Tee Mitchell, "Why Over a Third of This Nation's Citizens Want to Migrate to Australia," *SBS News*, July 1, 2025, <https://www.sbs.com.au/news/article/why-over-a-third-of-this-nations-citizens-want-to-migrate-to-australia/1ksaua61r>.

¹⁰ See also Saamu Tui and Bapon Fakhruddin, "Food for Thought: Climate Change Risk and Food (In)Security in Tuvalu," *Progress in Disaster Science* 16 (2022): 100255, <https://doi.org/10.1016/j.pdisas.2022.100255>.

and declining agricultural productivity, while fisheries—around 60% of gross domestic product (GDP)¹¹—face risks from warming seas and acidification.

In response, Tuvalu launched its 2024 Coastal Adaptation Plan¹², supported by the Green Climate Fund, local government, and Australia, and advocates for legal recognition of maritime boundaries despite land loss.¹³ The 2023 Falepili Union with Australia offers migration pathways for 280 Tuvaluans annually,¹⁴ yet its security provisions raise concerns about sovereignty—highlighting the balance between adaptation, migration, and autonomy.¹⁵

Vanuatu: Acute Disaster Risk and Legal Leadership

Vanuatu ranks among the world's most disaster-prone nations. Cyclone Pam in 2015 caused damage equivalent to 64% of the country's GDP and displaced nearly half of the population.¹⁶ More recently, a 2024 earthquake led to the collapse of Port Vila's main port, further stressing trade and emergency response capacity.¹⁷

Yet Vanuatu pairs vulnerability with proactive adaptation and international leadership. Community-led disaster preparedness and resilience planning have become central to its national strategy. On the diplomatic front, the country led a successful 2023 United Nations General Assembly resolution requesting an advisory opinion from the International Court of Justice (ICJ) on states' legal

obligations to prevent climate harm—a landmark in global climate justice.

Vanuatu's approach illustrates how acute vulnerability can coexist with agency and leadership. It also shows why external partners like Australia should support rather than overshadow Pacific-led initiatives, aligning assistance with local priorities and sovereignty.

III. Australia's Climate Engagement: Achievements and Contradictions

Australia's recent Pacific regional strategy recognises the region as both a geostrategic priority and development partner. Since 2018, engagement has grown beyond traditional aid to include climate finance, infrastructure, labour mobility and migration diplomacy—backed by an estimated AU\$705.6 million budget for 2025–26. Domestically, the 2022 parliamentary inquiry Strengthening Australia's Relationships in the Pacific acknowledged Pacific concerns over climate change and urged greater focus on adaptation.¹⁸

These efforts have produced some clear outcomes: through the AU\$2 billion Australia Infrastructure Financing Facility for the Pacific¹⁹ while AU\$30 million allocated (2023–2029) for the Climate and Oceans Support Program aims to improved forecasting vital in Pacific countries, including Tuvalu and Vanuatu.²⁰ At the same time, AU\$9.5 million to the Pacific Insurance and Climate

¹¹ Government of Tuvalu, *Updated Nationally Determined Contribution (NDC)* (Nov. 2022), 8, <https://gggi.org/wp-content/uploads/2023/02/Tuvalu-Updated-NDC-for-UNFCCC-Submission.pdf>.

¹² United Nations Development Programme, "Tuvalu Coastal Adaptation Project," *Climate Change Adaptation*, accessed June 30, 2025, <https://www.adaptation-undp.org/projects/tuvalu-coastal-adaptation-project>.

¹³ Kirsty Needham, "Sinking Tuvalu Fights to Keep Maritime Boundaries as Sea Levels Rise," *Reuters*, Sept. 24, 2024, <https://www.reuters.com/investigations/sinking-tuvalu-fights-keep-maritime-boundaries-sea-levels-rise-2024-09-24/>.

¹⁴ Australian Government, Minister for Foreign Affairs, "Supporting Stronger Relationships in the Pacific through the Opening of the Falepili Mobility Pathway Ballot," news release, June 11, 2025, <https://www.foreignminister.gov.au/minister/penny-wong/media-release/supporting-stronger-relationships-pacific-through-opening-falepili-mobility-pathway-ballot>.

¹⁵ See also Prianka Srinivasan, "Tuvalu Prime Minister Calls on Australia for Sovereignty 'Guarantees' over Treaty," *The Guardian*, Mar. 17, 2024, <https://www.theguardian.com/world/2024/mar/17/tuvalu-prime-minister-calls-on-australia-for-sovereignty-guarantees-over-treaty>.

¹⁶ See also Prianka Srinivasan, "Tuvalu Prime Minister Calls on Australia for Sovereignty 'Guarantees' over Treaty," *The Guardian*, Mar. 17, 2024, <https://www.theguardian.com/world/2024/mar/17/tuvalu-prime-minister-calls-on-australia-for-sovereignty-guarantees-over-treaty>.

¹⁷ Australian Government, Department of Foreign Affairs and Trade, "Vanuatu Earthquake Response," accessed June 16, 2025, <https://www.dfat.gov.au/crisis-hub/vanuatu-earthquake-response>; United Nations Development Programme, Pacific Office, *Household and Building Damage Assessment – 2024 Vanuatu Earthquake* (Mar. 31, 2025), <https://www.undp.org/pacific/publications/household-and-building-damage-assessment-2024-vanuatu-earthquake>; Doug Dingwall, Leah Lowonbu, and Lillyrose Welwel, "Vanuatu Earthquake to 'Stretch Thin' Country's Recovery from Cascading Disasters," *ABC News*, Dec. 22, 2024, <https://www.abc.net.au/news/2024-12-22/vanuatu-earthquake-recovery-effort/104747600>.

¹⁸ Parliament of the Commonwealth of Australia, Joint Standing Committee on Foreign Affairs, Defence and Trade, *Strengthening Australia's Relationships in the Pacific* (Canberra, Mar. 2022), <https://parlinfo.aph.gov.au/parlInfo/download/committees/reportjnt/024684/toc.pdf/StrengtheningAustralia'srelationshipsinthePacific.pdf;fileType=application%2Fpdf>.

¹⁹ Australian Government, Department of Foreign Affairs and Trade, "Pacific Regional – Australian Infrastructure Financing Facility for the Pacific," accessed June 17, 2025, <https://www.dfat.gov.au/geo/pacific/development-assistance/australian-infrastructure-financing-facility-for-the-pacific>.

²⁰ Australian Government, Department of Foreign Affairs and Trade, "Pacific Regional – Climate Change and Resilience," accessed June 10, 2025, <https://www.dfat.gov.au/geo/pacific/development-assistance/climate-change-and-resilience>.

Adaptation Program helps protect vulnerable Vanuatu communities.

Economic engagement complements these initiatives. The Pacific Labour Mobility Scheme has generated over AU\$526 million in wages and AU\$188.5 million in remittances²¹ strengthening household resilience to climate disruptions.

Despite progress, contradictions weaken Australia's climate credibility. The country remains the world's second-largest coal exporter²², shipping 57 million tonnes of thermal coal²³ in late 2024, and provided AU\$11.1 billion in fossil fuel subsidies²⁴—far exceeding its AU\$50 million pledge to the Loss and Damage Fund.²⁵ That same year, Australia argued at the ICJ against new binding climate obligations, directly opposing Vanuatu-led submissions.²⁶

Furthermore, its legislated 43% emissions reduction target by 2030 is widely viewed as inconsistent with the Paris Agreement's 1.5°C goal,²⁷ thereby prompting repeated Pacific calls to phase out fossil fuels.

Political sensitivities also persist; some leaders worry that initiatives like the Falepili Union blur sovereignty and echo past paternalism.²⁹ These tensions highlight the need for sustained, locally-led and coherent climate engagement.

IV. Recommendations

To rebuild trust and strengthen its role as a credible partner, Australia should focus on two strategic priorities: scaling adaptation finance and embedding Pacific agency.

1. Scale and Restructure Adaptation Finance for Pacific-led Resilience

Robust, predictable adaptation funding is essential to reduce climate risk and enhance regional security. Australia should increase its Pacific climate finance commitment to at least AU\$400 million annually by 2030, with 50% directed specifically to adaptation. Funds should prioritise community-led projects, nature-based solutions, and climate-resilient infrastructure that directly reduce vulnerability and displacement pressures.

To improve transparency and local ownership, Australia should establish a **Pacific Adaptation Fund** within the country's Department of Foreign Affairs and Trade. Working alongside Pacific partners, this dedicated channel would empower Pacific governments to set priorities, streamline disbursement, and reduce bureaucratic delays.

Regional cooperation is equally critical. Australia should partner with Japan, the European Union (EU), and development banks to attract private investment in renewable energy, sustainable fisheries, and eco-tourism—sectors central to Pacific economic resilience. The EU's global climate agenda and

²¹ Charlie Stevens, "Pacific Australia Labour Mobility Reaches Worker Milestone Ahead of Expectations," *Palladium Group*, Mar. 16, 2023, <https://thepalladiumgroup.com/news/Pacific-Australia-Labour-Mobility-Reaches-Worker-Milestone-Ahead-of-Expectations>.

²² Australian Government, Geoscience Australia, "Coal," in *Australia's Energy Commodity Resources 2024*, last updated July 15, 2024, <https://www.ga.gov.au/aecr2024/coal>.

²³ Australian Government, Department of Industry, Science and Resources, *Resources and Energy Quarterly: December 2024* (Dec. 20, 2024), <https://www.industry.gov.au/publications/resources-and-energy-quarterly-december-2024#download-the-full-report-2>.

²⁴ Rod Campbell, Elizabeth Morison, Matthew Ryan, Matt Saunders, Minh Ngoc Le, Alexia Adhikari, Kristen Scicluna, Evie Simpson, and Lilia Anderson, *Fossil Fuel Subsidies in Australia 2024* (The Australia Institute, May 13, 2024), <https://australiainstitute.org.au/report/fossil-fuel-subsidies-in-australia-2024/>.

²⁵ Australian Government, "Joint Media Release: Australia Contributes \$50 Million for Loss and Damage from Climate Change," Nov. 19, 2024, by Senator the Hon Penny Wong, the Hon Chris Bowen MP, the Hon Pat Conroy MP, and the Hon Josh Wilson MP, <https://minister.dcccew.gov.au/bowen/media-releases/joint-media-release-australia-contributes-50-million-loss-and-damage-climate-change>.

²⁶ The Australia Institute, "Australia Argues Against Developing International Law to Meet the Unique Existential Threat of Climate Change," media release, Dec. 3, 2024, <https://australiainstitute.org.au/post/australia-argues-against-developing-international-law-to-meet-the-unique-existential-threat-of-climate-change/>;

[international-law-to-meet-the-unique-existential-threat-of-climate-change/](https://www.reuters.com/business/environment/world-court-open-climate-change-hearings-2024-12-02/); See, also Stephanie van den Berg, "Vanuatu Urges World Court to Recognise Climate Change Harms," *Reuters*, Dec. 3, 2024, <https://www.reuters.com/business/environment/world-court-open-climate-change-hearings-2024-12-02/>.

²⁷ Bill Hare, "Sleight of Hand: Australia's Net Zero Target Is Being Lost in Accounting Tricks, Offsets and More Gas," *Climate Analytics*, May 30, 2024, <https://climateanalytics.org/comment/sleight-of-hand-australias-net-zero-target-is-being-lost-in-accounting-tricks-offsets-and-more-gas>; See, also Australian Government, Department of Climate Change, Energy, Environment and Water, "Net Zero," accessed June 26, 2025, <https://www.dcccew.gov.au/climate-change/emissions-reduction/net-zero>; see, also United Nations Environment Programme, "Nations Must Go Further Than Current Paris Pledges or Face Global Warming of 2.5–2.9°C," news release, Nov. 20, 2023, <https://www.unep.org/news-and-stories/press-release/nations-must-go-further-current-paris-pledges-or-face-global-warming#:~:text=Released%20ahead%20of%20the%202023%20climate%20summit,42%20per%20cent%20for%20a%201.5%C2%B0C%20pathway>.

²⁹ A prominent vocal critic is Enele Sopoaga, former prime minister of Tuvalu, declared at the Australia Institute's 2024 Climate Integrity Summit that he has "never seen anything so brazen, so disrespectful, as this agreement". Rt Hon Enele Sopoaga PC, keynote address at the Climate Integrity Summit, The Australia Institute, March 20, 2024, published March 21, 2024, <https://australiainstitute.org.au/post/keynote-address-rt-hon-enele-sopoaga-pc/>.

Japan's interest in the Pacific strategy complement Australia's development approach.

Australia should also champion concessional finance options—such as debt restructuring via the Asian Development Bank and the Pacific Resilience Facility—to relieve fiscal pressure on vulnerable states. New Zealand's commitment of NZ\$1.3 billion (2022–2025), with half for adaptation, offers a useful benchmark. By adopting similar targets, Australia can move from donor to genuine partner.

2. Embed Pacific Agency through Inclusive Governance

Pacific agency is both an ethical imperative and a strategic necessity. Australia should shift from top-down aid to co-designed, co-owned initiatives, collaborating closely with Pacific governments, civil society, and traditional institutions. This approach respects local knowledge and cultural priorities.

A practical step is to create joint Australia–Pacific climate security taskforces that include youth, women, and traditional leaders, ensuring adaptation strategies are inclusive and community-driven. At the same time, Australia should also strengthen Pacific leadership in climate diplomacy and international law. Support for initiatives like Vanuatu's ICJ case and Tuvalu's maritime advocacy should be provided through technical assistance and diplomatic backing—without overshadowing local voices.

By embedding Pacific perspectives in project planning and evaluation, Australia can help ensure climate action delivers outcomes defined by Pacific communities themselves.

Conclusion

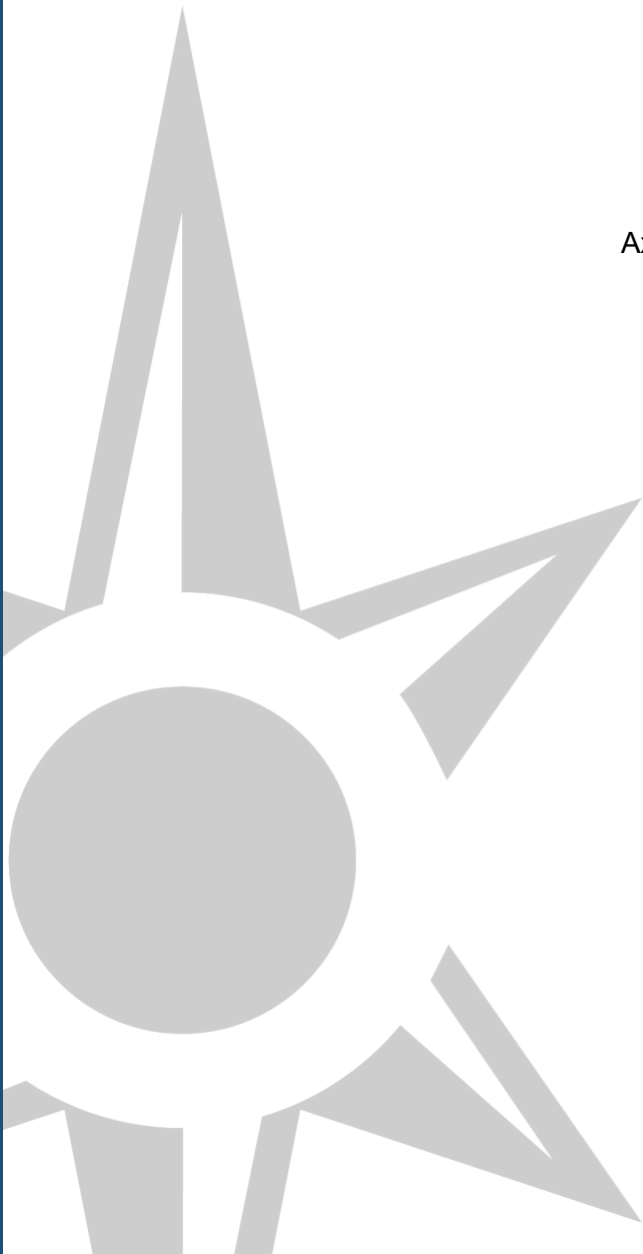
Australia now stands at a pivotal juncture. Meaningful partnership requires more than rhetoric: it demands scaled adaptation finance shaped by Pacific priorities, deeper respect for local agency, and coherent, whole-of-government climate security policy. By embracing these priorities, Australia can transform its role—from aid donor to trusted partner—helping secure a resilient, sovereign, and sustainable future for the Blue Pacific.

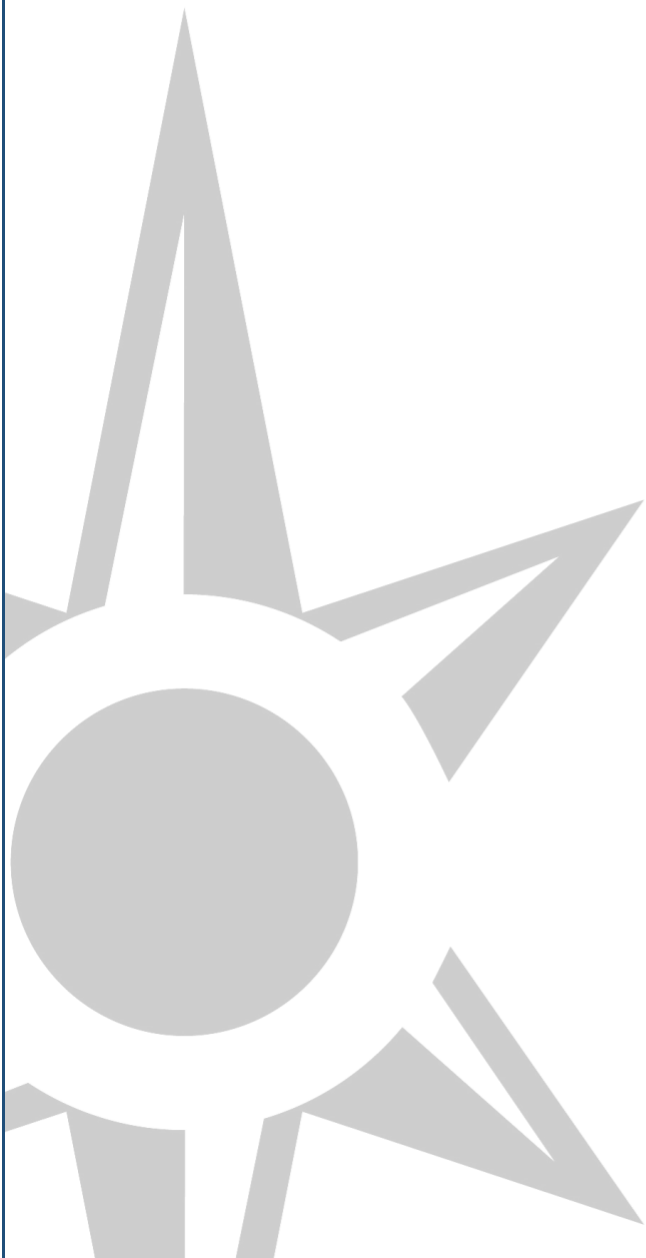
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Sovereignty As Strategy: Asserting Yapese Agency in Geopolitical Competition

By
Axel J. Defngin





Executive Summary

Axel J. Defngin

As Yap State finds itself at the center of intensifying US-China competition, our communities face profound questions about sovereignty, development, and cultural resilience.

This paper argues that for the United States to effectively secure its strategic interests and counter China's regional expansion, it must reimagine its relationship with Yap, prioritizing local well-being, cultural practices, and self-determination rather than treating the islands as passive strategic assets.

The escalation of US-China competition has created both pressures and opportunities for Yapese agency. The 2023 renegotiation of the Compact of Free Association (COFA), securing \$3.3 billion over twenty years, came amid unprecedented diplomatic activity, including FSM President Panuelo's explosive letter accusing China of political warfare and supporting secessionist movements. This context shows how Yapese communities and FSM state counterparts are actively responding to and shaping superpower competition.

Understanding current dynamics requires acknowledging how colonial patterns persist. The 1961 Solomon Report's racist assumptions about Micronesian incapacity for self-governance continue to shape policy through structures like the Joint Economic Management Committee (JEMCO), which controls over 40% of FSM's GDP while denying equal voice to FSM representatives.

The FSM's strategic importance to the US is undeniable: 5.5 million square kilometers of exclusive military access under COFA, location within the Second Island Chain, and proximity to potential conflict zones. The Department of Defense's acknowledgment of local concerns about coral reefs, taro patches, and traditional fishing areas must translate into genuine local partnerships beyond environmental impact assessments.

This paper recommends three principles to guide US engagement with Yap: (1) Respect constitutional traditional authority; (2) Integrate climate resilience and traditional knowledge; and (3) Promote economic diversification and educational investment.

Yap demonstrates that small island states are sovereign actors whose agency shapes regional dynamics. Recognizing this is not just an ethical imperative but a strategic necessity for all stakeholders seeking sustainable security in the Pacific.

Introduction

Nam nu Waqab (the State of Yap), one of the four states comprising the Federated States of Micronesia (FSM), sits at the center of an escalating US-China rivalry. Yap's strategic importance stems from the Compact of Free Association (COFA), which grants the US exclusive military access across FSM territory in exchange for financial assistance and migration privileges.

As a federated state, Yap exercises considerable autonomy over land, culture, and local governance, although national agreements like COFA continue to shape its strategic environment. Multiple colonial administrations and continued dependency on COFA funding have created socio-economic vulnerabilities, even as Yapese communities strive to maintain their culture.

As both superpowers vie for influence, this paper argues that for the United States to effectively secure its strategic interests, it must reimagine its relationship with Yap not as a passive asset but as a sovereign partner whose well-being, cultural integrity, and self-determination are inseparable from regional stability.

The Escalation of US-China Competition in FSM

The FSM adopted COFA in 1986, which provided substantial annual financial assistance. However, a 2016 US review raised doubts about the adequacy of trust fund provisions intended to replace direct grants after 2023, creating economic uncertainty and opening space for alternative partnerships.¹

Two critical turning points marked the escalation of competition. First, in 2020, the United States reversed its position and committed to renewing COFA's financial provisions, following unprecedented diplomatic activity in 2019, including the FAS

Presidents' meeting at the White House and FSM President Panuelo's subsequent meeting with Chinese President Xi Jinping. This shift signaled US recognition that regional dominance could no longer be assumed.^{2,3,4}

Second, tensions peaked in early 2023 with President Panuelo's widely publicized letter sent to FSM leaders accusing Beijing of political warfare, espionage, and support for secessionist movements intended to undermine FSM sovereignty.⁵ Shortly after, the renegotiated COFA was signed in May 2023, extending financial provisions totaling \$3.3 billion over twenty years to the FSM.⁶ This period saw increased US military engagement, with Indo-Pacific Command officials visiting Yap's facilities and the Air Force disclosing plans to deploy "air defense assets" to the state.

Strategic Importance of the FSM to the US

The United States maintains a substantial military presence throughout Micronesia and exclusive access to over 5.5 million square kilometers across the three Freely Associated States. US strategic attention has intensified in Yap due to its location within the Second Island Chain, a key defensive line in the Western Pacific.⁷

Current US military development in Yap focuses on two major projects: the Yap International Airport extension (a \$400 million budget, one of the Air Force's largest requests outside the US) to create a crucial contingency airfield, and a seaport expansion that includes widening the channel for Navy ships. The seaport project involves sensitive cultural and environmental concerns, as all marine areas in Yap are traditionally managed and require approval from paramount chiefs. While the Department of Defense has acknowledged these concerns, questions remain about the long-term impact.

¹ Joint Trust Fund Committee, *Trust Fund for the People of the Federated States of Micronesia Fiscal Year 2016 Annual Report*, March 27, 2017, https://www.doi.gov/sites/doi.gov/files/uploads/fsm_tf_fy16_annual_report_final_3.27.17.pdf, pg. 21.

² Joint Committee on Compact Review and Planning (JCRP), "US and FSM Begin Negotiations on Expiring Provisions of Compact of Free Association," May 29, 2020, accessed July 9, 2025, <https://jcrp.gov.fm/compact/us-and-fsm-begin-negotiations-on-expiring-provisions-of-compact-of-free-association/>.

³ "Donald Trump Hosts Pacific Leaders at White House," ABC News, May 22, 2019, accessed July 10, 2025, <https://www.abc.net.au/news/2019-05-22/donald-trump-hosts-pacific-leaders-at-white-house/11138356>.

⁴ "China, Micronesia Agree to Enhance All-Level Exchanges," CGTN, December 13, 2019, accessed July 10, 2025,

<https://news.cgtn.com/news/2019-12-13/China-Micronesia-agree-to-enhance-all-level-exchanges-Moy6JW0Nol/index.html>.

⁵ David W. Panuelo, "Micronesia's President Writes Bombshell Letter on China's Political Warfare," *The Diplomat*, March 9, 2023, accessed July 10, 2025, <https://thediplomat.com/2023/03/micronesias-president-writes-bombshell-letter-on-chinas-political-warfare/>.

⁶ "U.S. Signs Agreement to Continue Micronesia Assistance Under Strategic Pact," *Reuters*, May 23, 2023, accessed July 10, 2025, <https://www.reuters.com/world/asia-pacific/us-signs-agreement-continue-micronesia-assistance-under-strategic-pact-2023-05-23/>.

⁷ Robert Underwood, "Micronesian Island Forum or Second Island Chain Alliance?," *Pacific Island Times*, July 9, 2025, accessed July 15, 2025, <https://www.pacificislandtimes.com/post/micronesian-island-forum-or-second-island-chain-alliance>.

These developments reflect both long-term planning and urgency, as the US is actively working to secure its foothold rather than assuming uncontested dominance in the North Pacific.

Asserting Sovereignty Through Local Institutions

The intensification of US military planning has introduced complex effects on Yapese communities, by testing both cultural values and political cohesion. While formal access is assured, the legitimacy of local engagement remains uncertain.

The escalation of US military initiatives has the potential to alter Yapese perspectives, cultural practices, and community cohesion. These tensions manifest concretely through agreements such as the Operational Control Letter (OCL), signed in March 2025, which grants the US seven-year operational control over Yap's airport, seaport, and connecting roads. However, the deeper narrative lies in how local communities navigate these impositions while maintaining *yalean nu Waqab*, or the Yapese way, and preserving the importance of land, which is the foundation for one's identity on Yap.

It can be said that community perspectives are "diverse" rather than "divided." While FSM President Wesley Simina claims that Yap residents are "very receptive," others, such as former Yap Lieutenant Governor Francis Itimai, note that "the elders and those who don't really understand the process are worried." This highlights the tension between perceived economic benefits and the protection of cultural identity, as well as a disconnect between Yap State and FSM national government narratives and community voices. In response to these pressures, Yap State established a task force through Executive Order 2025-04, creating an institutional mechanism to manage relations with US military and federal entities. This body, composed of members from government departments and traditional leadership, represents an assertion of sovereignty and an attempt to ensure that Yap speaks with a unified voice in negotiations that will fundamentally reshape the island's physical and social landscape.

The US has promised to address concerns about safety, environmental impacts, and to provide benefits such as training for local personnel.⁸ The Department of Defense's July 2025 Notice of Intent (NOI) acknowledges these tensions, specifically identifying local concerns about protecting coral reefs, waterways, mangroves, taro patches, traditional fishing areas, and the social and economic effects of off-island labor forces. While the NOI initiates formal public scoping meetings and a comment period through August 8, 2025, with sessions scheduled across Yap's municipalities in coordination with the Yap State task force, these efforts do not negate the persistence of community anxieties and suggest that more meaningful engagement is needed beyond the formal EIS process.⁹

In this atmosphere, the Yap State Legislature passed Bill 11-11 in September 2023, authorizing the governor to submit to voters the question of initiating a review of the state's political status within the FSM.¹⁰ While the bill does not mandate secession or any specific outcome, it initiated a process of public reflection on Yap's relationship with the FSM, potentially paving the way for constitutional changes, greater autonomy, or a redefined political arrangement. The passage of the bill reflects mounting local concerns about whether Yap's interests are adequately protected under current FSM policies, particularly amid expanding perceived foreign influence. While any claims that this bill is linked to external forces remain speculative, this move toward exploring secession reflects internal strains that President Panuelo warned were being exploited by China's interference in the nation's domestic affairs. That such a referendum was conducted highlights how geopolitical tensions are prompting Yapese leaders to reassert their community's right to self-determination and to control over its political future.

The Structural Limits of Sovereignty

This dynamic illustrates what has been described as a form of "New Pacific Diplomacy," in which communities actively navigate external pressures

⁸ Yap State Government, "U.S. Military Presents Project Overview," Facebook post, May 19, 2025.

⁹ United States Department of Defense, *Notice of Intent to Prepare an Environmental Impact Statement for Infrastructure Improvements at the Yap International Airport and the Yap Seaport in Yap State, Federated States of Micronesia* (Joint Task Force-Micronesia, June 23, 2025), accessed July 21, 2025, [https://gov.fm/wp-](https://gov.fm/wp-content/uploads/2025/06/YapAirportSeaportEIS_FinalNOI9x11_EnglishYapese_20250623V2.pdf)

[content/uploads/2025/06/YapAirportSeaportEIS_FinalNOI9x11_EnglishYapese_20250623V2.pdf](https://gov.fm/wp-content/uploads/2025/06/YapAirportSeaportEIS_FinalNOI9x11_EnglishYapese_20250623V2.pdf).

¹⁰ Habele Institute, "Yap's Political Status," Habele Institute, last modified [no explicit date, content reflects updates through June 2024], accessed July 10, 2025, https://habeleinstitute.org/wiki/Yap%27s_Political_Status#Legislation_to_Review_Political_Status,_2023.

rather than passively accept them.¹¹ This self-determination is exercised through both traditional and modern forms of governance. The Councils of Pilung and Tamol, representing the chiefs of the main and outer islands, wield constitutional authority to protect culture in Yap. In a contemporary context, the Yap State-developed "Yap Four Pillars" framework, emphasizing the values of Environment, Safety, Maintenance, and Social Aspects, represents a direct attempt to assert local values in US military planning.¹² This reflects a regional history in which Pacific Island countries, acting collectively, have successfully shaped international policy.

Externally imposed structures that ignore this agency have historically resulted in forms of neocolonial dependency, such as the initial COFA of 1986 and the subsequent Joint Economic Management Committee (JEMCO), which was created under the 2004 COFA renegotiation. The initial COFA was influenced by the 1961 Solomon Report, which stated that US investments were calculated to ensure pro-American votes, rationalized that Micronesians were unfit for modern governance and required union with the US, and recommended building minimal development infrastructure.¹³ In 2004, JEMCO was formed with five members, three from the US and two from the FSM, and explicitly limits FSM fiscal autonomy and bureaucratic discretion by requiring approval for all uses of COFA grants, which comprise over 40% of FSM's GDP, as well as detailed reporting, audits, and budget approval.¹⁴ As a result, COFA funds are governed by foreign oversight, rather than by local democratic institutions, despite the fact that COFA funding is not classified as foreign aid.¹⁵¹⁶

Respecting Yapese self-determination should therefore be viewed as a strategic approach. The recently renegotiated COFA appears to continue a pattern of consultative rather than decisional engagement, one that prioritizes US strategic goals. In this context, the aforementioned Bill 11-11 can be interpreted as an act of local agency rather than

evidence of political instability, regardless of whether it was backed by external actors. It symbolizes a state grappling with its future amid geopolitical pressures and underscores the need for the US to move beyond viewing Yap as merely a strategic location, engaging with it instead as a sovereign partner whose stability is intrinsically linked to its own self-determination. Failing to do so may further alienate local actors and create openings for Chinese influence, as evidenced by past instances in which Beijing has capitalized on political rifts and perceptions of neocolonial neglect.¹⁷

This critical juncture demands recognition that Yapese agency operates at multiple levels, including traditional governance, modern administrative structures, and the everyday acts of communities protecting their ways of life. Bill 11-11, the task force, and the OCL negotiations all represent different facets of an island state asserting its right to shape its own future, even within and despite external superpower competition.

Policy Recommendations: Aligning US Strategy with Yapese Agency

To align its regional ambitions with long-term stability and mutual trust, the United States must reconsider how it engages with Yap. The following recommendations emphasize how strategic objectives can be reinforced through greater respect for local agency rather than put at risk by ignoring it. Incorporating these principles would ensure a more just and participatory form of engagement, reinforce US credibility in Oceania and the Indo-Pacific, and foster more durable partnerships.

1. Respect Constitutional Traditional Authority

First, meaningful community consultation must honor and respect the authority of Yap State traditional leadership structures on issues of land and cultural impact, not just formal relations with the FSM executive branch, as recognized by the Yap State

¹¹ Fry, Greg, and Sandra Tarte. *The new Pacific diplomacy*. ANU Press, 2016.

¹² "\$2B Worth of Military Projects in Yap Will Move Forward After Meeting," Pacific Daily News, accessed July 10, 2025, https://www.guampdn.com/news/2b-worth-of-military-projects-in-yap-will-move-forward-after-meeting/article_31fef6dc-c28e-40c9-b3ac-78867e0cca15.html.

¹³ United States, Survey Mission to the Trust Territory of the Pacific Islands, *A Report by the U.S. Government Survey Mission to the Trust Territory of the Pacific Islands* (Honolulu: University of Hawai'i at Mānoa Library, December 8, 2011), accessed July 10, 2025, <https://evols.library.manoa.hawaii.edu/items/2cb69109-f7a5-44d2-8cae-9f0471928334>.

¹⁴ FSM Government, "Outcomes of the US-FSM Joint Economic Management Council (JEMCO) Meetings," September 19, 2008, accessed July 10, 2025, <https://www.fsmgov.org/press/pr09190c.htm>.

¹⁵ Haglegam, John R., Kelly G. Marsh, Samuel F. McPhetres, and Donald R. Shuster. "Micronesia in Review: Issues and Events, 1 July 2005 to 30 June 2006." *The Contemporary Pacific* (2007): 178-205.

¹⁶ Rummel, Ian M. "Effects of the Compact of Free Association on sovereignty in the Federated States of Micronesia." PhD diss., Monterey, California: Naval Postgraduate School, 2017, pg. 5-6.

¹⁷ Atkinson, Joel. "China-Taiwan diplomatic competition and the Pacific Islands." *The Pacific Review* 23, no. 4 (2010): 407-427.

Constitution.¹⁸ The FSM Constitution is the supreme law of the land, and this supremacy extends even to international agreements such as COFA - not the other way around.¹⁹ In turn, Article V, Section 1 of the FSM Constitution explicitly states, "Nothing in this Constitution takes away the role or function of a traditional leader as recognized by customs and tradition," and Article XI, Section 11 mandates that "Court decisions shall be consistent with this Constitution, Micronesian customs and traditions, and the social configuration of Micronesia."²⁰²¹

2. Integrate Climate Resilience into Development Projects

Second, climate resilience, drawing on traditional knowledge, must be integrated into all development, recognizing that climate change is Oceania's largest foreign-induced threat to security, greater than global superpower competitions, and that Indigenous Pacific Island communities have been on the frontlines of this threat for years.²²²³ Development must align with local needs, cultural preservation, and environmental sustainability rather than exacerbate existing vulnerabilities. Climate change adaptation projects must encourage and strengthen the application of traditional knowledge, as outlined in the 2009 FSM Nationwide Climate Change Policy.²⁴ In addition to environmental impact assessments, cultural impact assessments are recommended, to reflect the shared identity and heritage of Pacific Islanders as stewards of the land and sea, highlighting their "unique moral authority" to speak out on climate change.²⁵²⁶

3. Promote Economic Diversification and Increased Education Funding

Third, long-term development and aspirations for self-reliance must be addressed through economic diversification, moving beyond reliance on natural resource extraction and traditional aid models to pursue greater autonomy and diversified regional partnerships. Increased scholarship and education funding from Pacific Rim partners such as the US and China would continue to foster people-to-people connections, build knowledge capital, and strengthen local capacity, reducing reliance on foreign consultants.²⁷²⁸ This would allow the FSM to move beyond decades of US economic development policy shaped by the Solomon Report. The US must grant FAS members an equal voice on JEMCO to promote true bilateralism.

Conclusion: Ensuring Sustainable Security through Self-Determination

The story of Yap illustrates a broader challenge facing Global South communities caught in geopolitical competition. For these communities, sustainable security requires balancing the immediate benefits of aid and military construction with the long-term necessities of cultural preservation, environmental protection, and genuine self-determination. This analysis identifies several key principles for external partners such as the US and China in their engagement with Yap.

Ultimately, Yapese self-determination must be recognized at multiple levels - within the FSM, in bilateral relations under COFA, and in engagement with other partners. Centering local perspectives is not only an ethical imperative but also a strategic necessity for all stakeholders involved. Military presence that undermines cultural integrity creates new vulnerabilities, whereas recognizing the Indigenous people of Yap as actors with historic and

¹⁸ Yap State, "Article III: Traditional Leaders and Traditions," Constitution of the State of Yap, last amended November 24, 2006, accessed July 15, 2025, <https://fsm-law.org/yap/constitution/article3.htm>.

¹⁹ Federated States of Micronesia, "Article 2: Supremacy," Constitution of the Federated States of Micronesia, 1979, accessed July 15, 2025, <https://www.fsm-law.org/fsm/constitution/article2.htm>.

²⁰ Federated States of Micronesia, "Article 5: Traditional Rights," Constitution of the Federated States of Micronesia, 1979, accessed July 15, 2025, <https://www.fsm-law.org/fsm/constitution/article5.htm>.

²¹ Federated States of Micronesia, "Article 11: Judiciary," Constitution of the Federated States of Micronesia, 1979, accessed July 15, 2025, <https://www.fsm-law.org/fsm/constitution/article11.htm>.

²² Pacific Islands Forum, *The Pacific Security Outlook Report 2022-2023* (Pacific Islands Forum Secretariat, 2022), accessed July 10, 2025, <https://forumsec.org/sites/default/files/2023-12/Pacific-Security-Outlook-Report-2022-2023.pdf>, pg. 4.

²³ Pacific Islands Forum, "Boe Declaration on Regional Security," September 5, 2018, accessed July 10, 2025, <https://forumsec.org/publications/boe-declaration-regional-security>.

²⁴ Federated States of Micronesia, *Nationwide Climate Change Policy 2009* (2009), accessed July 10, 2025, https://fsm-data.sprep.org/system/files/Nationwide_Climate_Change_policy.pdf.

²⁵ António Guterres, "Secretary-General's Remarks at Pacific Island Forum Leaders Meeting," United Nations Press, May 15, 2019, accessed July 15, 2025, <https://press.un.org/en/2019/sgsm19579.doc.htm>.

²⁶ YapGov, "U.S. Department of Defense Plans Environmental Study for Yap Airport and Seaport Improvements," Facebook post, July 7, 2025.

²⁷ Kimery Lynch, "PacNet #32 – Scholarships in the Pacific Islands Are an Urgent US National Security Issue," Pacific Forum, June 9, 2022, <https://pacificforum.org/publications/pacnet-32-scholarships-in-the-pacific-islands-are-an-urgent-us-national-security-issue/>.

²⁸ Qingning Zhao, "From Dependence to Self-Reliance: Pathways to Economic Diversification in Micronesia," *The Diplomatic Affairs*, March 30, 2025, <https://www.thediplomaticaffairs.com/2025/03/30/from-dependence-to-self-reliance-pathways-to-economic-diversification-in-micronesia>.

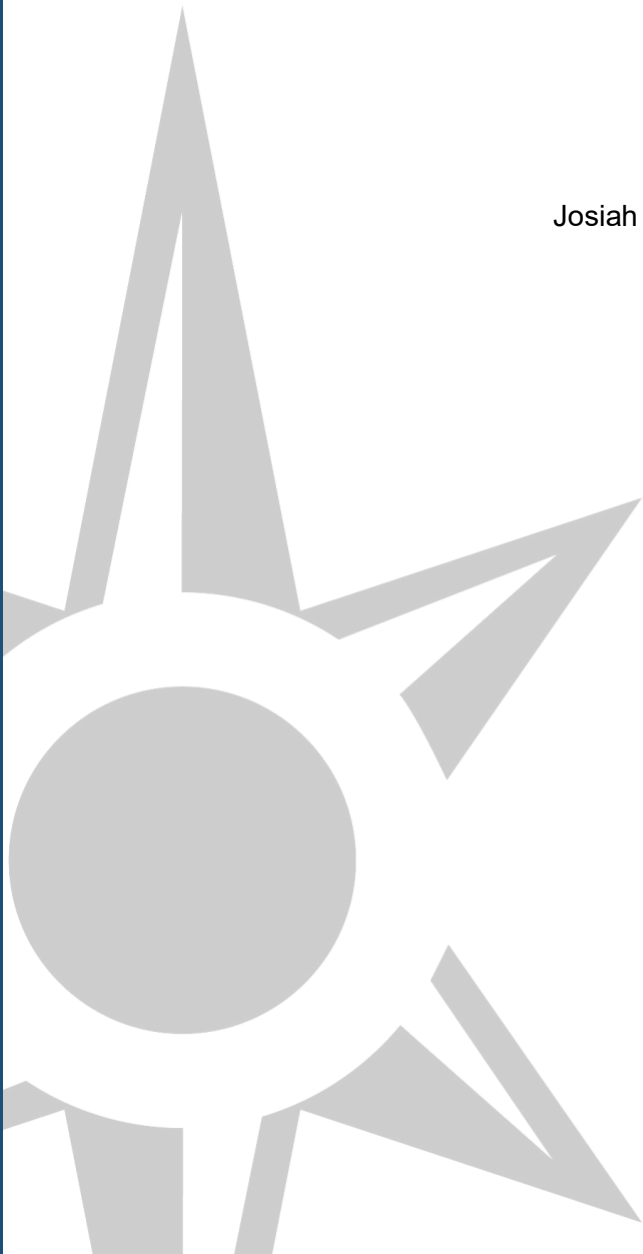
legitimate agency is the only sustainable path to regional security. With the three aforementioned policy recommendations, this paper underscores the Pacific Way: heeding the knowledge and authority of the past, acknowledging the security challenges of the future, and strengthening economic and educational development in the present.

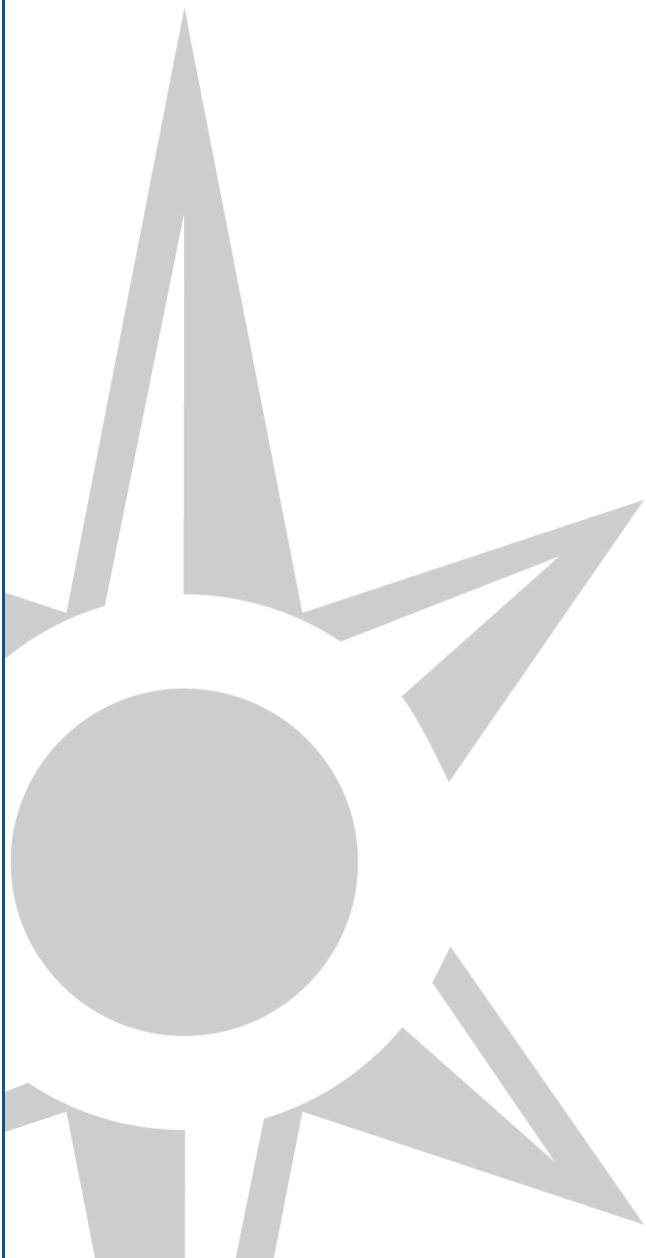
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Truth on Trial: Fake News Regulation and Free Speech in the Philippines

By
Josiah Patrick P. Bagayas





Executive Summary

Josiah Patrick P. Bagayas

The rise of online media has decentralized the information landscape. This shift has contributed to the extensive spread of false information, a trend underscored by high internet and social media usage in the Philippines, coupled with insufficient regulatory oversight. False information is being exploited for political ends, reinforcing biases, and contributing to polarization and social fragmentation. As the current legal framework in the Philippines is incapable of sufficiently addressing the problem of false information, measures have been proposed to heavily penalize fake news. This, however, raises censorship issues and stifling effects on free speech, especially against the backdrop of democratic backsliding in the Philippines.

Although the scale of the false information problem in the Philippines is vast, enacting another law is not warranted. The Philippines should adopt a nuanced strategy that simultaneously tackles the sources of false information (supply side) and the drivers of its consumption (demand side). On the supply side, access to reliable and truthful sources of information should be expanded, while the flow of false information should be increasingly restricted. Under a whole-of-government approach, the Philippines should marshal all government agencies in combating false information and at the same time support civil society-led initiatives. On the demand side, the Philippines should enhance media literacy initiatives that would strengthen Filipinos' critical thinking skills and capacity to discern false information from credible sources. Through these measures, false information could be effectively regulated without unduly restricting free speech.

Introduction

The rise of online media has decentralized the information landscape and shifted it towards disintermediation, in which the line between information producers and consumers has become indistinguishable.¹ The ubiquity of online spaces and their increasing role as information sources facilitate the spread of false information.² As more Filipinos go online, the Philippines is becoming a hotbed of false information.³ Current figures reveal that almost 84 percent of Filipinos use the internet and 78 percent have social media platforms.⁴ The peddling of half-truths online has seen broad diffusion in an underregulated information ecosystem. The dismantling of third-party fact-checking on Meta platforms⁵ and the lack of strong mechanisms and clear regulations on the part of the Philippine government further⁶ complicate the dire situation of the country's information landscape.

What's more, false information is being exploited for political ends. False information is being used to manipulate individual predispositions toward a particular political party or ideology. This reinforces personal biases in how information about the political world is obtained and appraised.⁷ When false information is politicized, it leads to polarization and social fragmentation, as political camps and interest groups antagonize one another and become uncooperative in pursuing the common good.⁸ This applies to the present political climate in the Philippines as well as within Filipino communities living overseas. False information and

propagandized narratives surrounding the Marcos-Duterte feud ossify the bias-ridden political preferences of Filipinos.⁹ In turn, this produces a destabilizing effect on the country's social fabric.

To confront these problems, a series of congressional hearings recently probed the activities of pro-Duterte content creators for spreading false information online.¹⁰ One claimed that there was a mass resignation of police personnel following Duterte's arrest by the International Criminal Court¹¹ while another claimed that extrajudicial killings in Duterte's drug war were a hoax.¹² The lack of adequate mechanisms to confront and neutralize these conduits of false information leaves them unchecked, allowing them to amplify their message and even increase their following. Calls for stricter and more comprehensive regulation of the country's information landscape raise the issues of censorship and its stifling effect on free speech. The primary objective of this article is to analyze potential policy approaches the Philippine government can adopt to regulate the dissemination of false information while ensuring the protection of constitutionally guaranteed freedoms of speech and expression.

The Common Battle Against False Information

The Philippines joins its neighbors in Southeast Asia in the battle against the spread of false information. Each has responded differently to address this problem. In 2019, Singapore enacted a law prohibiting the communication of false statements of fact that may prejudice national security, public

¹ Petter Törnberg, "Echo chambers and viral misinformation: Modelling fake news as complex contagion." September 20, 2018. PLoS ONE 13(9). <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0203958>

² Shiela V. Siar, "Fake news, its dangers, and how we can fight it." Philippine Institute of Development Studies Policy Notes No. 2021-06. August 2021.

³ <https://pidswebs.pids.gov.ph/CDN/PUBLICATIONS/pidspn2106.pdf>. In this policy note, the author adopted the typology of false information or fake news put forward by Schulman and Siman-Tov (2020). False information could either be misinformation which is based on unsubstantiated conjecture even without deliberate or malicious intent to disseminate false information, or disinformation which entails the deliberate or malicious spread of false information.

⁴ Yvonne T. Chua, "Philippines," Digital News Report 2025, Reuters Institute, June 17, 2025, <https://reutersinstitute.politics.ox.ac.uk/digital-news-report/2025/philippines>.

⁵ Simon Kemp, "Digital 2025: The Philippines." February 25, 2025. <https://datareportal.com/reports/digital-2025-philippines>

⁶ Andrew R. Chow, "Why Meta's Fact-Checking Change Could Lead to More Misinformation on Facebook and Instagram." January 7, 2025. <https://time.com/7205332/meta-fact-checking-community-notes/>

⁷ Presidential Communications Office, "PBBM underscores need for strong mechanism and clear regulation against fake news." April 21, 2025. https://pco.gov.ph/news_releases/pbbm-underscores-need-for-strong-mechanism-and-clear-regulation-against-fake-news/

⁸ Jennifer Jerit and Yangzi Zhao, "Political Misinformation." *Annual Review of Political Science* 23. 2020.

<https://www.annualreviews.org/content/journals/10.1146/annurev-polisci-050718-032814>

⁹ Alexander J. Stewart, Nolan McCarty, and Joanna J. Bryson, "Polarization under rising inequality and economic decline." *Science Advances* 6(50). December 11, 2020. <https://pmc.ncbi.nlm.nih.gov/articles/PMC7732181/>

¹⁰ Gillian Villanueva, "Trust in media brands dips as Marcos-Duterte rift spreads disinfo." *INQUIRER.net*. June 18, 2025.

<https://newsinfo.inquirer.net/2071646/trust-in-media-brands-dips-as-marcos-duterte-rift-spreads-disinfo>

¹¹ Dwight De Leon, "At House hearing, pro-Duterte vloggers apologize for 'fake news,' rude social media post." *Rappler*. March 21, 2025.

<https://www.rappler.com/philippines/house-hearing-pro-duterte-vloggers-apologize-fake-news-online/>

¹² Joviland Rita, "No cops resigned due to Duterte arrest, says PNP." *GMA Integrated News*. March 13, 2025.

<https://www.gmanetwork.com/news/topstories/nation/939186/npn-rodrigo-duterte-police-resignation-duterte-arrest-icc/story/>

¹³ Gabriel Pabico Lalu, "Vlogger says EJKs a hoax, but fails to present documentary evidence." *INQUIRER.net*. March 21, 2025.

<https://newsinfo.inquirer.net/2045696/fwd-ejks-a-hoax-vlogger-says-its-true-but-fails-to-give-documentary-evidence>

health, safety, tranquility, and Singapore's friendly relations with other countries, or may influence electoral outcomes, incite feelings of enmity or hatred, or diminish public confidence in the government's performance of its duties.¹³ In the same year, Thailand established the Anti-Fake News Center tasked with identifying false or distorted news and publishing fact-checked information in its place.¹⁴ The Association of Southeast Asian Nations (ASEAN) by the same token issued guidelines¹⁵ to help its member states combat false information. These guidelines contain multidisciplinary approaches such as media literacy training, fact-checking services, crowdsourcing, and the use of artificial intelligence tools.¹⁶

The measures implemented by Singapore and Thailand have had deleterious effects on free speech within their jurisdictions. Singapore's anti-fake news law has been primarily invoked against the government's critics¹⁷ and is allegedly wielded to protect the latter's interests while discrediting the opposition.¹⁸ The chilling effect on free speech is so grave that calls have been mounted to repeal the law citing that it contravenes the international human rights law standards.¹⁹ Thailand's crackdown on false information has sparked concerns that it serves as a pretext for restricting political expression and silencing legitimate criticism of government policies, especially during the COVID-19 pandemic.²⁰ Merely advisory in nature, the ASEAN guidelines are not binding on member states, and are limited to establishing standards and mainstreaming best practices in combating false information.

The Philippines, for its part, has also taken steps to curb false information. A bill introduced in 2017 sought to penalize the malicious distribution of false news and proposed fines of up to 20 million Philippine pesos (approximately 350,000 US dollars) and imprisonment of up to 20 years.²¹ The bill was never enacted into law. Nonetheless, the Philippine Revised Penal Code punishes the publication of false news provided that it potentially endangers public order or may cause damage to the interest or credit of the State.²² Publishing fake news may likewise be punished as defamation, either in written and published (libel) or oral forms (slander).²³ The Cybercrime Prevention Act of 2012 also penalizes online libel committed via computer systems or facilitated by information and communications technologies.²⁴

As things stand, the Philippines does not have a law that broadly penalizes the spread of false information regardless of the underlying reason. The current laws define when and how the spread of false information becomes actionable, such as when it is malicious or poses danger to public order or state interests. The current legal framework is incapable of keeping pace with the rate at which false information spreads, especially through online platforms. Fake news peddlers such as digital influencers easily hide under the mantle of anonymity. Using one or several online accounts, digital influencers are expert "attention-hackers" leveraging their keen insight into popular culture, and the public's political sentiments and social media behaviors.²⁵

¹³ Protection from Online Falsehoods and Manipulation Act (POFMA) 2019. <https://sso.agc.gov.sg/Act/POFMA2019>

¹⁴ Janjira Sombatpoonsiri. "Labelling Fake News: The Politics of Regulating Disinformation in Thailand," *Perspective* 2022 no. 34, ISEAS Yusof Ishak Institute, https://www.iseas.edu.sg/wp-content/uploads/2022/03/ISEAS_Perspective_2022_34.pdf.

¹⁵ Ministry of Communications and Informatics, Republic of Indonesia. ASEAN Guideline on Management of Government Information in Combating Fake News and Disinformation in the Media, March 2024, <https://asean.org/wp-content/uploads/2023/06/ASEAN-Guideline-in-Combating-Fake-News-and-Disinformation-in-the-Media-ISBN.pdf>

¹⁶ ASEAN Guidelines, *ibid*, page 21.

¹⁷ Human Rights Watch. "Singapore: 'Fake News' Law Curtails Speech," January 13, 2021. <https://www.hrw.org/news/2021/01/13/singapore-fake-news-law-curtails-speech#:~:text=The%20Protection%20from%20Online%20Falsehoods,the%20government%20or%20its%20policies>.

¹⁸ Tan Zhi Han. "Protection from Online Falsehoods and Manipulation Act (POFMA): Regulating Fake News to Maintain Public Trust in Singapore." *Panorama* 2020 no. 1. Konrad Adenauer Stiftung. https://www.kas.de/documents/288143/11133938/Panorama_Trust_TanZhiHan.pdf/898f786c-229e-b2c6-a4d3-1b1e22128035?t=1608692256696

¹⁹ International Commission of Jurists. "Dictating the Internet: A Human Rights Assessment of the Implementation of Singapore's Protection from Online Falsehoods and Manipulation Act 2019." October 2021.

<https://www.icj.org/wp-content/uploads/2021/10/Singapore-Dictating-the-Internet-Legal-Briefing-2021-ENG.pdf>

²⁰ International Commission of Jurists. "Dictating the Internet: Curtailing Free Expression and Information Online in Thailand." April 2021.

<https://www.icj.org/wp-content/uploads/2021/06/Thailand-Dictating-the-Internet-FoE-Publication-2021-ENG.pdf>

²¹ International Commission of Jurists. "Dictating the Internet: Curtailing Free Expression and Information Online in Thailand." April 2021.

<https://www.icj.org/wp-content/uploads/2021/06/Thailand-Dictating-the-Internet-FoE-Publication-2021-ENG.pdf>

²² Article 154, Act No. 3815. "An Act Revising the Penal Code and Other Penal Laws," December 8, 1930.

<https://library.judiciary.gov.ph/thebookshelf/showdocs/28/20426>.

²³ Under the law, libel is defined as "public and malicious imputation of a crime, or of a vice or defect, real or imaginary, or any act, omission, condition, status, or circumstance tending to cause the dishonor, discredit, or contempt of a natural or juridical person, or to blacken the memory of one who is dead." Act No. 3815, *ibid*, Article 353.

²⁴ Section 4, par. c, sub-par. 4, Republic Act No. 10175. "An Act Defining Cybercrime, Providing for the Prevention, Investigation, Suppression, and the Imposition of Penalties therefor and for Other Purposes." https://lawphil.net/statutes/repacts/ra10175_2012.html

²⁵ Jonathan Corpus Ong and Jason Vincent Cabañes. "Architects of Networked Disinformation: Behind the Scenes of Troll Accounts and Fake News Production in the Philippines." University of Massachusetts Amherst. 2018.

Notably, these laws remain underutilized largely because initiating a criminal complaint requires legal representation and directly engaging with relevant law enforcement authorities. The resources needed to pursue and prosecute cases concerning false information make access to these legal measures inequitable. And so, there is a pressing need for the Philippines to course-correct its current approach on dealing with false information. At first glance, criminalizing the creation and dissemination of false information may seem appropriate or even necessary. However, such an approach may not align well with the Philippines' current information ecosystem and its wider socio-political context.

Between Fake News and Free Speech

The criminalization of fake news carries the risk of producing unforeseen and potentially harmful outcomes. As anti-fake news regulations have been on the rise across the globe, illiberal regimes increasingly rely on technological means to suppress civil society and stymie the exercise of fundamental freedoms of speech and expression.²⁶ Tyrants use state apparatuses to weaponize fake news in order to silence dissent and repress their political opponents. The imperative to regulate false information is indisputable. However, not all means of achieving this objective are justifiable particularly when they involve repressive or Machiavellian strategies. This is exceptionally true in countries experiencing democratic backsliding, such as the Philippines, where democratic institutions are deteriorating and foundational norms and values are progressively being undermined.

The latest Freedom House report classifies the Philippines as "partly free" and notes that while Filipinos are generally able to freely express their personal views on political matters, disinformation campaigns and rampant harassment effectively deter open expression. Philippine media companies face political pressure, and Filipino journalists grapple with physical violence, death threats, smear

campaigns, and red-tagging.²⁷ These conditions render the constitutional guarantees on free speech platitudinous. The most recent Varieties of Democracy Report indicates that the wave of autocratization worldwide is continually rising with liberal democracies now the least common regime type.²⁸ The report underscores that freedom of expression is the most adversely impacted aspect of democracy, having deteriorated in at least 44 countries, including the Philippines.²⁹ In light of these circumstances, enacting a law that broadly penalizes the spread of false information potentially stifles free speech even further and would likely result in more widespread self-censorship. Such a law would worsen the quality of Philippine democracy rather than improve it.

Any measure that seeks to regulate free speech should take stock of constitutional and jurisprudential benchmarks. Prevailing Philippine jurisprudence classifies free speech regulations as either content-based or content-neutral. Content-based regulations restrict the subject matter of the utterance or speech, while content-neutral regulations only restrict the incidents of speech such as time, place, and manner.³⁰ In testing the validity of free speech restrictions, the Philippine Supreme Court subjects content-based regulations to stricter scrutiny than content-neutral regulations. The latter is evaluated under an intermediate level of scrutiny, which necessitates only that the government demonstrate a substantial interest to justify its validity.³¹ In contrast, the former is subject to a more stringent standard, requiring the presence of a clear and present danger of a substantive evil that the state is entitled to avert.³²

Within this dichotomy, regulations on false information would be classified as content-based as these directly relate to the subject matter of the speech. The proliferation of false information constitutes a clear and present danger because it has pernicious consequences for individuals and society at large. On a personal level, false information misleads people

<https://scholarworks.umass.edu/entities/publication/01d06f54-c7f2-4103-96c1-168a16f9028b>

²⁶ Mahapatra, Sangeeta, Janjira Sombatpoonsiri, and Andreas Ufen (2024), *Repression by Legal Means: Governments' Anti-Fake News Lawfare*, GIGA Focus Global, 1, Hamburg: German Institute for Global and Area Studies (GIGA), <https://doi.org/10.57671/gfgl-24012>.

²⁷ Freedom House. *Freedom in the World 2025*.

<https://freedomhouse.org/country/philippines/freedom-world/2025>

²⁸ V-Dem Institute. "Democracy Report 2025: 25 Years of Autocratization – Democracy Trumped?" https://www.v-dem.net/documents/60/V-dem-dr_2025_lowres.pdf

²⁹ Democracy Report 2025, *ibid*, page 17.

³⁰ Chavez v. Gonzales, G.R. No. 168338, February 15, 2008. Supreme Court of the Philippines. https://lawphil.net/judjuris/juri2008/feb2008/gr_168338_2008.html

³¹ Osmeña v. Commission on Elections, G.R. No. 132231, March 31, 1998. Supreme Court of the Philippines.

https://lawphil.net/judjuris/juri1998/mar1998/gr_132231_1998.html.

³² Cabansag v. Fernandez, G.R. No. L-8974, October 18, 1957, Supreme Court of the Philippines. https://lawphil.net/judjuris/juri1957/oct1957/gr_l-8974_1957.html

and may result in poor decision-making. On a macro level, false information potentially threatens access to verified information, erodes trust in institutions, and undermines democratic processes.³³ The state therefore has the right to prevent these substantive evils by clamping down on false information.

Policy Recommendations

While the magnitude of the Philippines' false information problem is immense, enacting another law to address this issue is not warranted. The Philippine government should adopt a nuanced strategy that simultaneously tackles the sources of false information (supply side) and the drivers of its consumption (demand side). Foremost, regulating the supply side entails not only restricting falsehoods but, more importantly, expanding access to reliable and truthful sources of information. The United Nations Special Rapporteur on freedom of opinion and expression asserts that fostering a free, independent, and diverse media environment, combined with digital literacy initiatives and thoughtful regulation of social media platforms, offers an effective response to the proliferation of false information.³⁴

In addition, countering false information on the supply side inevitably requires synergy among the public, private, and civil society sectors. Adopting a whole-of-government approach, the Presidential Communications Office (PCO) recently formalized an agreement with the Cybercrime Investigation and Coordinating Center, an attached agency of the Department of Information and Communications Technology, to fight false information. It has also directed its affiliated agencies to appoint fact-checking officers to enhance internal information systems.³⁵ Although this is a constructive development, significant gaps remain unaddressed. The Philippine government should replicate this kind of agreement with the ultimate aim of covering all government branches, instrumentalities, and even local government units.

A growing number of civil society-led initiatives have emerged to complement the government's efforts to curb the spread of false information. Rappler, a digital media organization founded by Nobel Peace Prize laureate Maria Ressa, launched the #FactsFirstPH initiative, which united over 100 civil society organizations in a collaborative effort to uphold truth in the public sphere and hold accountable those who undermine it through false information.³⁶ Still, these fact-checking efforts cannot keep up with the voluminous amounts of false information that flood digital spaces and effectively bury the truth beneath heaps of falsehood. The Philippine government should remain at the forefront and must not outsource or abdicate its responsibility to the benevolence and initiative of private actors.

To address the demand side of the false information problem, the Philippine government should enhance its media literacy initiatives, focusing on strengthening the Filipino public's critical thinking skills and capacity to discern false information from credible sources. The need for action is heightened by a recent Social Weather Stations survey, which found that 65 percent of Filipinos find it difficult to determine the accuracy of information across different media platforms.³⁷ While media and information literacy is already a core subject in the Philippines' basic education curriculum,³⁸ there is a need to revisit its actual implementation, update its content to reflect current developments, and assess whether students are translating classroom learning into practical skills. Formal courses on media and information literacy should be introduced as early as the elementary level and expanded to include out-of-school youths and adult learners.

Conclusion

The constantly shifting information landscape demands consistent and sustained government action, alongside heightened vigilance. Although the state has a compelling interest in regulating the

³³ University of Exeter Library. "Fake News: Consequences of fake news." March 5, 2025. <https://libguides.exeter.ac.uk/fakenews/consequences>

³⁴ United Nations Office of the High Commissioner on Human Rights. "Access to reliable information sources is the obvious antidote to disinformation, Special Rapporteur on freedom of opinion and expression tells Human Rights Council." July 2, 2021. <https://www.ohchr.org/en/press-briefing-notes/2021/07/access-reliable-information-sources-obvious-antidote-disinformation?LangID=E&NewsID=27256>

³⁵ Presidential Communications Office. "PCO inks MOA with CICC to fight fake news." March 21, 2025. https://pco.gov.ph/news_releases/pco-inks-moa-with-cicc-to-fight-fake-news/

³⁶ Rappler. "#FactsFirstPH."

<https://www.rappler.com/movements/factsfirstph/>

³⁷ Philippine Daily Inquirer. "SWS: Most Filipinos see fake news as serious problem." March 13, 2025. <https://newsinfo.inquirer.net/2043443/sws-most-filipinos-see-fake-news-as-serious-problem>

³⁸ Department of Education. "K To 12 Basic Education Curriculum Senior High School – Core Subject." 2019. https://www.deped.gov.ph/wp-content/uploads/2019/01/SHS-Core_Media-and-Information-Literacy-CG.pdf

dissemination of false information, any intervention must satisfy the test of proportionality. Any measure must be suitable, necessary, and the least restrictive so that it does not unduly infringe upon the constitutionally protected right to free speech. The seeming conflict between countering false information and protecting free speech is more artificial than real. These values are not irreconcilable: free speech is enabled when truthful information is freely available. Truthful information, in turn, is a cornerstone of a vibrant democracy. Only when free speech is not unnecessarily stifled, and when false information is effectively regulated, can democracies truly thrive in a 'post-truth' and polarized world.

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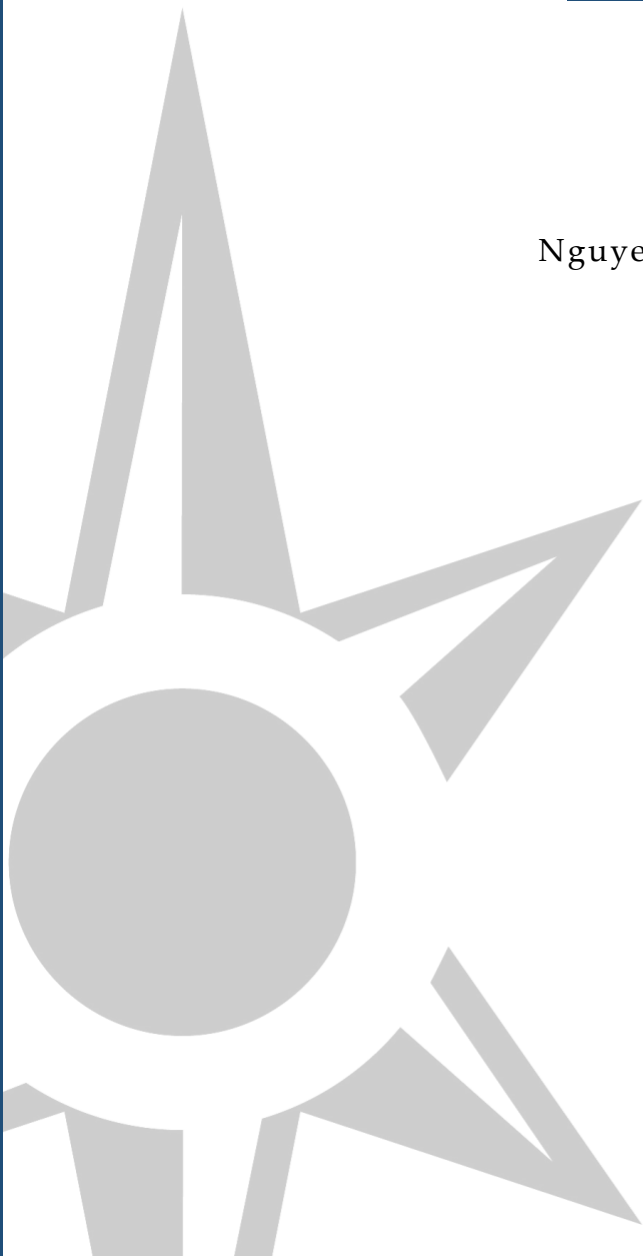
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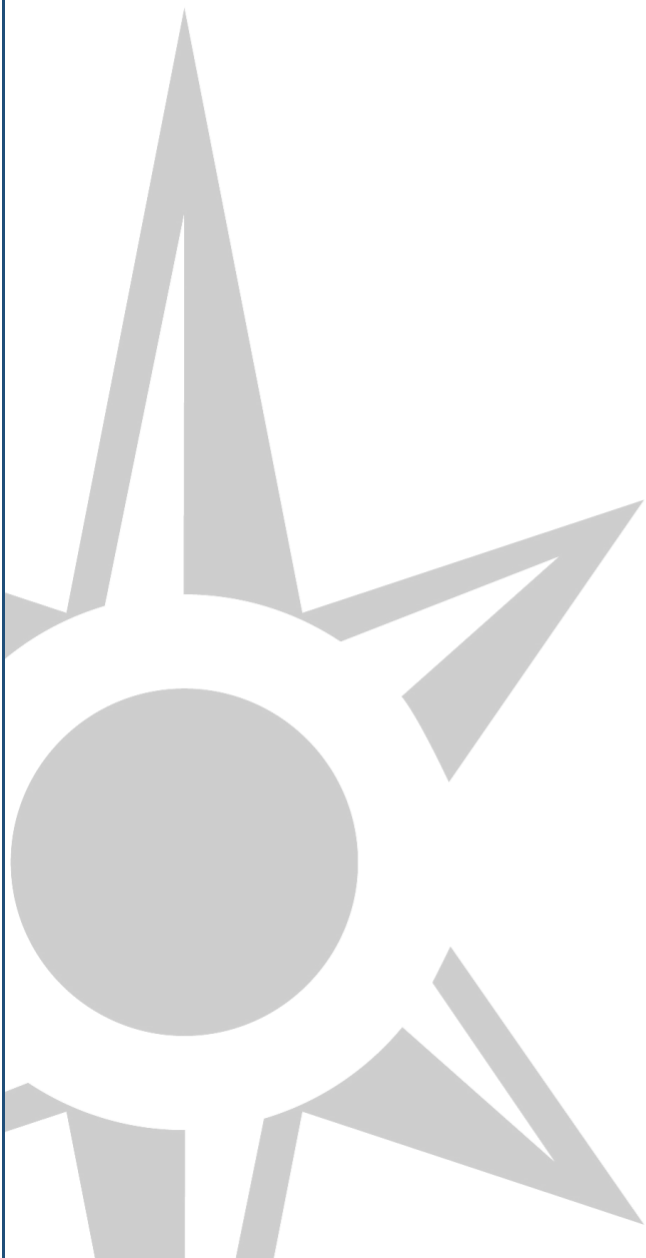
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Framing Chinese Media Strategies: Global Times Coverage of South China Sea Disputes, June-December 2024

By
Nguyen Phuong Thao





Executive Summary

Nguyen Phuong Thao

This study examines how the Chinese state-run Global Times framed South China Sea (SCS) disputes between June and December 2024. During this politically sensitive period, marked by maritime collisions and rising tensions between China and other regional actors, the study analyzes 121 articles, using content analysis to code narrative tone (assertive, neutral, cooperative) and logistic regression to explore the outlet's framing strategies. This mix-method approach reveals strategic shifts in media tone aligned with political timing.

The findings show a clear preference for assertive narratives, particularly those reinforcing sovereignty claims and countering perceived threats. Assertiveness was most prominent during periods of regional confrontation, reflecting a strategy to bolster domestic legitimacy, deter foreign intervention, and shape the international community perception of China. However, a notable decline in assertiveness during November–December 2024 suggests a deliberate moderation of tone around key events—such as China's publication and subsequent United Nations registration of maritime baselines around the Scarborough Shoal, as well as the Philippines' maritime legislation—likely aimed at cultivating international goodwill.

Throughout the articles used in this study, cooperative or neutral tones appeared less frequently and were primarily associated with diplomatic contexts or friendly actors like Vietnam. China's narrative variation toward different countries implies a selective framing approach based on its strategic objectives.

These patterns highlight how Chinese state-backed media narratives respond to geopolitical events and serve both international signaling and domestic legitimation purposes. These dynamics can inform media monitoring, diplomatic messaging, and regional policy coordination. This research thereby offers insight into how Chinese state-backed media fine-tune messaging to manage international image and regional tensions – a significant pattern for scholars and policymakers tracking China's growing influence in the global communication ecosystem.

Introduction

In recent years, the South China Sea (SCS) has witnessed growing strategic influence of the People's Republic of China (PRC), particularly through state-controlled media narratives. These narratives shape public perception and aim to legitimize China's geopolitical stance, especially through media platforms known for nationalistic and confrontational narratives like the Global Times.¹ This study consists of a content analysis of Global Times coverage from June to December 2024—a period marked by maritime incidents, military drills, and increased engagement of the United States—to explore how China frames SCS disputes through media discourse.

While this research focuses on a single outlet over a six-month period, the analysis of 121 articles provides a timely and empirically grounded snapshot of narrative responses during a time of increased tension between regional players. Rather than an exhaustive coverage, the study captures key media framing patterns that can contribute to broader comparative work and the ongoing conversations in Chinese media-politic research.

Key findings show (1) an overwhelming proportion of assertive narratives in SCS coverage, which contradicts the cooperative discourse found in previous scholarship, where Chinese state-sponsored media has often been observed portraying China as a peaceful actor; (2) that cooperative tones tend to surface during diplomatic windows and vary based on target actors; and (3) a noticeable decline in assertiveness ahead of key diplomatic or legal events, possibly indicating a deliberate softening strategy to project a cooperative stance. The paper sets out by reviewing existing scholarship, explaining the methodology used throughout, and presenting the

results of the study alongside their implications in the formulation of future policy.

Influence Operations and the Role of State Media

The term “influence operations,” has its origins in the United States Intelligence Community², and refers to a combination of psychological warfare and information manipulation aimed at shaping public perception through distorted narratives.³ They now play a vital role in disinformation strategies, raising global concerns over public resilience, digital literacy, and cross-border trust.⁴ In recent years, the PRC has notably intensified its use of such disinformation practices.⁵

China's influence operations often revolve around themes of sovereignty, rooted in historic grievances such as the Century of Humiliation,⁶ which are often invoked to legitimize its actions in regions such as Xinjiang, Hong Kong, Taiwan, and the SCS.⁷ The PRC's influence operations are directed both at foreign adversaries, like the US, as well as the Chinese diaspora, to encourage ideological alignment and potential repatriation.⁸ Key state organs involved include the People's Liberation Army, the United Front Work Department, and media agencies like the Global Times, People's Daily, and China Central Television (CCTV).⁹

One of the most common tactics in the PRC's influence operation playbook is the utilization of assertive narratives. The concept of Chinese assertiveness began to emerge around 2006 and gained greater traction in Western discourse after 2008.¹ One of the earliest definitions of “assertiveness” was offered by Michael Swaine and M. Taylor Fravel, describing it as “the behaviour and statements [of China] which appear to threaten U.S. and/or allied interests or otherwise challenge the status quo.”² While the concept spans multiple domains, the

¹ Acarvin, “China Deployed Anti-US Narratives in Chaos Following Trump Assassination Attempt,” DFRLab, August 1, 2024, <https://dfrlab.org/2024/08/01/china-narratives-trump-shooting/>.

² Insikt Group, “Beyond Hybrid War: How China Exploits Social Media to Sway American Opinion,” Recorded Future, March 6, 2019, <https://www.recordedfuture.com/research/china-social-media-operations>.

³ Timothy Clack and Louise Selisny, “From Beijing Bloggers to Whitehall Writers,” *The World Information War*, March 24, 2021, 259–260, <https://doi.org/10.4324/9781003046905-19>.

⁴ Irene Khan, rep., *Disinformation and Freedom of Opinion and Expression: Report of the Special Rapporteur on the Promotion and Protection of the Right to Freedom of Opinion and Expression* (Geneva: United Nations, 2021), 17–20.

⁵ Claire Wardle, “Fake News. It's Complicated,” Medium, February 17, 2017, <https://medium.com/1st-draft/fake-news-its-complicated-d0f773766c79>.

⁶ “The ‘Century of Humiliation’ and China's National Narratives,” 2011, 1.

⁷ Dexter Roberts, rep., *China's Disinformation Strategy: Its Dimensions and Future*, 2020, 4.

⁸ Scott Harold, Nathan Beauchamp-Mustafaga, and Jeffrey Hornung, rep., *Chinese Disinformation Efforts on Social Media* (Santa Monica, CA: RAND Corporation, 2021), 5.

⁹ Dexter Roberts, rep., *China's Disinformation Strategy: Its Dimensions and Future*, 2020, 8.

¹⁰ Michael Dalzell Swaine, “Perceptions of an Assertive China,” Hoover Institution, 2010, <https://www.hoover.org/research/perceptions-assertive-china>, 3.

¹¹ Michael Dalzell Swaine and Taylor Fravel, “China's Assertive Behavior—Part Two: The Maritime Periphery,” *China Leadership Monitor*, no. 35, Hoover Institution, 2011, <https://doi.org/http://carnegieendowment.org/files/CLM35MS.pdf>, 2.

maritime periphery has been identified as one of the most prominent arenas where assertive Chinese behavior is observed.³ Today, such behavior is not only reflected in China's foreign policy discourse but also in its state-backed media outlets, which function as key instruments of governmental narrative framing.

Previous studies have shown that the PRC's English-language media outlets often promote a cooperative and peaceful image of China in international affairs, portraying it as a friendly stakeholder in resolving maritime disputes.⁴ However, recent coverage of the SCS unveils a striking shift. In contrast to its usually moderate tone, state-sponsored outlets—particularly the *Global Times*—have recently employed more assertive narratives. The outlet does not consistently maintain a friendly or neutral tone; instead, its framing varies with the topic covered, the timing of the piece, and the target audience. While existing scholarship offers insights into China's long-term messaging strategies—typically characterized by cooperative and diplomatic tones—, few studies have systematically examined how the assertiveness of Chinese state narratives have changed over short, politically sensitive periods. This paper addresses this gap by analyzing *Global Times* content from June to December 2024, offering a focused overview of how narrative tone shifts during key geopolitical moments.

Theory and Hypotheses

Based on previous studies of the PRC's influence operations in select countries and regions like Taiwan, the Philippines, Malaysia, and Indonesia,⁵ this paper hypothesizes that the *Global Times* utilizes assertive narratives to reinforce China's claims over the SCS region. Adopting an assertive tone is a common strategic technique used by Chinese state-run media, frequently exemplified in *Global Times* coverage.

Three hypotheses follow from the above implications:

H1: Assertive narratives (e.g., sovereignty claims) take a central role in Chinese media coverage of the SCS.

H2: Cooperative or neutral narratives appear basically in response to diplomatic events.

H3: Thematic shifts in framing follow critical geopolitical or regional events.

Beyond the three initial hypotheses, the results of this study raise some further exploratory questions that are worth considering in future research. In particular, the decline in assertive narratives during November–December might reflect a strategic moderation in narrative framing ahead of diplomatic activities or internal adjustments in state-directed messaging strategies. It is possible that China changes its narrative tone depending on its target audience. It is also possible that certain shifts happen before—not just in response to—geopolitical events. While these aspects were not directly tested in this study, they open up meaningful directions for follow-up research and policy observation.

Methodology

This study adopts a content analysis approach to examine narrative patterns in the *Global Times*' English-language articles concerning the SCS between June and December 2024. A total of 121 articles were selected using targeted keywords based on the relevant categories on the website of the outlet.

Each article was then coded into one of three categories—assertive, cooperative, or neutral—depending on its tone and narrative framing. Examples of assertive terms include “sovereignty,” “warned,” and “provocation,” while cooperative language often features words such as “joint,” “dialogue,” or “enhance.” Coding criteria were based on key linguistic features, such as aggressive or conciliatory language and descriptions of international engagement. Also, a basic internal consistency check is conducted to ensure reliability. This paper employs a logistic regression model to examine whether narrative tone shifts correlate with key events or periods, estimating the likelihood of assertive versus cooperative or neutral tone across the dataset.

Results

Logistic regression results (Table 1) show that assertive narratives are extensively employed by *Global Times*, particularly when relevant SCS-related

¹² Ibid.

¹³ Esther E. Song and Sung Eun Kim, “China's Dual Signalling in Maritime Disputes,” *Australian Journal of International Affairs* 78, no. 5 (Sept. 5, 2024): 660, <https://doi.org/10.1080/10357718.2024.2394179>.

¹⁴ Gregory Winger, “China's Disinformation Campaign in the Philippines,” *The Diplomat*, October 6, 2020, <https://thediplomat.com/2020/10/chinas-disinformation-campaign-in-the-philippines/>.

incidents emerge. However, assertiveness declines significantly during the time frame between November and December 2024. Model 2, which accounts for the presence of a pertinent event in the SCS region and a time dummy for November–December, best explains this shift, suggesting that narrative tone is both event-responsive and temporally strategic.

Table 1

Logistic Regression Results Predicting Assertive Narrative

	Model 1	Model 2	Model 3
Intercept	1.427 (0.322)) ***	1.792 (0.382)) ***	3.116 (1.169)) **
EventPresence	0.162 (0.473))	2.282 (0.933)) *	2.025 (0.946)) *
Time_NovDec2024		-2.485 (0.947)) **	-2.479 (0.948)) **
EventType_irrelevant			-1.313 (1.103))
News_frequency_scaled			0.132 (0.248))
Null Deviance	114.74	114.74	114.74
Residual Deviance	114.62	107.27	105.22
AIC	118.62	113.27	115.22

Notes: Null deviance represents the deviance of the model without predictors. Residual deviance represents the deviance after predictors are added. AIC (Akaike Information Criterion) measures model fit; lower values indicate better fit.

p-value significance levels: $p < .05$ (*); $p < .01$ (**); $p < .001$.

Figure 1 reinforces that the use of assertive tones increases with the presence of events in the region but drops during high-profile moments.

Figure 1

Odds Ratios with 95% Confidence Intervals for Logistic Regression Predictors

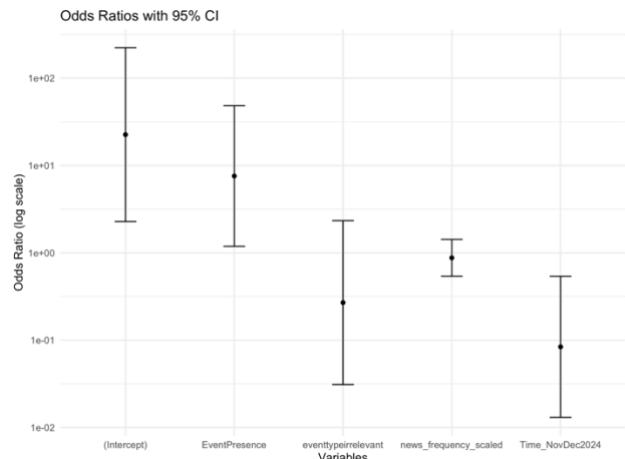
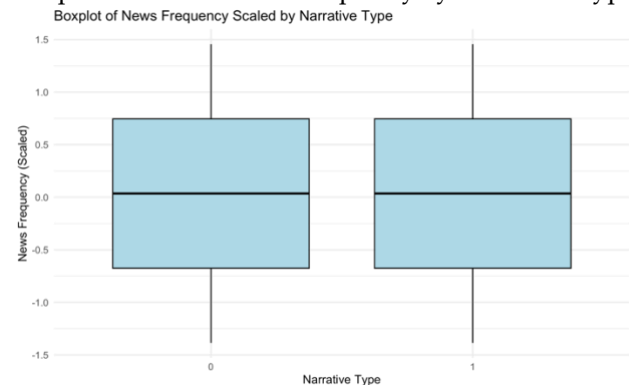


Figure 2 further visualizes the drop in assertiveness over time. These results support H1 and H2 while prompting deeper inquiry into the motivations behind the H3 anomaly.

Figure 2

Boxplot of Scaled News Frequency by Narrative Type



Discussion

These findings confirm the preponderance of assertive narratives in Global Times coverage, particularly those emphasizing sovereignty claims. Assertive language appears highly correlated with active SCS-related developments, affirming that geopolitical events shape narrative framing. The consistent increase in assertive discourse reflects efforts to pressure regional rivals, reinforce the moral legitimacy of China's claims over the SCS,¹⁵ and deter US engagement in the region. Though confrontational, this tactic carries low military risk and bolsters nationalism.¹⁶

¹⁵ Andrew Chubb and Frances Yaping Wang, "Authoritarian Propaganda Campaigns on Foreign Affairs: Four Birds, One Stone, and the South China Sea Arbitration," *International Studies Quarterly* 67, no. 3 (July 8, 2023): 3, <https://doi.org/10.1093/isq/sqad047>.

¹⁶ Frances Yaping Wang, "Barking without Biting: Understanding Chinese Media Campaigns during Foreign Policy Disputes," *Security Studies* 30, no. 4 (Aug. 8, 2021): 2-3, <https://doi.org/10.1080/09636412.2021.1979843>.

Nevertheless, the observed decline in assertiveness during November–December 2024 challenges this trend. The reduction in confrontational tone coincides with key political and legal events: the Philippines’ Maritime Legislation in November 2024⁶ and China’s announcement⁷ and subsequent United Nations registration of maritime baselines around the Scarborough Shoal in December 2024,⁸ signaling a legal and diplomatic assertion of sovereignty. These events suggest a calculated softening of rhetoric to project a more international position. This aligns with literature noting that China engages in soft diplomacy or moderation ahead of high-profile events to mitigate reputational risks,⁹ while portraying rivals like the Philippines as destabilizing actors.

Notably, neutral or cooperative narratives are typically employed in association with China’s partners, such as Vietnam or ASEAN nations rather than rival states like the Philippines. This reveals a strategic differentiation based on the target objective of a given narrative. Assertive language tends to arise in coverage of rivals such as the US or the Philippines, while cooperation is emphasized when discussing allies or multilateral initiatives.

The variation in language across actors suggests the possible employment of a strategic approach—a divide-and-conquer strategy—in the narrative framing adopted by PRC state-backed media outlets. In this strategy, specific narratives are calibrated to target a particular country to serve strategic interests. The PRC media appears to tailor framing to isolate rivals, exploit intra-regional differences, and portray China as a constructive stakeholder, particularly ahead of high-profile periods. This tailored framing underlines the calculated nature of PRC media and calls for closer monitoring—particularly of highly nationalistic platforms like the Global Times, which often sets the discursive tone in English-language media. Monitoring narrative tone across time can support early-warning systems for strategic messaging, especially around sensitive flashpoints in the SCS.

Policy Implications

Assertive narratives surge during tensions and soften near legal or diplomatic events. This variation implies that narrative tone can serve as a signaling tool. Tracking such shifts in real time can inform diplomatic messaging, counternarratives, or transparency efforts during critical moments.

The PRC’s targeted assertiveness—especially toward the Philippines—indicates a differentiated framing tactic, adjusting tone and emphasis depending on the strategic target. Relevant countries should enhance media collaboration and conflict-sensitive coverage. Regional bodies like ASEAN can offer information-sharing mechanisms to build mutual trust. Academic and independent research institutions should be supported to analyze narrative trends and share findings publicly. This is particularly crucial in contexts where legal or governmental restrictions limit press freedom.

Finally, policymakers should recognize the symbolic nature of assertive language in PRC media. While carrying low military risk, such narratives rally domestic nationalism and reinforce regime legitimacy. Understanding this dual-purpose framing enables more refined and informed policy and media responses during narrative escalations.

Future Research

This study provides an initial look at the Global Times’ narrative shifts between June and December 2024. Future work could incorporate other Chinese state-run outlets to capture variation in editorial tone and function. Additional analysis might examine other narrative elements, such as textual and multimedia content, or the relationship between outlets and governmental propaganda organs. Further research could also link tone more directly to specific target countries. Comparative work with other authoritarian media systems would further clarify whether such calibrated messaging is distinctive to the PRC or indicative of broader propaganda patterns.

¹⁷ “PBBM Inks 2 Laws Reinforcing PH Rights over Its Maritime Zones,” Presidential Communications Office, November 8, 2024, https://pco.gov.ph/news_releases/pbbm-to-newly-signed-laws-on-maritime-zones-it-serves-its-purpose/.

¹⁸ Sebastian Strangio, “China Declares Baselines around Disputed South China Sea Shoal,” *The Diplomat*, November 12, 2024, <https://thediplomat.com/2024/11/china-declares-baselines-around-disputed-south-china-sea-shoal/>.

¹⁹ Alyssa Chen, “South China Sea: Beijing Submits Scarborough Shoal Baseline Documents to UN,” *South China Morning Post*, December 4, 2024, <https://www.scmp.com/news/china/diplomacy/article/3289219/south-china-sea-beijing-submits-scarborough-shoal-baseline-documents-un>.

²⁰ Esther E. Song and Sung Eun Kim, “China’s Dual Signalling in Maritime Disputes,” *Australian Journal of International Affairs* 78, no. 5 (Sept. 5, 2024): 662, <https://doi.org/10.1080/10357718.2024.2394179>.

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