



# Australian Influence in the South Pacific

**Colonel Peter Brown, OBE, British Army (now Retired)**

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# AUSTRALIAN INFLUENCE IN THE SOUTH PACIFIC

## Introduction

The South Pacific is viewed by Australia as its 'Near Abroad' and, as such, part of Australia's natural sphere of influence.<sup>1</sup> It is an area of key strategic importance to Australia, which has a long standing concern over what has been termed 'the arc of instability'; the region to the north of Australia, from the South West Pacific through archipelagic South East Asia.<sup>2</sup> While there have been some improvements over recent decades, such as in Aceh in Indonesia, instability and the potential for fragile states to fail continues in places such as East Timor, the Indonesian provinces of Papua and West Papua, Bougainville in Papua New Guinea, and the Solomon Islands.

Since 2001, Canberra has attempted to play a more assertive role in the region out of a desire to prevent further destabilization that could foster international crime or terrorist activity; as Australian Prime Minister John Howard stated:

'It is in Australia's interests and in the interests of our Pacific Island neighbours to strive for a region that is economically viable, politically stable and free from crime. The financial costs and potential threats to Australia from failing states, including transnational crime and international terrorism, would be immense.'<sup>3</sup>

Australia has supported Pacific Island countries' sustainable development through both bilateral and regional programs; the Australian Defence Cooperation Program has sought to complement this assistance by contributing to Pacific island countries' 'efficient and sustainable use of maritime resources and enhancing regional

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<sup>1</sup> Richard Herr and Anthony Bergin, *Our Near Abroad: Australia and Pacific Islands Regionalism*, Australian Strategic Policy Institute, Canberra, November 2011.

<sup>2</sup> Bruce Vaughn (ed.), *The Unravelling of Island Asia?: Governmental, Communal, and Regional Instability*, Praeger, Westport CT and London, 2002.

<sup>3</sup> Thomas Lum and Bruce Vaughn, *The South West Pacific: US Interests and China's Growing Influence*, Congressional Research Service, Washington, 2007, p. 20.

security',<sup>4</sup> and Australia has worked closely with Pacific island nations to further develop their law and order, border security, and economic management capacity.

In 2006, Canberra sent troops and police officers to East Timor, the Solomon Islands, and Tonga to restore stability. Canberra was sending the troops and police *back* to East Timor and Solomon Islands, having earlier sent them there in 1999 and 2003 respectively. The return of the forces was evidence that stability had not been created by earlier interventions that had departed or drawn down too soon. Its presence in East Timor and the Solomon Islands appears to have evolved into longstanding commitments, although the scale is planned to reduce over time.<sup>5</sup> Australia has also played an increasingly active role in support of the Pacific Islands Forum.

However, despite, or perhaps because of, these interventions and assistance programs, Australia's influence in the region is beginning to wane. This paper will examine Australian engagement in the South Pacific islands and will argue that despite some notable achievements Australia's regional influence is gradually being eroded:

'The arc of instability to our north a decade ago was an academic notion. Now it is a security policy reality. And within this arc of instability, Australia's strategic and economic influence relative to other external powers is declining'.<sup>6</sup>

## **The South Pacific**

In the mid-1980s, the Dobb Report declared that Australia was 'one of the most secure countries in the world' due to the nature and structure of its geopolitical environment; Australia is geographically sheltered from the main global centres of military conflict, it is protected by large expanses of water which make it difficult to

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<sup>4</sup> Australian Government, Department of Foreign Affairs and Trade, available at <<http://www.dfat.gov.au/geo/spacific/index.html>>, accessed 12 July 2012.

<sup>5</sup> 'Australia Struggles to Promote Order in Troubled Region', *US Fed News*, 4 January 2007.

<sup>6</sup> Kevin Rudd, 'The Mismanagement of Australia's National Security: the Death of Disarmament as a Priority of Australian Diplomacy', *Address to the Commemoration of the 10<sup>th</sup> Anniversary of the Canberra Commission*, Brisbane, 2 August 2006.

attack, and, furthermore, regional states possess only limited capability to project military power.<sup>7</sup> In the post-Cold War period, and especially since 9/11, it has become clear that the nature of regional security threats can no longer be viewed solely through traditional frameworks (generally concerned with military security threats among states). Not only has there been a fundamental shift in the geopolitical character of the cooperative security front but there has also been a shift in the type and scale of security threat that is, increasingly away from the state to intra-state and non-state threats.

Whilst many papers have talked about an 'arc of instability', there are few definitive geographical definitions in circulation; this paper will focus on the South Pacific islands – a culturally and economically diverse grouping: the South Pacific region (excluding Australia and New Zealand) covers 20 million square miles of ocean and 117,000 square miles of land area, 80% of which is Papua New Guinea. About 8% of the land is arable. The area has a population of nearly nine million among the 14 independent states.<sup>8</sup> The Pacific Island nations are populated predominantly with indigenous peoples — Polynesians, Melanesians, and Micronesians. These three groups differ historically by geography, language, culture, and physical characteristics. Most of the nations, with the exception of Fiji, Papua New Guinea, and the Solomon Islands, have limited natural and human resources upon which to embark on policies of sustained development. Prevalent features include weak resource and skilled labour bases, lack of economies of scale, primitive infrastructure, poor government services, and remoteness from international markets.

The fragility of many of the states in the South Pacific has, according to Elsin Wainwright of the Australian Strategic Policy Institute, created potential havens for the transnational crime, money laundering, illegal immigration, arms smuggling, drug trafficking, and terrorism.<sup>9</sup> These issues have been exacerbated by the inability of governments to control their respective borders, as well as the susceptibility of any economically weak state to the malign influence of well-funded criminal or terrorist organisations.

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<sup>7</sup> Paul Dibb, *Review of Australia's Defence Capabilities*, Australian Government Publishing Service, Canberra, 1986.

<sup>8</sup> Lum and Vaughn, p. 20.

<sup>9</sup> Elsin Wainwright, 'Responding to State Failure – the Case of Australia and Solomon Islands', *Australian Journal of International Affairs*, vol. 57, no. 3, November 2003, p. 485.

This vulnerability, in combination with a unique array of regional circumstances, has resulted in a series of intra-regional conflicts to Australia's north and east.<sup>10</sup> As noted by the most recent Government White Paper, instability is likely to be characteristic of Australia's immediate region for the foreseeable future.<sup>11</sup> However, whilst the change in the geopolitical environment, and the strategic impact of an unstable neighbourhood, has been clearly recognised by successive Australian Governments, Australia's ability to shape events throughout the arc continues to trend downwards.

### **Regional Engagement by Australia**

Australia became the leading developed nation in the South Pacific area when Britain granted independence to its remaining former colonies and withdrew in the 1970s. Australia pursues its interests in the South Pacific on a regional and on a bilateral basis, with the balance between the two varying between the island nations and the issues involved. Generally, the smaller nations are swept up regionally and the largest, Melanesian states of PNG and the Solomon Islands, have more bilateral interactions. This section examines the effectiveness of Australia's regional engagement with the South Pacific.

Until 1971, the only regional forum was the South Pacific Commission (SPC) which was formed in 1947 by six 'participating governments' (Australia, New Zealand, France, the Netherlands, UK and US); the aim of the grouping was to 'restore stability to a region that had experienced the turbulence of the Second World War, to assist in administering their dependent territories and to benefit the people of the Pacific'.<sup>12</sup> The South Pacific Commission has since grown to include twenty-two Pacific island countries and territories along with four of the original founders (the Netherlands and the UK having withdrawn), and renamed itself the Pacific Community in 1997. The Pacific Community has programs responsible for delivering development assistance, and cooperation in customs and immigration, and technical conferences for law officers, Chiefs of Police and cooperation in criminal intelligence.

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<sup>10</sup> Anthony Regan and RJ May, 'Reassessing Australia's Role in Papua New Guinea and the Island Pacific' in James Cotton and John Ravenhill (eds.), *The National Interest in a Global Era: Australia in World Affairs 1996 -2000*, Canberra, 2001, pp. 153-164.

<sup>11</sup> Australian Department of Defence, *Defending Australia in the Asia Pacific Century: Force 2030*, (Defence White paper), Canberra, Australian Government, May 2009.

<sup>12</sup> Secretariat of the Pacific Community, available at <<http://www.spc.int/en/about-spc/history.html>>, accessed 10 July 2012.

Despite this span of interests, it is the Pacific Islands Forum that is the key regional body.

The newly emerging Pacific island nations lacked a leader's forum to discuss regional issues and cooperation, and Australia and New Zealand wanted to encourage just that sort of regional body. The first South Pacific Forum meeting, attended by the seven founding members, Australia, the Cook Islands, Fiji, Nauru, New Zealand, Tonga and Western Samoa, was held in 1971 in New Zealand. Over time, the South Pacific Forum evolved and expanded to include more countries and was renamed the Pacific Islands Forum (PIF) in 2000. The Forum's mandate, much broader than that of SPC, covers regional trade and economic issues, law enforcement and now also security. It has observer status at the United Nations and the Asia Pacific Economic Cooperation forum (APEC) and thus represents the views of the Pacific community internationally.<sup>13</sup> Good governance and security issues have more recently become key parts of the Forum's agenda. Among regional organizations in the Third World the Forum was unusual in having two developed countries (Australia and New Zealand) as founder members, putting Australia in a strong position to exert influence at a regional level, right from the outset.

Australia has enduring strategic interests in the South Pacific, and has sought to influence the Pacific island nations accordingly, with the emphasis clearly shifting over time. During the Cold War, the focus of Australia's policy in the region was one of strategic denial. With the experience of WW2, Australia did not want a potentially hostile foreign power able to set up bases in the region from which Australia would be vulnerable to attack. During the same period, Australia and New Zealand took a lead in campaigning, including with Forum countries, against French nuclear testing in the Pacific. In parallel, Australia was able to influence the island nations to adopt more 'moderate' approaches than might have been the case, with one example being the nature of the South Pacific Nuclear Free Zone under the Treaty of Rarotonga in 1985, which was eventually framed in a manner that minimized any problems for the US, and particularly the US Pacific Fleet.<sup>14</sup>

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<sup>13</sup> Pacific Islands Forum website, available at < <http://www.forumsec.org>>, accessed 10 July 2012.

<sup>14</sup> Pacific Islands Forum website.

From the end of the Cold War to through to the events of 9/11 in 2001, there was no perceived threat from the region, or even through the region, and the Australian view seemed to be that the region was just a burden on the Australian taxpayer. During this period, Australian policy promoted 'economic rationalist' methods to encourage island countries to live more within their own means (or at least to reduce the extent of their dependence on aid), whilst promoting 'good governance' and measures to combat corruption and waste. Australian influence was largely exercised through the conditionality of its aid programme, which will be covered in some detail later.

Over the last 10 years, the Australian focus on the region has reinforced the themes of supporting democracy, 'good governance' and enabling sustainable economic development, but in addition, there has been a new focus on addressing the risk of weaker states failing to govern their territory, which could create a power vacuum into which terrorist or organised crime organisations could step, putting a security threat on Australia's doorstep. More recently, reviving the theme of 'strategic denial', many commentators are taking a close interest in the emergence of closer relations between island nations and states that could challenge Australian influence, for example Fiji's growing relationship with China.

The islands consistently raise their concerns to the Pacific Islands Forum seeking a collective and thus stronger voice on the real difficulties they face in terms of environmental protection, fishery and resource security, and increasingly transnational crime issues.<sup>15</sup> Australia listens, but has a patchy record of taking tangible action to address the issues.

Environmental issues are of immediate concern to the low lying Pacific islands. Climate change and sea level rises are affecting them already. Although it has taken some time, it appears that Australia has finally paid attention. In opposition, the Australian Labor party produced a graphically entitled report on 'Our Drowning Neighbours' in 2006,<sup>16</sup> which called for a stronger focus by Australia on the climate change concerns of the Pacific islanders. When Labor won the 2007 election they immediately ratified the Kyoto treaty, which was well received in the region. In 2009

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<sup>15</sup> Peter Abigail, *Australia and the South Pacific: Rising to the Challenge*, Australian Strategic Policy Institute, Canberra, March 2008, p. 91.

<sup>16</sup> Bob Sercombe and Anthony Albanese, *Our Drowning Neighbours, Labor's Policy Discussion Paper on Climate Change in the Pacific*, Australian Labor Party, Canberra, 2006.

the Forum took a paper on the Australian approach to climate change,<sup>17</sup> and then agreed a 'Pacific Leaders Call to Action on Climate Change, the detail of which showed Australian influence.<sup>18</sup> Since then, there has been little evidence of significant progress.

Most of the Pacific island nations have significant fishery resources, including globally significant stocks of tuna.<sup>19</sup> Their ability to benefit appropriately from those resources is limited by their ability to fully regulate and enforce their Exclusive Economic Zones (EEZ) through effective maritime surveillance and enforcement capability. Illegal, unregulated and unreported fishing has been estimated to cost the Pacific islands nations as much as US\$1.7 billion of lost licensing revenue per year, which is nearly forty per cent of the value of the regional catch.<sup>20</sup> Here, Australia is in full agreement with the Pacific islands, and actively supports their efforts with real measures, including the Pacific Patrol Boat program.

The Pacific islands are relatively sparsely populated, with isolated coastlines and limited policing. Their geographic position between Asia and South America potentially makes them attractive places to tranship illegal drugs, with contraband and money flowing in both directions. The UN office on drugs and crime has reported that fishing vessels, with their legitimate presence at sea and distribution networks, but often opaque ownership and lack of supervision, have been key enablers in the smuggling of drugs, guns and people.<sup>21</sup> Australia's security interests align very closely with the Pacific island nations on transnational crime, with Australia putting real resources on the ground and seeking to strengthen regional cooperation and structures. From a Pacific island viewpoint, some of Australia's responses and initiatives have seemed heavy handed, with Australia rather too keen on arresting Pacific island government members and officials, often on charges relating to corruption. These incidents immediately hit the headlines and the public, as well as private rhetoric on both sides inevitably strains inter-governmental relations.

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<sup>17</sup> Derek McDougall, *Australia's Engagement with its Near Abroad: a Change of Direction Under the Labor Government, 2007-2010*, Commonwealth & Comparative Politics, 2011, pp. 327-329.

<sup>18</sup> The Forum target of limiting increases in average temperatures by no more than 2 degrees can be contrasted with the lower target of 1.5 degrees called for by the Association of Small Island States (AOSIS), which all Forum countries are members of, just the following month.

<sup>19</sup> Herr and Bergin, *Our Near Abroad*, p. 17.

<sup>20</sup> Sam Bateman and Anthony Bergin, *Staying the Course: Australia and Maritime Security in the South Pacific*, Australian Strategic Policy Institute, Canberra, May 2011, p. 6.

<sup>21</sup> Bateman and Bergin, *Staying the Course*, pp. 6-7.



Clearly, Australia holds many interests in common with the Pacific island nations themselves, but there are some differences between what the island members want to achieve from a regional forum, and Australia's goals.

### **The Pacific Plan**

The 'Pacific Plan for Strengthening Regional Cooperation and Integration', known simply as the Pacific Plan, was endorsed at the 2005 Pacific Islands Forum meeting.<sup>22</sup>

As the 'master strategy for regional integration and coordination in the Pacific' it was cast as 'a regional response to the challenges that Pacific island countries face'. The Plan, which was brought to the Forum largely by Australia and New Zealand, is based on four pillars: economic growth, good governance, security, and sustainable development. It is an attempt to drive forward the Pacific island response to the Millennium Development Goals, with implementation meant to be taken forward by members, but 'supported by development partners and other stakeholders. In practice, for the smaller island nations this exercise is being done by 'Pacific Plan desk officers' (ie Australians). The latest addition to the bureaucracy supporting Plan implementation is the piloting of a performance framework in 2012, to 'report to Leaders on progress implementing the agreed priorities'.<sup>23</sup>

Elise Huffer, writing as early as 2006 contended that the principal 'interest' of economic integration had been championed without considering the 'values' of the people it supposedly represents.<sup>24</sup> Morriss in 2009 simply questioned whether it was right for the region at all.<sup>25</sup> More recently, Herr and Bergin in their 2011 report<sup>26</sup> argue that the Pacific Plan, in seeking to establish a better integrated and coordinated regional system, has instead exposed that system's problems. They advocate that Australia should step back from the Plan and concentrate instead on

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<sup>22</sup> Pacific Islands Forum website, available at < <http://www.forumsec.org>>, accessed 10 July 2012.

<sup>23</sup> Pacific Islands Forum website, available at < <http://www.forumsec.org>>, accessed 10 July 2012.

<sup>24</sup> Elise Huffer, 'Regionalism and Cultural Identity: Putting the Pacific Back Into the Plan' in Stewart Firth (ed.) *Globalisation and Governance in the Pacific Islands*, ANU, Canberra, 2006, pp. 44-49.

<sup>25</sup> Cate Morriss, *The Pacific Plan and Gender: Policies, Programs, and (has there been any) Progress*, Social Alternatives Vol. 28 No.4, 2009, pp. 19-22.

<sup>26</sup> Herr and Bergin, *Our Near Abroad*, p. 17.

bilateral relations and a steady approach more in tune with the values of the region. Arguably the Pacific Plan has done little to enhance Australia's influence in the region.

### **Physical Intervention**

Australia wants a stable region, where the relatively new Pacific island nations continue to mature into peaceful and democratic counties with sound economies. The key enablers are seen to be a representative government committed to improving health and education, and maintaining law and order, and thus inspiring external investment in trade and industry, including the sustainable exploitation of natural resources for the good of the nation and its people. In supporting these aims, Australia has consistently encouraged 'good governance' and sustainable economic development in the island nations through its membership of the regional bodies, its aid assistance program, and now increasingly through bilateral partnerships tailored to the different needs of each nation. However, when things go wrong, Australia is also prepared to physically intervene, though it does seek to avoid being seen as too eager, preferring a regional and/or international mandate for intervention.

Although Australia had extensive diplomatic engagement with Papua New Guinea (PNG), and provided considerable training and support for PNG Defence Force, it is of note that the civil war in Bougainville had been running for 5 years before there was any direct Australian intervention. When Australian troops finally deployed to Bougainville, it was as part of an unarmed peacekeeping mission, alongside personnel from New Zealand, Fiji, Tonga and Vanuatu, to monitor the Bougainville peace accords.<sup>27</sup>

The Australian-led intervention in East Timor in 1999 was arguably thrust upon Australia by the need to ensure an orderly transfer of sovereignty in the new nation, following the UN-sponsored plebiscite on the future status of East Timor. Demonstrating the ability to physically intervene at such a scale, and to successfully

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<sup>27</sup> Australian Government, *Partnering for Peace: Australia's Peacekeeping and Peace Building Experience in the Autonomous Region of Bougainville in PNG, and in the Solomon Islands and Timor-Leste*, Canberra, Australian Government, 2012.

handle such a complex environment, may have given confidence to future Australian governments when considering their ability to successfully intervene with Australian troops and policemen in its 'immediate neighbourhood'.

At the 2000 Pacific Island Forum summit, against a regional context of the Fijian coup d'état earlier that year, and internal conflict in the Solomon Islands, the leaders held a closed door negotiation session and framed the Biketawa Declaration, which called for the Forum to 'constructively address difficult and sensitive issues', and set out a series of guidelines that could inform regional responses to the crises that might arise. 'Forum Leaders recognised the need in time of crisis or in response to members' request for assistance, for action to be taken on the basis of all members of the Forum being part of the Pacific Islands extended family'.<sup>28</sup> The Biketawa Declaration gave the Forum a role in dealing with situations of political instability that might have region-wide implications, and was reinforced in 2002 and 2004.<sup>29</sup>

From an Australian perspective this shift was welcome, as it was a key step in legitimising future military, police and civilian deployments, often including significant numbers of Australian and New Zealand personnel. The Australian Foreign Minister Alexander Downer hailed the declaration as 'a milestone in Forum relations'.<sup>30</sup> The declaration was used to sanction regional peacekeeping and stabilization operations in the Solomon Islands from 2003, Nauru from 2004 to 2009, and Tonga in 2006.

### **RAMSI as a Case Study**

The Regional Assistance Mission to Solomon Islands (RAMSI) intervention in 2003 serves as a useful 'case study' of physical intervention, including subsequent stabilisation and nation building efforts; troubles along the way; and the overall effects on Australia's influence in the region.

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<sup>28</sup> Biketawa Declaration text available at <<http://www.forumsec.org/resources/uploads/attachments/documents/Biketawa%20Declaration,%2028%20October%2020001.pdf>>, accessed 10 July 2012.

<sup>29</sup> The Nasonini Declaration on Regional Security in 2002, and Auckland Declaration of 2004.

<sup>30</sup> Australian Parliament, *Answers to Questions by the Minister of Foreign Affairs*, Senate, 30 October 2000.

The Solomon Islands had experienced a five year period of violence from 1998 to 2003, which was essentially an ethnic conflict centred on the capital island of Guadalcanal, and seated in perceived inequalities over land rights, economic opportunities, and perceived disrespect on both sides for the cultural differences between the native Guales and incoming Malaitans. This had resulted in the death of about 200 people and the displacement of 20,000 more.<sup>31</sup> The importance of Guadalcanal as the seat of government and centre of the Solomon Islands economy meant that the nation had been driven into virtual bankruptcy and most of the organs of state had stopped functioning. Government, law and order had virtually broken down, and much of the police force were part of the problem rather than the solution. By 2003, the Solomon Islands had almost failed as a state.

Australia had successfully intervened in Bougainville and then at much larger scale in East Timor over the ten years preceding the RAMSI mission and yet was initially distinctly reluctant to intervene in the Solomon Islands. In January 2003 the Foreign Minister Alexander Downer had said that 'sending Australian troops to occupy the Solomon Islands would be folly in the extreme. It would be widely resented in the Pacific region.'<sup>32</sup> The 2003 Foreign Affairs and Trade White Paper in March 2003 then stated it thus: 'Australia cannot presume to fix the problems of the South Pacific countries. Australia is not a neo-colonial power. The island countries are independent sovereign states'.<sup>33</sup> However, by August of the same year a full scale Australian-led intervention was in place. Such a shift in policy had at least three significant drivers.

There was a growing recognition that unrest and instability in the Solomon Islands, one of the closest Pacific nations to Australia, had the potential to affect Australia's national interests. The weakness of the state in terms of governance and law and order made it a potential base for terrorist and transnational criminal activity; including drugs, guns and money laundering. The 2002 Bali bombing, in which 202 people died, including 88 Australians, had reinforced the need for regional stability for Australia's security. Militants and weapons had flowed into the Solomon Islands

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<sup>31</sup> Warren Karle, *Conflict in the Happy Isles, The Role of Ethnicity in the Outbreak of Violence in Solomon Islands*, Department of Defence, Canberra, 2004, pp. 23-34.

<sup>32</sup> Mike Carlton, 'Overkill in the Solomons', *Sydney Morning Herald*, 26 July 2003.

<sup>33</sup> Commonwealth of Australia, *Advancing the National Interest: Australia's Foreign and Trade Policy White Paper*, 2003, Australian Government Publishing Service, Canberra, p. 93.

during the 1990s from the conflict in neighbouring Bougainville, and there was a risk that unrest in the Solomon Islands might flow back to Bougainville and destabilise the situation there, and perhaps more widely in PNG, Australia's closest neighbour. So the interests of Australia were pretty directly engaged.

Second, the Solomon Islands government had formally asked Australia for assistance in addressing the security and economic crisis. This meant that the international and regional view of an Australian intervention would be much more positive, and even more so if a regionally based multinational assistance mission could be assembled. After a meeting between the two Prime Ministers in early June, Australian Foreign Minister Downer announced a policy of 'cooperative intervention' and stated that 'we will not sit back and watch while a country slips inexorably into decay and disorder'.<sup>34</sup>

Third, the US recognised that Australia had a responsibility for the region. In other parts of the world, for instance Iraq, Australia's interests were less directly involved, and yet Australia was 'burden sharing' in the cause of reinforcing its alliance with the US and its place and reputation in the developed world.<sup>35</sup> In the South Pacific however, it was Australia's interests that were most affected, and this was recognised by its principal ally, the US. Shortly after the RAMSI mission deployed, the Daily Telegraph in London reported:

'Few world leaders return from a visit to the George W Bush ranch without an extra swagger in their step ... Mr. Howard was sent on his way in May with a specific task, according to regional diplomats: to sort out Australia's vast, oceanic back yard. Only weeks after returning to Canberra, Mr. Howard unveiled plans to send a substantial security force to the troubled Solomon Islands - having ignored the desperate pleas for help from the islands' capital, Honiara, for three years. 'We're not throwing our weight around,' he said. 'But

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<sup>34</sup> Wainwright, *Responding to State Failure*, p. 491.

<sup>35</sup> Australia had troops in Iraq continuously from 2003 to 2008. Between 850 and 1,300 ADF personnel were also in operational areas in Afghanistan, Kyrgyzstan and the Persian Gulf from late 2001, and Australian troops returned to that theatre in force in 2005.

we're willing to do our fair share of the heavy lifting in an area the rest of the world sees as very much Australia's responsibility'.<sup>36</sup>

Australia made a conditional offer to assemble and lead a mission provided that it gained Pacific Islands Forum support, and the Solomon Islands government passed the necessary enabling legislation. Both conditions were rapidly satisfied, and by late July the Australian led RAMSI mission had deployed some 2,300 police, military and civilian personnel from Australia, New Zealand, Tonga, PNG, Fiji and four other South Pacific nations. The intervention was consensual and multinational, with a regional mandate, and was endorsed by the UN. It was designed from the outset to be comprehensive and long term.

The initial objective of the RAMSI intervention was to restore law and order, including removing weapons from the various militias and gangs. This was largely successful, allowing the military component to be largely drawn down in early 2004, leaving a regional mission of about 200 police supported by a smaller military contingent, and a contingent of public servants. A large number of arrests, charges, trials and convictions showed the primacy of law and order; and the removal from the Royal Solomon Islands Police Force of those elements which had taken sides with a militia, and the trial of several politicians and government ministers also demonstrated the impartial application of justice.

The second and third pillars of economic reform and machinery of government could then be taken forward, in justice, health and education, and more widely to try and move the economy forward and get the government apparatus working, and in a position where external assistance would no longer be required.<sup>37</sup> These were clearly long term objectives, and although significant progress has been made on the machinery of government, nine years after the initial deployment, RAMSI is still working alongside Solomon Islanders and although the drawdown of RAMSI has begun, there will be a need for continued assistance on a bilateral basis for many years to come.

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<sup>36</sup> 'Bush Entrusts Deputy Sheriff Howard with Pacific Policing Role', *Daily Telegraph, London*, 15 Aug 2003, available at <[www.telegraph.co.uk/news/worldnews/australiaandthePacific/australia/1438992/Bush-entrusts-deputy-sheriff-howard-with-pacific-policing-role.html](http://www.telegraph.co.uk/news/worldnews/australiaandthePacific/australia/1438992/Bush-entrusts-deputy-sheriff-howard-with-pacific-policing-role.html)>, accessed 14 July 2012.

<sup>37</sup> Clive Moore, 'Pacific View: the Meaning of Governance and Politics in the Solomon Islands', *Australian Journal of International Affairs*, Vol. 62, No. 3, September 2008, pp. 387-389.

Amongst the people of the Solomon Islands, there has been a consistent level of popular support. In the 2011 survey of Solomon Islanders, 86% supported the RAMSI presence, 65% were of the opinion that the Solomon Islands were not ready for RAMSI to leave, and 58% thought that it would be at least another 5 years before that time came.<sup>38</sup>

Having deployed at the request of the Solomon Islands government, RAMSI has depended on the cooperation and continued consent of whatever government is in power. This has meant that the mission has always been vulnerable to shifts in Solomon Islands politics and government. This came into focus through a series of increasingly fraught exchanges in 2006 and 2007. The election of a government in the Solomon Islands is a two-stage affair. In the first round the people elect MPs. The MPs then decide who will form a government, behind closed doors. In 2006 this second round briefly elected Snyder Rini who in the eyes of many Solomon Islanders was tainted by Asian business interests. Considerable unrest followed on the streets and much of the capital Honiara was burned and looted. RAMSI were blamed in the press for failing to anticipate trouble, and for how they handled the unrest. Rini resigned and was followed by Manasseh Sogavare, who had campaigned against the RAMSI intervention before it started, and he proceeded to antagonise relations with Australia over the period of his tenure, to December 2007. This included declaring the Australian High Commissioner *persona non grata*, replacing the Attorney General with a controversial figure who was wanted for questioning on child sex charges by Australia, and dismissing the Australian police commissioner of police.<sup>39</sup> Throughout this period, RAMSI continued to function, though with some difficulty in terms of the 'politics' of policing at the higher level. Fortunately, the consistent support for the mission from both the people of the Solomon Islands and from the Pacific Island Forum prevented a breakdown in the mission, and good relations were restored. All three Prime Ministers since Sogavare have been much more supportive of RAMSI and receptive to views from the Forum, and from Australia as the principal source of RAMSI members and funding.

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<sup>38</sup> Regional Assistance mission to the Solomon Islands website, available at <<http://www.ramsi.org>>, accessed 10 July 2012.

<sup>39</sup> Sinclair Dinnen, 'Solomon Islands', in Clinton Fernandes (ed.), *Hot Spot: Asia and Oceania*, Greenwood Press, Westport, 2008, pp. 219-221.

Although further reductions in the policing mission are expected in 2013, this will be 10 years after the initial deployment, pointing to the long term nature and cost of such deployments.<sup>40</sup>

While Pacific islanders share many of Australia's concerns over security, their concerns are often at a more basic level than Australian policy makers in Canberra, whose efforts centre on governance, accountability and corruption. The more parochial daily issues such as domestic violence, assault, burglary and sexual violence, rather than corruption and accountability, lie at the heart of their security concerns.<sup>41</sup> Sinclair Dinnen, in examining 'the governance of security in Melanesia' points to initiatives such as the Community Justice Liaison Unit in PNG, which seeks to bring state and non-state actors closer together in the fight against crime, and suggests that approach may have greater potential than traditional state strengthening exercises.<sup>42</sup> These sort of arrangements are best tailored and delivered most probably by Australia and/or New Zealand, on a bilateral basis, as no one size fits all, particularly given the differences between the needs of the larger Melanesian states and smaller Polynesian nations.

When it all goes wrong and a large scale intervention is required, like RAMSI, a solution is best delivered on a regional basis. The RAMSI mission has set an expectation that Australia can lead such interventions, and will be prepared to contribute the majority of the funding, and uniformed and public service personnel to make a real difference. Australian leadership of RAMSI has been well received and has probably increased Australia's reputation and influence in the region, though at a considerable cost and setting a perhaps unintended precedent. This reputational gain risks being eroded by Australia's stance towards Fiji.

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<sup>40</sup> Sinclair Dinnen and Abby McLeod, *The Quest for Integration: Australian Approaches to Security and Development in the Pacific Islands*, *Security Challenges*, Vol 4, No 2 (Winter 2008), pp. 34-35.

<sup>41</sup> Anna Powles, 'Mission Creep: State-Building from Honiara to Dili', *Security Challenges*, vol. 2, no. 2 (July 2006), pp. 9-14.

<sup>42</sup> Sinclair Dinnen, 'Beyond State-Centrism: External Solutions and the Governance of Security in Melanesia', in Greg Fry and Tarcisius Kabutaulaka (eds.), *Intervention and State-Building in the Pacific - the Legitimacy of Co-operative Intervention*, Manchester, Manchester University Press, 2008, pp. 102-118.



## Fiji as a Case Study

Fiji's central location and abundant natural resources have always made it an important player in the South Pacific. On independence, Fiji was relatively well developed, with an economy including timber, fishing and minerals, the colonial era sugar industry, a functioning government and civil service. Fiji's ability to exert regional influence was further augmented in the early 1980s by the creation of the Melanesian Spearhead Group (MSG), a new sub-regional grouping, composed of the four Melanesian states of Fiji, Papua New Guinea, Solomon Islands and Vanuatu, and the *Front de Libération Nationale Kanak et Socialiste* (FLNKS), a pro-independence party in New Caledonia. The MSG had its origins in a broad sense of Melanesian cultural solidarity and a desire to assert a Melanesian voice among the members of the Pacific Islands Forum, which some of the island countries perceived to be dominated by Australia and New Zealand.<sup>43</sup> This role as a counterweight to Australian influence has taken on even greater significance since the Fiji Coup in 2006, and its suspension from the Pacific Islands Forum.

The 2006 coup, the fourth in less than two decades, was justified by its leader, Commodore Bainimarama, as necessary to get rid of corruption and lack of accountability and he portrayed it as aimed at removing ethnic bias from the political system.<sup>44</sup>

In assessing the Australian Government's response to the coup, there is merit in considering traditional international options available in response to illegal overthrows of elected governments; history offers precedents for the full spectrum of responses: direct military intervention to restore the elected government, imposition of full economic, trade and sporting sanctions, the freezing of Fijian citizens' assets or business and tourism restrictions. In fact Australia's response, targeted exclusively to persuade the Fiji government to hold elections was, and remains, relatively lenient: limited diplomatic contact, stiff and targeted travel sanctions, an arms embargo and suspension of defence cooperation.<sup>45</sup>

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<sup>43</sup> Ronald May, *The Melanesian Spearhead Group: Testing Pacific Island Solidarity*, ASPI, Canberra, February 2011.

<sup>44</sup> Jon Frankel, Stewart Firth, Brij V Lal, *The 2006 Military Takeover in Fiji: a Coup to End All Coups*, ANU E Press, Canberra, 2009.

<sup>45</sup> Jenny Hayward-Jones, *Policy Overboard: Australia's Increasingly Costly Fiji Drift*, The Lowry Institute, Sydney, May 2011, p. 3.

It is clear that the responses employed have manifestly failed to achieve their aim: despite additional pressure imposed by the decision of PIF leaders to suspend Fiji in May 2009 and the Commonwealth's decision to suspend Fiji in September 2009, Bainimarama remains resolute: on 1 July 2009, Bainimarama gave a speech labelled 'Strategic Framework for Change' for Fiji's return to parliamentary democracy, with no elections until 2014.<sup>46</sup>

Australia's failure to encourage the Fiji government to hold elections reflects poorly on the reputation and diplomatic influence of a creative middle power seeking a temporary seat on the United Nations Security Council. Active diplomacy in support of democratic movements further afield cannot mask such a major failure of diplomacy in its own sphere of influence.<sup>47</sup>

Initially, the majority of Australia's traditional partners supported the Australian government's policy towards Fiji after the coup; there are signs that this support is wavering and increasingly the Australian government risks becoming isolated in its position on Fiji.

Of particular significance, Washington initially imposed its own sanctions on the military regime and voiced support for Australia's refusal to deal with the regime. However, the US appears to have shifted its position since 2010. Ms Frankie Reed, US Ambassador to Fiji, Kiribati, Nauru, Tonga and Tuvalu, articulated the American view of Fiji's regional importance: 'Fiji's unique position in the Pacific makes it a key focal point for our larger regional engagement with the South Pacific.'<sup>48</sup> She went on to add, 'We seek more direct engagement with Fiji's government ... in order to encourage the Fiji Government in the restoration of democracy.'

Aside from the damage to its wider international reputation the Fiji issue has potential to damage Australia's credentials regionally; the dispute has given those PI countries which doubt Australia's motives an issue through which they can voice their displeasure with Australia and attempt to undermine its credibility. Australia's isolation of Fiji has arguably impaired its regional relations with Papua New Guinea,

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<sup>46</sup> Richard Herr, 'Time for a Fresh Approach, Australia and Fiji Relations Post-Abrogation', ASPI, Canberra, January 2010.

<sup>47</sup> Hayward Jones, *Policy Overboard*, p. 9.

<sup>48</sup> Frankie Reed, 'Statement of Frankie Reed Ambassador-Designate to the Republic of the Fiji', available at [http://foreign.senate.gov/imo/media/doc/Reed\\_Testimony.pdf](http://foreign.senate.gov/imo/media/doc/Reed_Testimony.pdf), accessed 14 July 2012.

the Solomon Islands and Vanuatu. In addition, the co-operation vacuum, has given China an opportunity to step in and exploit the islands, something inimical to Australia's strategic imperatives.

## **Other Players in the Region**

### **China**

As evidenced by policy statements, successive Australian governments have consistently maintained the view that Australia has a unique role to play in the South Pacific region; the maintenance of security and stability have remained key tenets of this policy.

But Australia is not the only player seeking to influence the region: the past decade has seen a notable challenge to Australian influence from China, and a resurgence of interest from the US. Some Pacific island leaders have argued that foreign assistance is not a 'zero-sum game' and that increased aid, trade, and investment from the PRC and Taiwan neither exclude the influence of Australia and New Zealand nor preclude US re-engagement in the region.<sup>49</sup> Whilst Australian economic and diplomatic influence has not been excluded, it may have been eroded by the strategic use of aid for diplomatic purposes by other nations.

The motivation for the rise in Chinese interest can only be speculated at and, given that the PRC does not publish official aid statistics, quantitative estimates are only indicative. In addition, any figures reported are likely to be an underestimate given that much of the PRC's overseas investment is conducted by state owned, and subsidized, enterprises.

Although the motivation for Chinese involvement from the middle of the 1990s initially focused on blocking further expansion of Taiwan and the attractiveness of a bloc of votes when issues were put to a vote in international organizations, including the UN, since 2009,<sup>50</sup> this has been augmented by the desire to secure supplies of

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<sup>49</sup> "Chinese Aid Won't Mean Chinese Influence: Sevele," *Tonga Now*, May 22, 2007.

<sup>50</sup> Progressive Partnerships and Sustainable Development: White Paper on Foreign Aid Policy, Ministry of Foreign Affairs Republic of China (Taiwan), May 2009.

raw materials and sales markets, wherever they may be found, to maintain China's rapid pace of economic growth<sup>51</sup> which has averaged at over 8% per year.<sup>52</sup>

Australia estimates that China has more diplomats than any other country in the South Pacific, although Australia has more diplomatic missions. Over 3000 Chinese state-owned and private enterprises (including energy production, garment factories, fishing and logging operations, plantations, hotels, restaurants, and grocery stores) have been registered in the Pacific region with investments of about AU\$800 million by 2006;<sup>53</sup> those investments are now estimated to be least AU\$2 billion, with the US\$1 billion Ramu Nickel mine in PNG and a new bauxite mine in Fiji, both Chinese owned.

The governments of the largest Pacific Island countries — Papua New Guinea, Fiji, and the Solomon Islands — have welcomed investment from China or Taiwan as part of their 'look north' foreign policies. Papua New Guinea and the Solomon Islands, whose exports of wood to China grew by 26% and 29% respectively in 2006, run large trade surpluses with the PRC. PRC investments in PNG include the Ramu nickel mine, logging, gas production, and tuna processing. Chinese demand for timber reportedly has fuelled large-scale illegal logging in Indonesia and Papua New Guinea.<sup>54</sup> China operates a large tuna fishing fleet in Fijian waters and has agreed to help develop a hydroelectric power plant in the country.

The Chinese approach to aid in the Islands follows the example set in previous decades by Japan. Like Tokyo, Beijing is keen on showpieces. Large public buildings and sports stadiums are examples of 'key' aid: the donor builds the project, hands over the key and leaves after the opening ceremony, with no responsibility for future maintenance or operation of the facility. China is now considered to be the third largest aid donor to the islands of the Pacific, after Australia and the US, with the majority of its increase in development assistance occurring over the past decade. The Australian government estimates that China's annual aid budget for the

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<sup>51</sup> Roland Seib, *China in the South Pacific: No New Hegemon on the Horizon*, Peace Research Institute, Frankfurt, 2009, pp. 1-2.

<sup>52</sup> Trading Economics Analysis, available at <<http://www.tradingeconomics.com/gdp-growth-rates-list-by-country>>, accessed 10 July 2012.

<sup>53</sup> Senate Foreign Affairs, Defence and Trade Reference Committee, *China's Emergence: Implications For Australia*, Canberra, Commonwealth of Australia, March 2006, pp. 165-175.

<sup>54</sup> 'China's Demand for Timber is Destroying Forests in Indonesia, PNG, Says Greenpeace', *Associated Press*, 17 April 2007.

Pacific is about US\$200 million.<sup>55</sup> That does not take into account in-kind support, including scholarships, training and technical assistance. Australia's total overseas development assistance budget for the Pacific in 2010/11 was more than \$1 billion.

Chinese assistance consists mostly of loans, infrastructure and large construction projects, which unlike Australian aid is free from conditions on the receiving countries - the one exception being the adherence by receiving countries to a 'one-China' policy. The lack of conditions accompanying expanding Chinese aid is particularly problematic from the Australian Government's perspective, as it has potential to frustrate Australia's efforts to link the provision of development aid to Pacific island nations to improved governance outcomes. A recent example is Fiji, where Chinese aid has complicated attempts by Australia and New Zealand to tie aid to reforms and a process for the return of a democratically elected government.

The medium to long-term consequences of the increased presence of China in the Pacific islands is open to speculation. However it is likely that any increase in political rivalry between China and the US would to some degree exacerbate the extent of regional instability.<sup>56</sup> Paul D'Arcy identified two possible scenarios for future Australian engagement in the region: increased Australian aid to Pacific island nations in an attempt to counter Chinese influence in the Pacific and persuade or influence Pacific island governments to adopt policies it sees as best for the region; or Australia seeking to work cooperatively with China and Pacific island governments to deliver development that benefits islanders and preserves all parties' national interests through a degree of compromise.<sup>57</sup>

## **The United States**

Revitalised US interest in the region is also important to note. Speaking in Honolulu, in January 2010, Secretary of State Hillary Clinton discussed the Obama Administration's intent to revitalize the United States relationship with the Asia-

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<sup>55</sup> Fergus Hanson, 'China: Stumbling Through the Pacific', Lowy Institute Policy Brief, July 2009.

<sup>56</sup> Graeme Dobell, 'China and Taiwan in the South Pacific: Diplomatic Chess Versus Pacific Political Rugby', Lowy Institute Policy Brief, January 2007.

<sup>57</sup> Paul D'Arcy, 'A New Era in Chinese-Pacific Engagement?' in Paul D'Arcy (ed.), *Chinese in the Pacific: Where Are They Now?*, CSCSD Occasional Papers, vol. 1, May 2007, pp. 1-9.

Pacific region. In the speech<sup>58</sup> she emphasized the role of sub-regional institutions and the importance of determining which Asia-Pacific regional institutions were significant.

Later in the same year a speech by the Assistant Secretary, Bureau of East Asian and Pacific Affairs made specific reference to the Pacific Islands Forum, declaring it 'a perfect example of a sub-regional institution with the potential to advance practical, shared objectives in partnership with the United States and likeminded regional leaders'<sup>59</sup> and, more explicitly, stated that the US was 'determined to enhance our engagement with it as a dialogue partner'.

In November 2011, President Barack Obama stated in an address to the Australian parliament, that his goal was to ensure that 'the United States will play a larger and long-term role in shaping this region [the Asia-Pacific] and its future.'<sup>60</sup> The goal, according to National Security Advisor Tom Donilon, is to promote U.S. interests by ensuring that 'international law and norms be respected, that commerce and freedom of navigation are not impeded, that emerging powers build trust with their neighbours, and that disagreements are resolved peacefully without threats or coercion.'<sup>61</sup>

Underlying the 'pivot' is a belief that the centre of gravity for U.S. foreign policy, national security, and economic interests has shifted towards Asia, and that U.S. strategy and priorities need to be adjusted accordingly. For many observers, it is imperative that the United States give more emphasis to the Asia-Pacific. Indeed, for years, many countries in the region have encouraged the United States to step up its activity to provide a balance to China's rising influence.<sup>62</sup>

But the reassertion of US engagement with the Pacific islands is unlikely to be just about China. The US is reluctant to openly express criticism of Australia's handling

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<sup>58</sup> Hillary Clinton 'Remarks on Regional Architecture in Asia: Principles and Priorities' *Address by the US Secretary of State*, Imin Center-Jefferson Hall, Honolulu, Hawaii, 12 January 2010, available at <<http://www.state.gov/secretary/rm/2010/01/135090.htm>>, accessed 5 July 2012.

<sup>59</sup> Kurt Campbell, 'Assistant Secretary, Bureau of East Asian and Pacific Affairs Testimony Before the House Committee on Foreign Affairs Subcommittee on Asia, the Pacific, and the Global Environment', Washington, 29 September 2010. The White House, Office of the Press Secretary, 'Remarks By President Obama to the Australian Parliament', 17 November 2011.

<sup>60</sup> The White House, Office of the Press Secretary, 'Remarks By President Obama to the Australian Parliament', 17 November 2011.

<sup>61</sup> Tom Donilon, 'America is Back in the Pacific and will Uphold the Rules', *Financial Times*, 27 November 2011.

<sup>62</sup> US Congress, *Pivot to the Pacific? The Obama Administration's 'Rebalancing' Toward Asia*, Congressional Research Service, Washington, 28 March 2012.

of regional relations, but it is clear that there are genuine doubts about Australia's capacity to lead islands' opinion on relations with China:

'the US is reluctant to openly express criticism of Australia's handling of regional relations, it's clear there are genuine doubts about Australia's capacity to lead islands' opinion on relations with China'

And,

'the US is taking on a more direct role in protecting its own interests in the region, just as it did in the mid to late 1980s when it felt that managing Cold War challenges in the Pacific Islands was beyond the capacity of Australia and New Zealand'.<sup>63</sup>

This concern over the ability of Australia to influence regional dynamic, coupled with concerns over Australia's wider approach in the region, has been portrayed as unhelpful to US interests in the Pacific.<sup>64</sup>

Notwithstanding the underlying rationale behind the change in US policy, Washington's influence is already being felt across the region. Washington dispatched an unprecedented number of senior officials to the 2011 Pacific Islands Forum leader's summit, held in New Zealand. Deputy Secretary of State Tom Nides and Assistant Secretary of State Kurt Campbell headed the delegation, which included about 50 personnel from the White House, Departments of State, Defense and Commerce, the US Agency for International Development (USAID), the Coast Guard and the Peace Corps<sup>65</sup> in addition to the US ambassadors from Fiji, PNG, Palau, Australia and New Zealand. Together they conducted more than 110 meetings<sup>66</sup> with representatives of other governments; the PIF recognised the vitally important role played by the United States and its territories in the Pacific by inviting

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<sup>63</sup> Herr and Bergin, *Our Near Abroad*.

<sup>64</sup> Cleo Paskal, 'Why the West is losing the Pacific to China, the Arab League, and Just About Everyone Else', *Huffington Post*, 24 November 2010, available at < [http://www.huffingtonpost.com/cleo-paskal/why-the-west-is-losing-th\\_b\\_786668.html](http://www.huffingtonpost.com/cleo-paskal/why-the-west-is-losing-th_b_786668.html)>, accessed 10 July 2012.

<sup>65</sup> Patrick O'Connor, *Washington Intervenes in Pacific Islands Forum*, World Socialist Web Site, available at <<http://www.wsws.org/articles/2011/sep2011/paci-s09.shtml>>, accessed 9 July 2012.

<sup>66</sup> United States Government, Department of State Official Blog, available at <[http://blogs.state.gov/index.php/site/entry/2011\\_Pacific\\_island\\_forum/](http://blogs.state.gov/index.php/site/entry/2011_Pacific_island_forum/)>, accessed 9 July 2012.

American Samoa, Guam and the Commonwealth of Northern Marianas to become Forum Observers.<sup>67</sup>

Whilst the US is not explicitly seeking to erode Australia's influence in the region, the potential impact of Washington's re-engagement in the region cannot be ignored.

### **Bilateral Relations: Aid and Trade**

The Pacific islands include some of the poorest and least developed nations in the world. At risk of some generalisation, it could be said that all the Pacific island nations have found it challenging to sustainably exploit their natural resources, and to use any proceeds to further develop their economies and nations. Where onshore natural resources have existed, the 'resource curse' has too often seen unprincipled or unsustainable exploitation, for example Nauru's exhausted phosphates and the imminent end of logging in the Solomon Islands. In some places intensive mining has led to perceived inequalities, unrest, and a combination of corruption and a 'compensation' (or extortion) culture, with the clearest examples coming from Bougainville and the Southern Highlands in PNG.

Annual GDP per capita is low, ranging from around US\$1,200 in the Solomon Islands and Papua New Guinea to US\$3,600 in Fiji, compared to around US\$46,000 in Australia or US\$29,000 in New Zealand.<sup>68</sup> One important, but highly variable source of income to families and clans is from the export of labour, with Tonga and Samoa featuring in the top ten of countries receiving remittances compared to their GDP.<sup>69</sup> Fiji now has fifteen per cent of its population living overseas. The Melanesian countries generally have much lower levels of remittances, but these could rise if there were greater opportunities for labour migration, particularly to Australia.<sup>70</sup>

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<sup>67</sup> Pacific Islands Forum, Communique, available at <http://www.forumsec.org/resources/uploads/attachments/documents/2011%20Forum%20Communique1.pdf>, accessed 8 July 2012.

<sup>68</sup> World Bank 2011 GNI Per Capita Data, available at <http://data.worldbank.org/indicator/NY.GNP.PCAP.CD> accessed 10 July 2012.

<sup>69</sup> Remittances account for 39 per cent and 23 per cent of GDP respectively.

<sup>70</sup> Australian Agency for International Development, *Pacific Economic Survey 2009: Engaging with the World*, Canberra, Australian Government, September 2009, p. 86.



Rapidly growing and urbanising populations, particularly in Melanesia are making the development challenges greater; the relatively large Melanesian populations of PNG, the Solomon Islands and Vanuatu are forecast to double from the 2000 level by 2050.<sup>71</sup> Sustained population growth is creating a 'youth bulge', adding to demand for already inadequate health and education services.<sup>72</sup> Much of the population growth is in urban areas, where people do not have the support network of the village or clan access to subsistence agriculture and fishing, making poverty and unrest more likely. External investment is discouraged by uncertainty and disturbance, constraining economic development. Performance against the UN Millennium Development Goal (MDG)<sup>73</sup> on poverty has gone backwards, with the number of people living below national poverty lines having increased in Fiji, Papua New Guinea and Samoa.<sup>74</sup> Six years ago it was predicted that urban poverty would become 'the most important development in the Pacific over the coming decade'.<sup>75</sup>

## Aid

The Pacific islands have received more international aid, on a per capita basis, than any other region of the world,<sup>76</sup> which has provided necessary development assistance, but clearly has not been able to markedly improve the underlying issues for the most severely challenged nations. Australia contributes more than half of all overseas development assistance to the Pacific island nations.<sup>77</sup> Across the region, only the contributions from Japan, France, US and probably China are even on the same scale, with the French and US programs are heavily weighted to their territories and the states in free association with them.

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<sup>71</sup> Mark Thomson, *The Human Tide: An Australian Perspective on Demographics and Security*, Australian Strategic Policy Institute, Canberra, June 2009, p. 48.

<sup>72</sup> Peter Abigail and Ian Sinclair, *Engaging our neighbours: Towards a New Relationship Between Australia and the Pacific islands*, Australian Strategic Policy Institute, Canberra, March 2008, p. 5.

<sup>73</sup> United Nations Millennium Development Goals, available at <<http://web.undp.org/mdg/basics.shtml>> accessed 13 July 2012.

<sup>74</sup> AusAID, *Pacific Economic Survey 2009*, p. xiii.

<sup>75</sup> Australian Agency for International Development, *State, Society and Governance in Melanesia - Urbanisation in the Pacific*, Canberra, Australian Government, March 2009, pp. 10-12.

<sup>76</sup> Australian Agency for International Development, *Pacific 2020: Challenges and Opportunities for Growth*, Canberra, Australian Government, May 2006, p. 34.

<sup>77</sup> AusAID <[www.ausaid.gov.au/countries/Pacific/Pages/home.aspx](http://www.ausaid.gov.au/countries/Pacific/Pages/home.aspx)> accessed on 15 July 2012.

Following an independent review of Australian aid effectiveness carried out in 2011,<sup>78</sup> the government accepted nearly all of the report recommendations and recast the strategic objective of the aid program as follows:

‘The fundamental objective of Australian aid is to help people overcome poverty. We work to improve the lives of those living in conditions far below what Australians find acceptable. We focus our resources and effort on areas of national interest, and where Australia can make a real difference.’<sup>79</sup>

This revised objective is a clear meshing of the reality of furthering national interests, with an easy to understand, engaging vision of ‘overcoming poverty’. It is however not much different from the 2006 overarching objective:

‘To assist developing countries to reduce poverty and achieve sustainable development in line with Australia’s national interest.’<sup>80</sup>

The overall Australian Aid program is growing from 0.35% of GNI to 0.5% by the end of 2016, even after the 2012 federal budget slowed the rate of growth in the aid budget.<sup>81</sup>

Aid to the Pacific and Asia currently accounts for 70% of Australia’s aid budget, but the forward program will see funding to Africa almost double by 2015-2016, with more modest growth in other regions. This expansion of aid to Africa is presumably in response to a national interest, but it is difficult to see why Australia’s national interest is better served by increasing its aid and thus influence in Africa, rather than doing more in the Pacific.

The Pacific Partnerships for Development, unveiled in the ‘Port Moresby Declaration’ in March 2008 were presented as a ‘fundamental rethink of the direction of Australia’s development assistance strategy in the region’, with the incoming Australian government stating that it is ‘committed to beginning a new era of

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<sup>78</sup> AusAID, Independent Review of Aid Effectiveness, Canberra, 2011 available at <[www.ausaid.gov.au/publications](http://www.ausaid.gov.au/publications)>, accessed on 15 Jul 2012.

<sup>79</sup> AusAID, available at <[www.ausaid.gov.au/Publications/Documents/AidReview-Response/effective-aid-program-for-australia.pdf](http://www.ausaid.gov.au/Publications/Documents/AidReview-Response/effective-aid-program-for-australia.pdf)> accessed on 10 July 2012.

<sup>80</sup> AusAID, available at <http://www.ausaid.gov.au/publications/documents/corplan06.pdf>, accessed on 10 July 2012.

<sup>81</sup> Australian Government website, available at [www.budget.gov.au/2012-13/content/overview/html/index.htm](http://www.budget.gov.au/2012-13/content/overview/html/index.htm), accessed 2 July 2012.

cooperation with the island nations of the Pacific', one that is based on 'partnership, mutual respect and mutual responsibility'.<sup>82</sup> Notably the language of engagement has changed from that of aid conditionality to 'mutual responsibility'.<sup>83</sup>

Behind the top level shift in language, however, the fact remains that in international aid relationships, the majority of power and influence remains with the donor, not the recipient of funding. Whatever consultation takes place, the donor will ultimately assign resources, will need to account for public funding, and as part of that accountability will want to measure and explain what has been achieved for the outlay of taxpayer money. This is very well illustrated in the words of then PNG Prime Minister, Michael Somare in 2003, indicating how he viewed such an imbalance in power:

'[Australia's] aid money is totally controlled by them. They decide how much money they want to spend on PNG and on what projects. They keep the money in Australia. They manage it through AusAID. They appoint their own companies in Australia to manage the projects. They decide on who carries out the projects.'<sup>84</sup>

It is very rare for such views to be publically expressed. However it shows that in the minds of the Pacific islanders at least, there is a fine line between dominance and partnership.<sup>85</sup>

## **Trade**

Australia has consistently encouraged the island nations to organise and liberalise trading arrangements amongst themselves, with Australia, and with the rest of the world.

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<sup>82</sup> Australian Government, Port Moresby Declaration Media Release, available at <[www.pm.gov.au/media/Release/2008/media\\_release\\_0118.cfm](http://www.pm.gov.au/media/Release/2008/media_release_0118.cfm)>, accessed 10 July 2012.

<sup>83</sup> AusAID, Port Moresby Declaration, available at <<http://www.ausaid.gov.au/countries/Pages/PortMorDec.aspx>> accessed 13 July 2012.

<sup>84</sup> PNG Post Courier, 1 September 2003.

<sup>85</sup> Lorraine Elliott, Australian Foreign Policy Futures: Making Middle Power leadership work?, Australian National University, Canberra, 2008, p. 19.

Under the 1980 South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) most Forum members obtained preferential access to the markets of the Australia and New Zealand. The comparative advantage to the island countries reduced over time as Australia and New Zealand concluded similar arrangements with other countries outside of the region. In 2001 the Forum endorsed the Pacific Agreement on Closer Economic Relations (PACER), which established 'a framework for cooperation leading over time to the development of a single regional market'.<sup>86</sup> In lengthy on-going negotiations, which started in 2009, a 'PACER Plus' economic cooperation agreement is being worked up, which aims to include goods, services and investments, but significantly not labour mobility.

The European Union (EU) also had preferential arrangements with former European colonies, under the Cotonou Agreement, but has had to gradually wind these down following a challenge to such schemes through the World Trade Organisation. The EU is now seeking to negotiate an Economic Partnership Agreement (EPA). Pacific island nations are negotiating with the EU first, and then applying the lessons from that negotiation to PACER Plus.

Free trade agreements require the removal or reduction of tariff revenues, which are usually replaced with some form of Value Added Tax (VAT); but tariffs are easier to collect, target the more affluent as they are largely applied on imported luxury items, whilst a VAT can be much more difficult to collect and may widen the net of taxation to all consumer items.<sup>87</sup> There is evidence to suggest that governments will not make up the loss of tariffs: an IMF study looking at the impact of trade liberalisation found that the imposition of consumption taxes/VATs raised only 30% of the revenue previously gained through tariffs.<sup>88</sup> Transition from a tariff based approach to a liberal free trade economy is not easy, and some think that a neo-liberal approach to free trade may not be right, at least yet, for the developing economies of the Pacific island nations.<sup>89</sup>

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<sup>86</sup> Pacific Islands Forum, Pacific Agreement on Closer Economic Relations, available at < <http://www.forumsec.org>>, accessed 10 July 2012, Article 2(2)a.

<sup>87</sup> Jane Kelsey, *A People's Guide to PACER*, Pacific Network on Globalisation, Suva, 2004.

<sup>88</sup> International Monetary Fund, *Working Paper 112, Tax Revenue and (or?) Trade Liberalization*, June 2005.

<sup>89</sup> A report commissioned by the Forum Secretariat has concluded that the larger Pacific nations would lose over US\$10 million per year in government revenues through the reduction or elimination of tariffs on imports from Australian and New Zealand.

Australia has recognised the scale of the challenge for the Pacific island nations, and to its credit has publicly acknowledged that:

‘Australia's approach to the PACER Plus negotiations is different to that taken in traditional free trade agreement negotiations. Australia's primary objective is to promote the economic development of Forum Island Countries through greater regional trade and economic integration.’<sup>90</sup>

Australia has also provided the majority of funding for the Office of the Chief Trade Adviser which provides independent support and advice to Forum island countries on PACER Plus matters, and has made clear that negotiations will include elements of trade capacity-building and trade development assistance designed to strengthen Forum Island Countries' ability to trade.

Parliamentary Secretary for Development Assistance Bob McMullan summarised Australia's interests well when he said in a radio interview in 2011 that:

‘This is not about Australia, there's nothing in [PACER Plus] for us, we think it's good for the region. And it is an initiative that we want to extend because it is beneficial to reduce poverty in the region ... it doesn't have any economic significance for us; it's just good for the region as a whole and that's why we're doing it.’<sup>91</sup>

There is a clear risk that through its economic strength and influence, Australia might negotiate a PACER Plus deal that looks right for the region, and fair to all parties, but which in its detailed implementation may have thoroughly negative implications for the Pacific islanders, and thus Australia's reputation in the region.

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<sup>90</sup> Australian Government Department of Foreign Affairs and Trade, available at <<https://www.dfat.gov.au/fta/pacer/index.html>>, accessed 11 July 2012.

<sup>91</sup> ‘Australian Ministers Tour Pacific on Regional Free Trade Push’, Radio Australia, Australia, 1 April 2009.

## Conclusion

The South Pacific continues to play an important role in Australian security thinking, with a stable neighborhood being seen as critical to Australia's wider strategic interests; in support of this goal Government policies for the region emphasise security, economic development and the provision of aid. In the execution of these regional policies Australia tries to remain aware of the need to respect the 'Pacific Way' and has, for the most part, been wary when directly intervening in the internal affairs of its smaller neighbours, preferring to retain regional influence through collaborative initiatives. This is a resource intensive approach that has generally proved to be mutually beneficial.

Membership of the Pacific Islands Forum (PIF) has allowed Australia to better understand the issues facing its South Pacific neighbours and, subsequently, to influence the way ahead via both national leader engagements and the wide range of specialist supporting bodies.

However, as evidenced by advocating the Pacific Plan, Australia does not always get it right. The relatively recent initiative to focus on bilateral relations through the 'Pacific Partnerships' is probably better policy, but both arrangements are now running in parallel, demanding attention and staff capacity that the smallest nations simply do not have. Arguably Australia is trying to influence too much, too often, in too many ways, and is at risk of losing its Pacific audience in a storm of meetings, plans, partnerships and new initiatives.

Australia's central role in the region has been complicated by significant and dynamic changes in regional geopolitics; the rise of China and the acrimonious intra-regional dispute with Fiji are the most visible developments, and have served, both domestically and globally, to raise serious questions about Australia's continued influence in the region.

China's growing engagement in the region has given the Pacific island nations new confidence, and diplomatic assertiveness. They have new potential sources of foreign direct investment from Chinese industry, and offers of bilateral development aid, both of which come with no strings attached.

In light of the Australian government's policy of non-engagement with the government of Fiji, the military-led regime have actively developed a 'look north' policy and are strengthening their ties with China in a number of fields, including military and economic. In addition, Fiji is increasingly engaging on a sub-regional basis in forums that exclude Australia.

The growth of Chinese influence in the region has caused the US 'pivot' back to the Pacific. US regional engagement is expanding again, including diplomacy with the Forum and with Fiji, potentially undermining the Australian stance. In this newly contested diplomatic and strategic environment, Australia will have to work hard and reassess the effectiveness of its current policies if it hopes to even maintain its traditional influence in the region.

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