

THE PACIFIC MICROSTATES AND U.S. SECURITY



Clemente Botello

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THOUGH FREQUENTLY OVERLOOKED, THE MANY SOUTH PACIFIC ISLAND-STATES ARE UNIQUELY RELEVANT TO U.S. NATIONAL SECURITY.

BY KEVIN D. STRINGER

he Pacific Ocean is the world's largest geographical feature, covering approximately one-third of the Earth's exterior. By its all-inclusive definition, the Pacific Basin accounts for approximately two-fifths of the world's surface and nearly half of the world's population. Not surprisingly, then, the nations that comprise the Pacific Rim are dissimilar in many fundamental respects — from culture to political systems to economic orders — and range from global powers like rich and stable Japan to microstates like bankrupt Nauru and volatile Fiji.

This latter category of small, Pacific island nations in what is generally referred to as Oceania — in particular, Fiji, Kiribati, Nauru, Samoa, the Solomon Islands, Tonga, Tuvalu, Vanuatu, the Cook Islands, Niue, the Federated States of Micronesia, the Marshall Islands and Palau — are uniquely relevant to Pacific security issues. These forgotten places are characterized by limited natural and human resources, lack of infrastructure and geographical isolation, making their political, economic and military significance seem minimal. But these characteristics also make them vulnerable to terrorist activity and great-power influence.

Although they are frequently overlooked diplomatically in the international system, these island-states are important for the security of the United States. For example, they play a role in its global “war on terror” and the looming strategic rivalry with the People’s Republic of China over the Pacific region. The U.S. must engage these microstates diplomatically if it wishes to secure this region.

Diplomatic Retrenchment

With the collapse of the Soviet Union 15 years ago, the perceived external threat to Oceania vanished, and there was a loss of interest in the region, particularly on the part of the United States and the United Kingdom. (The terrorist attacks on the World Trade Center and Pentagon and the subsequent focus on the Middle East, with wars in both Afghanistan and Iraq, only intensified the trend.)

Since 1991, America has steadily dismantled its diplomatic infrastructure across the Oceania region. Currently, the U.S. has diplomatic missions only in Fiji, Samoa, the Federated States of Micronesia, the Marshall Islands and Palau. In 1993, the Department of State closed its embassy in the Solomon Islands. (The embassy in Samoa

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was also scheduled for closure, but was kept open after congressional intervention.) In 1994, Washington closed its regional aid office in Fiji due to budgetary constraints.

This retrenchment contrasts with the activity of the PRC in the region. Since 1975, when it established diplomatic relations with Samoa, Beijing has steadily built a comprehensive network of diplomatic posts in Oceania. While the United States has been closing diplomatic posts, China has opened embassies in Samoa, the Federated States of Micronesia, Fiji, Kiribati and Vanuatu. The Cook Islands has established diplomatic relations with China; Niue would like to follow, but has been blocked by New Zealand. China now has more diplomats (although not more diplomatic posts) in the region than any other country. This shift has long-term strategic repercussions for the future of the Pacific Rim.

Because the Foreign Service is often described as America’s first line of defense, this retrenchment of the diplomatic network is discouraging, to say the least. A lack of diplomatic outposts, with the ability to influence local island leaders and identify threats at an early stage, increases the potential for the growth of security risks to the U.S.

The Threat of Terrorism

In a paper prepared for the National Intelligence Council in November 2001 (“The Pacific Islands at the Beginning of the 21st Century”), Robert Kiste, an adjunct senior fellow at the East-West Center, observed that the Solomon Islands is a failed state, and warned that other microstates in the region are fragile and could easily follow the Solomons into chaos. Fiji and Vanuatu are prime candidates for this fate. In response, the Pacific Islands Forum commissioned a report in 2001 on security issues in four Melanesian states, and over half a dozen areas of common concern were identified. In particular, crime in the form of drug trafficking, gun running, smuggling of goods and people, money laundering and the illegal sale of passports were found to be on the rise. Further, the report identified a decline in the general security environment, with small, ineffective police forces sapping confidence in law enforcement. These conditions apply in varying degrees to all the other Pacific microstates.

From 1994 to 1997, Kevin D. Stringer was a Foreign Service officer, serving in London and Washington, D.C. During the summer of 2005 he was a research visitor at the East-West Center in Honolulu, and has been an adjunct professor in international political economy at Thunderbird, the Garvin School of International Management.

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The collapse or weakening of any microstate would create a political vacuum, opening a large area to undesirable and potentially harmful external forces — from exploitative corporations in natural resource extraction to criminal and terrorist elements. Terrorist elements, in particular, would welcome a Pacific without borders, where the open seas allow for easy smuggling of goods and people. The islands are increasingly used for the transshipment of narcotics, and airport security measures are less sophisticated than elsewhere.

The precarious nature of the Pacific island-states' economies also creates a strong need for revenue, leading to income-generating activities of a dubious nature: unregulated ship registrations; the development of poorly supervised offshore financial centers with their inherently unregulated transactions; and the selling of passports. These activities can provide would-be terrorists with the necessary infrastructure for moving arms and people around the globe.

These concerns are not just hypothetical. Shipping

companies use flags of convenience to avoid heavy taxes and stringent inspections that would condemn their vessels to the wrecker yards. While the vessels' real owners can hide behind a wall of secrecy created by dubious ownership structures, the crews are cheap foreign labor, with no rights. As a result, the ships and the crews are vulnerable, easy targets for clever terrorists.

A few examples from Tonga illustrate this danger. On Jan. 3, 2002, the Israeli Navy seized the Tongan-flagged *KarineA*, which was carrying 50 tons of weapons and munitions that Israel claimed were destined for the Palestinian Authority in Gaza. In 2003, three vessels flying the Tongan flag were caught in the Mediterranean moving weapons, explosives and men for al-Qaida. In the same year, U.S. officials investigated a shipping company named Nova, incorporated in Delaware and Romania, after two of its Tongan-flagged vessels were used to smuggle suspected al-Qaida operatives.

The establishment of offshore banking facilities within the microstates is another area of concern. Notwith-



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standing the arguments in favor of bank secrecy, the overwhelming reality is that tax havens largely serve an unsavory clientele of tax evaders, criminals and money launderers. The proliferation of tax-haven banks and the growing sums of money they receive hardly permit any other conclusion. The tiny island-state of Nauru alone operated about 400 offshore banks, all registered to one government mailbox. Other countries, like the Marshall Islands, Niue, Vanuatu, the Cook Islands and Samoa, have dabbled in this area as well. In general, according to a February 2005 IMF report concerning offshore centers, most of these countries do not meet the international regulatory standards necessary to safeguard against terrorist-related transactions.

The sale of passports for revenue is another risk for the U.S. In April 2003, U.S. authorities reported that six alleged terrorists, including two alleged al-Qaida operatives, had been arrested in Southeast Asia carrying Nauruan passports. Under U.S. pressure, Nauru has agreed to end its passport sales and shell banks in return for U.S. assistance. Several other Pacific microstates have also sold passports as a means of attracting investment, most notably the Marshall Islands and the Federated States of Micronesia. In 1996 alone, the Marshall Islands earned \$15 million from the sale of so-called investment passports. These documents could easily have ended up in malevolent hands. Although these programs have been ended, the likelihood of recurrence is high, given revenue pressures and tendencies toward corruption in some locales.

The Developing Chinese Sphere of Influence

Overall, whether the issue is political instability, offering flags of convenience or passport sales, a lack of resident U.S. diplomatic missions in these islands and the lack of interest from Washington it reflects naturally limit the ability of the U.S. to influence governments and events in Oceania. In essence, the early-intervention mechanism provided by diplomatic missions is turned off.

The other prospect is these states' integration into an extended Chinese sphere of influence. Beijing's expand-

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ing influence in Oceania has gone almost unremarked in Washington. This is partly because most Pacific island states have viewed China's growing role in Oceania with favor rather than fear. Their leaders and diplomats have not tried to focus American attention on what they deem to be non-threatening. Faced with increased political instability and a precarious economic future, even the relatively small involvement of a large power can have a

major impact on domestic developments in many Pacific states. Moreover, the generous assistance they get from benefactors such as China and Taiwan — which (unlike their Western counterparts) do not set preconditions of “good” (that is, democratic) governance for receiving development aid — is particularly welcome.

The trend in recent years has therefore been for Pacific island-states to “look north,” and China has encouraged this process. Over the past two years, the PRC has hosted the leaders of Papua New Guinea, Fiji, Vanuatu, Samoa, the Federated States of Micronesia, Tonga, Kiribati and East Timor. It is now routine for the first official overseas visit by a new head of government from the region to be made to Beijing, not to Canberra, Wellington or Washington. The extensive range of these visits means that most Pacific-island leaders have had much closer personal contact with the Chinese leadership, and thus have a greater knowledge of them than they do of senior politicians and officials in the United States. For Beijing, such personal “visit diplomacy” provides a lucrative return on a modest investment.

While China's interests in Oceania appear mainly political and diplomatic, there is also an important military dimension. Beijing is steadily gaining a military foothold in the region through defense cooperation agreements with countries such as Fiji, Tonga and Vanuatu. This military assistance is noteworthy as it focuses on the few Pacific countries that maintain forces. Even without a blue-water navy, China may be able to develop these cooperative agreements into control over large parts of the South Pacific in the future. For example, two deputy chiefs of the Chinese People's Liberation Army have visited Tonga in recent years. That country may be tiny — no

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more than 100,000 people live on 700 square kilometers of land — but it is strategically located in the middle of the Pacific Ocean.

Another target is Vanuatu. Here the Chinese agreed in August 2005 to finance various police projects worth more than \$300,000. The deals include uniforms and equipment for the Vanuatu Mobile Force, a 28-seat Toyota bus to transport VMF members to their external activities, three double-cabin Hilux vehicles for police patrols and a sedan for the police traffic control section. China is committed to assisting Vanuatu with military and defense training in response to its request. Further, Beijing will provide two boats, as requested by the Ministry of Police, to be used for coastal surveillance operations that the only national patrol boat, RVS *Tukoro*, cannot undertake because of the high cost of its operation.

A third example is Kiribati, which straddles the equator, making it an ideal place for satellite surveillance. There, in 1997, the PRC built a civilian space launch tracking facility on Tarawa Island, the only one of its kind

outside China. Defense experts long suspected that China's Tarawa station also monitored American missile tests at nearby Kwajalein Atoll in the Marshall Islands. When Kiribati recognized Taiwan in 2003, the station was dismantled. It was a significant loss for the PRC, according to Professor Des Ball, an expert on signals intelligence from Australian National University. It deprived Beijing of a land base in the Pacific, where the movements and activities of the Chinese Yuan Wang space tracking ships could be coordinated. China is now believed to be looking for a new base near the equator: of the Pacific countries, only Nauru has an equally favorable location.

Beijing has two major interests in the Pacific, according to Mohan Malik, a China analyst at the Asia-Pacific Center for Security Studies in Honolulu: "In the short term it wants to isolate Taiwan in the international community. But in the medium and longer term, the goal is to challenge and eventually displace the U.S. as the guardian and protector of the Pacific. Under the cover of a China-Taiwan contest for diplomatic recognition,

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Beijing is laying the groundwork for a future contest between the United States and China for supremacy in the Pacific Ocean.” For small and nearly bankrupt countries like the Marshall Islands, offers of aid may be the key factor determining whether they should recognize Taipei or Beijing. But they may soon find themselves pawns in a much bigger game.

Prescriptions

The United States does not exhibit concern about the influence of other foreign governments in the Pacific islands today, nor does it appear to realize the need for measured diplomatic engagement with these microstates. The Government Accountability Office goes so far as to state that from a broader defense and security perspective, island-nations like the Federated States of Micronesia and the Marshall Islands currently play no role in U.S. strategy in the Asia-Pacific region. The Department of Defense even describes the islands as U.S. defense obligations, not assets. (See “Kwajalein Atoll Is the Key U.S. Defense Interest in Two Micronesian Nations,” GAO-02-119, January 2002.) This is a mistaken view.

The strategic vacuum slowly developing in the South Pacific can be halted by renewing U.S. diplomatic engagement in the region through physical presence, personal diplomacy and aid. In the old days, diplomatic and consular posts were scattered like pearls throughout numerous countries. Now, with modern technology and fiscal austerity, centralization of services in regional embassies seems to be the norm. Yet certain geographic environments may require the very important symbolic and physical presence of a resident U.S. diplomatic mission. Given the potential terrorist-basing threat and the competition from China, the Pacific microstates should be made exceptions to the centralizing trend.

In line with Secretary of State Condoleezza Rice’s transformational diplomacy initiative, the prescription is not necessarily to establish full-blown embassies in these locations — hardly feasible from a budgetary or staffing standpoint, in any case — but rather representative offices of one to two Foreign Service officers and an assistant, along the lines of the American Presence Post concept.

The trend of recent years has been for Pacific island states to “look north,” and China has encouraged this process.

The advantage of this arrangement is that at lower costs it still gives the U.S. a local presence to monitor the political environment, promptly report unfavorable developments and cultivate influence among senior government officials. As Beijing clearly appreciates, the symbolic significance of a resident great-power presence should not be underestimated in the Pacific

island cultures. Similarly, the U.S. should increase the frequency of high-level visits to the microstates to offset PRC gains with island leaders, and increase aid to the region beyond current levels.

Use of the diplomatic component of national power will have a number of benefits. First, the U.S. would exercise area denial for terrorists and Chinese influence. This would be in line with statements by some policymakers that indicate the United States has an obligation to deny military access to the vast area of the Pacific Ocean. Second, the U.S. would be better positioned for early warning, monitoring and the ability to influence these states through local diplomatic interaction. Third, comprehensive diplomatic coverage of these microstates would enable alignment of their interests with the U.S. and, hopefully, secure voting support in the United Nations. Despite their small area and population, all of these states are recognized as sovereign entities, with all the diplomatic rights and privileges this status implies. Further, all except Niue and the Cook Islands are members of the United Nations, giving each voting rights in the U.N. General Assembly, other U.N. organs and a number of international organizations, where they could be valued allies on various global issues.

In J.R.R. Tolkien’s classic *Lord of the Rings* trilogy, the Dark Lord focuses so much on the conventional armies of his opponents that he overlooks the covert journey of the Ringbearer, who enters unnoticed through a back door, and ultimately destroys his realm. This analogy may be relevant for the United States, whose all-consuming focus on the Middle East has created a declining engagement toward other areas of the world such as Oceania. For a negligible investment, the U.S. could strengthen diplomatic ties with the Pacific island microstates, thus limiting the potential for terrorist activity and PRC inroads. ■