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China and Taiwan in the South Pacific: Diplomatic Chess versus Pacific Political Rugby

What is the problem?

The competition between China and Taiwan for diplomatic recognition is destabilising island states in the South Pacific, making Pacific politics more corrupt and violent. Solomon Islands offers the clearest evidence of what happens to an island state that becomes a battleground in this contest. Australia is in the front line in the South Pacific. Australia is budgeting billions of dollars for aid and governance in the South Pacific over the decade. Australia's aims in the region will bring it into sharper conflict with the interests being pursued by China and Taiwan.

What should be done?

Australia's stated aim is good governance in the Pacific; China and Taiwan are more interested in buying governments in pursuit of their diplomatic interests. Australia needs to be explicit in setting out these differences.

Taiwan is a democracy that has sought to erase corruption from its domestic politics. Taipei should be held to its own standard, and expected to act as a responsible democracy in pursuing its legitimate interests in the South Pacific. Australia must go public in naming and shaming Taiwan.

The South Pacific is upsetting Canberra's argument that it can always concentrate on mutual interests with Beijing, not areas of difference. Australia should make it clear that it sees the South Pacific as a regional measure of whether China will act as a responsible "global stakeholder".

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CHINA AND TAIWAN IN THE SOUTH PACIFIC

Introduction

The diplomatic competition between China and Taiwan is destabilising island states in the South Pacific, making Pacific politics more corrupt and more violent. China and Taiwan are not playing by the normal rules of the "aid game" in the Pacific. Their diplomatic contest is pushing up the stakes in Pacific politics – especially in Melanesia – and making the game rougher and bloodier.

Chequebook diplomacy has crossed the line from buying diplomatic influence to fostering corruption in domestic politics. China is abusing its prerogatives as a regional leader. The South Pacific is one area that disproves China's standard claim that it never interferes in the internal affairs of other states. Taiwan's obsession with China means Taipei gives little real attention to the impact it is having on Pacific stability. Taiwan Government money has twice helped push Solomon Islands into chaos.

Two events in April, 2006 – in Solomon Islands and Fiji – show how the China-Taiwan competition is being conducted in the South Pacific.

Solomon Islands and Taiwan:

On Easter Tuesday, 2006, hundreds of angry Solomon Islanders stood in front of their Parliament in Honiara and screamed "waku". The word waku means Asian or Chinese. The anger expressed by that word – and the political struggle it reflected – erupted into two days of violence that deeply damaged the country. Honiara's Chinatown was looted and burned. The physical damage will take years to repair – the economic, social and political repercussions will reverberate even after the rebuilding.

Chinese were targeted during the riots because of the belief that Asian bribes had bought the prime ministership for Snyder Rini. The deputy prime minister in the previous Kemakeza government, Rini had walked out of the Parliament accompanied by a smiling Allan Kemakeza. It was the sight of these smiling victors that set off the "waku" chant. Waku money had bought the top job, when many felt the general election signified a rejection of Kemakeza's men.

Solomon Islands' academic Tarcisius Tara Kabutaulaka wrote that the waku were alleged to have paid large sums of money to MPs: "The protest against Rini's election as Prime Minister was therefore a result of widespread public perceptions that Asian – especially Chinese – businessmen bribed members of parliament into supporting Rini and the 'old guard' who served their interests."[1]

For anyone who has spent any time in the South Pacific, it was a visual and emotional shock to stand in the middle of Chinatown after the riot. The street at the commercial heart of Honiara was rubble and ashes for much of its length. This was not the damage of a natural disaster – this cyclone was destruction visited on Honiara by its own people. Australians looking at this ruin had to ask questions about the failure of intelligence and security that allowed the mob to run amok. Australia, at the head of the regional intervention in the Solomons, had to contemplate what more should have been done

to prevent the spasm of violence. But other governments with interests in the Pacific need to examine their own motives and policies, to see if they actually contributed to the breakdown.

Australia's stake

The stakes for Australia are significant and will affect the way Canberra deals with China and Taiwan. The state-building effort in Solomon Islands is turning into a billion dollar project. Australia's intervention in 2003, at the head of the Regional Assistance Mission to Solomon Islands (RAMSI) was a dramatic turn in Canberra's approach to the South Pacific, and the dollars tell the story. The year before RAMSI, Australia's aid commitment to Solomon Islands was $33 million. In 2003-4, aid jumped to $140 million, then $180 million in 2004-05, $234 million in 2005-06, and the budget for this financial year is $223 million.

These are front line issues for Australia in personal as well as diplomatic and financial terms. In the riots, 28 Australian police serving with RAMSI were injured. Five of these police had to be repatriated to Australia for medical treatment, two of them with broken jaws.

The future dollars for RAMSI in the Federal Budget's forward estimates and the rhetoric of Australia's more vigorous leadership role carry a corollary – this is an effort that cannot be allowed to fail. Australia's interests, investment, and the bipartisan position of the Federal Government and Opposition point to a Canberra consensus on the need to make RAMSI work. Yet the struggle between Taiwan and China cuts across those interests.

The havoc in Honiara is a physical expression of the destructive impact that Taiwan and China can have on small Island states. A former head of Australia's Department of Foreign Affairs and Trade, Professor Stuart Harris, said the diplomatic contest is dangerous because it can so easily tear at the structure of a weak Island government:

> "We found this in the Solomons, where governments are totally disorientated – in fact just about destroyed – by interventions of this kind. You can disorient a government in the Pacific Islands with a very limited amount of money – just a few bribes to the right people at the top and you have undermined the whole governing system."[2]

Islands Business magazine reported that the destruction of Honiara's Chinatown "following the debacle of the Solomon Islands' elections serves as an ominous warning about the price to be paid for the battle of the two Chinas."[3]

China in the region

Two weeks before the riots in Honiara, Wen Jiabao flew into Nadi, becoming the first Chinese premier to visit Fiji. Wen was welcomed with the gifts of a pig and a whale's tooth, and a sip of the muddy and lip-numbing traditional drink, kava. Wen's gifts for the leaders of the Pacific nations that recognise China included three billion yuan in preferential loans (roughly $500 million), recognition as Chinese tourist destinations, anti-malarial medicines and training for 2000 Pacific government workers.

Premier Wen said that Beijing's effort in the Pacific was not a diplomatic expediency, but rather a strategic decision that China should prove itself a sincere and reliable partner:

> "We respect the social systems of the Pacific island countries and the development strategy they have adopted based on their national conditions and their efforts in safeguarding sovereignty and independence and preserving peace and stability in the region…China is not rich. Still, we are ready to provide assistance without any political strings attached to the Pacific island countries to the best of our ability."[4]

Islands Business magazine was less than impressed with Wen's generosity, editorialising that China's help to the Pacific– especially its buildings and stadiums – were among the more appalling examples of unsustainable, self-interested aid: "China's move into the South Pacific was clumsy, arrogant and dangerous; Pacific nations need to be careful when dealing with such cynical revolutionary carpetbaggers."[5] Island leaders, privately, share much of this cynicism, but are happy to take the cash.

China's primary objective – as always – is to retain diplomatic loyalty, and prevent defections to Taiwan. Beyond the constant contest with Taiwan, China's diplomatic activism in the Pacific can be compared with Beijing's work in Africa, South America and Southeast Asia. In Africa and South America, China seeks resources as well as diplomatic influence. In Southeast Asia, Beijing jostles with the United States for influence, seeks markets and resources, and is building diplomatic and strategic influence.

China is well short of turning Southeast Asia into an exclusive sphere of influence, but China is becoming the "paramount" power in ASEAN.[6] Beijing's aim is to be a factor in any ASEAN decision-making. The objective in the South Pacific is the same. Today, any significant diplomatic discussion in the Pacific must factor in China's wishes.

China's new role

The China "factor" in the Pacific is new. As little as five years ago, China did not weigh so heavily in the Islands. The change can be explained as just one more sign of the rise of China. But the China factor also draws strength from the regional perception of a diminished United States' role in the South Pacific (exactly the same complaint comes from ASEAN leaders).

The lament of declining US interest is familiar; it was a constant in the South Pacific through much of the Cold War. The difference is that the Soviet Union never did arrive in the South Pacific, despite a few scares that drove up the flow of Western aid. China, by contrast, has achieved a leading position in a surprisingly short time. Beijing has bought its way in with an array of relatively cheap goodies – official visits to China for politicians, a willingness to construct buildings and sporting facilities, and no overt interest at all in "governance" apart from the crucial issue of diplomatic status. The movement of ethnic Chinese into the South Pacific, the development of Chinese tourism and extension of trade are "attempts to develop

economic leverage, which could in time translate into significant influence."[7]

The arrival of China is being proclaimed in the public buildings of the Pacific (the parliamentary complex in Vanuatu, government offices in Samoa, the foreign ministry in Papua New Guinea), sports complexes to host the Pacific Games (Fiji, Samoa, Kiribati) and fleets of Chinese-made cars to drive around the VIPs. The Chinese approach to aid in the Islands follows the example set in previous decades by Japan. Like Tokyo, Beijing is keen on showpieces that can be locked and left. Large public buildings and sports stadiums are examples of "key" aid: the donor builds the project, hands over the key and leaves after the opening ceremony, with no responsibility for future maintenance or operation of the facility.

Australia estimates that China has more diplomats in the South Pacific than any other country (although Australia has more diplomatic missions). Over 3000 Chinese state-owned and private enterprises have been registered in the Pacific region with investments of about A$800 million.[8] The influx of Chinese diplomats has been matched by the arrival of a new diaspora.

The questionable worth of some Chinese investments was explained by John Murray, the detective superintendent in charge of the South Pacific desk for the Australian Federal Police in the decade to 1998. Fiji had given the right of abode to investors who set up companies worth F$500,000 (about $380,000). Murray found that 214 such companies had been created in Fiji, but 120 of the firms were producing nothing:

> "Inquiries revealed that a major proportion of the principals were Chinese of Hong Kong origin who brought with them many 'directors' and 'skilled' workers. Checks showed most firms to be no more than paper companies and likely guises for a people-smuggling racket with Australia as the end destination."[9]

The Chinese citizens who settled in the Islands in earlier eras had fled the chaos and poverty of their homeland. The latest Chinese arrivals are proud sons and daughters of the new China, and they can look to the motherland in ways not available or likely in previous generations. Chinese diplomats called up planes to evacuate 300 Chinese nationals from Honiara after the April riots. Beijing is now able to reach out and support its diaspora.

The presence of the new Chinese is evident on the streets of the main cities of Melanesia. The shops and stores are full of Chinese products, often with only Chinese language labelling. Along with the flood of cheap goods come the Chinese counterfeits of consumer products from toothpaste to soap flakes. Your tube of Colgate toothpaste in Melanesia these days is quite likely to be a Chinese-made fake, dressed up in Colgate colours. Some of the new Chinese bring little credit on their homeland, venturing into forms of crime from passport scams to the smuggling of both people and drugs. The threat of Chinese criminal gangs and the flow of Chinese "illegals" into Papua New Guinea have caused several worried but inconclusive debates around that country's Cabinet table.

Because so many of the arrivals are "illegals", there are no reliable figures on the Chinese movement into the Pacific. One of the best "guesstimates" is offered by Ron Crocombe, a former director of the New Guinea Research Unit, then professor of Pacific Studies at the University of the South Pacific for 20 years and now Professor Emeritus. His estimate is that the region has about 80,000 of the world's 30 million overseas Chinese. The countries with the biggest Chinese populations are Papua New Guinea and Fiji, each with about 20,000. Professor Crocombe quotes research by Fiji's military in 2005 which suggested 7000 Chinese had entered Fiji illegally in the previous two years. The Northern Marianas, he said, had seen an influx of "about 15,000, all straight from China in the past few years." French Polynesia had about 14,000, but most of these were long-established residents. Guam had about 4,000 Chinese, coming from both Taiwan and China. The estimate for the rest of Micronesia (FSM, Palau, Marshall Islands, Kiribati, Nauru): total 1,500. The rest of Melanesia (Vanuatu, Solomon Islands and New Caledonia): total 2,600, working mostly in logging and trade. Polynesia (American Samoa, Samoa, Tokelau, Tonga, Tuvalu, Wallis and Futuna, Cook Islands): total 1,400. [10]

Professor Crocombe said that China has a long, sad "record of causing internal problems in Pacific countries" because of its diplomatic conflict with Taiwan. The new dimension (embarrassing to earlier waves of Chinese settlers) was the surge of Asian organised crime. "Most smuggling of people to the Islands is by Chinese criminal gangs – and there is a lot of it."[11]

The new Chinese arriving to live in Melanesia present both social and geo-economic questions to the region. The Islands are experiencing a minor version of the creeping Sinofication that is taking place in the areas of Indo-China bordering China and in the Russian Far East.

Australia's new role

If China's arrival is one of the big changes in the South Pacific this decade, the other is Australia's adoption of a robust role, heralded by the Solomon Islands intervention in 2003. The significant Australian deployments this year, to the Solomon Islands in April and East Timor in May, show Canberra's willingness to act as the regional power. Prime Minister Howard speaks of Australia's "particular responsibility" for stability and law and order:

> "Australia has entered a new phase in its regional role in the Pacific – confident to lead, confident in what we offer, and confident we are seen as partners for progress. There was a time not so long ago when sensitivities about alleged 'neo-colonialism' perhaps caused Australia to err on the side of passivity in our approach. Those days are behind us."[12]

Defence Minister Nelson takes the idea of Australia's responsibility in the island arc even further.

> "We cannot afford to have failing states in our region. The so-called 'arc of instability', which basically goes from East Timor through to the south-west Pacific states, means that not only

> does Australia have a responsibility in preventing and indeed assisting with humanitarian and disaster relief, but also that we cannot allow any of these countries to become havens for transnational crime, or indeed havens for terrorism."

Dr Nelson said that beyond stabilising governments and protecting borders, Australia will defend Island values:

> "Australia has a responsibility in protecting our own interests and values to support the defence and protection of the interests and values of these countries in our region."[13]

The leadership responsibility Australia claims in the Pacific produces a complex structure of demands and requirements. Australia wants the Pacific to embrace "greater regional integration and the pooling of resources to promote efficiency and transparency of government." The promise of a substantial increase in aid to Papua New Guinea is "subject to meaningful reform and continued improved performance by the PNG Government." Australia's aid program has four themes: accelerating economic growth, fostering functioning and effective states, investing in people and promoting regional stability.[14] One of the four measures of the effectiveness of aid is to be combating corruption. While acknowledging long time frames, Australia is pushing for "slow and incremental" change in the Pacific.[15]

Regional competition

China looks like an undemanding partner when set beside this Australian language. Beyond the issue of Taiwan, Beijing offers no opinions on governance. At the government level, China is a silent partner. (On the street level, of course, the new Chinese diaspora is far from silent.) Chinese diplomats can assure Island leaders that they are different to the loud and pushy Australians. As the Australian Senate report noted: "In contrast to the financial aid Australia contributes to Pacific nations, China's aid to these countries is not conditional on them improving standards of governance."[16] Beijing can be a comfortable partner, operating a value-free foreign policy driven only by self-interest. One of the apparent attractions of the new superpower is that it "has no value system to sell and no messianic mission to fulfil."[17]

China's actions in the South Pacific will be part of the answer to the fundamental question of how Beijing will use its growing influence in the international system. The "stakeholder" speech by the US Deputy Secretary of State, Robert Zoellick, said that China had to move from being a member of the international community to accepting responsibility for the maintenance of that global order:

> "It is time to take our policy beyond opening doors to China's membership into the international system. We need to urge China to become a *responsible stakeholder* in that system. China has a responsibility to strengthen the international system that has enabled its success."[18]

Subsequent commentary by the State Department emphasised the question mark in the title of the speech, noting that Zoellick was urging China to become a responsible global player, not arguing that Beijing has achieved that status.

The South Pacific both suffers and gains from the number of external powers that act as though they do want a stake in the region. The range of these external powers underlines the point that the South Pacific is Australia's sphere of interest, not always its sphere of influence. Certainly, beyond the ability to deploy military and police power, Australia is having some trouble achieving its aims in the region. Australia's interest in this sphere is demonstrated by its promise of leadership and aid; the limits of influence are revealed by the difficulty in getting Island states to follow where Australia wants to lead.

As one example of the number of outside players, consider the rash of South Pacific summits this year. China had its Pacific summit in Nadi in April; Japan's summit with the Islands was held in Okinawa in May, and France held its summit with the Pacific Forum in Paris in June. The Pacific Islands Forum has 12 formal dialogue partners.[19] The Forum conducts a separate dialogue with Taiwan. This represents a formidable list of players with some interest in the region. Where China and Taiwan are different is that their diplomatic competition is conducted with an intensity – for Taiwan a desperate intensity – that goes far beyond normal standards of diplomacy or international aid. Sometimes the ferocity of the contest for international recognition makes it look more like a death struggle than anything that could be graced with the term "diplomatic".

Diplomatic chess versus Pacific political rugby

The six South Pacific states that currently give diplomatic recognition to Taiwan are Kiribati, Marshall Islands, Nauru, Palau, Solomon Islands and Tuvalu. These six countries are an important contribution to the set of diplomatic dots that hold such symbolic importance for Taipei. Apart from the South Pacific, Taiwan has formal diplomatic relations with 18 other states (the Vatican, five countries in Africa and 12 in South America). The diplomatic missions mark out what Taiwan's leaders and officials refer to as their right to "international space".

The international space, though, has been shrinking. Since Chen Shui-bian became President in 2000, seven countries have abandoned Taiwan and switched recognition to China. Taiwan's *China Post* editorialised that this erosion meant the competition for recognition had become more intense:

> "It seems to have become a trend that Taiwan must continuously raise its economic aid to ensure that its allies will not be lured away by Beijing. But the practice of using the chequebook to build diplomatic ties is becoming increasingly more difficult in economic and political terms. Economically, Taiwan after years of slow growth that has considerably shrunk its wealth, can no longer afford to spend generously on diplomacy. Politically, people in growing numbers question the wisdom of the government investing so much in

> maintaining relations with countries that do little to help Taiwan break its diplomatic isolation."[20]

Taiwan's government shows no sign of abandoning a competition that is so consuming it can be unbalancing for others that are drawn into the fight. Taiwan says it "loves" Solomon Islands and the other Pacific countries that give Taipei recognition. However, the supreme focus on China means Taiwan is actually hurting the Island states that Taipei claims to want to help. Think of this as the clash between two sets of rules – the diplomatic chess game between China and Taiwan is cutting across the political rugby played in the South Pacific.

The rules of the China-Taiwan game are making Pacific political rugby more corrupt and more violent. The chess game has its own logic and is fundamental to Taipei and Beijing. But the intensity of the chess game is upsetting the conduct of a completely different game being played across the same ground – the political rugby that marks a set of newly independent nations in the South Pacific. As anyone who has seen it can testify, the Pacific version of rugby is rugged and sometimes bloody. But the contest between China and Taiwan is pushing up the stakes and making Pacific politics – especially in Melanesia – far rougher and, now, dangerous.

Solomon Islands is the starkest example of this clash between chess and rugby, showing that the bidding war can produce dramatic consequences in a weak state. On two occasions, Taiwan money has helped push Solomon Islands toward chaos. The effect has been unintentional, obviously, but the impact has been just as obvious.

The loan of US$25 million from Taiwan's Export Import Bank (EXIM) announced in June, 2001, was a big bribe to retain diplomatic recognition from Solomon Islands. The announced purpose of the loan was to buy peace, by distributing compensation to the victims of ethnic war. But instead of helping stability by reinforcing traditional customs, the Taiwan money sparked a greedy grab for cash that descended from rent-seeking to banditry.

As each tranche of the Taiwan loan arrived, "corrupt politicians and militia leaders, as well as genuinely displaced people and people with all manner of legitimate requests for payments from government, engaged in frenetic scrambles for wealth, with the result that each EXIM instalment was gobbled up within days." [21]

Australia's then High Commissioner in Honiara, Bob Davis, said the EXIM money ran out at the end of 2002 after being "used for a number of very problematic compensation claim payments. And at that stage criminal gangs in Honiara turned directly on the government and extorted money under weapons from the consolidated revenue."

In one of the most infamous instances, Davis said, the Finance Minister, Laurie Chan, was the victim of a compensation hold-up in Cabinet:

> "Minister Chan was held in a room, in the Cabinet room, in fact, by a number of armed thugs who had demanded several million dollars compensation, so called compensation, in extortion from those Ministers and, in fact, had threatened to kill the Ministers if that was not paid. Minister Chan decided at

> that stage the options for him did not include continuing in the position and he resigned."[22]

Chan resigned in December, 2002, after being forced at gunpoint by police officers to sign a S$3.6 million cheque for "unpaid salaries."[23] The risk for anyone who could sign a government cheque was so great that few answered their phones or even went to the office, for fear of being forced to sign fresh compensation cheques.

In the 2006 election in Solomon Islands, the Taiwan-China competition again stepped across the line from buying diplomatic influence to fostering corruption. Taiwan took a direct hand in domestic politics by supporting individual candidates. Australian officials are quite explicit about their knowledge of how Taiwan's embassy in Honiara gave cash to support the electoral campaigns of individual political candidates. Taiwan had to bring in extra diplomatic staff to its embassy in Honiara to make sure the money could be distributed efficiently and quickly. Taipei's intervention in the election was so deep that it didn't stop at just backing individual candidates in specific seats. In some seats, Taipei funded two or three candidates. Some of this was insurance, but often the money was used to back "spoiler" candidates so Taiwan's preferred man (always men) could win through.

The president of the Solomon Islands Labour Party, Joses Tuhanuku, said Taiwan was "brazen and blatant" in interfering in the election by funding candidates and bribing members. At the launch of the Labour election campaign, Tuhanuku said Taiwan was using "dirty money" to decide who was elected to run Solomon Islands: "It is very shocking to observe that the Republic of China is now acting like a local political party, sponsoring candidates – including in my own electorate – involving itself directly in the business of Solomon Islands politics." [24]

Taiwan's aid budget is structured to allow the fight with China to be conducted in secret. About 15 per cent of Taiwan's aid goes to projects and loans, handled by Taiwan's International Cooperation and Development Fund. This is transparent and accountable aid. But the other 85 per cent of aid funding goes through the Ministry of Foreign Affairs, and no proper accounting for this slush funding is offered.[25] This funding ratio indicates policy priorities – 85 per cent of Taipei's effort and cash goes to the never-ending fight with China for "international space"; the remaining 15 per cent can be spared for what the rest of the world would classify as development assistance.

Taiwan provides the bulk of the discretionary money given to each Solomon Islands MP. A newly elected MP for Northeast Guadalcanal, Derek Sikua, said each MP gets SI$1 million from Taiwan (about $200,000) and SI$75,000 from the Solomon Islands government. Dr Sikua told his constituents that each MP gets the $75,000 from the Government's micro-project assistance scheme. The SI$1 million for each MP from Taiwan is given under three headings – $400,000 from Taiwan's Rural Constituency Development Fund (RCDF), $400,000 under its Millennium Fund and $200,000 for micro-project development in Solomon Islands."[26]

A key Australian complaint about much of Taiwan's aid is that it is not transparent, nor

accounted for. The lack of openness fuels suspicion about motives and the obligations of recipients. If Taiwan wants to fund individual election candidates or individual MPs, then it should publish the amounts given and name the recipients. At least, that would indicate the going price and establish a firmer market for voters to judge the worth of their votes, and how much of the slush is washing their way!

The Solomon Star newspaper picked up on this transparency argument in an editorial on Dr Sikua's accounting of the discretionary amount given each MP:

> "So now we know that each constituency should have at least SI$1,075,000 at its disposal in a year. In four years, a constituency could have access to $4.3 million in development funds. By any standards, this is a huge amount of money. Put to better use and constituents should realise tangible benefits within their communities. Dr Derek Sikua, the MP for Northeast Guadalcanal, has done well to reveal it all to his constituency."[27]

In the Solomons, the competition between China and Taiwan – and the tide of corruption and money politics – crested in April 2006, when the 50 newly-elected MPs gathered in Honiara for an intense round of caucusing to decide who would claim a parliamentary majority, become prime minister, and form government. The Australian journalist, Mary-Louise O'Callaghan, who has lived and reported on the Solomon Islands for nearly two decades, estimated that the "going rate" to buy the support of an individual MP for that one vote was a bribe in the range of SI$30,000-$50,000 (about $5,000-$8,500). That was the vote that elected Snyder Rini and lit the torch in Chinatown. O'Callaghan quoted one newly-elected MP: "I was offered S$22,000 cash to join AIM [Association of Independent Members] and another $50,000 if the group's candidate for the prime ministership got up."[28]

The size of the bribes on offer was confirmed by a former Prime Minister, Francis Billy Hilly. The day after the riots broke out in Honiara in April, Hilly told Radio Australia's Sean Dorney that bribes had been offered to MPs to get them to switch sides: "It's the power of money, because people were lured into various positions because of a promise, not only a promise, but the gifts of money. So, how can you fight that, when all the members went broke during the election?
Dorney: Do you know how much money?
Hilly: I heard from some of our members it ranges from SI$30,000 to SI$50,000.
Dorney: They were offered that to switch sides?
Hilly: Yes. Last night something happened."[29]

Australian concerns

The Australian government says it has spoken to both China and Taiwan about the damage their struggle is doing to the Pacific. The Foreign Minister, Alexander Downer, raised the issue with Premier Wen when he visited Canberra on the way to Fiji, and sent a "robust" message to Taiwan through the unofficial mission in Taipei, the Australian Commerce and Industry Office. Mr Downer said the message to both sides was that "chequebook diplomacy" hurt the Pacific:

> "Any funding of politicians or political parties, that kind of activity I think would be very damaging. And we'd obviously make that point to the Chinese. And I don't myself meet with Taiwan's Foreign Minister, but we do communicate with Taiwan, unofficially, and we make that point to them. And we make that point pretty robustly to them as well. It is completely unacceptable for other countries to be coming into, well for that matter any country really, but just to follow your question and focus on the Pacific, to be funding political parties and politicians directly and in support of candidates and votes."[30]

The Australian Senate's Foreign Affairs, Defence and Trade Committee's report on "China's emergence" devoted a chapter to the impact of China-Taiwan competition in the Southwest Pacific. The Committee recommended:

- Australia's Prime Minister should place the highest priority on attending the annual summit of the Pacific Islands Forum
- Australia should use the Forum to encourage Island states to endorse the OECD principles on official development assistance
- Australia should encourage China to adopt, and adhere to, the OECD principles in giving aid to Pacific Islands
- Taiwan "should also be encouraged to adhere to the OECD principles on official development assistance for the islands of the Southwest Pacific"
- Australia should work closely with China to enter joint ventures to help the Pacific[31]

The Senate report worried that the intrusion of the political agendas of Taiwan and China in the Islands would "impede rather than promote" development and good government:

> "The committee remains concerned at the effect that China and Taiwan's aid program is having on the countries in the Southwest Pacific. Notwithstanding the potential benefits that aid can bring to financially struggling Pacific nations, funds provided to local politicians or government officials without proper conditions attached can encourage fraudulent behaviour and undermine political stability. Without appropriate safeguards, aid assistance may not be directed to where it is most needed; it may find its way into the hands of local politicians, officials, or other improper beneficiaries. Serious corruption or political unrest can also occur as rival factions bid for increased untied grants in return for promises of diplomatic recognition." [32]

The corruption cancer

If Taiwan or China were serious about playing by the international rules in the South Pacific, they could follow a simple Island rule that defines the difference between bribery and a traditional gift. A proper gift, in the Pacific, is one offered in front of the whole village. A traditional gift confers public status to the giver (as a "big man") and produces both benefit and some future obligations for the receiver. By contrast, a gift that cannot be handed over in front of the whole village, or the whole nation, is more likely to be a secret bribe.

China and Taiwan play both sides of this definition, giving traditional gifts and secret bribes. But the Beijing-Taipei competition is perverting the way "custom" operates, affecting the economics and operation of gift-giving. The fiasco of the US$25 million Taiwan loan in Solomon Islands made a mockery of the traditional idea of "compensation". A concept that had deep roots in the country – compensation to resolve disputes and atone for wrongs – became a means of criminal extortion. Custom was manipulated and given a monetary value because of the cash being injected. The perversion of custom, funded by outsiders, has produced a social and political tragedy.

The Solomons' experience shows that the diplomatic chess game can have real costs for a small island state. Corruption already existed; but Taiwan and China drove up the going price by their bidding war, and attracted more people into the game. The competition has had a diplomatic cost. The United Nations (UN) has not been able to play a direct role in RAMSI. The Pacific Islands Forum notified the UN of RAMSI. But the Forum could not seek a UN mandate for the intervention, nor ask for direct UN participation. Because Solomon Islands has diplomatic relations with Taiwan, China threatened to delay or block any UN resolution. The absence of a UN mantle has not hurt RAMSI up to now. But as more politicians in Honiara see advantage in attacking RAMSI, the lack of that UN blessing may have an impact on the effectiveness, longevity or legitimacy of the mission.

Asia may be quite happy to deal with stable but weak Pacific states, in seeking diplomatic or trade advantage. Some Asian business ventures have a clear interest in exporting the "white envelope" crony culture to Oceania (white envelopes stuffed with cash).[33] Legitimate Asian enterprises have used illegitimate payments to politicians and officials to secure business goals, especially in logging in Papua New Guinea and Solomon Islands. The over-logging of the Solomons is close to completion. Within the next five to ten years, the natural forests of Solomon Islands will be cleared, with the Asian loggers leaving behind immense economic and environmental costs.[34] The savage clearing of the natural forests of Papua New Guinea and Solomon Islands are symptomatic of weak states, which are beset by poor accountability and endemic corruption. In the words of Sir Anthony Siaguru, corruption in Papua New Guinea is "like a cancer chewing into the fabric of society and slowly eroding established norms of doing business." [35] Australian police officer John Murray lamented the "terminal corruption" in the Pacific emanating from "white-collar fraudsters and widespread domestic corruption which is destroying the fiscal and political integrity of Island countries."[36]

The dark side of Asian activity in the Pacific runs from "white envelope" business bribes to the lawlessness of Asian crime syndicates. The impact of Asian logging companies – especially from Malaysia – has deeply damaged Papua New Guinea and Solomon Islands. The governments of Taiwan and China risk being grouped with corrupt Asian businesses and Asian crime syndicates. The direct interference in local politics by the two governments means they can be placed in the same category as the business spivs in nice suits and the crime triads.

Conclusion

The governments of China and Taiwan did not create this culture of corruption. But they are fostering and furthering corruption as they duel over diplomatic recognition.

Taiwan officials argue that they are in a desperate fight for "international space". If Australia can help achieve this space, Taipei officials argue, then Taiwan could become more responsible in the way it uses aid. But a Taiwan frantic to differentiate itself from China needs to decide if it wants to be grouped with the Asian business groups that have so devastated the natural resources of Papua New Guinea and Solomon Islands. In creating its democracy, Taiwan has attacked "black gold" – the cronyism and corruption that once marked its politics. If "black gold" is no longer tolerated in Taipei, then why should it be acceptable for Taiwan to use the same tactics in the Pacific?

Taiwan needs to decide whether its diplomacy in the Pacific will be accountable and open as befits a democracy. Taiwan is China's "democratic nemesis".[37] The democracy should not emulate the dictatorship in trying to suborn the Pacific. Indeed, Taipei should understand better than anyone the tactics China uses in the South Pacific, because Beijing often uses the same approach on Taiwan. As Paul Monk noted, "the Communist Party's preferred strategy is not to use force, but to prevail through a combination of coercive diplomacy and economic inducements."[38] Taiwan's interest is in proving itself different – even better – than China.

The harsh dynamics of the diplomatic chess game in the Pacific mean neither Beijing nor Taipei gives much attention to any end game. But if Beijing eventually out-bids Taiwan in the Pacific, that may make Taipei's behaviour less predictable.

A Taiwan that no longer has any "international space" (or perhaps, more accurately "diplomatic face") will have less to lose. If China were to deprive Taiwan of its six diplomatic flags in the South Pacific, would that make Taipei more amenable to Beijing? History and human nature hint that states pressed too hard can sometimes lash out. Perhaps China should consider the potential for diplomatic victory producing an unfortunate political outcome – an angry or isolated Taiwan that may be more likely to brandish the independence weapon.

The diplomatic chess game does not merely ignore the impact on Pacific polities; China and Taiwan are so engrossed in the moves and counter-moves of the contest that they have lost sight of what the game aims to achieve. A diplomatic chess game mired in a perpetual stalemate, relieved by the odd exchange of pawns, has lost sight of what a positive end-point should look like.

The South Pacific offers a ready regional measure of whether China will act as a responsible "global stakeholder". The US did not have the South Pacific in mind when it unveiled the "stakeholder" model last year. But the speed with which China is becoming a major factor in the South Pacific means the region will be an early test case. Australia can add a United States dimension to this discussion, by arguing that the South Pacific

can be one measure of how well China is behaving in the international system.

Australia is confronting the reality that its policy interests in the South Pacific clash with China's approach, in areas such as governance, corruption, financial standards, transparency and democratisation. The South Pacific will challenge Canberra's argument that it can always concentrate on mutual interests with Beijing, not areas of difference.

NOTES

[1] Michael Field, Solomons' debacle a warning? *Islands Business,* Suva, May 2006, p 22.

[2] Professor Stuart Harris, evidence to the Senate Foreign Affairs Committee, *Hansard*, 13 September 2005, p 30.

[3] Michael Field, *Solomons' debacle a warning?*

[4] Wen Jiabao, *Speech at the opening of the first ministerial conference of the China-Pacific Island countries*, Fiji, 5 April 2006. http://english.gov.cn/2006-04/05/content_245681.htm

[5] We say: China's move into the South Pacific, *Islands Business*, Suva, May 2006, p 8.

[6] Milton Osborne, *The paramount power: China and the countries of Southeast Asia*, Lowy Institute for International Policy, Sydney, May 2006.

[7] Jim Rolfe, Oceania today: The region, regional powers and regional cooperation, in *Engaging Oceania with Pacific Asia*, Peter Couzens (ed.), Centre for Strategic Studies, New Zealand, 2004, p 24.

[8] Senate Foreign Affairs, Defence and Trade Reference Committee, *China's emergence: implications for Australia*, Commonwealth of Australia, March, 2006, p 165 & 175.

[9] John Murray, *The minnows of triton: policing, crime and corruption in the South Pacific Islands*, Canberra, 2006, p 15.

[10] Estimate provided to author by Professor Ron Crocombe, October 2006

[11] Ron Crocombe, The growing Chinese presence in the region, *Islands Business*, Suva, January 2005.

[12] John Howard, *National security in an uncertain world,* Prime Minister's address to the Australian Strategic Policy Institute, Sydney, 18 June 2004, p 17.

[13] Brendan Nelson, Defence Minister, *House of Representatives Hansard*, 8 August 2006, p 9.

[14] Australia's aid budget for PNG and the Pacific Islands in 2006-7 is $766 million. (In 2002-3, the figure was $503 million).

[15] White paper on the Australian Government's overseas aid program, *Australian aid: promoting growth and stability*, AusAID, Canberra, April 2006, p xi-xii.

[16] Senate Foreign Affairs, Defence and Trade Reference Committee, *China's emergence: implications for Australia*, p 166.

[17] Francois Heisbourg, The coming age of the self-interested superpower, *Financial Times,* 16 February 2006.

[18] Robert Zoellick, Whither China: from membership to responsibility? Remarks to the National Committee on US-China Relations, New York, 21 September 2005. http://www.ncuscr.org/articlesandspeeches/Zoellick.htm

[19] The dialogue partners are Canada, China, European Union, France, India, Indonesia, Japan, South Korea, Malaysia, Philippines, United Kingdom, United States.

[20] Taipei faces challenge in seeking foreign recognition, *The China Post,* 10 August 2006. http://www.chinapost.com.tw/editorial/detail.asp?onNews=&GRP=i&id=87517

[21] Jon Fraenkel, *The manipulation of custom: from uprising to intervention in the Solomon Islands*, Pandanus Books, ANU, Canberra, 2004, p 125.

[22] Bob Davis, Asia Pacific, *Radio Australia,* Interview with Sean Dorney, 2 December 2003.

[23] Fraenkel, p 152.

[24] Joses Tuhanuka, Press Release, Solomon Islands Labour Party, *Labour leader urges voters not to support corrupt candidates*, March 2006.

[25] A senior official of Taiwan's International Cooperation and Development Fund provided me with this breakdown of the aid cash flow – 15% through the Fund, the remaining 85% of aid through the Ministry of Foreign Affairs

[26] *Solomon Star* newspaper, Honiara, 10 July 2006.

[27] *Solomon Star* newspaper editorial, Honiara, 11 July 2006.

[28] Mary-Louise O'Callaghan, Force for the good, *The Australian*, 29 April 2006.

[29] Sean Dorney, Solomon Is: Riots sparked by anger over PM appointment, *Radio Australia Pacific Beat*, 19 April 2006, Interview with Francis Billy Hilly. http://www.abc.net.au/ra/pacbeat/stories/s1618654.htm

[30] Alexander Downer, Minister for Foreign Affairs, speech to the National Press Club, Canberra, 26 April 2006.

[31] Senate Foreign Affairs, Defence and Trade Reference Committee, *China's emergence: implications for Australia*, p 182.

[32] Ibid, p 179.

[33] Nomenclature note: In Indonesia and several other parts of ASEAN, the cash bribe is usually offered in a white envelope. A journalist colleague says that in Vietnam the bribe always comes in a brown envelope. In Taiwan, rather than the euphemism of "envelopes", the phrase for bribes or corrupt payments is "black gold".

[34] Economic Analytical Unit, *Solomon Islands: rebuilding an island economy*, Department of Foreign Affairs and Trade, Canberra, 2004, p 126.

[35] Maxine Pitts, *Crime, corruption and capacity in Papua New Guinea*, Asia Pacific Press, Australian National University, Canberra, 2002, p 86.

[36] John Murray, *The minnows of triton: Policing, crime and corruption in the South Pacific Islands*, p 8.

[37] Paul Monk, *Thunder from the silent zone: rethinking China*, Scribe Publications, Melbourne, p 91.

[38] Ibid, p 92.

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