

## Sovereignty and Responsibility: Some Issues in Chinese/Taiwanese Rivalry in the Pacific Islands

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The images in March 2006 of Honiara's Chinatown burnt to the ground and hundreds of Chinese residents being airlifted to China re-invigorated the stereotype of a 'failed state' at Australia's doorstep. The Solomon Islands Government was depicted as unable to deliver the basic services of state including that of personal safety for both its own citizens and foreign residents. This picture was perhaps over dramatic and cultivated more to generate domestic support for a resolute and determined Government that had invoked an Iraq-like threat when it used 'shock and awe' tactics in the 2003 intervention in the Solomons. Yet the ethnic focus of the rioting also drew attention to another growing issue within the region. This was the claimed deleterious effect of the not always diplomatic rivalry between the Peoples Republic of China and the Republic of China (Taiwan) for recognition. It was alleged that this contest had suborned officials and provide slush funds that the Island politicians used corruptly in pursuit of power. In short, the struggle between the two dragons was directly linked to the erosion of state responsibility in the Pacific Islands.

Sovereignty has always been a double-edged sword - it confers rights but it also imposes responsibilities. Decolonisation, particularly during the Cold War era, minimised the issues of state responsibility in order to allow as many subject peoples as possible to achieve independence. Indeed, the right of self-determination was raised to the level of an international humanitarian right during this period. The post-Cold War order, however, has put a premium again on the responsibility of states to each other and to the international community especially since the events of September 11, 2001. The burden of meeting these re-asserted demands on states, however, has exposed the weaknesses of many of the small states that achieved independence in the previous era. Indeed, arguably, the costs of exercising sovereignty are higher today than any period since

before WW II. Many of these states are located in the Pacific Islands region of the Asia-Pacific area.

The Pacific Island states have been warned repeatedly by their Western sponsors of the risks of abusing their sovereign rights over the past decade and more. Complaints have focused on perceived abuses such as providing flags of convenience, the sale of passports, poorly regulated offshore banking facilities, providing tax havens for businesses and the like. These warnings have been regarded by many of these small states as an intrusion into their internal affairs. Thus, for example, the OECD's efforts to bring offshore banking and haven procedures into conformity with international standards provoked overt resistance from Nauru, Niue and Vanuatu before moving toward compliance. The bilateral attempts at intervention to manage the risks of 'failed states' have produced a similar ambivalence. Thus, in recent years, the small Pacific states have found themselves squeezed between their limited resources and the rising international expectations held for them. Innovative and unconventional means of reducing the pressure look increasingly attractive as a result. In consequence, the ongoing rivalry between the People's Republic of China ('PRC') and the Republic of China ('Taiwan') has loomed large to some Pacific Island states as a possible source of assistance. Equally, as this rivalry has intensified over the past half decade, the small scale of the Pacific Islands has made them attractive as international partners for Taiwan especially since the investment costs - both financial and diplomatic - appear relatively small.

This paper looks at the recent developments in this issue to assess some of the implications of using sovereignty as an economic resource by small island countries. Are the Pacific Island countries involved in this rivalry really attempting to 'sell their sovereignty', that is, to trade diplomatic recognition for development assistance? Or, are they merely exercising their sovereignty to pursue their own national interests in the same way that larger states do? Even if their entry into the diplomatic market for state recognition is technically no different from the actions of larger states, does their small size prevent these small states from being effective players? Some of these questions cannot be resolved definitively since it would be necessary to know the precise motives of the various actors in taking the steps that they have. Nevertheless, the record on the contention is that Beijing and Taipei in the South Pacific do offer some fruitful grounds for speculation on the rationale and consequences of this aspect of selling sovereignty. Perhaps the most important of these is the role that appearances play in this issue. The impression that sovereignty is available for sale has reinforced an adverse view of the Pacific micro-

states as responsible state actors at a time when 'failed states' are widely regarded as sources of threat to more established states.

### **Sovereignty as an Economic Resource**

That sovereignty has economic consequences can scarcely be debated. States have taken it away from other states in order to seize control of their wealth. Subject peoples have fought to recover their sovereignty, *inter alia*, to enjoy the benefits of their economic resources. Even the selling of sovereignty has been less controversial in the past than it seems to be today. In earlier days, sovereigns of cash-strapped states routinely leased their armies to other states as an acceptable means to raise funds to meet the expenses of the state. They arranged marriages to exchange wealth through dowries for alliances to obtain security. Undoubtedly, the contemporary concern for states appears to be grounded in a belief that the ideological rivalry of the Cold War caused many to turn a blind eye to the consequences for international order of decolonising states incapable of meeting fully the obligations of state responsibility. Many new states were states in name only – lacking either the legitimacy of nationality or the capacity to contribute effectively to international order, either by maintaining internal stability or meeting external obligations. These are the entities that Robert Jackson has grouped together under the rubric of 'quasi-states' (Jackson, 1990).

The misuse of sovereignty can be clearly identified when it involves activities that are patently improper or even illegal. Using diplomatic pouches to transport contraband is just such an example. However, when it involves operations that could be legal if conducted properly and with appropriate restraints, the threshold between use and abuse is less evident. The sale of passports is one controversial activity that appears to many critics as indefensible when practised by small states. Yet, larger powers undertake a very similar exercise by fast-tracking citizenship through schemes such as 'business migration'. The instances of flags of convenience for shipping, offshore banking facilities, provision of tax havens and the like, similarly straddle the line between the licit and the illicit. The larger and more established the state; the more likely it will be able to invent euphemisms or regulatory controls to make such practices acceptable to the international community. And, indeed, they may well be legitimately within the bounds of propriety of state behaviour if adequately controlled. The difficulty is that small states have seen the attempts to inhibit their participation in these activities as an unfair restraint on the exercise of their sovereignty to pursue their national interests and

economic viability.

The participation of some Forum Island Countries (FICs) at recent International Whaling Commission (IWC) meetings illustrates the grey areas between the dubious and the disreputable in 'selling sovereignty'. Australia, New Zealand and the FICs, through both SPREP and the Forum, have committed themselves repeatedly to the pursuit of a South Pacific Whale Sanctuary since 1998. This proposal was advanced and enthusiastically endorsed by Australia and New Zealand who regularly took it fruitlessly to the IWC for acceptance. A significant impediment to the success of the South Pacific Whale Sanctuary at the IWC has been the resistance of a number of FICs to maintain the regional commitment to this initiative.

Japan has long been accused of buying votes in the IWC by paying for the participation costs of a small school of sovereign minnows to enable Tokyo to put commercial whaling back on the IWC menu. At last year's IWC meeting in Korea, this shoal of minnows included five FICs - Kiribati, Nauru, Palau, the Solomons and Tuvalu. At one time or another, these five voted against the regional position or against Australia and New Zealand initiatives to prevent a return to commercial whaling or using 'scientific' whaling to supply commercial markets. This was despite promises prior to the IWC's Ulsan meeting from FIC states that they would support Australia when Senator Ian Campbell, Australia's Environment Minister, went through the region earlier in the month seeking these assurances (Johnson, 2005: 10)<sup>1</sup>.

As noted above, at one level it could be argued that if Japan is buying the sovereign rights of small, developing states to participate in international decision-making as stakeholders in the whaling issue-area, it is nothing new. However, there are real problems with the apparent opportunism of those FICs that participated in the IWC meetings. In this case, assisting Japan is not just a question of very small and economically weak states seeking financial advantage at the expense of a virtually non-existent national interest in whaling. The benefit to national interest is far from clear. The minor financial reward to the FIC delegations from their supported travel overseas and the perhaps greater advantage to the national economies through increased Japanese aid must be offset against the cost to confidence in the regional system for achieving collective objectives. In the case of whaling, it is clear that the Island representatives exercising their diplomatic independence felt their interests (and perhaps those of their country) were better served by honouring agreements with

<sup>1</sup> Chris Johnson also supplied IWC voting records to the author.

Japan than maintaining pledges to their fellow Forum members. It is doubtful that these delegates considered their votes as seriously challenging the regional system or damaging to their long-term relations with Australia and New Zealand.

Similar points can and have been made, however, with regard to other aspects of the orderly operation of the international state system – offshore financial centres, ship registrations, passport controls and the like. Helping to maintain an effective and orderly system of managing international exchanges should advantage all states but is especially important to the weak and vulnerable. The benefit to the Pacific Island states of supporting well maintained international regimes regulating banking, shipping, diplomatic contacts and the like is that they can participate more safely and cheaply than would be the case if these mechanisms did not exist. However, the benefits can appear remote and less rewarding than opportunistic behaviour – especially if their exceptionalism is perceived to be so minor as to not disturb the overall effectiveness of the regime.

Diplomatic recognition has always been at the most sensitive end of the spectrum of state responsibility. It should be. It is the constitutive mechanism that has established the state system and maintains it. The state system has been a self-authenticating arrangement since being validated in 1648 by the Peace of Westphalia by virtue of diplomatic recognition. Even today, states are the only entities that can recognise the existence of other states. Thus, entry to the comity of nations (the community of states) depends solely and wholly on the willingness of existing states to admit a new member to their club. This process has been too important and dependent on too many participants, in the main, to be subject to bartering or to become a commodity for sale. Even during the Cold War, the trade was in political or strategic alignment rather than in recognition. States bargained for aid and other assistance to declare their allegiance to one ideological pole or the other. Even reassessing the role of ideological rivalry in pushing the pace of decolonisation during the Cold War does not quite challenge this interpretation. Neither superpower actually needed to buy recognition; they already had it. What they wanted were more acolytes to legitimate their ideological positions. Of course, the territories aspiring to independence needed recognition to achieve statehood but they were not really in a position to trade for it.<sup>2</sup> Even Israel's will-

<sup>2</sup> This is not to deny that some territories were fast-tracked to independence in an expectation that they would take sides ideologically. Nevertheless, there is little evidence that this was systematically pursued as selling sovereignty.

ingness to buy friends was an attempt to minimise its isolation; not secure recognition (unless, of course, if a situation, not yet apparent were to emerge where the withdrawal of recognition was contemplated.)

While, the historical record demonstrates that bargaining for state recognition is rare, the contest between the People's Republic of China and Taiwan for diplomatic recognition, including a presence in the Pacific Islands, has been interpreted widely in these terms (Australia, Senate, Foreign Affairs, Defence and Trade References Committee Report, 2006: 167). There is, nevertheless, a debate as to whether this rivalry is driven primarily by the Pacific Islands countries (PICs) trying to sell recognition or by the two Asian powers to buy it. For example, James Brooke of the New York Times News Service opted for the former interpretation when he claimed recently that the 'small islands often offer recognition to the highest bidder' in playing China off against Taiwan (Brooke, 2004). On the other hand, the *Economist* (April 2004) reported the rivalry between Beijing and Taipei in the Caribbean in terms of the two powers actively trying to buy it as a commodity. While both the People's Republic of China (PRC) and Taiwan deny that they are trading in recognition, Taiwan is usually regarded as the active party given its more problematic relationship with the international community. Nevertheless, even Beijing is claimed to have an active, if negative, role since it achieves 'gains' by denying Taiwan the recognition Taipei seeks. This can involve 'outbidding' Taiwan as was claimed recently when the PRC is alleged to have paid heavily to prevent Nauru from reverting to its earlier recognition of Taiwan (McDonald, 2003). The PRC and Taiwan have been accused of engaging in this 'dollar diplomacy' in Africa, Latin America, the Baltic and the Caribbean, so it perhaps comes as no surprise that the tactic has been pursued for some time in the Pacific Islands as well.

### **China and Taiwan in the Pacific Islands**

From 1949, the governments of the PRC and Taiwan have each claimed to be the sole legitimate government for the whole of China and have competed for recognition of this from the international community. However, in 1971, following the expulsion of Taiwan from the United Nations General Assembly and the granting of its Security Council seat to the PRC, the tide of international recognition turned significantly towards Beijing. Taipei has inexorably been forced to abandon its claim to represent the whole of China, and instead to seek to defend itself by claiming its own sovereignty. Either in bolstering its claim to being the authentic 'one China' or more latterly toying with independence, Taiwan has at-

tempted to secure formal diplomatic relations with as many countries as possible. Taipei has proceeded on the theory that so long as its sovereignty is recognised by other states, it can never be completely extinguished (Rigger, 2005: 413-428). Hence the size and political clout of the state recognising Taiwan is considered largely irrelevant. Diplomatic recognition by the Pacific Island microstates is therefore as vital to Taipei's foreign policy interests as any other state.

Taipei's policy of securing recognition through 'dollar diplomacy' is the consequence of a paradox. Whilst the political status of Taiwan has dwindled over the last 35 years, it has nevertheless emerged as an economic powerhouse. Despite currently being more diplomatically isolated than South Africa and Israel were during the 1980s, Taiwan had the 18<sup>th</sup> largest GDP in 2005 (CIA World Factbook, 2001), with a substantial trade surplus and the world's third largest foreign exchange reserve (CIA World Factbook, nd). This state of affairs has resulted in the foreign policy under Lee Teng-hui and now Chen Shui-bian predominantly consisting of attempts by Taipei to purchase international recognition.

By mid 2005, six of the 14 Island members of the Pacific Islands Forum (FICs) formally recognised Taiwan. These are Kiribati, the Marshall Islands, Nauru<sup>3</sup>, Palau, the Solomon Islands and Tuvalu. For a time in late 2004, the situation with regard to Vanuatu was legally murky and only resolved in mid-December of that year when the relationship with the PRC was reconfirmed. This unusual case will be considered further below. In earlier years, Taiwan enjoyed recognition from another FIC - the Kingdom of Tonga.<sup>4</sup> The Pacific Islands region thus provides nearly a fifth of the 26 states worldwide that currently recognise the Government in Taipei diplomatically.

Most of the six states engaged with Taiwan formally in recent years have maintained relatively straightforward diplomatic relationships, despite the intensifying rivalry between the PRC and Taiwan. This is not to say that all aspects of their relationship were untroubled especially during the particularly active year of 2004 on both sides of the Beijing-Taipei cleavage in the region. Two examples - the Solomon Islands and Tuvalu - were prominent on the Taipei side. The Taiwanese Government's annual aid program to the Solomon Islands stood at approximately 80 million SI

dollars in 2004 (Solomon Islands Broadcasting Commission, 2004). This assistance is highly visible and, therefore, at times, contentious, especially in the case of charges that the aid funds have gone to individual Solomons officials including Prime Minister Sir Allan Kemakeza ('Sato hails... ', 2004). Controversy regarding this program lasted throughout much of 2004. Initially Kemakeza defended himself by claiming it was Taiwan's wish that the Prime Minister personally approve any project for its funding. However, in November 2004, Kemakeza had to concede ground to his critics and so proposed that Taiwanese assistance be channelled through the Aid Coordination Unit in the Department of Planning and Reform ('PM Explains... ', 2004). The closeness of the Solomons relationship with Taiwan and the value of its recognition was underscored two months ago when the Solomons joined the calls for the UN General Assembly to find a formula to admit Taiwan to the world body as a member in its own right ('SI Ambassador... ', 2004). Tensions arising from the intimacy of this linkage helped to sow the seeds of the 2006 riots in Honiara.<sup>5</sup>

Tuvalu provided another instance during 2004 of the domestic tensions that could arise from the not so diplomatic rivalry. These tensions reached a political boiling point in August 2004 when the then Prime Minister, Saufatu Sopo'anga, was defeated by a vote of no confidence. It was generally believed that the primary reason for his ouster was that he accepted a visit to Beijing without first informing his cabinet. Sopo'anga's trip to the PRC angered the opposition and some of his colleagues because his Government was endangering Tuvalu's development assistance relationship with Taipei. This included the recent commissioning of a relatively expensive state building in Funafuti, the capital, which was funded entirely by Taiwan. However, the Chinese ambassador to Fiji, Cai Jinbiao suggested the cause might have had nothing to do with the visit to Beijing but more a case of internal instability within a very small parliament ('Chinese Puzzles... ', 2004). Taiwan's association with Tuvalu has not been without its more impartial external critics. For example, the international watchdog Transparency International recently attacked Taiwanese aid practices in Tuvalu for encouraging corruption especially amongst the tiny country's political elite. Transparency International alleged that travel to Taiwan was a priority for senior Tuvaluan officials. 'One of the attractions,' the NGO claimed 'is that in addition to their fairly high local allowances paid before their trips, Taiwan has a policy of paying out generous American dollars personally to their visitors' ('TI

<sup>3</sup> The Republic of Nauru switched recognition in 2002 after then President Rene Harris claimed Taiwanese interference in a Nauruan election. President Ludwig Scotty restored relations with the PRC in May 2005.

<sup>4</sup> The Kingdom of Tonga changed its allegiance in 1998 after 26 years of close relations with Taiwan.

<sup>5</sup> See for example Michael Field's assessment (2006).

report highlights...’, 2004).

The political skirmishes in the Solomons and Tuvalu attracted considerable intra-regional attention during the year but the major fireworks of 2004 were set off in Kiribati and Vanuatu regarding the PRC. Sibling rivalry has been inseparable from the Beijing-Taipei diplomatic tug of war over recognition in Kiribati. When Dr. Harry Tong lost the presidency of Kiribati to his younger brother, Anote Tong in November 2003, the country abandoned 23 years of recognition of the PRC and extended recognition to Taiwan.<sup>6</sup> According to journalist Mac William Bishop, the change was wrought more by foul means than fair. He reported that, ‘allegations about payoffs by both the Chinese and the Taiwanese ambassadors to Kiribati politicians circulated, and were in some cases, confirmed by relevant officials’ (Bishop, 2004). More than half a year after his election, charges of external interference continued. President Anote Tong expressed fear that some Chinese diplomats, who remained in country after the closure of their mission, were working with the Opposition (led by his brother, Harry). He even accused the PRC of promoting a major public demonstration against the recognition of Taiwan. The Taiwanese Ministry of Foreign Affairs resisted the opportunity to comment on the PRC’s role in Kiribati. Instead, it reaffirmed the closeness of the developing relationship between Taiwan and Kiribati and noted that several high-ranking delegations have been exchanged between the two countries including a mission headed by Taiwan’s Vice Minister of Foreign Affairs Michael Kau, which attended the 25th anniversary of Kiribati’s independence on July 12. Nevertheless, Dr Gary Song-huann Lin, Director-General of the East Asian and Pacific Affairs desk in the Ministry of Foreign Affairs, was less hesitant in expressing a belief that a third party, the Australian Government, had been active in pressing Kiribati not to recognise Taiwan (‘Taiwanese official accuses...’ 2004).

The issue of recognition of Taiwan was not only bound up in the internal politics of Kiribati; it was also an issue with global implications. Reminiscent of the mid-1980s fisheries access agreement with the USSR, the diplomatic activities of Kiribati produced ripples well beyond its own borders. Its location near the Equator has given Kiribati a potentially important role in space research. Sealaunch, a Boeing-led consortium,

launches satellites from a converted oilrig near Kiribati, and Japan’s National Space Development Agency, is reported to have plans to build a space station on one of remote atolls in Kiribati (‘Kiribati accuses China...’, 2004). Given the stable relationship it had developed with Kiribati, the PRC had enough confidence to build one of its three overseas space-tracking stations in the tiny republic. This station was crucial in monitoring the PRC’s first manned space flight. Anote Tong made the space-tracking station an electoral issue in 2003. There were charges that the Chinese embassy, the biggest building in the capital Tarawa, was much larger than needed and that the tracking station was being used to spy on US installations in the Pacific (McDonald, 2003). The claims are somewhat ironic in historical terms since Ierimia Tabai, the President who granted fisheries access to the USSR in 1985, had to withstand charges that the Soviet interest was intended to spy on US facilities in Micronesia. (Tarawa is about 1,000 kilometres south of the US missile-testing base at Kwajalein in the Marshall Islands.) The PRC has dismantled its space tracking station as well as curtailed its aid as part of its disengagement from Kiribati.

The situation in Vanuatu was even more controversial than that in Kiribati and much murkier in terms of its legal effects. Questions regarding the attempt by the then ni-Vanuatu Prime Minister, Serge Vohor, to recognise Taiwan formally were raised from the outset. Indeed, even the announcement of the change in recognition was not made officially or first by the Government of Vanuatu. Rather, on 3 November 2004, Taiwanese President Chen Shui-bian announced that Prime Minister Vohor had signed an agreement with his Government to establish full diplomatic relations. President Chen suggested strongly that the agreement was based on the Vohor’s personal support for it. He recalled that Taiwan and Vanuatu had signed a joint communiqué on mutual recognition 12 years earlier, in 1992, when Vohor was Vanuatu’s Foreign Minister (Wu, 2004). Vohor himself claimed that his motivation was his admiration for Taiwan’s economic development and the example of Kiribati a year earlier when it switched from Beijing to Taipei (‘Vanuatu signs on as...’, 2004). The personal nature of the decision was reinforced by ni-Vanuatu officials who denied any knowledge of the agreement or, indeed, even that the Prime Minister was going to Taipei. They believed he was going to Singapore and returning via Sydney. When the news of the recognition agreement reached Port Vila, Foreign Affairs Department Director-General George Manuri expressed shock. ‘This is a complete reversal of our One-China policy of recognising mainland China,’ he was reported to have said (‘Taiwan establishes diplomatic ties...’, 2004). Ironically, less

<sup>6</sup> Both Harry and Anote Tong have part-Chinese ancestry and some attribute this as a contributing factor to the current imbroglio. It is suggested that Anote believed his ethnic background provided an understanding of China that would enable him circumvent the ‘one China’ policy and so be able to retain diplomatic links with the PRC while recognising Taiwan.

than two months earlier, Vohor had visited China and reaffirmed support for the relationship with Beijing.

The agreement caused more than surprise in Vanuatu. It provoked a political revolt, which began even before Vohor returned home. His own party repudiated the agreement while he was in transit and Cabinet members insisted there was no authorisation for the action ('PM Vohor applies...', 2004). However, there are indications that Vohor was thinking of playing the 'Taiwan card' even before his covert visit to Taipei. Early in his term, reports emerged that Vohor was unhappy with the delivery of Chinese aid and that he had hinted he would go to Taiwan if Chinese aid failed to appear in a timely fashion ('PM Vohor applies pressure...', 2004). The Chinese mission in Port Vila hotly repudiated the suggestion that it had in any way given Vanuatu cause for concern over aid. In fact, if there was a problem, it rested with the type of requests made by the Vohor Government, according to Bao Shusheng, the ambassador to Vanuatu ('China says US\$10 million...', 2004). After his return to Port Vila, the Vanuatu Council of Ministers voted to rescind the agreement with Taiwan and moved to debate a formal vote of no confidence in Vohor. However, parliamentary manoeuvring raised legal issues regarding the timing of the motion, the role of parliament in foreign affairs, and the power of the Speaker. The Appeal Court dismissed Vohor's contention that a legal change introduced in November prevented him from being removed from office. The Court found the change was in violation of the Vanuatu Constitution and so was invalid ('Why Vohor lost...', 2004).

The Parliament debated its delayed motion and in the early hours of 11 December Serge Vohor lost office and his recognition of Taiwan repudiated by Vanuatu's new Government led by Ham Lini, brother of Vanuatu's first Prime Minister, Father Walter Lini. As expected, the primary reason for Vohor's December 11th downfall was his headstrong disregard of his cabinet in pursuing recognition of Taiwan. The motion asserted that Vohor had 'displayed total lack of vision and concern for the stability and economic progress of Vanuatu' by pursuing a relationship with Taiwan at the expense of its commitment to the 'one China policy' ('Vohor challenges...', 2004). Prime Minister Lini restored relations with China on 13 December.

The intensity of this affair ensured some ancillary repercussions and/or damage. As with Kiribati, Australia was accused of working against the recognition of Taiwan and of bullying Vanuatu through its aid program throughout much of this incident by Vohor's defenders. Taiwan accused China of exercising undue pressure on the parliament to force Vohor's ouster. And, perhaps taking a leaf out of the PRC's tactics in Ki-

ribati, attempted to retain a presence in Vanuatu after having its recognition withdrawn to plead its case to the new Government ('Taiwan accuses China...', 2004). However, the new Foreign Minister, Sato Kilman, refused to meet with these officials and directed the Taiwanese to leave the country. Kilman said, I do not think it is in the interests of our people, both Taiwan business people and ni-Vanuatu, to try and do something at this point when there is a lot of doubt hanging in the air about the relationship between the two countries' ('Foreign Minister refuses ...', 2004). And, China, perhaps rubbing some salt into Vohor's wounds, discredited his complaints against Chinese aid by immediately meeting one aid commitment. On the day after Taiwan's recognition was withdrawn, Ambassador Bao Shusheng presented a cheque for some 200 million Vatu to the Vanuatu Government and used the occasion to thank the new Government for its reaffirmation of the 'one China policy' ('China donates 200 million...', 2004).

### **Not Just Diplomatic**

The growth in tourism and business investment as much as inter-governmental development assistance demonstrate the widening range of interests that are drawing the two into more and more corners of the Pacific Islands. Thus, bilateral relations are not the only arena within which the two powers are engaged in the South Pacific. Nor is their agenda focussed solely on diplomatic rivalry.<sup>7</sup> A brief reflection on tourism helps to make this point. A proposal that Taiwan become a member of the South Pacific Tourism Organisation (SPTO) has been opposed by the PRC. China's tourism minister Guangwei, while in Fiji, asked that country to uphold the 'one China policy' and not let Taiwan into the SPTO ('China Lobbies on Fiji...', 2004).

This is as practical a matter in some ways as much as an issue of diplomatic sensitivities. The Pacific Islands have emerged as a significant destination for Chinese tourists. In July 2004, China Southern started flying twice a week from Shanghai to Commonwealth of the Northern Marianas Islands (CNMI) and in October China approved mass tourism to the CNMI by granting the US territory 'approved destination status'. It is predicted that Chinese tourism will reach some 50,000 travellers just in the CNMI. Worldwide, Chinese tourism has been projected to be on the

<sup>7</sup> Nonetheless, the divisiveness of this rivalry does have a political consequence for the regional members of SPTO who necessarily bring their bilateral relations with one or the other of the East Asian powers into this issue. See Keith-Reid (2005: 28).

order of 100 million by 2020 (Brook, 2004). One regional scholar has claimed that the phenomenal growth of Chinese tourism is such that the Chinese will even dominate the Japanese presence in tourism and business in the Pacific Islands soon (Brook, 2004).

The presence of the PRC in the Pacific Islands as a significant economic actor in the Pacific Islands is not limited to tourism. It is showing up in a broadening array of areas including such important fields as communications, financing, and fisheries. This has caused some negative reaction in some parts of the Pacific Islands on cultural, political and/or security grounds. Significantly for Taiwan, the growing external influence of China as an international investor is undermining Taipei's one genuine advantage in earlier years - its economic credibility as one of Asia's 'tiger economies'. China has more avenues of influence and greater economic resources than Taiwan can match now and the imbalance will only accelerate in future years. Such a development will alter the calculus of benefit in terms of the issue of recognition since China will have many more ways of influencing PIC economic aspirations than just development assistance.

The Chinese Premier, Wen Jiabao, attempted to elevate the prominence the PRC development support for the Pacific Islands during a historic first visit to Fiji in early April 2006. Wen attended the opening ceremony of the first 'China-Pacific Islands Countries Economic Development and Cooperation Forum' Ministerial Conference in Nadi. As significant as the gesture was for the PRC and its relations with both those states that recognised the PRC and the Pacific Islands Forum, it failed to move Taipei's supporters in the region as none attended. Moreover, a story in the *Taipei Times* on Wen's visit took the opportunity to revisit the issue of diplomatic rivalry. Quoting Ministry of Foreign Affairs spokesman, the *Taipei Times* asserted that, 'Unlike China, whose diplomatic policy is to either obstruct other countries from establishing diplomatic relations with us or snatch our diplomatic allies, we make efforts to help the sustainable development of our diplomatic allies and create a win-win situation' (*Taipei Times*, 5 April 2006). Taiwan's spokesman, Michael Lu, indicated that China had offered US\$1.7 million to Fiji to sponsor this week's conference, and the Fijian government has received up to US\$13 million in grants from Beijing to date in 2006. The money China spent to 'squeeze Taiwan's diplomatic space', was greater than what Taipei spent to help its allies by a factor of ten (*Taipei Times*, 5 April 2006).

### Some Concluding Thoughts

The economic value of sovereignty was made a much more uncertain commodity for the small Pacific Islands states with the end of the Cold War and even more so since 11 September 2001 from whence the emphasis on state responsibility has intensified. Traditional sponsors of the Islands have demanded greater accountability and improved standards of governance as a condition of aid. This pressure has straitened the circumstances within which the Islands have had to operate and so encouraged some Islands to look more entrepreneurially at other sources of aid. Separate from, but converging with, the changing international situation in the Pacific Islands has been a new dynamic in neighbouring East Asia. The strengthening desire by Taiwan for independent recognition has been countered by a more globally engaged China with the result that a small, contested and, probably, short-term market for diplomatic legitimacy appears to have emerged in recent years in the Pacific Islands. While independent commentators and scholars overtly agree that this is an auction for recognition, the protagonists deny their own involvement while accusing the other side of trying to buy diplomatic influence. The consequences for each of the participants to this disputed diplomatic market have been hugely different, however, with the PRC increasingly emerging as the dominant of the two dragons in this market. With the PRC having a permanent seat on the Security Council and the second largest economy in the world, few states are willing to risk the potential political and economic consequences of recognising Taiwan. The collateral damage to the PICs as a consequence of their rivalry is another factor. Size does matter in diplomacy and size has not favoured the South Pacific's microstates.

Generally, recent events suggest that seeking to convert sovereignty into a merchandisable commodity requires sufficient size and resources to be able to play without sustaining too much damage. Certainly the experience of Tonga, Tuvalu, and now Vanuatu indicates Governments or individual politicians can pay a heavy price for trying to become players. A claim that the PICs 'have very little to lose by standing beside Taiwan' is clearly unsustainable. Because, if this support involves the selling of sovereignty, the state in question stands to lose much, not least its international credibility. Whether this is a fair price to exact is disputed by some who believe the 'one China policy' imposes constraints on PIC diplo-

macy that is an unreasonable intrusion into their affairs.<sup>8</sup> The smaller the state, the less likely it will be able to deal with adverse events. Yet, size is also a factor for the two East Asian rivals as well since the smaller Pacific Islands states are much cheaper to acquire but equally they are much cheaper to recover if they do switch sides. However, the rewards for loyalty are far greater for larger Pacific Island states than smaller ones by this same logic. Thus, the market for diplomatic recognition has tended to be driven by the number of smaller states willing to be players and the willingness of Taiwan and the PRC to stay in the market. The changing economic as well as political climate has not been lost on some of the more thoughtful Taiwanese who can now see the risks for them and their economy in pursuing the line taken by President Chen over the past five years.<sup>9</sup> Vice President Annette Lu provided support for this position in 2000 when she said, 'What's the use of spending money on these smaller countries when it only promotes scandal and rumours of money diplomacy? This is harmful to our national image and also a waste of taxpayers' money' ('Annette Lu offers...', 2000). However, surprisingly, the Chen administration has essentially adopted the foreign policy of its Kuomintang predecessor in seeking as many diplomatic ties as possible and being willing to encourage such cooperation through investment and aid.

The small size of the regional states has also been a serious factor in this issue since it puts a premium on the role of personalities in the decision-making process. Basically, the smaller a polity is, the greater the influence a limited number of personalities on executive outcomes. The exercise of foreign affairs has traditionally been a preserve of the executive branch of government but, in small states, this can be carried to an extreme. The experiences of Tuvalu, Kiribati and Vanuatu reveal that vital foreign policy decisions can be reduced to a single individual. The recent Senate report on China identified this as a factor in the perceived corruption generated by the competition for recognition (Australia, Senate, Foreign Affairs, Defence and Trade References Committee Report, 2006: 173). Perhaps on the plus side of the ledger, such small communities also have a capacity, if utilised, to be more open since it is difficult for the actions of individuals to be concealed for long. While these examples un-

derscore the importance of ensuring that small systems of governance be kept as open as possible to offset an undue reliance on limited numbers of decision-makers, it is claimed that exposure is not enough. Helen Hughes asserts, with some hyperbole, that the incident of corruption in the Pacific Islands is now so common 'even large scandals scarcely merit a day's attention.' (Australia, Senate, 2006: 173).

Internal responsibility for external affairs should never be minimised. Nonetheless, the role of third parties can also be a factor where relations with other states are involved. One might read a significant place for Australian self-interest in the Chinese/Taiwanese rivalry for a presence in the South Pacific. Australia's engagement appears to be much more strongly and actively in favour of the 'one China' approach when significant regional and national interests are involved. Canberra was very visible when Papua New Guinea switched to Taiwan under then Prime Minister Bill Skate and almost immediately reverted to the PRC. Some in Vanuatu have complained that Australia is very active there but, in Tonga, Tuvalu and Kiribati, it appears Australia has been more relaxed or, at least, less active. This may be over-interpreting a scant official record but the regional grapevine seems to support it.

There are a number of other factors that should be taken into account in considering the impact on governance posed by the Chinese/Taiwanese rivalry in the Pacific Islands region. China's standing as a great power has strengthened since the end of the Cold War. This makes any apparent challenge to the 'one China policy' much more problematic for Beijing especially when offered by very small countries, which have very limited external reach as it is. As noted above, China has begun to emerge as a significant investor in some sectors of the South Pacific's economy. This will give it leverage that once was the nearly exclusive domain of Taiwan. Prudence and opportunity therefore are likely to favour China in the current rivalry over the longer term unless global opinion on Taiwan takes a different tack. This may not have any real affect on the Taiwan-leaning Islands given their low saliency outside the region. Yet, the appearance of having been parties to this diplomatic auction will not serve the reputation of the region well or reflect favourably on its credibility as responsible contributors to the comity of nations.

Credibility as an international actor is not just a problem for the Pacific Islands. Both China and Taiwan have responsibilities for the actions of their own citizens abroad. Arguably, these demands fall especially heavily on China since its claims as the responsible actor have the greater international credence since 1971. The evidence to date suggests that such responsibilities are relatively novel for the PRC and, thus perhaps, not

<sup>8</sup> See, for example, Crocombe (2005: 24-27). Crocombe's position on this is more implicit than explicit but it is in line with those like Anote Tong and Serge Vohor who believed that could operate outside the 'one China policy'.

<sup>9</sup> There have been recent calls in Taiwan in the wake of the Vanuatu affair to cease participation in the pursuit recognition (see 'Time to stop...', 2004).



well exercised. Control of the activities of sub-national and private actors will be necessary to restrain criminal or exploitative behaviour. Difficulties in these areas have been reported by Pacific Islands states with regard to both East Asian rivals especially in fisheries, drugs and prostitution.<sup>10</sup> Both Beijing and Taipei will have to improve their responsibility and accountability for the activities of their citizens and corporations if they are to be fully effective actors in the Pacific Islands regardless of what their official status with a PIC host government might be. Given the emphasis across the region for improved standards of governance, these concerns will not be overlooked in reckoning the costs of selling sovereignty by either the Islands or their traditional sponsors.

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<sup>10</sup> For examples of these claims, see Field (2005: 22-26) and Squires (2006).