Abstract

This paper makes a critical analysis of the security challenges in Australia’s immediate neighbourhood, particularly East Timor and the Melanesian states of Fiji, Papua New Guinea, the Solomon Islands and Vanuatu. In assessing the components of statehood, security, and stability, the paper finds that significant challenges remain in what has been called the ‘arc of instability’, and that Australia must become more collaborative in its approach to the region.

This paper is 34 pages long.
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Introduction

The term ‘arc of instability’ was coined in the late 1990s to describe Australia’s perception of the instability in the region to our North and East. It was described as ‘the string of weak, fragile, and artificial states and sub-states in a region which ranges from the separatist Indonesian province of Aceh...in the west to the coup-stricken Fiji islands...in the east’.\(^1\) In 2007, former Australian Prime Minister Kevin Rudd commented that:

what the strategic analysts used to call “the arc of instability”, that is across East Timor, Papua New Guinea (PNG), through Melanesia, as a strategic concept...has become a reality. East Timor, rolling military instability. PNG, continued challenges to domestic stability. Vanuatu, ethnic tension. Solomons, well we know what’s happened in the Solomons. Fiji, rolling military coup.\(^2\)

Although there is considerable debate over the utility of the term,\(^3\) and whether it is an oversimplification and an overgeneralization, what is apparent is that the countries within this arc are facing a range of challenges. Many have been described as ‘weak’, ‘failing’ or ‘fragile’. For example, the Australian Strategic Policy Institute (ASPI) labelled the Solomon Islands a ‘failing state’ in a policy piece released prior to the Regional Assistance Mission to the Solomon Islands (RAMSI) deployment.\(^4\) Elsewhere East Timor,\(^5\) Papua New Guinea, the Solomon Islands and Fiji have been classified as ‘weak’ states.\(^6\) There is no sign that this weakness will ameliorate in the near or even medium term. Indeed the next decade or so may prove even more challenging for them.

Not only will East Timor and the Melanesian states face common issues of population growth, a growing youth demographic and political instability all within a challenging global economic crisis, but there are also a range of country specific issues. Both East Timor and PNG have to deal with increasing


\(^5\) East Timor is also known as Timor-Leste.

resource wealth and avoiding the ‘resource curse’. PNG also has to deal with the question of Bougainvillean independence sometime between 2015 and 2020. For the Solomon Islands, the drawdown of RAMSI and the expected exhaustion of logging resources by 2015, which currently provide seventy per cent of the national export income, will be significant. Finally, in 2014, Fiji has scheduled the first democratic elections since the 2006 coup. As the major regional power, Australia has a special responsibility for ensuring peace and security in the region. ‘Reflecting the new global security doctrine that views state fragility as a potential threat to international security’, Australia will need to remain vigilant and proactive in its near neighbourhood.

The risks from instability was encapsulated in the first Australian National Security Statement which highlighted ‘the risk of fragile states disrupting stability and prosperity in our region is an ongoing challenge’ and that intrastate conflict will continue due to weak state institutions being unable to cope with the complex mix of political, socio-economic, cultural, criminal and religious factors. The direct threats to Australia include refugee outflows, humanitarian implications and the increased risks of transnational crime. Over the past decade, the Australian Defence Force (ADF) has been required to intervene in the ‘arc of instability’ to provide stability, security and humanitarian relief. These interventions have ranged from peace enforcement in East Timor and the Solomon Islands, provision of security in Tonga, flood relief in PNG and un-exploded ordinance disposal in Kiribati. The ADF still remains engaged in stability operations in East Timor and the Solomon Islands.

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7 The resource curse is the adverse relationship between abundant natural resources and development prospects of developing countries. Studies have identified that an economic dependence on natural resources often produces slower than average economic growth. Other evidence links abundant resources with greater risks of internal conflict in less developed nations. Banks argues there are different drivers but he same result in Melanesia. See Glenn Banks, ‘Beyond Greed and Curses: Understanding the Links Between Natural Resources and Conflict in Melanesia’, Economists for Peace and Security, Policy Brief No. 2, April 2004, pp. 1-3.


and conducts periodic deployments in the region as part of wider maritime surveillance operations.\textsuperscript{14}

The 2009 Defence White Paper highlights that after ‘a secure Australia’ and the highest priority task to ‘deter and defeat attacks on Australia’, the next most important strategic interest is ‘the security, stability and cohesion of our immediate neighbourhood’ and the second priority task for the ADF is ‘to contribute to stability and security in the South Pacific and East Timor’.\textsuperscript{15} This is particularly important from a force structure perspective as ADF capability is based on being able to meet these two tasks. Based on history and projecting to the future, it is reasonable to assume that over the next decade or so Australia, and the ADF, will be confronted with a range of complex security and policy dilemmas emanating from this ‘arc of instability’.

This paper will focus on the stability, governance and economic challenges in East Timor and the independent Southwest Pacific Melanesian states of Papua New Guinea, the Solomon Islands, Vanuatu and Fiji.\textsuperscript{16} It will examine the nature and role of modern states, how state effectiveness can be measured, and then analyse state fragility and the associated drivers of this phenomenon. The region will be reviewed within this framework, addressing regional, thematic and country specific issues that apply now and are likely to continue into the next decade and beyond. Finally, this paper will argue that Australia’s current approach to the region is fragmented, inconsistent and, until very recently, was too short term focussed. It will highlight that many of the policy approaches are unilateral in nature and are framed within a donor – recipient construct. Instead, it is argued that a more comprehensive long term policy approach is required. The policy should be based on bilateral partnerships that address the drivers of instability and increase regional security.


\textsuperscript{16} As New Caledonia is a French territory it will not be considered in the analysis. It is noted that Fiji is also part Polynesian and can also represent the bridge between Melanesian and Polynesian cultures. See Melanesian Spearhead Group Secretariat, available at <http://www.msgsec.info>, accessed 2 November 2012.
Nation States and Security

What are Nation-States?

The modern nation-state dates back to the 1648 Peace of Westphalia. The Peace of Westphalia created a number of new norms. It secularised international politics thus divorcing it from religion, it promoted sovereignty and created the conception of an international system based on the legal equality of states.\(^{17}\)

The principles and practices of the Treaty of Westphalia gradually spread from Europe and with the de-legitimisation of colonialism post-World War II, became the defining nature of the global political order.\(^{18}\) A modern state implies a citizenry, a territory and a political authority, as well as recognition by others.\(^{19}\) Max Weber’s classical definition is that a ‘modern state has the capacity of monopolizing the legitimate use of violence within a given territory’.\(^{20}\) This ‘legitimate use of violence’ is provided by the military, as defenders of the nation, for external threats and by the police and national legal system, as the upholders of the rule of law for internal threats. Power is exercised by the government which represents, and acts in the interests of, its population. Completing this trinity is the administrative capacity or the bureaucracy to maintain the monopoly on violence through raising revenue and through maintaining legitimacy over the population by providing services, of which security is but one.\(^{21}\)

The modern nation-state provides a range of public goods to its citizens. In delivering these they ‘channel the interests of their people in furtherance of national goals and values…manipulate or buffer external forces…mediate [within] the international arena’ and manage the ‘dynamism of their own internal economic, social and political realities’.\(^{22}\) First and foremost states need to provide security and once this is sustained then a wide range of other public goods can be provided. These include an effective judicial system, political process, education, health and infrastructure, both physical structures and the systems of commerce and the like.\(^{23}\) Thus with an understanding of their role, a


\(^{21}\) Stepputat, Fragile States and Insecure People?, pp. 7-8.

\(^{22}\) Rotberg, When States Fail, p. 2.

\(^{23}\) Rotberg, When States Fail, p. 3.
judgement can be made on relative state strengths or weaknesses. Before this judgement is made, however, it is important to establish why such judgement is even necessary.

History shows that nation-states have formed and disintegrated, been conquered or colonised, collapsed or expanded as societies, groups and states themselves fought over territories, resources and power. Yet the concern over nation or state building and, in particular, the implications of state failure, is a relatively recent phenomenon that has only became important since the September 2001 terrorist attacks in the United States. Prior to these attacks, the international community assisted weak states essentially on humanitarian grounds. The focus was on peacemaking and peacekeeping, the provision of humanitarian aid and development assistance. After September 2011, the notion of state failure or weakness contributing to global insecurity took hold and a realisation that allowing states to collapse could have serious security repercussions at the regional and global level. This shift to seeing security threats increasingly coming from weak and failing states, rather than, as previously, from strong and powerful states was ably demonstrated by former United States President George Bush, in late 2001, when he called for ‘other countries to join in what he specifically called a nation-building exercise ...in [the failing state of] Afghanistan’, having previously routinely dismissed the notion during the 2000 presidential campaign ‘as an arrogant and futile exercise that did not serve the U.S. strategic interest’.24 This policy switch ensured a renewed focus in nation-building on security grounds, in contrast to the previous more humanitarian nation-building efforts in states such as Bosnia and Kosovo.

Aside from security concerns, two other factors have also contributed to the emergence of state-building as an important consideration. First, recognition that peace-keeping alone was not a successful model and that without strengthening institutional structures, states would often revert back to conflict and second, that poor development outcomes were most often linked to poor governance and institutional weakness.25 Examples of this include the continued state failure in Somalia and the lack of sustained growth in sub Saharan Africa despite billions of dollars of aid.26

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When is a State 'Fragile'?

The terminology applied to state failure or fragility, conflict as well as the notion of conflict and post-conflict weakness, is admittedly imprecise,27 and ‘policymakers and scholars resort to a host of adjectives, weak, fragile, failing, failed and even collapsed, to distinguish among countries suffering from a wide range of capacity gaps’.28 In turn there are a range of descriptors to describe states. Robert Rotberg argues that capable states control their own territory, and deliver secure, and high quality political outcomes for, and in the interests of, their citizens; weak states however are either inherently weak, due to geographic, physical or economic constraints, or are situationally weak because of internal issues including greed, social tensions or external attacks.29 He also identifies a separate category of ‘strong’ weak states that are internally secure but provide little in the way of other political goods; North Korea for example.30 For Rotberg, failed states are those in conflict, with deep communal tension, and an inability to provide any degree of what can be termed ‘human security’.31

Over recent decades, the definition of security has expanded from a nation’s capacity to preserve its territorial integrity and sovereignty, to a much wider concept of protecting one’s citizens from a range of threats. This broader definition encompasses the traditional threats, inter and intrastate and includes non-traditional threats such as access to employment, law and justice, meeting basic needs and protection from climate change.32 Prime Minister Rudd, in the 2008 National Security Statement articulated Australia’s security interests as being:

freedom from attack or threat of attack; the maintenance of our territorial integrity; the maintenance of our political sovereignty; the preservation of our hard won freedoms; and the maintenance of our fundamental capacity to advance economic prosperity for all Australians.33

This ‘all hazards’ approach to security goes to the core of the reason why nation-building is now viewed from a security lens and hence why state failure has become so concerning. State failure can be characterised by a breakdown in

29 Rotberg, When States Fail, pp. 4-5.
30 Rotberg, When States Fail, pp. 4-5.
31 Rotberg, When States Fail, pp. 4-5.
law and order, where states lose their monopoly on the legitimate use of violence, where there is weak or disintegrated capacity to meet citizens’ basic needs and there is an inability to act as a credible entity beyond national borders. Brinkerhoff, Governance in Post-Conflict Societies, p. 2. Ghani and Lockhart outline this failure as a sovereignty gap:

the disjunction between the de jure assumption all states are “sovereign” regardless of their performance in practice - and the de facto reality that many are malfunctioning or collapsed states, incapable of providing their citizens with even basic services, and where the reciprocal set of rights and obligations are not a reality.

The three interrelated roles of a successful state are security, political legitimacy and capacity, essentially the successful provision of national and human security, being politically legitimate as viewed by both its citizens, and external audiences, and capacity being the state’s ability to deliver public goods and facilitate economic development. Binding these together requires ‘rules of law’ and a governance system. Ghani and Lockhart’s ten functions of a state encapsulate this. The ten functions are legitimate monopoly on the means of violence, administrative control, management of public finances, investment in human capital, delineation of citizen rights and duties, provision of infrastructure services, formation of the market, management of the state’s assets, international relations, and rule of law.

While most frameworks for measuring state performance cover the above, there is a wide diversity in the range and type of frameworks. Complicating this further are the political sensitivities of labelling countries ‘failed’, or ‘fragile’, and then ranking them.

The Fund for Peace, a US-based non-government organisation, works to prevent violent conflict and promote sustainable security, and it produces an annual Failed States Index (FSI) that ranks all states based on twelve social, economic and political-military indicators. The factors used include demographic pressures, brain drain and human flight, poverty and economic decline, state legitimacy, human rights and external intervention. Whilst seemingly comprehensive, it has been criticised due to an excessive ‘focus on early warning and assessment’ that the ‘method of arriving at indicator scores

34 Brinkerhoff, Governance in Post-Conflict Societies, p. 2.
relies extensively on selected press reports and lacks full transparency’.38 It does, however, provide a very good comparison of states within, and across regions

An alternate model developed by Carleton University produced a comprehensive index across indicators ranging from authority to governance to security and crime to gender. It was then refined against the three core ideas of functional authority, political legitimacy and institutional capacity.39 Similarly, the World Bank’s Country Policy and Institutional Assessment (CPIA), which is confined to those countries that are eligible for international development aid, reviews countries against the criteria of economic management, structural policies, policies for social inclusion/equity and public sector management and institutions.40 Even so, it does not include countries ineligible for assistance, such as North Korea and Somalia nor are there any judgements made on potential weakness or security risks. Rice and Patrick of the Brookings Institution also proposed a comprehensive index of state weakness in the developing world. It used the four broad themes of economic, political, security and social welfare with twenty indicators drawn from a variety of sources.41 In a similar manner to the Carleton University it is useful in that it identifies countries at risk. However, as it is not an ongoing measure, it makes trend analysis difficult.

The other useful tool for comparing developing states is a review of their progress against the millennium development goals (MDG).42 While this will not necessarily indicate state weakness or fragility, it is a useful for identifying which states are falling behind in their development, and where additional resources should be applied.

A criticism levelled against all the various descriptors, measures and indices’ is that while they describe states and states performance, they do not indicate how

states have arrived at that condition. This lack of analysis makes it difficult to
determine how to transform a state if we do not understand how it evolved.\textsuperscript{43}

In this paper, East Timor and the Melanesian states relative state fragility will
be analysed using the FSI, as it is the broadest and most comprehensive
indicator. Progress towards MDG achievement will be used to indicate trends.
Historical factors will be considered in order to give context to the conclusions.
The Ghani and Lockhart ten state functions will be the framework to analyse
future risks within the region.

A Regional Arc of Instability?

\textit{Regional Identity}

The traditional social landscapes of the Melanesian states, less Fiji, may be
broadly characterised as small-scale societies of related kin, numerous
languages and leadership based on achievement rather than heritage.
Containing just 0.1 per cent of the world’s population, the region contains
approximately one third of the world’s languages with over 700 discrete
languages in PNG and over 100 each in the Solomon Islands and Vanuatu.\textsuperscript{44} 
This highlights both the cultural diversity and the complex social, political and
behavioural landscapes that have developed over many millennia.\textsuperscript{45} The
legacies of these deeper social foundations, that predate the establishment of
modern states, are evident in various respects. Political loyalties tend to remain
local rather than national and politicians are motivated towards meeting the
needs of the kin groups who empower them rather that the national need.
Arguably they form strong male dominated egalitarian societies but weak
states. Indeed the state is often more defined by territory rather than identity.

Fiji, although politically classified as a Melanesian state, culturally it is a mix of
Melanesian and Polynesian influences. It has the Polynesian cultural
characteristics of hierarchy, rank and chiefly authority amongst indigenous
Fijians. This has given rise to a larger scale society, within the indigenous
population, that more resembles a modern state. \textsuperscript{46} Fiji also resembles the
Polynesian model in that it only has one indigenous language but the
homogeneity of the society has been fundamentally shaped by its colonial
legacy and the influence of Fijian Indians. This influence will be discussed
later. There is systemic weakness in both cultures in relation to modern
statehood however. For the Melanesians the difficulty is how to build national

\textsuperscript{43} Email, Dr Sinclair Dinnen, Canberra, Australia, 2 June 2012.
\textsuperscript{44} Gerald Haberkorn, ‘Pacific Islands Population and Development: Facts, Fictions and Follies’,
\textsuperscript{45} Gerald Haberkorn, ‘Pacific Islands Population and Development’, p. 98.
\textsuperscript{46} ‘Contemporary Politics of the Pacific Islands 2011’, \textit{Europa Regional Surveys of the World: The Far
identity and create the necessary political legitimacy to effect the provision of public goods. For Fiji, it is how to build an inclusive society that allows for the delivery of public goods on an equitable basis when chiefly authority and privileged entitlement is tolerated.

All the Melanesian states were former great power colonies and have differing colonial legacies. Common among them however was that the decolonisation process in Melanesia was driven more by the international community and the colonial power than by the colonised. Both Australia and the United Kingdom initially took a gradualist approach but by the late 1960s, the external pressure to decolonise had increased and the pace to decolonise quickened. In the end, this rush to decolonise, Fiji in 1970, PNG in 1975, Solomon Islands in 1978 and Vanuatu in 1980, can be seen as having left a legacy of weak states and fragile institutions.47

The former Portuguese colony, East Timor had the most difficult road to independence. It is a cultural mix of Malay and Melanesian influences reflective of its geography. In terms of cultural identity impacting on statehood, centuries of Portuguese colonialism, brief independence following the collapse of Portuguese rule, bitter intrastate conflict and a quarter of a century of Indonesian occupation, has not assisted the Timorese develop a robust political culture. Years of resistance to Indonesian occupation has, however, fostered a strong sense of national identity, although some of the developments post-independence, such as the unrest surrounding the 2006 elections, suggests this identity remains fragile.48 This regional cultural diversity is also mirrored in the relationship each of these countries has with Australia.

**Relationships with Australia**

Geographic proximity and historical links have given PNG a special place in Australia’s foreign relations and the bilateral relationship is one of Australia’s most complex and wide-ranging. As a former Australia Trust Territory, PNG is the second largest recipient of Australia aid and Australia remains closely interested in supporting PNG’s economic and social development. The regular Australia-PNG Ministerial forum, hosted at the foreign minister level, is

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48 Department of State, Background Note: Timor-Leste, available at <www.state.gov/r/pa/ei/bgn/35878.htm> accessed 18 June 2012.
testament to the importance attached to the relationship.\textsuperscript{49} At times however, this is a relationship characterised by accusations of neo-colonialism and disagreement over the control and focus of the substantial aid budget.\textsuperscript{50}

Less close, but nonetheless important, is Australia’s relationship with the Solomon Islands. This relationship has deepened over the last decade primarily due to the Regional Assistance Mission to Solomon Islands (RAMSI). For as long as RAMSI remains in the Solomon Islands undertaking, and supporting, a wide range of state responsibilities including providing internal security guarantees, the relationship will continue to be strong. Once RAMSI concludes, it will be crucial for Australia to maintain and further develop the bilateral ties with the Solomon Islands.

Vanuatu maintains a healthy relationship with Australia but it is essentially politically and socially closer to New Zealand, primarily due to the fact that it has become a major beneficiary of the New Zealand seasonal employer scheme that allows unskilled and semi-skilled individuals to work in the New Zealand horticultural and viticultural sectors. Indeed, Vanuatu provides the most workers for this season worker scheme.\textsuperscript{51}

Diplomatically, the most difficult relationship for Australia is with Fiji. The Fijian relationship with Australia, and New Zealand, has deteriorated sharply since the 2006 military coup. The Fijian-Australian relationship has been described as dysfunctional, and that while routine matters have been attended to, the positive interaction at the higher policy levels, so vital for a healthy bilateral relationship, is missing. Thus the relationship remains strained and unproductive.\textsuperscript{52} This has particularly awkward implications for regional affairs as a number of the Pacific Island Forum centres, including the permanent Secretariat, are based in Fiji. For Australia, the focus now needs to be on softening its current hard-line rhetoric, and there are indications this has started to occur with the Australian Foreign Minister calling for ‘constructive dialogue’,\textsuperscript{53} to allow a rebuilding of the bilateral relationship to occur post the 2014 elections.

The newest country in the region, East Timor, has had to navigate a number of challenges whilst developing new relationships with the region. Overcoming twenty five years of occupation and the violence that occurred during the independence struggle, in particular over the referendum period, was always


\textsuperscript{50} Ben Scott, ‘Re-Imagining PNG: Culture, Democracy and Australia’s Role’, \textit{Lorin Institute Paper 09}, 2005, p. 3.


\textsuperscript{53} Daniel Flitton, ‘Carr Backs Fiji’s Path to Elections’, \textit{Sydney Morning Herald}, 2 May 2012.
going to be difficult. Whilst East Timor’s primary external relationship is with Indonesia, it enjoys a ‘very close relationship [with Australia], based on proximity and close people to people links arising from Australia’s support for East Timor’s transition to independence and Australia ‘continues to play a very important role, including the provision of extensive development and security assistance’. The relationship has also been turbulent at times, mainly due to the difficult negotiations held over 2002-2003 over the natural resource rights in the Timor Sea. ‘Claims that Timor had been placed in an unfair bargaining position’, Australia’s ‘hostile declaration it would not accept the International Tribunal for the Law of the Sea considering the maritime boundary dispute’ and accusations of ‘stealing and bad faith’, were some of the criticisms of the time.  

Failing or Fragile States?

Complex, challenging and diverse, independent and sovereign yet still struggling for self reliance, each state has a significant but different relationship with Australia. Are the states so reliant and needy though that they could be considered ‘failing states’? The 2011 FSI ranks East Timor 23rd, making it the worst performing in the region, followed by Solomon Islands (48th), PNG (54th) and Fiji (68th). There was insufficient data to rank Vanuatu. Based on country statistics and MDG progress, Vanuatu would likey rank close to Fiji. Thus as a whole, the Melanesian states are performing adequately in comparison to others. For example, Africa contributes seven of the top ten worst performing states and the Asian states of Cambodia, Myanmar and Laos rank below the Solomon Islands. Notably East Timor, whilst the regional worst performer, showed significant improvement and was the third most improved for 2011 behind Georgia and Serbia. Based on the notion that the FSI closely monitors the conditions that create weak and failed states and assists in identifying when state pressures exceed normal levels, which can in turn push states to the brink of failure, then in a relative sense the ‘arc is not so unstable’. Across the three year period 2010-12, East Timor has shown a constant improvement whilst the remainder have

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56 The Failed State Index ranks the worst, or most failed state at number one. Somalia is listed as number one. Therefore the higher the ranking, the more successful the state. ‘The Failed States Index 2011’, 2011 pp. 6-7, available at <www.failedstatesindex.org> accessed 4 May 2011.


stayed relatively static. From a stability and security perspective then, the FSI indicates the region is not necessarily a cause for immediate major concern. However, as the index is a measure of past performance, a more predictive assessment is required. Progress towards MDG achievements provides this.

**Millenium Development Goals Progress**

The progress towards MDG achievement for the region is patchy. Compounding the difficulty in measuring progress is the ‘lack of good quality surveys, carried out at regular intervals, delays in reporting survey results, and insufficient documentation of country–level analytical methods’. For example, against the key goal of eradicating poverty and hunger, there is insufficient data available for the Oceania group to be ranked as a whole. This makes regional comparisons difficult. However, the Asian Development Bank identified Fiji, Solomon Islands and Vanuatu as exhibiting ‘mixed progress’ towards MDG achievement. PNG and East Timor were ‘off track’ and in East Timor’s case, performance was worsening in some key areas.

To account for the lack of data and the inability to measure income poverty, and to account for the substantial rural subsistence farming population, an alternative tool has been developed. This measure describes Pacific poverty hardship as the lack of:

- access to basic services such as healthcare, education and clean water, opportunities to participate fully in the socio-economic life of the community, and access to productive resources and income-generation support systems to meet the basic household needs and/or customary obligations to the extended family, village community and/or the church.

Even based on this measure, it appears unlikely that the poverty reduction goal will be met. For both PNG and Fiji, the incidence of poverty has risen while for Vanuatu and the Solomon Islands there is insufficient data to determine a rise or fall. That said, both Vanuatu’s poverty rate of 15.9 per cent and the Solomon Islands of 22.7 per cent compares favourably with the plus 30 per cent rates for

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PNG and Fiji. East Timor is even worse. Poverty has grown from 36 per cent to 41 per cent. The 2015 target of just 14 per cent in poverty is clearly unachievable.

Compounding these problems is the inability of East Timor and other Melanesian states to improve their populations’ employment opportunities. As the Asian Development Bank notes, ‘full and productive employment is unlikely to be realized because of a lack of employment opportunities in the formal sectors…and the difficulty of creating sustainable livelihoods in the small informal sectors’ and that ‘population growth and new entrants into the labour market effectively negate any increases in the number of jobs being created’. This highlights one of the single biggest issues facing East Timor and the Melanesian states, how to transform from a rural subsistence economy to a modern economy that meets growing expectations.

These expectations are growing as a result of the focus on achieving universal primary education and the increased opportunities and desires to obtain secondary and further qualifications. With the exception of Fiji, they are ‘off track’ in both access to and completion of, primary education. Only Fiji has improved attendance, school completion and, as a result, literacy outcomes. In recognition of this, 36 per cent of Australia aid is currently channelled into the education sector. To provide more practical training and skills, Australia is also funding the Pacific Technical College. However, as experiences elsewhere have demonstrated, being technically qualified is of little value if there are no employment opportunities for that qualification.

Progress in achieving MDG three, promoting gender equality and empowering women is varied. Educationally, females are well represented including at the tertiary level. However, paid employment participation rates are low, particularly in PNG. Likewise, there is a lack of representation in public office reflective perhaps of the Melanesian male dominated culture. Whilst there are programmes to address these imbalances, it will take years if not decades to succeed. Reducing infant mortality and improving maternal health, goals four and five, should be met by all countries except PNG.

Progress towards achieving goal six, combating HIV/AIDS, and other, non-communicable diseases, is mixed. Despite the right messaging and the strong

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political will, there are still major challenges ahead. In PNG particularly, although HIV/AIDS levels have not reached epidemic proportions, it is a major concern. Other treatable illnesses continue to rise despite ongoing donor support.\textsuperscript{71} East Timor continues to struggle with a high incidence of malaria and will fail to achieve the targeted halving of the incident rate by 2015.\textsuperscript{72}

Ensuring environmental sustainability, goal seven, is difficult for most regional countries primarily because in many cases this is outside of their control. For example, rising sea levels will have a devastating effect on most Pacific Islands including forced migration for some, yet there is little, other than through diplomatic efforts, they can do. The lack of data across many of the environmental performance measures also hinders efforts to address issues. Providing access to safe drinking water and reforming unsustainable forestry practices are the more dominant environmental concerns.

Whilst there are a number of major challenges facing East Timor and the Melanesian states, poverty, caused by unemployment and under-employment, coupled with unsustainable population growth is the most significant. As the Australian Senate noted:

The Pacific is now home to more than eight million people, of whom some five million are of working age...more than two million men are unemployed in towns or underemployed in villages. More than 100 000 men join the labour force annually. Most of these will never work and never earn an income. Every day, men and boys can be seen languishing in villages and towns, and by the roadside. They are bored and frustrated.\textsuperscript{73}

Overcoming this challenge is arguably the most important issue facing policy makers. Unfortunately there are also other serious security challenges confronting East Timor and the Melanesian states.

**East Timor and Solomon Islands: After the Interventions**

**East Timor**

East Timor emerged as a new nation in 2002 and, despite the strong international efforts and extensive foreign assistance including an emphasis on poverty reduction; it remains one of the poorest in Southeast Asia. A high birth rate is creating unsustainable population growth which further strains job creation efforts and the adversely impacts on the delivery of public services.


Poor educational standards are hindering efforts to simultaneously build a market economy and expand public institutions. Finally, political instability, an issue that has bedevilled all post-independent governments, is negatively impacting on nation-building attempts. This issue was identified in an early post-independence report that concluded there was a ‘long way to go to establish a stable and robust political system’, there was ‘no tradition of representative government and the rule of law’ and that ‘tensions are already evident within the political elite’.75

In 2006, this instability turned to outright conflict leading to a return of foreign peacekeepers. The conflict was traced to ‘personal and institutional tensions between a president committed to pluralism and a ruling party with distinctly authoritarian tendencies, politicisation of the police [and a] lack of regulatory framework for the security forces’.76 Violence erupted between the police, the military and the Petitioners, a band of former military personnel who had earlier been arbitrarily dismissed by Prime Minister Mari Alkatiri. Compounding this was the eruption of gang violence as law and order broke down. At the height of the conflict height over 170,000 people (10 per cent of the population) were displaced. Whilst Alkatiri was forced to step down, tensions still simmered and violence again erupted when fresh elections were held the following year. It took the near fatal shooting of President Jose Ramos Horta on 11 February 2008 and the shooting death Major Reinado, the military rebel leader and alleged perpetrator of the attack on the President, to break ‘a deadlock in East Timorese politics that had threatened to keep the country in a perpetual state of crises’.77 Soon after, the Petitioners issues were resolved and the resettlement of those internally displaced commenced. Generous financial payouts, US$8,000 to each Petitioner, and US$4,00078 to displaced families, also helped.

For East Timor, the biggest development opportunity is the projected resource revenues from oil and gas. Yet for many developing countries the challenges of managing resource revenues has proven difficult, and instead of sustained development, negative effects are experienced. Economically the threat is that ‘large oil revenues may act as an obstacle to the development of non-traditional exports...[as evidenced by] already relatively high prices and wages’.79

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78 Equivalent to almost eight years average income.
79 Mats Lundahl, ‘The Oil Resources of Timor-Leste’, p. 74.
other risks are institutional; excess rent-seeking and corruption, resource related conflict and natural resource waste.\textsuperscript{80} To mitigate these risks, a fund to ensure the revenue flows are balanced and remain as a permanent income stream, has been established. Already though, there are allegations of growing corruption and that it has reached the highest levels of office. Although these claims have are countered by arguments that international monitoring provides an effective obstacle to corruption, it does highlight that the risk of corruption remains.\textsuperscript{81} Even if the claims are not true, the adverse public perception and political discord it can create can still be destabilising.

Whilst resource related conflict is unlikely, natural resource waste is not. To date, there has been a lack effective public expenditure to generate sustainable economic development and this has led to situations whereby state funding has been distributed directly to local contractors for local construction activities without parliamentary scrutiny and outside the proscribed budgetary and fiscal procedures. At the same time, petroleum fund drawings have exceeded the mandated three per cent annual cap.\textsuperscript{82}

When assessed against the Institute for State Effectiveness (ISE) ten state functions, East Timor remains challenged. The political instability and the deep military/police divide have left the state unable to consistently control the legitimate monopoly on the use of violence. The events in 2006 and the difficulty in reforming the security sector is evidence of this. The military still lacks faith in the police and there are still ‘numerous and well-documented instances of the military taking on policing functions without government directive’.\textsuperscript{83} Likewise, East Timor suffers from an inadequate application of the rule of law and faces an emergent threat of a culture of impunity developing particularly in relation to political violence. The pardoning and subsequent release in December 2011 of all those involved in the February 2008 shootings demonstrates this.\textsuperscript{84}

Another emerging risk is the problem of effectively managing the petroleum resources, demonstrating a potential failure in the sound management of public finances. The comment in the run up to the 2012 elections that ‘the [political] stakes are higher than ever: the job of prime minister comes with a $9.3 billion

\textsuperscript{81} Mats Lundahl, ‘The Oil Resources of Timor-Leste’, p. 76.
bank account attached in the form of the petroleum fund”\textsuperscript{85} is testament to both actual and perceived risk. If the funds are used productively, for example building key infrastructure, then achieving the state function of ‘forming a market’ may eventuate. This will assist in reducing unemployment and promote economic development. This is the current government’s plan. However, critics argue the spending is unsustainable and that high inflation, currently 18 per cent, risks exhausting the fund inside a decade.\textsuperscript{86} With the expected drawdown of the current peacekeeping force and the closure of the United Nations mission over the next year or so, the challenges facing the next Government are daunting. The International Crisis Group concluded that ‘without significant progress in areas such as job creation and strengthening the rule of law, the prospects for elections in 2017 may not look as bright’.\textsuperscript{87} In terms of nation-building, East Timor has not been given much time to succeed. However, the next decade may prove just as challenging, if not more so for the fledgling nation.

\textit{Solomon Islands}

Externally provided internal security has been a feature of the Solomon Islands landscape for the last nine years. The deployment of RAMSI, after six years of civil conflict driven primarily by ethnically inspired disputes over land and resources, was designed to return the rule of law to an essentially ungovernable state. As ASPI noted prior to the intervention, ‘Solomon Islands has always been weak...crisis is less about collapse and more about unravelling the apparatus of colonial rule...violence will be a survival strategy for some’ and that without external assistance the risk is it ‘will take generations to repair’.\textsuperscript{88} The report went on:

weak institutions, corrupt governments, criminalisation of politics, poor law and order, insufficient revenue, economic stagnation, social dislocation, disaffected and alienated youth, international neglect, collapse of government services, disillusioned and passive populations, and a plentiful supply of guns.\textsuperscript{89}

Without doubt the RAMSI mission has been successful in restoring security and commencing post conflict state-building. Indeed so successful, that ‘it is being

\textsuperscript{86} ‘No Clean Sweep’, The Economist, 30 June 2012.
\textsuperscript{88} Elsina Wainwright, Our Failing Neighbour: Australia and the Future of the Solomon Islands, ASPI Policy Report, June 2003, p. 27.
\textsuperscript{89} Elsina Wainwright, Our Failing Neighbour p. 27.
used as a pilot study by the OECD to test its principles for good international engagement in fragile states’. 90

Yet despite over nine years of external stabilisation by RAMSI, the country remains weak and politically unstable. ‘When voters cast their ballots, they have no control over what will emerge. Candidates buy votes with cash, factions buy the support of elected parliamentarians, a government emerges’. 91 A reform bill, aimed at bringing stability to the political process, was defeated in 2010 and so the parliamentary weakness remains. Unless this political weakness is successfully resolved, it is most likely the country will revert to instability and crisis once the external security mechanisms are withdrawn. Once again, power and financial reward will be the driving political force rather than effective political representation and public goods delivery. RAMSI’s focus on regime strengthening, as opposed to regime restructuring, has meant that the root causes of the political conflict were not addressed. Efforts were made to enhance the machinery of government rather than enhance the political culture and structures. 92

Economically, the Solomon Islands has relied on the logging industry to drive exports and growth yet while estimates vary, current forecasts envisage the natural forest resource will be exhausted by 2015-2016. This will create what ASPI describes as ‘an acute economic and fiscal crisis’, and the decline of the industry will lead to ‘a [dramatic] fall in export and government revenue...loss of 5000 jobs...and a sustained period of negative per capita economic growth’. 93 Without an identifiable replacement industry the Solomon Islands’ future is not promising. Even RAMSI’s economic governance focus has been an insufficient catalyst for any significant private sector economic development and instead may have just exacerbated previous economic inequalities by creating a small Honiara based elite. 94

The RAMSI intervention has delivered progress but it is not clear whether this will be sustainable. In terms of the functions of a state, the current legitimate monopoly over the use of violence is only guaranteed by the external security presence. The ongoing political weakness means this monopoly could be rapidly undermined as the April 2006 violence in Honiara, following the national elections, demonstrated. This political weakness is also apparent in the lack of effective administrative control. As ‘most Solomon Islanders... [have]

92 Barbara, ‘Antipodean Statebuilding, p. 137.
few reasons to care deeply about central government decisions regarding public services and infrastructure’ and the manifestations of government services are a network of rural clinics and schools of varying quality, there is little incentive for the politicians to invest heavily in this area.\textsuperscript{95} The difficulties of establishing a solid rule of law is best illustrated by the comment ‘if RAMSI police are there; everything stops. If RAMSI police are not there, then the RSIPF makes no difference at all’.\textsuperscript{96} Coupled with poor management of public finances, as evidenced by the political slush funds, failures to deliver higher educational standards, as witnessed by the likely failure to meet the educational MDG, and the high population growth rate, the future for the Solomon Island is not promising. Unless RAMSI, or a similar program is maintained for at least the next decade, then there is a real risk the Solomon Islands will spiral back to being a ‘failed’ state.

**Papua New Guinea: A League of its Own?**

Early in 2012, Papua New Guinea was on the brink of a constitutional crisis, when both ill health and political manoeuvrings resulted in two politicians, Michael Somare and Peter O’Neill, claiming to be the Prime Minister.\textsuperscript{97} The undermining and conflict between, and amongst, the political elite and the judiciary led to a period of uncertainty and for a period multiple appointments. In the end, the O’Neill government, legitimate or otherwise, made it through to the 2012 elections.

Yet it has also been said that, ‘PNG is reaching for a golden era of economic growth, fuelled by a new round of gas, copper, gold and nickel exploration...the chance for economic maturity’.\textsuperscript{98} The challenge for PNG is how to use this promised wealth in a country that is failing to meet any of the MDG’s, has rising levels of corruption and increasing levels of violence amongst the urbanised poor. The weakening of the state’s ability to deliver even the most basic public services has resulted in a political competition between isolated constituencies for access to state resources. This fragments the state as more funds are allocated to local parliamentarians for their discretionary budgets and local landowners leverage their control to extract a

\textsuperscript{97} Ron May, *Papua New Guinea’s “Political Coup”: the Ousting of Sir Michael Somare*, SSGM Briefing Note, No. 1, 2011, pp. 4-7
larger resource rent. The net result is that the many small tribal groups, all acting to secure their own interests, undermines any broader societal interests. Representing parochial interests has led to a democratic system of national government that means ‘parliamentarians are increasingly ready to switch sides if their demands for resources are not met’ and that ‘buying votes has been the key to survival’. This has caused policy development and implementation to be neglected, budgets squandered and as a result the public becomes more disenfranchised and more self-interested.

Addressing this issue will be difficult, arguably more so as more resources become available. The passing of legislation in 2010 that effectively removes the ombudsman’s power to scrutinise disbursement of public funds by MPs, has reinforced the practise of patronage politics. As the past demonstrates, in the period from independence to the mid 1990s, when PNG was experiencing resource led growth, the actual well-being of the average citizen declined. Large-scale resource extraction led to ‘land alienation, dislocation of families, poverty and unemployment, and the breakdown of social systems’. In addition, corruption, a growing HIV/AIDS problem and rising urban unemployment are all pressing issues. The other significant challenge for PNG is accommodating Bougainville.

**Bougainville**

Bougainville, geographically, culturally and linguistically is part of the Solomon Islands chain. However, the territory was incorporated into German controlled New Guinea rather than the British colony of Solomon Islands, and as result, ultimately became a province of PNG. Bougainville was a moderately successful province due to the development of a vibrant cash cropping economy, based on cocoa and for some; the economic benefit of a large copper mine, run by Bougainville Copper Limited (BCL). Whilst the benefit was unevenly spread, coastal communities benefited far more than those in the inland mountain areas, universal primary school education was established and living standards improved. Indeed in the lead up to PNG independence, a

100 Scott, Re-Imagining PNG, p 47.
101 Scott, Re-Imagining PNG, p 62.
secessionist movement, fuelled by Bougainville political elites, had proposed Bougainville independence. Although this was defeated, Bougainville received a constitutional guarantee of limited provincial autonomy and a greater share of the mine revenues. This success only masked tensions that erupted in 1988 as land disputes between younger landowners and BCL turned violent. In 1989 the Bougainville Revolutionary Army (BRA) formed.

The conflict has been described as ‘one of the most serious conflicts in the South Pacific region since the Second World War’ and it resulted in thousands of deaths, widespread suffering and at one point ‘70,000 out of a population of 180-200,000 displaced’. At its heart, the conflict was a both ‘a civil war amongst Bougainvilleans…and a conflict between the BRA and the Papua New Guinean Defence Forces (PNGDF)’. The failures of the PNGDF to suppress the conflict triggered an attempt to resolve the conflict using private military contractors. The ensuing crisis forced a military uprising and ultimately led to the fall of the PNG government. It was a combination of the change of government, the strong regional condemnation of the attempted use of contractors in this way, and a growing sense of war weariness, that triggered peace talks.

New Zealand brokered peace negotiations, and involved all the local actors with women, community leaders and the church all prominent. The outcome, the Bougainville Peace Agreement, saw a political settlement involving autonomy, a deferred referendum on independence, demilitarisation and the continued presence of a Peace Monitoring Group. Crucially the Agreement was designed to ensure a durable political settlement and addressed key grievances including national-provincial relations and mining industry interactions. The political settlement saw the creation of an Autonomous Bougainville Government (ABG). For the ABG, achieving reconciliation and community rebuilding were the major challenges. The referendum on the future political framework, as agreed as part of the settlement, will be a further test of Bougainville identity.

This two stage process will determine Bougainville’s fate. First, a free and fair referendum needs to be conducted and second, the outcome needs to be agreed by the PNG parliament. Whether the Bougainville people and the wider PNG populace accept the referendum outcomes and the subsequent national
parliament deliberations in a peaceful and orderly manner will be key.\textsuperscript{110} Of note, the copper mine, upon which much of the grievance centred, remains closed. Recent reports, however, indicate there are plans being developed to reopen the mine in the next three to five years.\textsuperscript{111}

Thus, for PNG, the political instability and the growing sense of lawlessness in key areas such as the Central Highlands and around the capital indicates weakness in both the control over the monopoly on the legitimate use of violence and in the application of the rule of law. The lack of effective government services is indicative of poor administrative control. Failures in the management of public finances and, in particular, effective oversight as well as the anticipated failure to meet the MDG educational targets, demonstrate the considerable flaws in PNG’s state apparatus. More infrastructure services are being provided by mining companies than the state and although a development plan out to 2050 exists, it is unlikely to be realised. The diversity of the population, the continued political patronage system that rewards clans and tribes, and the uneven disbursement of mining royalties, all contribute to undermine any shared belief in a common destiny or national identity, a state function Ghani and Lockhart refer to as ‘delineation of citizenship rights and duties’.\textsuperscript{112} The next ten years for PNG will be particularly disruptive. It is likely the referendum in Bougainville and the political issues that will be created, coupled with a likely failure of the political elite to meet the public’s expectations from the resource revenues, will disenfranchise and alienate many. For some, the democratic process may provide the necessary outlet to express views, for others, the lack of progress and real change may encourage alternate, most likely violent, options to express discontent. Even though widespread internal conflict is unlikely, disintegration and localised violence is not. Of all the countries in the ‘arc of instability’, PNG is the most concerning because it is the largest country in the region, has the most complex mix of state weaknesses, and it is closest to Australia.

**The Successful States?**

*Fiji*

On 5 December 2006, Commodore Frank Bainimarama, Commander of the Fijian Armed Forces, led a military coup that overthrew Prime Minister Laisenia Qarase’s democratically elected government. The fourth military coup since independence, it was described as a coup ‘seeking to transcend, rather than mould, social forces that they [the coup leaders] deemed responsible for

\textsuperscript{110} Wolfers, *Bougainville Autonomy*, p. 3.

\textsuperscript{111} ‘Bougainville Copper to Reopen PNG Mine’, *Australian Mining*, 19 May 2011.

\textsuperscript{112} Ghani, *Closing the Sovereignty Gap*, p. 8.
long-run ethnic disquiet and poor governance’. Certainly Bainimarama has altered the social forces in Fiji, but it is unlikely he has resolved either the ethnic or governance issues there. His administration dismissed most heads of government departments and state-owned enterprises and took control over the police, prisons, immigration, the postal service, airports and fisheries. A military council was established as the key decision-making body thereby sidelining the traditional chiefly institution of the Great Council of Chiefs. The Methodist church was also marginalised and to ensure total control, a state of emergency was imposed, the media curbed and foreign publishers deported.\(^{114}\)

The 2009 ruling by the Fijian Court of Appeal that the coup was illegal triggered the removal of the judiciary, an abrogation of the constitution and democratic elections further delayed through to 2014.\(^{115}\) The coup has had serious negative consequences for Fijians. Economically the country has performed poorly with negative growth rates, falling gross national income, rising inflation and rising unemployment.\(^{116}\) Diplomatically, sanctions have been imposed and overseas development aid restricted to humanitarian as opposed to nation-building efforts. The international community responses have been mixed. Australia and New Zealand have been particularly hard-line, and through their efforts Fiji was ultimately suspended from the major regional body, the Pacific Islands Forum. Unfortunately this resulted in divisions between the Melanesian Forum members and the Polynesian and Micronesian members, to the detriment of entire region. Exacerbating this division was Bainimarama’s use of the sub-regional Melanesian Spearhead Group as his diplomatic outlet.\(^{117}\) Almost six years on, the American approach appears to be softening, potentially in light of China’s growing regional influence and similarly there is evidence Australia is also reviewing its approach.\(^{118}\)

The coup and its aftermath have damaged Fiji and the Fijian people already, but it is the future for Fiji that is most concerning. This is essentially because the 2006 coup ‘introduced new and dangerous potential catalysts for future instability’.\(^{119}\) The risk is that the significant weakening of the civilian structures of authority will inhibit any successful return to effective civilian control, thus increasing the chances of future coups. Fraenkel and Firth argue

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the coup ‘lacked a coherent social program or philosophy’ and with the initial Fijian Indian support waning as the economy declined, the coup leaders are becoming even more reliant on their military power base and force of arms for survival.\textsuperscript{120} Now that the military has been in power for over five years and with at least another two until the scheduled elections, the question remains will they ever return to being subordinate to, and under the control of, civilian authorities.

Even if the military does voluntarily hand over power, concern remains over how much influence will they continue to exert, and what forces exist to prevent another coup if the civilian government falters or disenfranchises the key military leaders. This coup-democracy-coup cycle is the experience of other countries, such as Pakistan and Thailand. It is difficult to predict what policy options could be used to break this cycle. Thus in terms of the functions of a state, there is a lack of political legitimacy in controlling the monopoly over the means of violence. Military control, the application of emergency powers and the increasing censorship of the media indicate an attempt to control, by force, political legitimacy. This approach also undermines the rule of law. In turn, the appointment of military personnel into key administrative positions has undermined the effectiveness of these organisations, thus weakening the state’s administrative control.

That said, Fiji’s location in the heart of the Pacific, its economic resources and the potential of its tourism sector means that it could be a success in the longer term. However, the next decade will be turbulent, particularly through the drafting of a new constitution and conduct of promised elections. Any further delays in the election could trigger internal conflict or alternatively a weak civilian administration could remain under the de facto control of the military. Further coups are likely. Political instability, although this time not coup related violence, is also an issue for the final Melanesian country to be considered, Vanuatu.

\textit{Vanuatu}

Sixteen changes of government in Vanuatu, which occurred between 1992 and 2004, is not a recipe for good governance. It makes it difficult for governments to pursue sustained policy agendas. It erodes public confidence, creates a short-term political culture and provides opportunities for corruption.\textsuperscript{121} The political conflict in Vanuatu however, is not a conflict between peoples or communities.

\textsuperscript{120} Fraenkel and Firth, ‘Fiji’s Coup Syndrome’, p. 456.

Rather, it is among elites, to the detriment of the wider community. The result has been a neglect of public responsibilities and an inability to address complex issues such as land tenure, the creation of economic growth and resolving high youth unemployment. This neglect is reflected in indicators such as falling primary school completion rates and a declining regulatory environment for business. Yet precisely because it is limited to the elites, it may be more easily addressed as education levels grow and a civil society emerges. For Vanuatu, the most pressing need is controlling population growth, currently running at 2.3 per cent, which is the highest in Melanesia. However, Vanuatu is the most stable of all the countries reviewed and is the least likely to require intervention.

This paper has identified a range of challenges facing East Timor and selected other Melanesian states that will affect their security now and into the next decade. The key three thematic challenges that are apparent in this region are political instability/weakness, un/under-employment and the failure to deliver public goods, all of which are underpinned by a secure environment. The final section of this paper will briefly summarise these as a strategic assessment of these issues.

What Should Australia Do?

Australia is the major regional power and has significant influence in the region. Despite this, Australia’s policy responses to the region have often been fragmented and inconsistent. The Bougainville conflict lasted a decade before a lasting peace was brokered, Fijian coups have been countered by diplomatic responses., East Timor had a peacekeeping force deployed within weeks of the referendum violence and the Solomon Islands tensions, coup and breakdown in law and order were initially countered by providing assistance and offering to broker peace talks. Indeed as late as January 2003, former Foreign Minister Downer claimed:

Sending in Australia troops to occupy the Solomon Islands would be folly in the extreme...how many years would such an occupation have to continue?...what would be the exit strategy? And the real show-stopper, however, is that it would

not work... Foreigners do not have the answers for the deep-seated problems affecting the Solomon Islands.125

Yet just over six months later RAMSI deployed to restore security and rebuild the machinery of government. This more interventionist approach was also tried in PNG under the enhanced cooperation program (ECP), a program designed to strengthen the capabilities of PNG institutions and, in particular justice and the rule of law. Unfortunately this approach ultimately failed as the immunities required for the Australian Federal Police, who were to be employed in partnership with the PNG police were found to be unconstitutional.126 Both the initial stance on the Solomon Islands and the failure of ECP in PNG highlights the risks, and even inconsistencies, over what Australia should rightfully do.

Such inconsistency is not confined to security matters. A recent independent view found the Australian aid program ‘lacked a clear and comprehensive overall strategy’, was ‘fragmented’ and had significant budgetary shortcomings that lacked the predictability required to deliver multi-year projects.127 The government reacted with a new approach to aid delivery and recast purpose, goals and objectives. The recast purpose is to ‘help people overcome poverty…[and this] serves Australia’s national interest by promoting stability’ with goals of saving lives, promoting opportunities, pursuing sustainable economic development, delivering effective governance and enabling humanitarian/disaster response.128 These goals are somewhat loosely aligned within the MDG framework. Interestingly, the new framework explicitly uses Australia’s national interest as one of the aid selection criteria, along with poverty and the capacity to make a difference. Therefore, based on this framework, it could easily be argued that Australian aid should be firmly focussed on the ‘arc of instability’. Yet the budgetary forecasts allocate the highest increase in funding to East Asia and Sub-Saharan Africa as well as increasing contributions to global programs. Indeed the independent review, in the context of the now defunct commitment to raise the aid budget to 0.5 per cent of Gross National Income by 2015/16, only argued for a low aid expansion into PNG, Solomon Islands and East Timor, based on concerns over poor governance.129


129 Independent Review of Aid Effectiveness, p. 11.
At the heart of poor governance is political instability/weakness and this is the key issue facing the East Timor and the Melanesian states. For some commentators, Singapore is held as the model for state-building. It was an island without national resources, was initially populated primarily with indentured Chinese and Indian labourers and ethnic Malays. It had an active communist movement and had endemic corruption.\textsuperscript{130} Singapore is now a global powerhouse with the world’s fifth highest per capita gross domestic product.\textsuperscript{131}

The Singapore success story is underpinned by two factors. First, it has been, in effect, a single party state led or influenced by a charismatic leader since independence.\textsuperscript{132} Second, the primary initial government focus was ‘a series of efforts to clean government and systematically curb corruption…instigating integrity at the very top of a very dishonest inherited machinery…a course of action that took decades to complete’.\textsuperscript{133} In this context then, perhaps the current policy mantra that emphasises democracy within a winner takes all environment is not necessarily the most productive. Instead, a focus on creating unity governments that represent a broad community cross section could be more appropriate. For example, it is suggested that PNG would have a much better prospect of delivering the PNG Vision 2050\textsuperscript{134} with a unified national parliament. Coupled with efforts to reduce corruption, which would be more feasible in a less competitive political space, building the nation could take precedence over building the vested interest. Political stability is also required to address the second regional issue, chronic unemployment.

The pressing problem of unemployment and particularly youth unemployment is an area where there is more scope for cooperation. AusAID has identified ‘rapid population growth…that outstrips job creation/income earning opportunities’\textsuperscript{135} as a major issue and, whilst there is a funding commitment to education and specifically to a technical college, there are appears to be limited focus on effective job creation schemes. Australia’s equivalent to the New Zealand seasonal worker scheme has not been successful and needs review.

\textsuperscript{130} Ghani and Lockhart, \textit{Fixing Failed States}, p. 36.
\textsuperscript{133} Ghani and Lockhart, \textit{Fixing Failed States}, p. 37.
It is also suggested that a combination of technical training followed by providing more generous employment opportunities within Australia would be beneficial. For example, the British Army regularly recruits Fijians and Tongans yet no similar exercise is being undertaken by the ADF. In terms of wider economic development, it has been argued more could be done to assist in creating opportunities for commercial food production especially in addressing quarantine concerns as well as facilitating greater value adding from commercial fishing. This needs to include technical, marketing and business skilling. Developing effective markets however, is difficult in the absence of efficient public administration that is capable of creating and enforcing the necessary market rules and regulations.

The final thematic issue is the lack of effective delivery of public administration. The 2009 Senate report noted that effective delivery of public goods was undermined by an under resourced, inefficient and under trained bureaucracy. This area has been one that Australia has been consistently engaged. For example, Australia has four customs officers seconded to assist PNG in developing appropriate procedures and policies. However, is four enough? Could PNG custom officials be trained and employed for a period in Australia before returning to PNG? Could a Pacific or Melanesian customs service be created? The case for further investment is strong: a more effective PNG customs capability lessens the risk of PNG becoming a hub for transnational criminal activities and the like, and the same goes for East Timor and the other Melanesian states. Other areas such as a Pacific police or security force could be considered. Greater investment in a range of public sector institutions will have both a positive effect on the population and on the wider state.

**Conclusion**

Although ‘arc of instability’ is an oversimplification of a complex and diverse region, it does draw attention to the stability and security challenges in Australia’s near neighbourhood. Forced decolonisation of the Melanesian states was hurried, resulting in underdeveloped states and poor nation building. It created weak states that have become weaker. The emergence from occupation was also violent and the political divisions resurfaced. Out of this past, sovereign states emerged.

The globalisation of security and the new all-encompassing approach to national security means that threats and risks will not simply arise from traditional sources such as aggressive states. Rather, the threat is more from

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non-state actors operating out of failed states, or weak states, as well as
problems arising out of the failed state itself.

This paper’s analysis of East Timor and the Melanesian states highlighted the
serious issues and challenges facing the region. Whilst the security operations
in East Timor and the Solomon Islands are have proven largely successful,
whether this translates into long term stability is unclear. Similarly, growing
resource revenue could lead to greater development and prosperity for PNG,
but just as likely, it will entrench the already endemic corruption and fuel
further political instability. The Bougainville referendum could also be a
dangerous flashpoint particularly if the vote is for independence and the
national parliament refuses to sanction it.

Three inter-related issues are apparent across the region. Weak and unstable
political systems are hindering effective nation-building. Without effective
nation-building, the tensions that will be created by unsustainable population
growth creating even higher levels of unemployment, particularly amongst the
youth, will most likely manifest in violence. Evidence of this is already
apparent in East Timor, the urban fringes of PNG’s capital and in the Solomon
Islands. Bougainville provides a stark reminder of the destructiveness of ethnic
and inter-clan conflict and East Timor is the proof of the rapidity in which
violence can erupt. To create an effective nation, there needs to be a working
and effective public administration that assists rather than hinders
development. Collecting and managing revenues, delivering health and
educational outcomes, regulating the market and developing opportunities are
critical. Controlling corruption, which Singapore has demonstrated is possible,
is a critical enabler.

Australia has been engaged in the region, but it needs to become more engaged.
Australia’s approach should be long term and concentrated on building
partnerships. The current donor-recipient construct should be replaced by a
mutually beneficial collaborative approach. More needs to be done to provide
an outlet for the growing unemployed population. It is ironic that while
Australia politicians are worrying about a declining skilled workforce, regional
politicians are dealing with an unemployed workforce. This is but one example
of how more needs to be done across and within the region to find mutually
beneficial security solutions.