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Opening Up to Our Pacific Neighbours

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The State, Society & Governance in Melanesia Program (SSGM) Working Paper series provides academics, policy-makers, development practitioners and others interested in issues in contemporary Melanesia, Timor-Leste, and the broader Pacific with access to current research and analysis on contemporary issues facing the region in a timely fashion.

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A conference of the Australian Association for Pacific Studies seems a good place to say something about Australia and the Pacific Islands, and that is what I will be doing in this lecture. I will begin by taking us back half a century to see how Australia regarded the Pacific in the 1960s, and then I want to move to the 1990s and ask the same question. After that I would like us to consider the present situation in the Pacific compared with 20 years ago. And finally I would like to suggest how Australia’s Pacific policy should be changed.

As the diplomatic historian Chris Waters has shown, Australia had imperialist ambitions in the Pacific in the 1950s, with proposals going to the Menzies Cabinet for Australia to take over the Solomon Islands from the British, and for Vanuatu – then called the New Hebrides – to be divided, with Australia taking half of that as well. Australia at that stage favoured the idea of a Melanesian federation, which would encompass West New Guinea, Papua New Guinea and Solomon Islands.

By the early 1960s Australia was part of an ANZUS study group on the future of the Pacific where the main concern, as the US Secretary of State Dean Rusk said at the time, was that ‘not one wave of the Pacific should fall under Communist influence’. The thinking in Canberra at the time was that very few of the Pacific Island nations should be given independence. Samoa had jumped the gun by declaring independence in 1962, but after that the only countries suitable for independence, it was thought, were Fiji, Tonga and Papua New Guinea with the Solomon Islands added on.¹

What is striking about all this, from the perspective of 2014, is the assumption in Canberra that Australia would be making the key decisions about the future of the

region. By 1980, of course, almost all the former British, New Zealand and Australian territories in the Pacific were independent, including Papua New Guinea, and Australia itself had changed.

While Australian official views about the Pacific’s future offer one way of understanding Australia and the Pacific at that time, another is the status of the indigenous people of the Papua, which was part of Australia 1906-1975. Those people were Australian citizens, but as indigenous ones from that territory, they were not free to move around the rest of Australia or live there. The White Australia policy was dismantled in the early 1970s, but not, it might be argued, in relation to the people of Papua, and my argument is that some of that ancient thinking lives on in contemporary Australia.

Jack Corbett has recently argued that observers of Pacific Islands democracy veer between a crisis narrative and a persistence narrative. In other words, some observers tend to see the region as always, or potentially, in crisis, and to define the Pacific Islands in terms of their perceived deficits in development, good governance, service delivery and so on. Others are more optimistic, and point to the persistence and health of democracy, advances in development, a cultural renaissance in the contemporary Pacific and so on.2

Official Australia has mostly been attracted to the crisis way of looking at the Pacific. In 1993 the National Centre for Development Studies at the Australian National University produced an influential report called Pacific 2010: Challenging the Future. The report reflected government thinking about the Pacific at that time, and it was deeply pessimistic. It predicted a nightmare future for the people of the Pacific Islands unless their governments did what Australia was doing – reduced their public sectors, cut tariffs, encouraged private enterprise and allowed maximum freedom to foreign investors. If these measures were not adopted, the report warned, rapid population growth in the Pacific would mean falling living standards, decaying schools, urban squalor and unemployment.3 The New Zealand view tended to be different. Reviewing the Pacific 2010 report in 1995, Peter Pirie reached the opposite

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conclusion. Far from going backwards under the pressure of rising populations, the Pacific Island countries, he wrote, ‘are not about to join the fourth world. The year 2010 should see most of them at the top end of what remains of the “developing world” or out of it altogether’. He thought ‘the possibilities are there and the present trends are positive’.  

Taken as a whole, the Pacific Islands has experienced both crisis and advancement in the last twenty years, not only in the condition of its democracies, but more generally. There have political, economic and development crises at various times in Bougainville, Solomon Islands and Nauru; political crises in Fiji; ongoing under-performance of development in Papua New Guinea (PNG); and yet also a persistence of democratic forms of government everywhere outside Fiji, mostly accompanied by tolerable improvement in living standards. The nightmare scenario has not eventuated, but neither has its opposite. Instead, Pacific Island countries have muddled through to a variety of development outcomes, none outstanding but none catastrophic. PNG comes closest to fulfilling the predictions of Pacific 2010, with a population that has grown fast from 2.7 million at independence to an estimated 7.8 million last year. And the PNG government is the certainly the least effective of Pacific governments in delivering services. But mentioning PNG reminds us we that we should question the very idea of the Pacific Islands as a single region about which useful generalisations can be made. It goes without saying that life is very different for people in some parts of the Pacific than in others.

Twenty years on from the appearance of the Pacific Islands’ best-known crisis narrative, the region has defied predictions by earning a good report card on democracy and a middling one on economic growth and development.

**Pacific Democracy**

Democracy in the formal sense, defined as a constitutional system of government with regular elections and popularly mandated changes of government, has been the norm in the Pacific Islands since independence. A predictable cycle of Pacific elections takes place and new governments are formed democratically. Samoa and

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Marshall Islands, for example, held elections in 2011; Kiribati, Vanuatu, Palau and PNG in 2012; Nauru and the Federated States of Micronesia in 2013. Solomon Islands, Tonga, Niue and Fiji are due to hold elections this year. Perhaps more importantly, constitutionalism has been maintained everywhere except Fiji. Words like ‘democracy’ and ‘constitutionalism’ may sound boringly familiar, not to say over-used. But the fact is that the lives Pacific people lead are intimately affected by them

‘Democracy’ defined more exactly as a responsive system of government largely free of corruption is less common. The 2012 PNG elections revealed the dominance of money politics in determining electoral outcomes. All over the country the elections were bought, with politicians paying voters on a differential scale for first-, second- and third-preference votes. Frequent changes of government characterise a number of Pacific polities, not only in Melanesia, where political parties are weak but also in Polynesia and Micronesia and in the territories as well as the independent states. But frequently changing governments are not necessarily unresponsive ones, nor do they point to state incapacity.

Nevertheless, democracy has failed in one Pacific country, Fiji. Nowhere else in the region is a military force the central player in national politics, and nowhere else, with the exception of New Caledonia, has racial division been so central to politics. Uniquely in the Pacific, Fiji’s post-independence political history has been punctuated by military coups and abrupt abrogations of the constitution, leading to a succession of political and legal orders that have undermined the faith of the people of Fiji in the ability of their leaders to create a lasting stability. As constitutions have come and gone, the very idea that a constitution is a permanent and hallowed set of fundamental rules has withered. And after 2009, the last time a constitution was abrogated, Fiji lost media freedom, key civil liberties and judicial independence, which were replaced by the oppressions of military government and a succession of decrees until the liberalisation that began in 2012.

Fiji’s new constitution is imposed from above and designed to preserve the dominant position of the Republic of Fiji Military Forces in the country’s political affairs. The constitution makes one overdue reform long promised by Bainimarama. The new voting system – open list proportional representation for a parliament of 50 seats – at
last breaks from the communal voting systems which have institutionalised racial division and race-based political representation since before independence. Yet as Anthony Regan points out, few other features of the new constitution would be welcomed by those seeking a true democracy in Fiji: ‘The concentration of power in the hands of the Prime Minister and the Attorney-General is remarkable. They effectively control appointments of all judges and all constitutional office-holders and Commissions. The PM can appoint as many MPs as he/she wishes to the Cabinet. Decrees can continue to be made by the current government until Parliament meets after the election, and all Decrees are superior to the Constitution.’

Nevertheless, Bainimarama has stood down as military commander, he will stand for the elections as a civilian and the elections will go ahead later this year. Fiji will emerge not exactly as a democratic state, but as a more democratic one that it has been since 2006.

Pacific Development and Pacific Economic Growth

Twenty years after Pacific 2010, most of the Pacific is in better shape than the pessimists predicted it would be by now but in worse shape than the optimistic ones predicted. Even in PNG – the region’s least effective state – economic growth, though not development (these are two different things), has surpassed expectations. Why, in the face of such doom-saying, have things turned out this way?

With the wisdom of hindsight, we can now see that the Australian experts of the early 1990s made a number of mistakes:

(i) under-estimated the positive economic impact of remittance flows on Samoa, Tonga, Fiji, Kiribati, Tuvalu, Tokelau, Niue and Cook Islands. This is a major theme in the situation of the contemporary Pacific, as we shall see from the Populations on the Move session on Wednesday.

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(ii) They placed excessive faith in good governance to produce economic growth. It may be a good thing but it is only weakly related to economic growth.

(iii) They could not foresee that trouble in the region – in the context of 9/11 and the Bali bombings - would boost development assistance and elicit a decade-long regional intervention in Solomon Islands.

(iv) And although the Chinese economy was growing, they did not expect China and East Asia more generally to become so central to the economic and aid prospects of the Pacific Islands.

Let us consider these issues one by one, beginning with remittances and looking back with the benefit of 20 years’ hindsight. Continuing emigration and a flow of remittances has helped to confound the Australian predictions of the 1990s that the region would now be over-populated and impoverished. The importance of remittances for Pacific countries has grown since the 1990s, and Fiji has joined Samoa, Tonga, Cook Islands, Kiribati, Tokelau, Tuvalu and the Federated States of Micronesia as an economy deriving foreign income from remittances in notable amounts. Remittances are worth about 5% of Fiji’s GDP and somewhat more as a proportion of GDP in Tuvalu, Kiribati and the FSM. In Samoa and Tonga they are worth about 25% of GDP, and although Cook Islands keeps no record of them, their value might be even more in that country. Contrary to expectations the flow of remittances – while interrupted by the global financial crisis – has not diminished over time and in fact it was increasing to Samoa, Tonga and Fiji, the largest recipients, in the first half of 2013. We should keep this in mind when we think about what kind of Pacific policy Australia should have, and the issue of Australia’s openness to some of its closest neighbours.

The second issue is good governance. The relationship between good governance and economic growth is less straightforward than many have assumed. Good governance may not characterise the political systems of PNG and Solomon Islands, but they are both experiencing economic growth. The Asian Development Bank predicts 6% growth for PNG and 4% for Solomon Islands in 2014, the two highest
rates in the region apart from the artificial case of Nauru, where ‘growth is driven by the expansion of the Australian Regional Processing Centre’.  

Their success comes from external circumstances in the form of demand for minerals, energy and raw materials. And that raises the third issue, the rise of China and the prosperity of East Asia. These, not the state of governance, have been the key factors behind recent economic growth in PNG and Solomon Islands. Conversely, Samoa, which has done much of what was asked of it by the free market and governance experts, has struggled to grow fast. Good governance, it seems, has only a weak relationship with economic growth.  

East Asia is central to the prospects of the Pacific. The long term customers for PNG’s LNG, once it starts flowing in 2014, are from China (Sinopec), Taiwan (CPC Corporation) and Japan (Osaka Gas Company Limited and TEPCO), energy suppliers in the fastest growing region of the global economy, East Asia. Resource security is central to China’s interest in the Pacific Islands as in other parts of the developing world.

East Asia has the energy and minerals markets that not only sustain a huge mining industry in Australia but are the force behind the growing predominance of mining in the Pacific Islands. The economic state of the Pacific, especially in western Melanesia but potentially everywhere because of what lies on the floor of the Pacific Ocean, is being increasingly determined by mining. Mines are hardly new in the Pacific, but mining is now on a vastly larger scale than a century ago. Since independence Papua New Guinea has become a mining economy par excellence – largely dependent at least for the modern sector of the economy on gold, copper, nickel and other minerals together with oil and gas.

Solomon Islands has one mine – Gold Ridge, a gold mine that closed during the tensions more than a decade ago and reopened in 2010 – and is promised another one, this time reckoned to be as much as ten times the size of Gold Ridge. Fiji’s mines, old and new, are coming under Chinese ownership. Vatukoula Gold Mines,

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which has been operating in Fiji almost continuously since the 1930s, is majority-owned by Zhongrun International Mining Company Limited, based in Jinan, Shandong Province and the bauxite mine at Nawailevu, Vanua Levu, is owned by the Australian-based Chinese company Xinfa Aurum Exploration, which had shipped 350,000 tonnes of bauxite to China by early 2013.\textsuperscript{8}

The most transformative Pacific mining investment, however, may still be to come. The Canadian company Nautilus Minerals, which has been exploring the seabed off Papua New Guinea since 1997, plans to begin mining copper, gold and silver there in 2014. Nautilus holds tenements for possible future mining in the exclusive economic zones of Tonga, the Solomon Islands, Vanuatu and New Zealand, and was one of the companies to gain special prospecting licences for the Fiji seabed region in 2013.\textsuperscript{9}

Pacific Islanders have objected to seabed mining and its potentially destructive impact on the marine environment. A group of NGOs including ‘Stop Experimental Seabed Mining in the Pacific’ took the PNG government to court in 2013 in an attempt to prevent Nautilus from proceeding.\textsuperscript{10} Pacific governments, on the other hand, welcome the possible wealth that might come from seabed mining. Pacific Island countries, some of which combine tiny land areas with the largest maritime exclusive zones in the world, see seabed mining as a quick development solution and they are being encouraged to do this by the European Union and the SPC. According to the Tongan delegate to the 2013 meeting of the International Seabed Authority in Jamaica, ‘our economy, our country, our people are searching for ways in which we may be able to improve our livelihood through better social and economic circumstances’. In this pro-seabed mining spirit, Fiji has issued an International Seabed Minerals Management Decree aimed at regulating seabed mining, Cook Islands plans to open its seabed for tender this year, and Bluewater

\textsuperscript{8} ‘Mining headway’, Fiji Times Online, 21 Feb. 2013.
\textsuperscript{10} ‘Civil society groups take PNG government to court over Nautilus seabed mining project’. Radio Australia, 11 Nov. 2013.
Metals has been granted licences to explore the seabed in Temotu Province, Solomon Islands, for copper and gold.\textsuperscript{11}

Fourth, let us consider the developments that boosted the flow of development assistance to the Pacific Islands in the last decade. \textit{Trouble in the Pacific generates aid to the Pacific}, especially from Australia, which has a strategic interest is the security, stability and cohesion of its immediate neighbourhood. That neighbourhood in the Pacific consists of small, developing states – some so small as to be ongoing experiments in sovereignty – and the Australian strategic calculation since the 1970s has been that Australia should do all it can to enhance the development and economic growth of Pacific Island countries, and in this way ensure that they are politically stable and friendly. In this way, Australian development assistance has been a security instrument as well as a mechanism intended to improve development outcomes in a region that will always matter to Australia.

The decision by the Howard government to establish the Regional Assistance Mission to Solomon Islands was driven by the perception that 9/11 and the Bali bombings had changed the strategic outlook for Australia by rendering small, weak states potential security risks. Trouble in the Solomons, which took the form of the ‘tensions’ that afflicted that country for more than five years, suddenly assumed a new, strategic significance that attracted the attention of the defence and national security communities in Canberra and Wellington. And when the Howard government sent Australian troops and police to Guadalcanal to lead the regional mission in 2003, it saw the intervention as part of a wider Pacific recommitment that would also boost aid spending elsewhere in the region, especially in PNG. The result was that Australia doubled its development assistance to the region in 2004-05 and increased its aid to PNG by a third, beginning a process that continued under the Rudd government elected in 2007. \textsuperscript{12}

That surge in Australian aid, beginning with the government of John Howard and sustained by those of Kevin Rudd and Julia Gillard, is now over. Trouble in the

Pacific has receded, so aid has receded, and the Abbott government is in a mood of retrenchment. The government has abolished AusAID as a separate agency, incorporating it into the Department of Foreign Affairs and Trade, and made large cuts to the aid budget, exempting only PNG and Nauru, the two Pacific countries with detention centres for refugees who attempted to get to Australia by boat. Aid cuts applied to all other Pacific countries and to Pacific regional programs.

As if to symbolise the shift of the Pacific towards Asia, China increased assistance to the Pacific just as Australia reduced its own. At the China-Pacific Island Countries Economic Development and Cooperation Forum in Guangzhou in 2013, attended by representatives from Micronesia, Samoa, Papua New Guinea, Vanuatu, the Cook Islands, Tonga, Niue and Fiji, China offered them a new soft loan facility of $US1 billion for use on roads, bridges, ports and other infrastructure, plus another $US1 billion on commercial terms.

The rest of the world is more interested in the Pacific than it used to be, a situation that is producing a new confidence in Pacific leaders. PNG is contemplating setting up new diplomatic missions in Tel Aviv, Shanghai and Paris to expand its present network, which includes not only Australia, New Zealand, Indonesia, the USA and a number of Pacific countries, but also Singapore, Japan, South Korea, China, the Philippines, Malaysia, India, the UK and Belgium. PNG leaders have even talked of their country becoming an aid donor to their Pacific neighbours and have promised to help pay for the expense of the 2014 Fiji elections.

Fiji is also diversifying its diplomatic connections. In the last few years new Fiji missions have appeared in Brazil, Indonesia, South Africa, South Korea, North Korea and the UAE, and Fiji joined the G77+China, becoming its chair for 2013. At the same time, Fiji has supported and created regional organisations that owe nothing to the Pacific Islands Forum or to Australia and New Zealand. Fiji’s central aim has been to reduce the influence of Australia and New Zealand in the Pacific Islands while building its own. The Melanesian Spearhead Group is more active politically than at any time since its formation in the 1980s, and Bainimarama’s

Pacific Islands Development Forum (PIDF), funded in part by UAE and Kuwait, met for the first time in Fiji in 2013. Not every Pacific leader attended the Fiji meeting—Prime Minister Peter O’Neill of PNG was not there—but it symbolised a new spirit of Pacific independence. The chief guest was Xanana Gusmao, Prime Minister of Timor-Leste, which donated $US250,000 towards the costs of the new PIDF secretariat, to be based in Suva.

The Pacific plays more than ever before on a world stage. Not many people know, for example, that there are Papua New Guinean peacekeepers in Darfur and South Sudan, or that 600 Fijian peacekeepers are with the UN Disengagement Observer Force on the Golan Heights border between Israel and Syria, and that they have been partly equipped by Russia, or that more than 170 students from Solomon Islands, Kiribati, Vanuatu and Tuvalu have enrolled in medical training courses in Cuba since 2008.

The Australian pessimism of the 1990s about the Pacific was excessive, as it often is. Remittance flows have grown in the last 20 years and underpin the economies of more Pacific countries than ever before. Good governance is good for development but is weakly related to economic growth, as shown by two of the fastest growing Pacific economies, PNG and Solomon Islands. And in a way that could not be foreseen in 1993, East Asian demand is determining the economic state of the Pacific, especially in western Melanesia and potentially everywhere because of what lies on the floor of the Pacific Ocean. The Chinese economy has grown exponentially in the last 29 years, and the Chinese government is extending investment and influence to the developing world.

What, then, about Australia’s present policy towards the Pacific?

In the first place, Australia’s policy towards PNG and Nauru has been hijacked by our asylum seeker policy. Asylum seekers complicate the PNG-Australia security relationship. The Asylum Seeker Processing Centre on Manus Island was built in 2001, closed in 2008, and then re-opened in November 2012 as the Australian government sought to discourage the flow of potential refugees south from Indonesia. Australia announced on 19 July 2013 that henceforth all asylum seekers reaching Australian territory would be resettled in PNG or some other participating...
regional country. Under a bilateral Regional Resettlement Arrangement, PNG agreed – for an initial period of 12 months – to accept such people for processing, and if they proved to be refugees, to resettle them. Peter O’Neill wavered on this promise in 2014, suggesting that other Pacific countries should bear some of the burden of resettlement, but soon changed course and agreed that PNG would settle them all.\footnote{‘About-turn as PNG will resettle refugees and AFP offers help’, \textit{Sydney Morning Herald}, 3 Apr. 2014.}

A major riot in the Manus processing centre in February 2014 left one asylum seeker dead, and pointed to major failures in management. The incident was emblematic of security problems in many parts of Papua New Guinea: security was in the hands of a private security company, G4S, the PNG police lacked control over the situation, and the consequence was human rights abuse. As an Amnesty International Report of December 2013 pointed out, the regional resettlement arrangement has led to abuses of human rights while doing little for PNG: ‘Papua New Guinea has thus far seen no significant transfer of expertise or other material benefit from Australian immigration officials, medical staff, caseworkers, security staff, or other professionals. Papua New Guinea authorities remain dependent on their Australian counterparts for virtually every aspect of the administration and day-to-day operation of both the detention centre and the Refugee Status Determination process.’\footnote{Amnesty International, \textit{This is Breaking People: Human Rights Violations at Australia’s Asylum Seeker Processing Centre on Manus Island, Papua New Guinea}, 2013, p. 9.}

True enough, PNG is extracting a hefty price for hosting the Manus centre, with a lot of extra Australian development assistance focused on infrastructure and policing, and with the PNG government more in control of how the money is spent. But the logic of such an arrangement is that, once the asylum seekers are resettled, Australian aid will decline again. And, in the meantime, Australia is undercutting its own advocacy of respect for human rights and high standards in policing and security. And the Pacific detention centres send another message to Pacific Islanders: you are not welcome in Australia either!

In the second place, we return to Australia’s definition of Papuans before the independence of PNG as Australian citizens with a difference, effectively barred from
living in mainland Australia. It is time we abandoned the mentality that lies behind barring Pacific Islanders from Australia.

In the PACER Plus negotiations and elsewhere, Australia has talked the talk of regional integration while always excluding the movement of people from that concept. In other words, Australia has wanted the Pacific to agree to regional integration of trade and investment but not to regional integration of labour markets or the flow of people across borders. Yet the example of the Pacific countries that have remittance flows suggests that access to Australia’s prosperity would contribute significantly to the Pacific prosperity that is in Australia’s interest.

In fact the Melanesian Spearhead Group’s Skills Movement Scheme (SMS) is a more practical plan for labour mobility than anything Australia has so far produced. It is designed to allow 400 skilled Melanesians – nurses, doctors, engineers, accountants and other professionals – to move freely from one MSG country to another. According to MSG Secretary-General Peter Forau, the scheme offers ‘preferential treatment to parties in the MSG SMS to access employment opportunities’ and has the additional benefit of providing a framework of accreditation and standards that ‘will prepare the MSG members to tap into the wider international labour market where there are more relatively lucrative opportunities.’\(^\text{(16)}\) In other words, Forau sees skilled labour mobility between Melanesian countries as stepping stone for Pacific Islanders to the labour markets of Australia, New Zealand and other advanced economies.

What has Australia done? We experimented with a seasonal labour pilot scheme and we now have a full scheme, but very few Pacific Islanders have been able to come and work in Australia as a result.

What is needed is not only an expanded seasonal labour scheme, but, more importantly, a shift in our migration policy to establish Pacific access quotas permitting a certain number of Pacific Islanders – skilled or unskilled – to move to Australia. These quotas would not even have to be large in order to make a major difference to the prospects of the source countries.

\[^{16}\text{‘MSG Skills Movement Scheme Comes into Force’, PacNews, Port Vila, 5 Oct. 2012.}\]
Climate change in the atoll countries such as Kiribati and Tuvalu may well force Australia’s hand on this issue anyway. As Treasury secretary Martin Parkinson said recently in Washington, ‘If climate change plays out the way scientists believe, then it will be inevitable that there will be climate change refugees in our region and it would naturally fall to Australia and New Zealand to welcome any of those because of our historic links with those countries.” 17 But it would be immensely to our benefit to act now to enrich our own society by making it a more Pacific one, and to encourage a mutual cross-flow of people from all Pacific countries – Papua New Guinea included – to Australia and back the other way. It is time some of those former Australians from Papua were free to come here. Australia has routinely assumed that it has the answers that Pacific Islanders need. An Australia more open to Pacific people would remind us that the Pacific has answers that we need too.