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Vanuatu in Australia–China–Taiwan relations

JOEL ATKINSON¹

Vanuatu became a major issue in Australia–China–Taiwan relations during Serge Vohor’s turbulent prime ministership in 2004. Already engaged in a struggle with Australia over ‘good governance’, Vohor signed an agreement diplomatically recognising Taiwan. Chinese and Australian pressure led to Vohor’s ouster, and a diplomatic setback for Taiwan. Although Australia and Taiwan viewed each other as side issues in this episode, with Australia focused on Vohor and Taiwan on China, their interests were directly opposed during the episode. As became evident in the aftermath of the post-election riot in Solomon Islands in April 2006, these divergent positions have had a lasting negative impact on each country’s perception of the other. The key events of 2004 are examined here to demonstrate how this episode has affected the wider landscape of Australia–China–Taiwan relations.

Introduction

The South Pacific has long been viewed as a backwater in international affairs. However, recent developments have elevated the South Pacific’s significance to key Asia–Pacific powers, catapulting that region into the vortex of international geopolitics. The first of these developments has been the worsening economic and political malaise of many countries in the South Pacific. This in turn has seen the South Pacific’s dominant power, Australia, develop an interventionist doctrine aimed at arresting the failure of South Pacific states in line with its own security interests. The South Pacific has also developed into a key theatre in an increasingly profligate China–Taiwan diplomatic rivalry. This has further contributed to political instability in South Pacific countries, antagonising Australian interests. The South Pacific has become an increasingly important area of contention in Australia’s relations with China and Taiwan. Similarly, China–Taiwan rivalry has become an increasingly significant aspect of Australia’s South Pacific directed policy. This trend is illuminated by developments in Vanuatu in 2004, in which Australia, China and Taiwan were all active participants.

Vanuatu moved to the forefront of Australia–China–Taiwan relations during Serge Vohor’s turbulent prime ministership in 2004. Already embroiled in a struggle with Australia over ‘good governance’, Vohor signed an agreement

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normalising Vanuatu's diplomatic relations with Taiwan. After subsequent and intense diplomatic activity, and a public spat between Australia and Taiwan over Vohor's leadership, Chinese and Australian pressure forced Vohor's ouster. This outcome was an embarrassing diplomatic setback for Taiwan. Such developments highlighted growing tensions in Australia's South Pacific policy and the rising intensity of China–Taiwan rivalry in the South Pacific. Moreover, such tensions coloured Australian perceptions of Taiwanese and Chinese behaviour in the South Pacific, as well as Taiwanese perceptions of Australia. They largely precipitated a subsequent clash between Australia and Taiwan following the riots in Solomon Islands in April 2006. In addition, the episode demonstrated the important role played by the domestic politics of South Pacific countries in shaping external power relations in the region. This article analyses the Vanuatu crisis of 2004. It begins with a brief background of Australia–Taiwan–China relations in the South Pacific, followed by an examination of the events which culminated in Vohor's ousting. In conclusion, it considers some implications of the Vanuatu episode on Australia–China–Taiwan relations and China–Taiwan rivalry in the South Pacific.

China, Taiwan and Australia in the South Pacific

The turmoil in Vanuatu demonstrated an increasingly intense China–Taiwan rivalry in the South Pacific. This growing intensity has been attributed to China's strategic ambitions and a vacuum created by the lack of attention given to the region by the United States (Henderson and Reilly 2003). However, this explanation does not account for increased activity from both China and Taiwan. Indeed, the available information suggests that the primary motivation behind China's activities in the South Pacific remains the extirpation of Taiwan's 'diplomatic space'. That is, China is deploying its diplomatic and economic resources to stop South Pacific countries from treating Taiwan as a sovereign state.

The increasing intensity of the diplomatic conflict between China and Taiwan in the South Pacific (and elsewhere around the world) has been driven by China's growing economic power relative to Taiwan, and China's vigorous response to Taiwan's 'Taiwanised' diplomatic policies as they have developed during the Lee Teng-hui (1988–2000) and Chen Shui-bian (2000–2008) presidencies. Although contemporary Sino–Taiwan competition has a precursor in the Nationalist versus Communist past, its character has fundamentally changed. Taiwan no longer competes with the People's Republic of China (PRC) for the single international space of 'China'. Instead, the conflict now consists of Taiwan seeking a separate political status in the face of Chinese opposition. The most obvious example of this shift is the Taiwan government's annual bid to enter the United Nations as a separate entity to the PRC. This posture is in stark contrast to the Chiang Kai-shek government's withdrawal

from the UN in protest at the PRC admission in 1971, after refusing to countenance a ‘dual recognition’ solution (Bush 2004: 120).

This historical legacy has set the context for China and Taiwan’s current diplomatic rivalry. Both countries are willing to provide increasing amounts of aid to vulnerable small state benefactors, with little control exercised on how this aid is actually spent. China and Taiwan’s respective motivations are such that they are willing to target their spending to buy the support of influential regional politicians. With few domestic restraints on this activity in either Taiwan or China, the main pressure restraining their behaviour eventuates from such external sources as Australia and the US. However, such pressure has a greater impact on Taiwan, which increasingly relies on its democratic image for what Western support it attracts in its struggle with China—a democratic image that ‘money diplomacy’ undermines.

Changing conditions in the South Pacific have encouraged competition between China and Taiwan. Many small and vulnerable countries in the region are experiencing economic difficulties as well as social and political instability and crave outside financial assistance. Ironically, however, this situation has also increased the bargaining power of South Pacific governments. In order to maintain either a close relationship with Taiwan or one with China, South Pacific governments require more funds to keep domestic political coalitions together and voters sufficiently satisfied with such assistance programs. Over time, South Pacific aid consumers have become more sophisticated, requiring their governments to become more effective negotiators for the outside funds. Similarly, it seems likely that over the years, South Pacific polities have developed a greater understanding of the China–Taiwan conflict, facilitating still greater aid extraction. These conditions provide opportunities for China and Taiwan to poach each others allies, but simultaneously makes each relationship less certain and more expensive. This, of course, is not to blame the South Pacific completely for the China–Taiwan rivalry in the South Pacific. But the role of changing regional conditions in shaping the activities of both China and Taiwan needs to be frankly acknowledged and assessed.

During this decade or so of increasing China–Taiwan rivalry, Australia has begun to demand a greater return from the South Pacific states benefiting from its aid money. The Minister for Pacific Island Affairs in the then Labor government, Gordon Bilney (1994), signalled this shift in a 1994 speech to the South Pacific Forum. This initiative was expanded after the election of John Howard’s conservative government in 1996 (see Downer 1996). The process has been driven by a desire to see recipient South Pacific states progressively reduce their dependence on Australian aid, lessening the burden on the Australian taxpayer.

There has also been a growing sense among Australian policy-makers that South Pacific instability posits a more direct threat to Australian interests. After Australia’s 1999 military involvement in East Timor, Howard signalled, in what the *Bulletin* dubbed the ‘Howard doctrine’, that Australia would more readily

intervene militarily in its own region in accordance with its own interests (Scoop 1999). Australia's seminal intervention in Solomon Islands in late 2003 saw this doctrine applied to the South Pacific, transforming Australian policy towards the rest of the South Pacific including Vanuatu.

The Solomons intervention has been linked to the Australian government's response to global terrorism and the related issue of the perceived danger of 'failed states' in the region (Wesley-Smith 2007). James Stradford (2005: 4) and Jon Fraenkel (2004: 161) both suggest that the 2003 Iraq War and the subsequent re-evaluation of Australia's strategic priorities also greatly influenced the Australian government's decision to intervene in Solomon Islands. This new 'understanding' of South Pacific security is questionable, and is based on ideas developed in response to recent events in Africa and the Middle East. This viewpoint has nevertheless visibly influenced Australia's management of policy toward Vanuatu and other South Pacific countries. It has brought a sense of urgency to Australian policy, motivated by the ostensible need to prevent other South Pacific countries from going the way of Solomon Islands—arguably a failed state—and to avoid future costly military interventions. These concerns have translated into a broad Australian 'good governance' agenda focused on improving the way South Pacific politicians behave. A primary objective is to establish greater fiscal accountability. Due to the sovereign status of the countries involved, however, Australia must cooperate with the politicians it seeks to reform (a 'carrot' strategy) or rely on the threat of withholding aid to force policy compliance by beneficiary governments.

The availability of Chinese and Taiwanese funds as a financial alternative for South Pacific elites jeopardises this policy. It also brings China and Taiwan into conflict with Australia. This antagonism is reinforced when China and Taiwan's diplomatic and financial practices compound the governance issues that Australia is attempting to address. The role Taiwanese money played in exacerbating the Solomon Islands crisis particularly focused Australian attention on the regional implications of China–Taiwan rivalry. While similar Chinese behaviour clearly impinges on Australian policy interests in the South Pacific, the importance of China to Australia's wider interests often results in South Pacific issues being downplayed, to an extent, in the interest of sustaining the broader Sino–Australian relationship. Australia's relationship with Taiwan is also very significant; however, Taiwan's lesser importance to Australia's core interests means South Pacific policy irritants more readily take precedence in Taiwanese–Australian ties. Accordingly, the underlying conflict with Taiwan over South Pacific issues is more readily apparent.

Australia does not encourage South Pacific countries recognising Taiwan to break relations and switch to China. However, when the government (or a political grouping in a government) in a country that recognises China has sought to diplomatically recognise Taiwan, Australia has invariably intervened. Two notable examples of this occurred in 1998 in Papua New Guinea (PNG) and 2003 in Kiribati. Foreshadowing the Vanuatu episode, Australian political

intervention in PNG resulted in the resignation of that country's Prime Minister Bill Skate and the torpedoing of his initiative to establish relations with Taiwan (Jacobs 2004). In a largely unpublicised and lower-level intercession, the Australian High Commissioner unsuccessfully attempted to persuade Kiribati President Anote Tong to desist from establishing relations with Taiwan. Although Australia's actions in PNG and Kiribati were driven by a concern for governance standards and political stability in the South Pacific, and not Taiwan per se, it is evident that Australia's behaviour impeded Taiwan from establishing greater influence in the South Pacific. According to confidential interviews conducted by the author in 2006, as Australia has not had a noticeable detrimental impact on China's policy, Taiwanese policy-makers have come to believe that Australia is actively cooperating with China in its efforts to exclude Taiwan from the region. This growing atmosphere of mutual suspicion would influence the conflict that developed between Australia and Taiwan over Vohor in 2004.

Vohor and Vanuatu's unstable political culture

Despite its small size and population, Vanuatu is a challenging environment for foreign powers. The country's cultural diversity and colonial Anglophone–Francophone legacy have hindered the development of a cohesive national politics. A political culture with shifting coalitions and politicians preoccupied with parochial concerns has further contributed to the endemic political instability (Morgan 2006: 117, 118, 133, 139). This instability crescendoed during the Vohor government. The 2004 elections that brought Vohor to power in July of that year resulted in one of Vanuatu's most fragmented parliaments. Vohor headed a governing coalition comprised of 23 members from five parties as well as five independents (Morgan 2006: 122).

Influential sections of Vohor's newly elected government, including Vohor and Foreign Minister Barak Sope, were against what they deemed to be Australian interference in Vanuatu (Morgan 2006: 132). Many of those forming the new government had previously resisted Australia's push to support the previous Vanuatu government's Comprehensive Reform Program (CRP) and other 'governance' reforms supported by Australia as interference in Vanuatu's sovereignty. Under the previous government headed by Edward Natapei, the focus on stability and financial accountability (at Australia's insistence) had led to the rural populace becoming increasingly disillusioned as projects stagnated (Morgan 2006: 131). Vohor had capitalised on this dissatisfaction by campaigning publicly against 'Australian interference' during the election (Gaglioti 2004). In power, Vohor was apparently determined to do what was necessary to keep rural constituents and political coalition partners happy—and thereby himself in office—irrespective of any Australian reaction. Antagonising Australia had the additional benefit of increasing coalition solidarity through

an appeal to national pride. Australia's desire to maintain the momentum of reforms established under the Natapei government and to protect the considerable investment of dollars and effort conflicted with the Vohor government's agenda.

Almost immediately on assuming power, Vohor began attacking Australia's position in Vanuatu (Morgan 2006: 132). He made public statements that 'stupid expatriate advisors' were taking the country backwards, and that 'Australian spies' were destabilising the country and 'trying to keep the Vanuatu people down'. He also argued that defence cooperation with Australia was not operating in Vanuatu's interests (ABC Radio Australia 2004a). In early September 2004, Vohor and Sope announced the expulsion of two Australian Federal Police officers (Gaglioti 2004; Morgan 2006: 132).

Vohor's problems with Australia had brought him closer to Beijing. His government relied on soft loans and financial support from China to counter Australian pressure (Morgan 2006: 132). Shortly after Vohor announced the expulsion of the two aforementioned Australian police officers, he travelled to Beijing to establish a defence agreement in lieu of the one in place with Australia. Although China was unwilling to commit to such an accord, its government announced its desire for further cooperation with the Vanuatu government (Toa 2004). According to China, its aid amounted to around US\$10 million annually at this point (Neil-Jones 2004a). China had further cemented the relationship with Vanuatu through regularly bringing politicians from that island-state to Beijing, providing financial support to all major political parties in Vanuatu through the Chinese Communist Party (CCP), providing business opportunities to Vanuatu's politicians (Vurobaravu 2004), and funding high visibility projects like Vanuatu's new Parliament and Foreign Affairs Ministry buildings. The Chinese also agreed to provide luxury cars for all of Vohor's government ministers (Neil-Jones 2004a). These measures won China wide support within Vanuatu. However, as events would show, this would not prevent Vohor from signing a supplementary agreement with Taiwan.

Vohor's agreement with Taiwan

Although Vohor had benefited politically and personally from Chinese largess, China's provisions were insufficiently comprehensive or flexible to meet his funding aspirations (Chen 2004a; Neil-Jones 2004d). Vohor thus turned to Taiwan, with whom he had an association for many years. When he was foreign minister in 1992, he had signed an agreement of recognition with Taiwan (Chen 2004b). The previous Prime Minister, Natapei, alleged that during his term he himself was approached by Taiwan, through a Singaporean lawyer, with an offer of US\$2 million in return for official diplomatic recognition (Neil-Jones 2004c). When Vohor became prime minister, the same lawyer reportedly introduced Vohor to contacts in the Taiwanese government, including Deputy

Foreign Minister Michael Kau. Vohor proceeded to sign an agreement normalising Vanuatu's relations with Taiwan in Taipei, on 3 November 2004 (Neil-Jones 2004d). Taiwanese official James Tien immediately flew to Port Vila to establish a temporary embassy (Zamiska and Dean 2006).

Reports of the size of the financial package that Taiwan offered to Vohor varied considerably. The prime minister's assistant, Kalvao Moli, gave a figure of US\$28 million over five years 'with no strings attached' (Chen 2004a). He was later quoted as saying the payments were to 'specifically assist Provincial government's [sic] through Secretary Generals' (Garae 2004b). This suggests that Vohor's agreement with Taiwan was designed to specifically provide funds for the rural communities that constituted the Vohor government's electoral support base. Taipei repeatedly denied that any specific figure had been negotiated (Chen 2004a; *Taipei Times* 2004b; Zamiska and Dean 2006). But Taiwanese Premier Yu Shyi-kun later contradicted this assertion, saying that 'the government is likely to pledge aid while establishing diplomatic relations with a specific country, but has never pledged an extremely large special offer to a single diplomatic ally' (Neil-Jones 2004b). Towards the end of Vohor's government, Taiwan's Deputy Foreign Minister Kau revealed that 'we are looking at a combined package including aid and private sector investment of US\$40 million a year to Vanuatu and have offered to double the per capita income of everyone in three provinces of the government's choice in four or five years' (Neil-Jones 2004c). Presumably this represented the culmination of the bidding war with China for Vanuatu's enduring political allegiance. Usually spending around US\$10 million a year on each South Pacific state formally recognising Taiwan, this last figure, if correct, represented a significant financial commitment for Taiwan. Reports in the Taiwanese media of Taiwan offering figures as large as US\$6 billion (Neil-Jones 2004b, 2004e), can be discounted as unrealistic.

From his statements and behaviour it appears that Vohor believed he could continue to receive assistance from China after establishing relations with Taiwan. From the beginning he made it clear that he did not want China to withdraw from Vanuatu, even writing a letter to Chinese Premier Wen Jiabao explaining that Vanuatu needed Taiwan as a development partner (Chen 2004b). In a televised address he argued that Taiwan and China could complement each other in helping Vanuatu. His spokesman told the media, 'we want to set a new policy in the world, we want to support one-China policy, we want to support one Taiwan policy' (Neil-Jones 2004b). Vohor decided to make his deal with Taiwan based on the assumption that he could subsequently convince his governmental colleagues of the benefits in combining Taiwanese and Chinese aid. Vohor believed that once he had the necessary domestic support, China would then have no choice but to accept his 'dual recognition' formula. However, the notion of joint recognition of both China and Taiwan proved totally unacceptable to the Chinese, who immediately threatened to cut all aid to Vanuatu (Neil-Jones 2004a).

In contrast, Taiwan publicly stated it would have no problem with joint recognition of both China and Taiwan (AFP 2004). This was in line with Taiwan's pragmatic policy of not engaging in a 'zero sum game', and demonstrating China to be the aggressive party. Taiwan's position reinforced Vohor's belief that a 'one China one Taiwan' or 'two Chinas' policy was indeed achievable. A Taiwanese official later admitted that Taipei had expected China to withdraw when presented with a *fait accompli*, giving Taiwan a free hand to develop the relationship: 'at first we did not think it would be so difficult because we thought that if Vanuatu established ties with us, China would have given up their ties with Vanuatu. They would have gone home' (Su 2004). By not immediately withdrawing from involvement with Port Vila, however, China was able to throw all of its weight into having Vohor removed and ultimately making Taiwan's position untenable.

The fact that Vohor had lost whatever support he originally had within his own government coalition or even from within his own political party for his agreement with Taiwan made China's task much easier. His trip to Taipei was kept completely secret, with even the director-general of Foreign Affairs in Vanuatu not aware that Vohor had gone (AFP 2004). After the initial shock of Taiwan's diplomatic penetration of Port Vila, China began to exploit this division within the ruling coalition, engaging in some public mud slinging against Vohor and threatening to pull out (Neil-Jones 2004a). The trip's secrecy, necessary to avoid interference from China, became a double-edged sword when the lack of consultation with Vohor's colleagues contributed to their opposition to the agreement with Taiwan. Very quickly the Cabinet and Vohor's own Union of Moderate Parties (UMP) came out publicly against Vohor's agreement with Taiwan (Neil-Jones 2004d). Hoping for the best, Taiwan continued to believe Vohor when he said that he had, or would get, the necessary support (*Taipei Times* 2004a). When the Vanuatu cabinet publicly announced the decision to check Vohor's secret diplomacy, the prime minister went on television to announce that his colleagues had 'changed their minds' (*China Post* 2004), and directed his spokesman to make similar statements (Lilley 2004). This was untrue and left the Taiwan government and the international media confused (Neil-Jones 2004e). What motivated Vohor's mendacity remains unclear. It is possible that Vohor was either seeking more time to persuade his colleagues or, having now abandoned his hope for dual recognition of both China and Taiwan, was attempting to bluff China into breaking relations with Vanuatu. Just as likely, however, was that Vohor simply did not want to admit defeat.

Without support from most of Vanuatu's ruling coalition, Taiwan's relationship with Vanuatu resulted in a parliamentary vote of no confidence. Vohor's remaining leverage was the additional ministerial portfolios he could still allocate (Garae 2004b). The ongoing bidding war between Taiwan and China now reached a climax, encompassing all members of Parliament. Although the vast majority of government ministers chose China over Taiwan, they never-

theless actively fanned the bidding, hoping to manipulate China into greater commitments (ABC Radio Australia 2004b). The health minister told the Port Vila Presse that:

Taiwan has offered Vanuatu US\$20 million a year for 5 years according to the Prime Minister ... if we are united in not taking up this offer to not ... have relations with Taiwan[,] then China needs to increase their financial assistance to Vanuatu to develop our rural areas. So far China has not responded and this is a concern. I support the raising of the Taiwan flag to send a message to China ... (Port Vila Presse 2004).

The reason for the majority of Vanuatu's parliamentarians opting to drive up the value of the agreement with China rather than replace it with one from Taiwan was due in part to the gratitude they felt towards the PRC for its role in bringing about Vanuatu's independence in 1982 (Binihi 2004). China's financial assistance to these politicians personally and the country as a whole had also engendered some loyalty. However, it seems the decisive factor was that the majority of Vanuatu's parliamentarians did not believe that they would receive additional financial or political benefit from replacing the agreement with China with that offered by Taiwan. Presumably, this was because Taiwan's offer either did not exceed China's or the parliamentarians believed that the agreement with Taiwan would unfairly benefit Vohor.

The overall principle of 'clean' or 'uncorrupted' government was clearly compromised as a result of the Sino–Taiwan bidding war. There were accusations of politicians and their families spending wads of US\$100 bills during this time (Huang 2004). Australian journalists Craig Skehan and Cynthia Banham (2004) reported: 'the word among foreign diplomats is that the source of the funds swishing around the tiny economy is Taiwan'. Yet such funds could have come from China as well, which also had an incentive to see that the parliamentary vote went in its favour. Increasingly concerned about its governance agenda in Vanuatu, Australia privately urged China not to engage in bidding for influence, but was ignored.

Australia and Taiwan's opposing interests

Shortly before the no-confidence vote was conducted against Vohor, two Australian officials arrived in Vanuatu to meet with a broad range of politicians and power players. Vohor refused to see the Australian delegation, but in a media conference the Australian officials made public Australia's threat to cut the annual A\$31 million (US\$24.5 million) aid program unless the Vanuatu government returned to governance reform. They also dangled the carrot of an aid increase if Vanuatu complied (Australian High Commission 2004). Although the officials stated that this was 'not about personalities', in practice Australia's aims would only eventuate through the removal of the Vohor

government. Australia's interests in having Vohor removed were thus directly opposed to Taiwan's interests in having him remain in power.

This Australia–Taiwan conflict found explicit public expression when a reporter asked the Australian Department of Foreign Affairs and Trade (DFAT) official Ric Wells if ‘the current situation involving Vanuatu moving away from the One China Policy and supporting Taiwan, [would be] a concern for your government . . . given that you are pro-One China?’ Wells replied:

Yes it would. We have stated very clearly to the Government of Vanuatu and to other South Pacific countries that we think that the best course of action they can follow in this respect is to pursue a One China Policy. We regard a ‘bidding war’ between China and Taiwan as destabilizing and ultimately bad for any country in question (Australian High Commission 2004).

This blatant pro-China statement drew a hostile response from Taipei, where it was interpreted as evidence that Australia was succumbing to Chinese pressure. A spokesman quoted Taiwan Minister of Foreign Affairs Mark Chen as saying:

We would like to appeal to the Australian government not to be influenced by China and interfere in Vanuatu's domestic affairs at this time, especially as Prime Minister Serge Vohor is encountering difficulties within the Vanuatuan Cabinet . . . it is hard for one not to believe that there is no association between the move made by Australia and influence from China (Huang 2004).

Taiwan's foreign minister had earlier brought in the Australian Commerce and Industry Office (ACIO) head Frances Adamson, Australia's *de facto* Ambassador in Taipei, to convey ‘Taiwan's stern stand’ that Canberra should not ‘meddle’ in ties between Taiwan and Vanuatu (Huang 2004). A spokesman for Australian Foreign Minister Alexander Downer denied China had any influence on comments regarding Vanuatu, ‘That had nothing to do with our representations. We've made it very clear what our representations were all about. It's about Australia's aid program, it's an issue between Australia and Vanuatu, it's not an issue for any other country’ (AAP 2004).

Clearly there was some disagreement on just whose ties were being ‘meddled with’. Antagonism between Australia and Taiwan continued as events unfolded. Although Taiwan's Deputy Foreign Minister Kau offered a conciliatory statement that ‘we have no wish to cause problems with Australian aid to Vanuatu. Australia is Vanuatu's largest aid donor and we respect that’ (Neil-Jones 2004e), the Ministry of Foreign Affairs in Taipei later praised Vohor for standing up to Australia (Chen 2004c). For its part, the Australian government did not make any further public statements about Taiwan in the context of Vanuatu. This may have been because Australia saw no benefit in further antagonising Taiwan, especially as the point had already been made.

Vohor is ousted

China and Australia's combined weight had made Vohor's position impossible. Taiwan's Foreign Minister Chen told reporters that the situation in Vanuatu was 'difficult' as China had scores of officials in the country. He said:

[Vohor] came here to sign the communiqué with us, but China simply would not leave [Taiwan and Vanuatu] alone. Who is upsetting the situation? Even Australia joined in to exert its influence. Which side is wrong and which side is right in all this? Think about it (Chen 2004d).

Vohor lost the vote of no-confidence, and then lost his appeal to have the result invalidated by the Vanuatu Supreme Court (*Taiwan News* 2004). The Deputy Prime Minister, Ham Lini, became prime minister of a new Vanuatu government and Taiwan's hopes of establishing diplomatic relations with Vanuatu came to an end.

It is unclear if Australia or China played the greater role in Vohor's defeat. In its annual report, DFAT (2005) highlights its own role in 'dealing with the instability created' by Vohor but with no mention of China. Lini publicly admitted that Australia's threat to cut aid played a role, but included Australia as one source of pressure among many (Dorney 2004). Evidence that China's role was decisive is a report that Lini apparently moved his party out of Vohor's coalition because of Vohor's 'Taiwan decision' (Binihi 2004). It is probable that China alone could have dislodged Vohor considering how unstable his coalition was in the first instance. It is doubtful that Australia would have gotten its way over Vohor so straightforwardly without China dividing his coalition. Whatever their respective contributions, China and Australia's combined pressure made the outcome inevitable.

Australia and China moved quickly to re-establish their respective positions in Vanuatu. Downer travelled to Vanuatu shortly after the new government was formed to sign a 'good governance accord' (Dorney 2004). Australia's aid commitment was then increased by some 700 million vatu (approximately US\$6 million) (Garae 2004a). China promptly brought Lini to Beijing, where he met with the Chinese president and premier, and Chinese aid was increased significantly. China also announced that US\$1 million would be provided in cash to support the new government's budget (Vurobaravu 2005). The parties signalled that a diplomatic mission would soon be established in Beijing, with an additional consul in Hong Kong 'on the cards'. On his return, Lini announced that he wanted a law to enforce a 'one China policy' (*Vanuatu Independent* 2005). China later agreed to two separate defence agreements with Vanuatu worth 32.8 million vatu (approximately US\$320,000). These agreements provided equipment, vehicles and uniforms for the Vanuatu military and police. The Chinese further promised two patrol boats (Toa 2005). The Australian government encourages China's involvement with South Pacific

militaries on the basis that it reduces the financial burden on Australia. However, such Chinese funding inevitably reduces Australia's leverage with Vanuatu's military and police force—potentially hampering Australian reform efforts. China also moved to approve Vanuatu as a destination for Chinese tourists (Gregory 2005). Vanuatu was included in a RMB3 billion (approximately US\$374 million) over three years concessionary loan scheme for South Pacific countries. Along with Samoa, Vanuatu exports were granted zero tariff entry into China and Vanuatu's existing debt with China was cancelled (Pareti 2006). China also provided assistance in buying Vanuatu a new passenger jet (AP 2006). Vohor became opposition leader after his parliamentary defeat, swiftly apologising to the Chinese ambassador so as to renew his party's (apparently very valuable) links with the CCP (*Vanuatu Daily Post/PNS* 2005). It remains to be seen how these extraordinary efforts by China to cement its relationship with Vanuatu will affect Australia's governance agenda, or any lingering hopes Taiwan may have of establishing official relations with this fractious South Pacific country.

Conclusion

Both Taiwan and China lost out as a result of the events in Vanuatu. Taiwan's attempt to establish an official relationship failed, and the Taiwan government was domestically and internationally embarrassed. Perhaps most importantly, further damage was done to Taiwan's reputation in Australia. This would colour (largely inaccurate) Australian perceptions that Taiwan both manipulated the April 2006 Solomon Islands election and caused the subsequent rioting. Although China managed to defeat Taiwan's attempt to establish diplomatic relations with Vanuatu, its own relationship with Vanuatu is now millions of US dollars more expensive. More of this aid is now in cash, which is more costly for China than its preferred option of providing Chinese manufactured goods and buildings. In addition, the funding Taiwan is *not* spending in Vanuatu simply becomes available to be used somewhere else in the world where China's support may not be as solid. This dynamic, with Taiwan having more financial resources at its disposal with the fewer diplomatic allies it has, will make it extremely difficult for China to overcome Taiwan simply by trying to outspend it.

Australia has also suffered a setback. Although Australia succeed in having the Lini government sign a 'good governance accord', it was essentially forced into providing millions of US dollars in further aid with no additional cooperation from Vanuatu in governance reform above what was provided by the Natapei government. Australia is effectively running just to stand still, with Vanuatu's political culture remaining unchanged and China still providing loosely controlled funds. According to a confidential interview conducted by the author in 2006, Australia considers Taiwan's involvement in

the Vohor episode a ‘coincidence’, and was not influenced by its ‘one China’ policy. Nevertheless, by effectively working against Taiwan as it pressured Vanuatu into returning to a governance reform agenda, Australia has soured Taiwanese perceptions of Australia. As long as the motivations and priorities of the governments in Australia, China, Taiwan and the various countries in the South Pacific remain what they are, it will be very difficult to avoid some form of repetition of the events in Vanuatu. China–Taiwan diplomatic rivalry will only be resolved through a political solution that satisfies both sides, which at this time seems unlikely. Any attempts by Australia to modify the form of Chinese and Taiwanese aid will have limited success, as China and Taiwan must satisfy South Pacific governments in order to establish or maintain diplomatic relationships, and these governments do not want to see funds from China and Taiwan resemble Australian aid. Australia’s best option is to continue with its current policy of strengthening South Pacific governance so that South Pacific countries themselves demand funding from Taiwan and China in a form that is more beneficial. This would represent an ideal outcome for Australia, as the funds provided by China–Taiwan diplomatic rivalry would still be available (and without the negative effects), reducing the financial burden on Australia. However, it is unlikely that the South Pacific will arrive at this point, at least in the near future. The majority of South Pacific politicians do not share Canberra’s view that China–Taiwan diplomatic competition is a problem. On the contrary, they view it as a great opportunity.

Graeme Dobell (2007) rightly argues that China–Taiwan rivalry contributes to political instability and corruption in the South Pacific. However, it is debatable how significant this contribution is and whether the involvement of China and Taiwan is ultimately negative for the South Pacific. In all likelihood, if China and Taiwan agreed to cease their diplomatic rivalry in the South Pacific, and hence dramatically scaled back their aid programs, the South Pacific would not be appreciably less corrupt or more stable. However, it would be poorer for being without the admittedly patchy benefits of Chinese and Taiwanese aid. In the case of Vanuatu, the extent of the destabilisation caused by China–Taiwan rivalry was a no-confidence vote in parliament, an almost routine occurrence in Vanuatu’s political culture. In addition, it should not be overlooked that Vanuatu’s legally elected politicians sought additional funds to distribute to rural areas, which they successfully obtained. Vanuatu was not a powerless victim of China and Taiwan, but an active exploiter of their rivalry. Whether this is ultimately a good thing for Vanuatu goes beyond what can be investigated here. The greatest implication of China–Taiwan rivalry in the South Pacific is not for that region itself, but for Australian policy. By providing what South Pacific politicians want and Australia does not want them to have, China and Taiwan directly interfere with Australia’s reform measures. As long as China and Taiwan continue their involvement in the South Pacific, and as long as Australia does not have the wherewithal to exclude them, perhaps the

most pragmatic option for Australian policy-makers would be to recognise that the ‘stick’—the threat of withholding aid—will be a less effective policy option in its dealings with South Pacific into the foreseeable future.

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