

Chapter 10

Southwest Pacific

We will deepen mutually beneficial cooperation with developing countries and safeguard the common interests we share with them.¹

China's engagement with countries in the Southwest Pacific

10.1 China has formed diplomatic relations with a number of island states in the Southwest Pacific. Since establishing formal recognition with these various countries, China's relationships with Pacific Island nations have generally been characterised by high level visits, economic and technical cooperation, and generous development assistance.²

10.2 China established formal diplomatic ties with Samoa and Fiji in 1975, Papua New Guinea (PNG) in 1976, the Cook Islands in 1997, Kiribati in 1980 (ceased 2003), Vanuatu in 1982, the Federated States of Micronesia in 1989, Tonga in 1998 and Nauru in 2002 (ceased 2005). According to the Department of Foreign Affairs and Trade (DFAT), China has a stronger diplomatic presence in the South Pacific than any other country.³ At the time this report was tabled, six Pacific Island nations afforded diplomatic recognition to Taiwan. These are: Kiribati, Marshall Islands, Nauru, Palau, Solomon Islands and Tuvalu.⁴

10.3 This chapter outlines the nature of China's political engagement with Pacific Island nations, particularly in the context of China's insistence on an adherence to the one-China policy and its contest with Taiwan for diplomatic recognition across the Pacific region. The committee then discusses the problems associated with this diplomatic competition, both for the Pacific Island nations involved and for Australia, which is seeking to improve governance in the region through conditional aid.

Visit diplomacy

10.4 High level visits by Pacific Island leaders to China are often marked by lavish receptions.⁵ For example, the Prime Minister of the Cook Islands, Dr Robert

1 Part VII, *Report on the Work of the Government* delivered by Premier Wen Jiabao at the Third Session of the 10th National People's Congress, 5 March 2005.

2 Cook Islands Government, 'China grants Cooks extra \$4 million', *News release*, 30 April 2004.

3 This indicates that they have more diplomats than any other country, rather than more diplomatic missions. See also Susan Windybank, 'The China Syndrome', *Policy*, vol. 21, no. 2, Winter 2005, p. 31.

4 According to the DFAT website, http://www.dfat.gov.au/geo/taiwan/taiwan_brief.html#intrec (accessed 19 July 2005).

5 Dr Frank Frost, 'Directions in Australia's foreign relations—implications for east Asia and Australia', *Research brief*, Parliamentary Library, p. 52.

Woonton, stated that he was humbled by the recognition China afforded him during his visit to China in 2004. At the time, he stated:

The Cook Islands is the only country on a state visit to China at present and Tiannenmen Square has Cook Islands and Chinese flags flying all around it.

I am speechless at the hospitality extended to everyone in our delegation, not only in Shanghai, but also in Jiangsu province and Beijing.

When we arrived at the Great Hall of the People, the prime minister was welcomed to the Peoples Republic of China by Premier Wen, before inspecting a guard of honour and receiving a 19-gun salute.⁶

10.5 Professor Ron Crocombe, emeritus professor at the University of the South Pacific, stated on *Radio Australia* that:

[China] wants to be the major influence in the Pacific, there's no doubt about that; it's aiming to be that in a fairly short time.

It has [been] carefully planned, [there's been] very strategically placed aid. You'll notice Chinese aid is quite different from other patterns: China is heading straight for the jugular.

It goes firstly for trips and favours for the politically powerful and very lavish receptions that are on a broader scale than most.⁷

10.6 Indeed, Mr Eni Faleomavaega, member of the U.S. House of Representatives Subcommittee on the Western Hemisphere recalled that the head of state of one of the island countries with a population less than half a million people received 'the same treatment that President Nixon got when he went to China'.⁸ According to John Henderson and Benjamin Reilly, China's visit diplomacy:

...provides a lucrative return on a modest investment. It stands as an example of how skilful diplomacy can enable a state to gain influence over vast areas through the acquiescence of very few people.⁹

10.7 China's overseas aid program provides another avenue for China to strengthen diplomatic ties with the Pacific Islands.

Development aid

10.8 DFAT told the committee that China has greatly increased its aid to the Pacific in recent years, with one study suggesting that Chinese aid could total up to

6 Cook Islands Government, 'China grants Cooks extra \$4 million', *News Release*, 30 April 2004.

7 Transcript, 'Pacific: Minister's concerns over Chinese presence', *Pacific Beat*, 15 June 2005.

8 Transcript of hearing before the Subcommittee on the Western Hemisphere of the Committee on International Relations, House of Representatives, 109th Congress, First Session, 6 April 2005, p. 75.

9 John Henderson and Benjamin Reilly, 'Dragon in Paradise: China's rising star in Oceania', *The National Interest*, vol. 72, Summer 2003, p. 95.

\$300 million annually. In August 2004, Vice-Foreign Minister Zhou Wenzhong pledged that China would continue to do 'its utmost to provide aid to all island countries that have diplomatic relations with China'.¹⁰



10.9 The aid provided to the island countries often goes toward high profile projects such as the construction of the parliamentary complex in Vanuatu, a multi-story government office in Samoa, the new foreign ministry headquarters in Papua New Guinea, as well as hotel developments in Tonga and the provision of a ferry for Kiribati. China also built the sports stadium in Fiji for the 2003 South Pacific Games,¹¹ and has made a practice of donating a fleet of VIP cars to the island state hosting the Pacific Islands Forum.¹² Aid also takes the form of scholarships for students to study in China, or the provision of Chinese teachers, sports coaches or medical teams to work in the islands.

10 Quoted in 'One-China essential to ties with PIF nations', *China Daily*, 11 August 2004, http://www.chinadaily.com.cn/english/doc/2004-08/11/content_364202.htm (accessed 21 February 2006).

11 Dr Frank Frost, 'Directions in Australia's foreign relations—implications for east Asia and Australia', *Research brief*, Parliamentary Library, p. 52.

12 John Henderson and Benjamin Reilly, 'Dragon in Paradise: China's rising star in Oceania', *The National Interest*, vol. 72, Summer 2003, p. 102.

10.10 In 2004, China granted the Cook Islands \$NZ4 million to be used for various projects. This grant followed a cooperation package for construction of the Avarua courthouse and Police National Headquarters projects.¹³

10.11 DFAT told the committee that Chinese aid was generally bilateral and often readily visible:

China's aid...is overwhelmingly bilateral. Very often if you go to these small countries, not only in the South Pacific but really anywhere in the world, you will find a big stadium, for example, which was a gift of the Chinese government. They often like to provide what we call 'concrete aid'—that is, buildings and structures. They have also been very strong in providing medical teams in smaller underdeveloped countries, and that often goes along with, for example, a hospital building.¹⁴

10.12 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. The clear exception to the unconditional nature of Chinese aid is the issue of adherence to the one-China policy.

China and Taiwan: competitors in the Southwest Pacific

10.13 China's stated intention is to provide genuine aid to underdeveloped countries in the Southwest Pacific, 'in all sincerity and with no political strings attached'. Its aim is to cultivate friendly relations and cooperation with these countries 'in the spirit of mutual respect, equality and mutual benefit'.¹⁵ Even though China's diplomatic and financial support for these small island countries appears to be unconditional, there is a requirement to adhere to the one-China policy. Indeed, China will tolerate no opposition on this issue, openly and unequivocally insisting on adherence to the one-China policy. Speaking at a Post Pacific Islands Forum,¹⁶ China's Vice Foreign Minister Mr Yang Jiechi stated:

We do not object [to] economic and cultural exchanges of an unofficial nature between Taiwan and countries having diplomatic relations with China. But, we firmly oppose these countries developing official relations or having any official exchanges or contacts with Taiwan...we are appreciative and thankful that the Forum and the Forum members having diplomatic relations with China have adhered to the one-China position and hope that they will stand on high alert against the Taiwan authorities' political attempts to advance 'pragmatic diplomacy' in the South Pacific, create 'two Chinas' or 'one China, one Taiwan' and sabotage the relations

13 Cook Island Government, 'China grants Cooks extra \$4 million', *News release*, 30 April 2004.

14 DFAT, *Committee Hansard*, 16 June 2005, p. 14.

15 Opening Remarks by People's Republic of China Vice Foreign Minister Yang Jiechi, Post Forum Dialogue, 7 October 2000, Koror, Palau.

16 The Post Pacific Forum is discussed in detail at paragraphs 10.53–10.54.

between China and the Forum, and refrain from developing any official relations with Taiwan.¹⁷

10.14 Communiqués issued by representatives after official meetings with Chinese leaders invariably contain an affirmation declaring adherence to this policy.¹⁸ For example, during his visit to China, Dr Woonton stated that the Cook Islands' government and people will 'unswervingly adhere to the one China policy and support China's just stance on the Taiwan issue.'¹⁹ He explained:

Some people may still be asking what the Chinese will want from us in return for their assistance, but their only requirement is for the Cook Islands to recognise China's legitimate ownership of Taiwan.²⁰

10.15 Many with an interest in the Southwest Pacific are in no doubt that China and Taiwan are in a contest to obtain formal recognition from the islands in the region. The 2005 Annual Report to the U.S. Congress on China's military power noted that China had intensified its competition with Taiwan for diplomatic recognition in the developing world. According to the report, the intention was to undermine Taiwan's diplomatic support 'among the 26 remaining countries that recognise Taipei'.²¹ As discussed earlier, China employs both diplomatic and commercial influence to encourage other states to limit their engagement with Taiwan and to discourage Taiwan from fostering relations with such countries.

10.16 DFAT also stated that a priority for China's six embassies in the Pacific is competition from Taiwan for diplomatic recognition. The department suggested that both China and Taiwan use economic assistance as a lever in their competition for diplomatic recognition.²² The prevailing belief is that China has been courting island

17 Opening Statement by People's Republic of China Vice Foreign Minister Yang Jiechi, Post Forum Dialogue, 30 October 2000, Tarawa, Kiribati.

18 See for example, *China Daily*, 'Jiang encourages more economic Co-operation', 4 July 2002. See also, Foreign Ministry of the People's Republic of China, 'Hu Jintao meets Tongan King Taufa'ahau Tupou IV', 19 October 2004. Such statements generally confirm the country's adherence to the one-China policy. In 2002, Nauru recognised that there 'is but one China in the world, that the Government of the People's Republic of China is the sole legal government representing the whole of China and that Taiwan is an inalienable part of Chinese territory'. See Joint Communiqué of the Government of the People's Republic of China and the Government of the Republic of Nauru on the Establishment of Diplomatic Relations, 22 July 2002. See also Foreign Ministry of the People's Republic of China, 'Premier Wen Jiabao Meets with Papua New Guinea Prime Minister Michael Somare', 10 February 2004.

19 Foreign Ministry of the People's Republic of China, 'President Hu Jintao Meets with the Cook Islands' Prime Minister', 30 April 2004.

20 Cook Islands Government, 'China grants Cooks extra \$4 million', *News release*, 30 April 2004.

21 U.S. Department of Defense, *Annual Report to Congress: The Military Power of the People's Republic of China 2005*, p. 40.

22 DFAT, *Committee Hansard*, 16 June 2005, p. 5.

governments with unconditional aid and various perks, while extending its network of diplomatic missions to thwart countries switching their allegiance to Taiwan.

10.17 China's carefully tailored diplomatic policy enables it to invest a relatively small amount of money in the Southwest Pacific and deny Taiwan the opportunities to advance its own economic and political agenda in the region independent of China. The following section looks more closely at this policy. It deals with a number of Pacific island countries that have recently been caught up in this power tussle between China and Taiwan, notably Kiribati, Vanuatu and Nauru.

Kiribati

10.18 China and Kiribati established diplomatic relations in June 1980.²³ On 7 November 2003, however, the Kiribati government announced the establishment of diplomatic relations with Taiwan. China denounced the move as an 'open violation' of the principles of the joint communiqué on establishing diplomatic relations between the two countries and 'a gross interference in China's internal affairs'. China protested strongly to Kiribati calling on it to abide by the one-China policy.²⁴ A spokesperson from the Chinese Foreign Ministry told a press conference:

We call for the Government of Kiribati to analyze the situation and correct their wrongs so that China-Kiribati relations can continue to develop on the basis of the Five Principles of Peaceful Coexistence. We are keeping a close eye on the developments and we will decide how to take [the] next step accordingly.²⁵

10.19 China also accused Taiwan of practicing 'an unscrupulous policy of "bribery diplomacy"'.²⁶ China suspended diplomatic relations with Kiribati retaining caretakers, not diplomats, to oversee the previous embassy's premises and property. Furthermore, it dismantled a satellite tracking station it had set up in Kiribati in 1997 as part of its 'monitoring and control network for supporting satellite and carrier rocket launchings'.²⁷

23 Foreign Ministry of the People's Republic of China, 'China and Kiribati', 9 December 2003.

24 Embassy of the PRC, *Spokesperson's remarks on Kiribati's establishment of ties with Taiwan*, <http://www.china-embassy.org/eng/fyrth/t40558.htm> (accessed 21 February 2006).

25 Embassy of the PRC, *Foreign Ministry Spokesperson's Press Conference*, 25 November 2003, <http://www.china-embassy.org/eng/fyrth/t50489.htm> (accessed 21 February 2006).

26 Embassy of the PRC, *Foreign Ministry Spokesperson's Press Conference*, 13 November 2003, <http://www.china-embassy.org/eng/fyrth/t42193.htm> (accessed 21 February 2006).

27 See for example, the prepared statement by the Hon. James R. Lilley, former U.S. Ambassador to China, before the U.S. Senate Committee on Foreign Relations, One Hundredth Sixth Congress, 20 April 1999; Answers to questions by the Minister for Foreign Affairs, the Minister for Trade and their representatives in the Senate, Question on Notice no. 2097, 4 December 2000. See also Testimony before U.S. Senate Committee on International Relations, 6 April 2005, p. 100.

Vanuatu

10.20 More recently, the Prime Minister of Vanuatu, Mr Serge Vohor, moved to align his country more closely with Taiwan. On 3 November 2004, during a trip to Taiwan, he signed an agreement to establish full diplomatic ties with Taiwan. The Joint Communiqué signed by Taiwan and Vanuatu envisaged closer bilateral cooperation in areas such as agriculture, aviation, tourism, fishery aquaculture, education, capacity building, health and the development of small and medium enterprises. In the international arena, Prime Minister Vohor:

Committed himself to give Vanuatu's strong support for Taiwan to participate in the international organizations including UN, WHO, APEC and other regional organizations...²⁸

10.21 China immediately contacted the Vanuatuan government for information. On 10 November, Vanuatu's Council of Ministers vetoed the decision and upheld the one-China policy. The Chinese government expressed appreciation about the reversal, stating:

Taiwan is an inalienable part of Chinese territory, the government of the People's Republic of China is the only legitimate government representing the whole China. This is a universal consensus recognised by over 160 countries including Vanuatu in the world and all important international organisations including the UN. The fact has borne out again that the Taiwan authority's scheme of splitting the motherland has neither popularity nor future.²⁹

10.22 For a while it would appear that some leaders of Vanuatu entertained the notion that they could reach some arrangement whereby Vanuatu could secure the support of both countries.³⁰ China and Taiwan, however, became engaged in a diplomatic brawl, accusing each other of underhand 'dollar diplomacy'. According to media reports, there were claims of large amounts of cash being paid to leaders of the then governing coalition amid counter claims that political support was being 'bought' with Chinese donations.³¹ Taiwan categorically denied that it was involved in 'cheque book' diplomacy. One high-ranking Taiwan government official stated:

28 Ministry of Foreign Affairs, Republic of China (Taiwan), *Statements*, 3 November 2005.

29 Embassy of the PRC, *Foreign Ministry Spokesperson Zhang Qiyue's Press Conference on 11 November 2004* and Embassy of the PRC, *Foreign Ministry Spokesperson Zhang Qiyue's Remarks* <http://www.china-embassy.org/eng/fyrth/t169908.htm> (accessed 21 February 2006).

30 See for example *Pacific Islands Report*, 8 November 2005, <http://pidp.eastwestcenter.org/pireport/2004/November/11-08-04.htm> (accessed 6 December 2005).

31 See 'Questions of corruption in the search for Pacific allies', *Sydney Morning Herald*, 7 February 2005, p. 16; 'Vanuatu MPs switch sides in protest', *Sydney Morning Herald*, 3 December 2004, p. 9; 'High stakes diplomacy in Vanuatu', *Sydney Morning Herald*, 27 November 2004, p. 13.

No funds have been given to the Prime Minister or any political parties, however, we are certain that is not the case with China as they are desperate to prevent Vanuatu from establishing ties with Taiwan.³²

10.23 A state of confusion prevailed until the Prime Minister was ousted in a no-confidence vote on 11 December. A new government favourable to China was formed. In February 2005, the new Prime Minister of Vanuatu, Mr Ham Lini, visited China where he gave reassurances that his government supported the one-China policy.³³

Nauru

10.24 For more than 20 years prior to 2002, Nauru had had official diplomatic relations with Taiwan. But in 2002, it decided to switch allegiance to China. In a joint communiqué announcing the establishment of diplomatic relations with China, the Republic of Nauru stated that it recognised that:

... there is but one China in the world, that the Government of the People's Republic of China is the sole legal government representing the whole of China and that Taiwan is an inalienable part of Chinese territory'.³⁴

The government of the Republic of Nauru pledged that it would not have official relations of any form with Taiwan.³⁵

10.25 At the time of Nauru's change of alliance to China, Taiwan stated that China had revealed its true colours: 'it will even try to intimidate a small island of the South Pacific Ocean. This move is a serious challenge to our foreign policy, and a severe provocation to the people of Taiwan'.³⁶

32 Marc Neil-Jones, Interview with Taiwan Deputy Minister of Foreign Affairs Michael Ying-mao Kau and the Director General of the Department of East Asian and Pacific Affairs Dr Gary Song-Huann Lin, *Port Vila Presse*, 2 December 2004, <http://www.news.vu/en/news/inter/041202-the-taiwan-side.shtml> (accessed 21 February 2006).

33 Foreign Ministry of the People's Republic of China, 'President Hu Jintao Meets with the Prime Minister of the Republic of Vanuatu', 25 February 2005; 'Vanuatu reiterates commitment to one-China policy: joint statement', *China People's Daily*, 26 February 2005, http://english.people.com.cn/200502/26/eng20050226_174755.html (accessed 28 February 2006).

34 Foreign Ministry of the People's Republic of China, 'Joint Communiqué of the People's Republic of China and the Government of the Republic of Nauru on the Establishment of Diplomatic Relations', Hong Kong, 21 July 2002.

35 Foreign Ministry of the People's Republic of China, 'Joint Communiqué of the People's Republic of China and the Government of the Republic of Nauru on the Establishment of Diplomatic Relations', Hong Kong, 21 July 2002.

36 His Excellency Dr Eugene Chien, Taiwan Ministry of Foreign Affairs, 'Statement by Ministry of Foreign Affairs Concerning Nauru', *Press release*, 22 July 2002, <http://www.gio.gov.tw/taiwan-website/4-oa/20020722/2002072201.html> (accessed 21 February 2006).

10.26 In May 2005, however, Nauru restored formal diplomatic ties with Taiwan. In response to a question about whether Nauru was 'seeking or expecting a pledge of economic aid from Taiwan', Nauruan President Ludwig Scotty told reporters that 'these things happen'. He stated further that, 'Everyone knows in bilateral relations there are mutual benefits that can be achieved'. He indicated, however, that his country 'might still need financial help from Taiwan in coming days'. He stated: 'This will come at a later stage, resulting from further negotiations between our two governments'.³⁷

10.27 The government of Taiwan announced that both countries could look forward to cooperation in various fields such as culture, education, agriculture, fisheries, tourism, healthcare as well as aquaculture. It noted that Nauru was a member of a number of multilateral and regional organisations including the United Nations, the British Commonwealth, the World Health Organisation, the Asian Development Bank, the Pacific Islands Forum, the Food and Agriculture Organization, and the International Olympic Committee. It indicated that Taiwan had been assured that:

Nauru will firmly support Taiwan's efforts to participate in the United Nations, the World Health Organization and other international and regional organizations after the reestablishment of diplomatic ties between the two countries.³⁸

China cut ties with Nauru.

Problems created by the contest between China and Taiwan in the Southwest Pacific

10.28 It should be noted that some of the island countries in the Southwest Pacific are among the smallest and poorest countries in the world and susceptible to the influence of others willing to use their economic leverage to serve their own foreign policy objectives. The three countries cited above are developing countries. Nauru is the world's smallest independent republic with a total land area of 21 square kilometres, or about 0.1 times the size of Washington D.C., and a population of

37 Quoted in 'Nauru switches its allegiance back to Taiwan from China', *Taipei Times*, 15 May 2005, <http://www.taipetimes.com/News/front/archives/2005/05/15/2003254718/wiki> (accessed 21 February 2006).

38 Taiwan Foreign Relations website, Ministry of Foreign Affairs, 'The Republic of China (Taiwan) and the Republic of Nauru restored full diplomatic relations on May 14, 2005', 17 July 2005, <http://english.www.gov.tw/eGov/index.jsp?categid=33&recordid=82350> (accessed 4 January 2006). It should be noted that Taiwan on many occasions has publicly condemned China for what it perceives as China's attempts to block it from participating in organisations such as the World Health Organization (WHO). For example, in April 2005, Taiwan issued a press release that stated: 'If China truly respects the will of the people of Taiwan, it should display its sincerity by taking substantive actions to assist Taiwan to participate in the WHO on an equal footing, instead of using hypocritical language to deceive the international community'. Ministry of Foreign Affairs, Republic of China (Taiwan), *Press Release*, 20 April 2005.

13,048 people. Kiribati is a remote country of 33 scattered coral atolls comprising a land mass of 811 square kilometres supporting a population of 103,092 people. Vanuatu is the largest of the three countries covering 12,200 square kilometres and with a population of 205,754 people.³⁹ Kiribati and Vanuatu are deemed to be among the least developed countries on the Organisation for Economic Cooperation and Development (OECD) list of recipients for official development assistance. Papua New Guinea, Fiji and the Solomon Islands have recently experienced internal political upheavals.⁴⁰

10.29 The Prime Minister of Australia has noted that for many 'fragile tiny states' of the Pacific Islands 'poor governance, crime and corruption pose a real threat to both economic development and to regional security'.⁴¹ AusAID has pointed to the difficulties in providing assistance to these countries that would effectively promote development:

The development process in the Pacific region is particularly complex and fragile. Also, the poverty profile of this region differs from those parts of the developing world where there is abject poverty. Few Pacific islanders can be shown to be without minimum levels of food, shelter or water. However, as a result of their geographic and climatic disadvantages as well as generally poor standards of governance, many islanders have very limited economic development prospects. For some, recent political instability and internal conflict have eroded even these.⁴²

Committee view

10.30 The small island states of the Southwest Pacific have much to gain from the development assistance offered by donors such as China and Taiwan. This support, however, should be constructive with the primary goal of improving the welfare of the recipient. Where other considerations take priority, or where there is inadequate transparency, accountability and probity in the use of funds, misuse of aid may occur. Corruption is a major concern. Clearly, the political rivalry between China and Taiwan in the Southwest Pacific does not provide an environment conducive for the most effective use of development assistance. The following section tests this assumption.

39 Information on the three states was obtained from *The World Factbook*, <http://www.odci.gov/cia/publications/factbook/geos/nr.html> (accessed July 2005).

40 See for example, Tanaka Yoshiaki, 'Pacific States and Japan in the Global Context: Democracy, Foreign Aid and Economic Development', in *Security in Oceania in the 21st Century*, Eric Shibuya and Jim Rolfe (eds), Asia-Pacific Center for Security Studies, Hawaii, 2003, p. 97.

41 Prime Minister the Hon. John Howard MP, *Transcript*, Address to the Asia Society Lunch, the Asia Society, New York City, 12 September 2005.

42 *Submission 17*, p. 12 (AusAID) in Senate Foreign Affairs, Defence and Trade References Committee, *A Pacific Engaged: Australia's relations with Papua New Guinea and the islands states of the south-west Pacific*, August 2003, p. 86.

Most immediate problems

10.31 Susan Windybank argued that the most immediate problem arising from the Pacific Cold War between Taiwan and China is that 'it further destabilises already weak and unstable governments and feeds the endemic corruption throughout the region'. She cited the case in 1998 when the then Prime Minister of Papua New Guinea tried to secure 'over \$3 billion in grants, loans and business deals from Taipei—almost half of PNG's GDP at the time—in return for switching allegiance from China to Taiwan'.⁴³ Professor Helen Hughes, Senior Fellow at the Centre for Independent Studies, expressed concern at the extent of corruption in the region stating that unscrupulous conduct among the political and bureaucratic elites and their business associates are 'constantly covered in the Pacific press'. She added, however, that it 'is so common that even large scandals scarcely merit a day's attention'.⁴⁴

10.32 In her view, 'China and Taiwan have added to corruption in the Pacific by competing for recognition (in Kiribati, Nauru, Vanuatu and Papua New Guinea)'.⁴⁵ For example, accusations were raised during the 2002 Kiribati Presidential election campaign that the Chinese were interfering in domestic affairs by engaging in chequebook diplomacy. China vigorously denied giving money to political candidates, insisting that funds were made available for projects intended to benefit the community, such as to restore a damaged seawall.⁴⁶ As noted earlier, soon after the Prime Minister announced Vanuatu's recognition of Taiwan in 2004, accusations of graft and bribery by Taiwan and China again surfaced.

10.33 Witnesses before the committee added weight to concerns expressed by other academics about the detrimental effects of the contest in the Pacific between China and Taiwan. Professor Stuart Harris from the Research School of Pacific and Asian Studies at the Australian National University (ANU) told the committee that this form of competition is very destructive:

The initiative is usually taken by Taiwan, and although all the politicians in Taiwan when they are out of office say, 'This dollar diplomacy is ridiculous,' the moment they get in they realise they have to use it. The reason they do that is that politically it is very popular within Taiwan. China then finds that it has to counter it. I think it is a very dangerous situation. We found this in the Solomons, where governments are totally disoriented—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...we do have to keep the kinds of processes going that we have got. But it does mean that you are

43 Ms Susan Windybank, 'The China Syndrome', *Policy*, vol. 21, no. 2, Winter 2005, p. 31.

44 Professor Helen Hughes, 'Aid has failed the Pacific', *Issue Analysis*, no. 33, 7 May 2003, p. 13.

45 Professor Helen Hughes, 'The Pacific is viable', *Issue Analysis*, no. 53, 2 December 2004, p. 9.

46 *Pacific Beat*, 4 November 2002. See also *Pacific Magazine*, December 2003.

going to be subject to that kind of process all the time that they are there, and if you leave it will start to take over again.⁴⁷

10.34 Professor James Cotton of the Australian Defence Force Academy agreed with this view:

It seems to me that one of the reasons they [Chinese] are obsessed with certain Pacific island states is because these states still recognise the ROC government in Taiwan as the national government. The fundamental strategy of this particular regime and its unique fragility in terms of the justification for its continued existence is the reason it is not prudent to discuss it.⁴⁸

The government in Taiwan has six Pacific nations that recognise its sovereignty as the government of China. Three of those fall within the American sphere of interest, you might say, and I do not really think our role could be very prominent. But certainly in relation to the Solomon Islands and Nauru, where a lot of taxpayers' money is spent, I would have thought there might be some way found to ensure that that kind of competition for representation does not cause those governance problems that you have mentioned. There may be some package solution that would remove that issue from the agenda.⁴⁹

10.35 The Australian government has previously indicated that it is opposed to aid being used as a foreign policy tool. In a doorstep interview on 17 May 2005, the Foreign Minister stated that:

We...don't like to see an unseemly competition within the South Pacific between China and Taiwan over recognition. It obviously doesn't contribute to the stability of the region, so we'd rather not see that.⁵⁰

10.36 The position was reinforced in evidence before the committee. DFAT stated that Australia opposes such chequebook diplomacy, because it works against regional countries' efforts to improve living standards, governance and political stability.⁵¹ DFAT told the committee:

Firstly, we are concerned about incidents of chequebook diplomacy in the South-West Pacific where, as you know, we have made a very considerable effort to try to address governance issues. We see chequebook diplomacy as directly undermining the efforts that we have made over many years—particularly the efforts that we have intensified in recent times.⁵²

47 *Committee Hansard*, 13 September 2005, p. 30.

48 *Committee Hansard*, 13 September 2005, p. 7.

49 *Committee Hansard*, 13 September 2005, p. 30.

50 DFAT website, http://www.foreignminister.gov.au/transcripts/2005/050517_ds.html (accessed 21 February 2006).

51 DFAT, *Submission P19*, p. 19.

52 *Committee Hansard*, 13 September 2005, p. 42.

Committee view

10.37 Diplomacy and aid in the Pacific region are intrinsically linked as the PRC and Taiwan compete for recognition, often utilising the blunt foreign policy tool of aid payments. Amongst some Pacific Island nations, competition between the PRC and Taiwan for diplomatic recognition has, on occasion, appeared to take on the characteristics of a bidding war, conducted mainly through bilateral 'aid' payments. This problem can be exacerbated when the practice of gift giving, an important aspect of many Pacific Island cultures, is exploited.⁵³ Being relatively poor and tending to lack the appropriate institutional mechanisms to ensure political and bureaucratic accountability, many Pacific islands are vulnerable to financial influence and corruption.

10.38 According to the OECD, the main objective of official development assistance is 'the promotion of economic development and the welfare of the partner country'.⁵⁴ As noted previously, China's stated aim in establishing diplomatic relations and providing assistance to countries in the Southwest Pacific is to provide genuine aid, to cultivate friendly relations and cooperation. The committee believes, however, that although China's stated intention is commendable, its rivalry with Taiwan in the region creates problems for the islands in the Southwest Pacific.

The effects of China's growing influence in the Southwest Pacific

10.39 DFAT noted that China has a strong and growing business presence in the Pacific, supported actively by its diplomatic missions. Over 3,000 Chinese state owned and private enterprises have been registered in the Pacific region, with investments of about \$800 million. Increased economic activity has been accompanied by an increase in ethnic Chinese populations in the Pacific island countries. Professor Crocombe noted that:

China's newly expanded business interests range from multi-million dollar mining ventures to tiny restaurants and grocery stores set up by poor settlers, many of them illegal immigrants whose passports and visas are bought from corrupt officials.⁵⁵

10.40 Over recent years, a number of articles have appeared in the media reflecting on China's interest in the Pacific region, particularly the island states of Melanesia.

53 See for example 'Questions of corruption in the search for Pacific Allies', *Sydney Morning Herald*, 7 February 2005, p. 16.

54 OECD, *Managing Aid: Practices of DAC Member Countries*, November 2004, p. 17.

55 Quoted in Nick Squires, 'Pacific Persuasion: Beijing's increasing economic muscle in the South Pacific', CIS Executive Highlights, no. 289 and published in *South China Morning Post*, 21 July 2005.

While governments have remained largely silent on China's activities, numerous commentators and academics have raised concerns.⁵⁶

10.41 Some warn that China is sowing the seeds of future tension in the islands of the Southwest Pacific. As noted previously, the region consists of small underdeveloped countries scattered throughout the area, reliant on external aid and facing an uncertain economic future. Although there is marked variation in the soundness of their political systems and social cohesion, there is an underlying fragility to many of these states. A number lack robust institutions and a sound corporate governance regime. Some are politically unstable and highly susceptible to the influences of countries willing to provide assistance. Mr Benjamin Reilly noted that Polynesian countries such as Samoa have proved relatively successful post colonial states, but much of Melanesia:

... is plagued by poor state performance, with negative economic growth, ethnic conflict, weak governance and military coups all signalling the failure of states to provide basic security and public services to their citizens. Each of the four independent Melanesian states (Fiji, Papua New Guinea, Solomon Islands and Vanuatu) have suffered army mutinies in recent years, Fiji has experienced three coups; and Papua New Guinea has faced armed conflict in Bougainville and, more recently, the Southern Highlands...The Australian Strategic Policy Institute has categorised the Solomons as a 'failing state', a term used by the Australian government and academic commentators.⁵⁷

10.42 Some argued that China is able to buy influence. By courting and winning the allegiance of these poorer countries, it garners support for its proposals in the UN and is able 'to shield itself from international criticism' on issues such as political persecution, religious freedom, the occupation of Tibet and human rights violations.⁵⁸

10.43 Mr John Henderson and Mr Benjamin Reilly agreed with this view but also noted that the weaknesses of Pacific islands make them attractive strategic resources for China:

Their financial and other problems make the support of Pacific states cheap for Beijing to buy. At the same time, their utility as a source of diplomatic recognition (particularly in the China and Taiwan tussle...), voting blocs in international forums, fishing and other maritime resources, and as possible

56 See for example, *Asia Times*, 'China goes island hopping', 24 May 2001; *Time Pacific Magazine*, 'How to win friends', no. 22, 4 June 2001; *Asia Times*, 'Canberra uneasy as Beijing woos South Pacific', 16 August 2001.

57 Benjamin Reilly, 'State functioning and state failure in the South Pacific', *Australian Journal of International Affairs*, vol. 58, no. 4, December 2004, p. 479.

58 See comments by the Hon. Dan Burton, a representative in Congress from the State of Indiana and Chairman, subcommittee on the Western Hemisphere, Hearing before the subcommittee on the Western Hemisphere of the Committee on Internal Relations, House of Representatives, One hundred and ninth Congress, First Session. 6 April 2005, p. 19. Although referring to China's activities in Latin America, the observation also has relevance to the Southwest Pacific.

sites for port facilities or even military bases, means that relatively small investments in these countries can have a major longer-term payoffs for countries such as China.⁵⁹

10.44 Apart from the destabilising effects of the tussle for power between China and Taiwan, Ms Teufel-Dreyer, Commissioner, U.S.–China Economic and Security Review Commission, noted that advancing self-interest was a main driver behind China's diplomacy, particularly with regard to natural resources. She stated she had:

...heard a lot of complaints in the South Pacific that the Chinese were exploiting their fishing resources; the Chinese were exploiting their sandalwood; the Chinese were taking their farms...⁶⁰

10.45 Other questions have been raised about China's motives for showing an interest in the region. For example, there was speculation about whether the China Space Telemetry Tracking Station on Tarawa atoll in Kiribati was for spying purposes. Ideally located, some defence experts suspected that the base could be used to monitor U.S. missile tests or assist a future space warfare effort.⁶¹

10.46 Although China acknowledged that some people had queries about the tracking station, it dismissed any such suggestion, claiming that the station was for peaceful purposes.⁶² It was reported that in 1999 to allay local concerns, Chinese officials opened the station for the towns-people and members of Parliament to inspect. The Kiribati & Tuvalu Association newsletter noted that a group of elders was given a guided tour around the satellite tracking station and concluded that the station was not used for spying and 'therefore there is no cause for panic!'⁶³

Committee view

10.47 As noted earlier, the region is made up of many small and underdeveloped islands vulnerable to the influences of larger countries. Any country engaging with a small Pacific island state should ensure that the island's needs are a priority and that the island's political and social stability, its economic development and security and environmental interests are not compromised by the presence of the country or the activities of its nationals.

59 John Henderson and Benjamin Reilly, 'Dragon in Paradise: China's rising star in Oceania', *The National Interest*, vol. 72, Summer 2003, p. 98.

60 Testimony before US Senate Committee on International Relations, 6 April 2005, p. 100.

61 *Time Pacific Magazine*, 'How to win friends', no. 22, 4 June 2001; *Space*, 'South Tarawa Island, Republic of Kiribati', <http://www.globalsecurity.org/space/world/china/kiribati.htm> (accessed 8 December 2005).

62 *Time Pacific Magazine*, 'How to win friends', no. 22, 4 June 2001

63 The Kiribati & Tuvalu Association newsletter, no. 5, November 1999, <http://www.wysiwyg.co.nz/kiribati/kt9911.html> (accessed 21 February 2006).

Australia's approach to China's presence in the Southwest Pacific

10.48 In its 2003 report on Australia's relations with Papua New Guinea and the island states of the Southwest Pacific, the committee noted the emergence of aid donors such as China and Taiwan in the region. The committee considered that:

Australia should be concerned about these developments, both in terms of the use of development assistance as a 'blunt foreign policy tool', as well as for Australia's position and influence in the region.⁶⁴

10.49 It drew attention to the OECD Development Assistance Committee (DAC) that promotes international best practice for effective official development assistance. It should be noted that OECD member states must observe proscribed definitions of what constitutes official development assistance and submit to a peer review of each others' development assistance programs.

10.50 During this current inquiry, DFAT stated that Australia welcomes China's constructive engagement in the South Pacific and encourages China to increase the accountability and transparency of its aid programs. It informed the committee that:

As part of our ongoing dialogue with the Chinese government, we encourage China to increase its accountability and the transparency of its aid program in line with regional aspirations for economic development and improved governance. We also exchange information with Taiwanese missions in Pacific island countries where they are represented, again to encourage them to take a constructive approach to the delivery of aid. In terms of Pacific island governance, the answer to your question is yes, we have an ongoing dialogue with all of the Pacific island governments and we seek to use that dialogue to foster good governance, accountable government and, as part of that, sensible budget management.

It is difficult to make an assessment of the success of those efforts. Sometimes we do not find out about activities that have gone on until after they have happened, but it is certainly an area where we have increased our engagement with both China, through our official contact, and Taiwan, through, as I say, our contact with missions in Pacific island countries where they are represented.

10.51 One of the OECD guiding principles for the development efforts of all countries is to establish sustainable development through the use of mechanisms that 'ensure socially responsible economic development while protecting the resource base and the environment for the benefit of future generations'.⁶⁵ This principle is especially pertinent to the countries of the Southwest Pacific and the committee urges

64 Senate Foreign Affairs, Defence and Trade References Committee, *A Pacific Engaged: Australia's relations with Papua New Guinea and the islands states of the south-west Pacific*, August 2003, p. 132.

65 OECD, *The DAC Guidelines: Strategies for Sustainable Development: Guidance for Development C006F-operation*, 2001, p. 11.

the use of such mechanisms to deliver development assistance and to prevent the exploitation of developing countries in the region.⁶⁶

Committee view

10.52 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.

10.53 The committee accepts that each country in the Southwest Pacific has the primary responsibility for its economic and social development but that countries providing development assistance should ensure that their aid contributes to sustainable development. As noted above in paragraph 10.48, the OECD Development Assistance Committee has formulated guidelines to assist donor countries and the recipients of development assistance. Adherence to these guidelines would ensure the correct, proper and most efficient use of such assistance.

The Pacific Islands Forum

10.54 The Pacific Island Forum (PIF) meets annually and represents Heads of Government of all the independent and self-governing Pacific Island countries, Australia and New Zealand.⁶⁷ China is a dialogue partner to the Post Pacific Islands Forum which meets immediately after the Forum itself and is conducted at ministerial level.⁶⁸

10.55 Since 1990, China has sent government representatives to attend the annual dialogue meetings to strengthen 'the cooperative ties between China and the Forum and its member countries'. In China's view, it has at those meetings:

66 Senate Foreign Affairs, Defence and Trade References Committee, *A Pacific Engaged: Australia's relations with Papua New Guinea and the islands states of the south-west Pacific*, August 2003, p. 132.

67 Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Republic of the Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

68 The participants in the Post Pacific Islands Forum are Canada, China, the European Union, France, India, Indonesia, Japan, the Republic of Korea, Malaysia, the Philippines, the U.K. and the U.S.

...expounded its policy towards the South Pacific region, promising to take the principles of 'mutual respect, equality and mutual benefit, opening to each other, common prosperity and reaching unanimity through consultation' as the fundamental policy for developing its friendly and cooperative relations with the Asian-Pacific countries including the South Pacific countries.⁶⁹

10.56 China offers financial assistance to the PIF and associated activities. In 1999, the China–Pacific Islands Forum Secretariat Cooperation Fund was established with a start-up figure expected to be \$US3 million. The funds were to be used in the bilateral trade, investment, tourism, personnel training and exchanges and other cooperative projects.⁷⁰ In 2003, it pledged to contribute \$US100,000 annually to supplement the membership contributions to the Forum Presiding Offices Conference (FPOC) which represents the Speakers of Parliament and Congress in the Pacific. In 2004, it donated \$US70,000 to support the interim Secretariat of the Forum Presiding Officers Conference and a further \$US30,000 to assist a FPOC delegation to Nauru.⁷¹ It should be noted that Taiwan also provides assistance. It provided \$US820,000 for 33 projects in resource management, health, institutional strengthening, governance and information systems. Taiwan has contributed annually to regional organisations 'to an aggregate of US \$3.8 million over the part six years prior to 2004'.⁷²

10.57 China, however, has made its stand on the one-China policy clear to this Forum. In 2000, it urged the Forum to uphold this policy in arranging for the Post Forum Dialogue for this year and beyond. It requested, *inter alia*, that:

- participants from Taiwan should not be allowed to take part in any activities related to the Forum and Post-Forum Dialogue;
- forum members having diplomatic relations with China, the PIF Secretariat and other regional organizations in the South Pacific should not participate in the dialogue with Taiwan; and
- the PIF Secretariat should not hold receptions or any other official activities for participants from Taiwan.

China 'demanded' that the Forum take its position seriously.⁷³

69 Ministry of Foreign Affairs of the People's Republic of China, 'Pacific Islands Forum', *Press release*, 9 December 2003, <http://www.fmprc.gov.cn/eng/wjb/zzjg/gjs/gjzzyhy/2616/t55904.htm> (accessed 21 February 2006).

70 Opening Remarks by Mr Jiechi, Vice Minister of Foreign Affairs of the People's Republic of China, 11th Post Forum Dialogue, Koror, Palau, 7 October 1999.

71 Pacific Islands Forum Secretariat, *Press Statement*, no. 87/04, 22 November 2004.

72 Pacific Islands Forum Secretariat, *Press Statement*, no. 31–40, 19 May 2004.

73 Opening Statement by People's Republic of China Vice Foreign Minister Yang Jiechi, Post Forum Dialogue, 30 October 2000, Tarawa, Kiribati.

10.58 In August 2004, at the same time that Vice Foreign Minister Zhou Wenzhong was stating publicly China's commitment to provide aid, he was urging members of the Pacific Island Forum to 'remain highly vigilant to the political manoeuvres of the Taiwan authorities to split up China and undermine China's relations with the PIF and countries having diplomatic relations with China'.⁷⁴

10.59 The committee has highlighted its concern about the intrusion of a donor country's own political agenda into the affairs of the island states of the Southwest Pacific. It has noted that such interference may not be in the best interests of the island states and in some cases may impede rather than promote development and good government practices.

10.60 Evidence to this inquiry underlines the importance of Australia remaining an interested and constructive participant in the Pacific Islands Forum. Professor Tow was of the view that:

...the best thing that we can do is continue to be an active and concerned player in the Pacific Forum to the greatest extent possible, because I think the institutional politics in the Pacific really is one episode of institutional politics that counts, increasingly. Australia cannot be responsive; we cannot say, 'Gee, we're not going to the Solomons,' and then do a 180 degree turnaround a year later and say, 'Yeah, I guess we actually are going to the Solomons.' We need to introduce some good, strong, mid- to long-term strategic projections for the South Pacific region, taking into account the institutions.⁷⁵

10.61 In its 2003 report on Australia's relations with Papua New Guinea and the islands states of the Southwest Pacific, the committee recommended that the Prime Minister of Australia place the highest priority on attending all Pacific Forum Meetings.⁷⁶ The findings of this current inquiry underline the importance of this recommendation.

Committee view

10.62 The committee acknowledges the positive and active role that China is taking in the Post Forum Dialogue. Its level of interest and engagement underscores the need for Australia to ensure that it remains focused on the activities of the Pacific Islands Forum and attentive to its goals and aspirations. The committee believes that it is vital

74 This statement was reported widely. See for example, "'One-China' essential to ties with PIF nations', *China Daily*, 11 August 2004; 'One-China Policy Essential to Ties in Pacific', *China through a Lens*, 11 August 2004; 'Being Cautious Pacific Nations', *Taipei Times*, 12 August 2004; 'China Warns Pacific Nations against Siding with Taiwan', *Agence France Presse*, 11 August 2004.

75 *Committee Hansard*, 13 September 2005, p. 29.

76 Senate Foreign Affairs, Defence and Trade References Committee, *A Pacific Engaged: Australia's relations with Papua New Guinea and the islands states of the south-west Pacific*, August 2003, p. xxvii.

to Australia's interest for Australia to continue to take a leadership role in the Forum and to demonstrate to all its members that Australia is committed to the ideals of the Forum.

Recommendation 7

10.63 The committee recommends that the Prime Minister of Australia place the highest priority on attending all Pacific Forum Meetings.

10.64 The committee recommends that the Australian government, through the Pacific Islands Forum, encourage members to endorse the OECD principles on official development assistance.

10.65 The committee recommends that the Australian government, through the Post Pacific Islands Forum, encourage China to adopt, and adhere to, the OECD principles on official development assistance for the islands of the Southwest Pacific.

10.66 The committee recommends that Taiwan should also be encouraged to adhere to the OECD principles on official development assistance for the islands of the Southwest Pacific.

10.67 The committee recommends further that Australia work closely with China to encourage both countries to enter joint ventures designed to assist the development of the island states of the Southwest Pacific.