

Aid has failed the Pacific

Helen Hughes

Emeritus Professor, The Australian National University and Senior Fellow,
Centre for Independent Studies

The '2010' analyses (Cole 1993) predicted that unless the economic policies of the 14 independent Pacific islands were reformed, standards of living for the overwhelming majority of islanders would continue to stand still or deteriorate. Twenty years later, women in PNG villages are still breastfeeding piglets because they are more valuable than their children. Added to malaria, tuberculosis, the world's highest maternal and infant deaths, and myriad diseases of poverty, a HIV/AIDS epidemic continues to rage in Papua New Guinea. The Port Moresby morgue buries 70 to 90 unclaimed babies that die from HIV/AIDS each year ('HIV and AIDS infection is spreading in PNG', *The Australian*, 7 February 2009). The Pacific has become one of the few regions in the world where life spans are shortening. While women tend to gardens, the overwhelming majority of men in villages and urban fringes are underemployed or unemployed. Alcoholism and potent *ganja* and violence are a consequence. Articles discuss GDP trends and trade, fiscal, monetary and other policies as if these ruled in the Pacific rather than being relevant to perhaps 15 per cent of the population.

The Pacific islands are well located in relation to rapidly growing Asian markets. They have mineral, timber, agricultural and marine resources, and tourism potential. Population or land size is not a determinant of economic growth. Eight 'dependent' islands, including the smallest, Norfolk Island, have much higher living standards and much less crime and corruption than most of the independent states. Better policies have resulted in much higher living standards for the islanders in these 'dependencies'. Focusing on minerals and timber, while neglecting agriculture, marine resources and infrastructure, has failed to start development that utilises labour and builds its skills. Chinatowns dominate small business. Despite booming resource prices, village conditions are so primitive that cholera has struck Papua New Guinea. Fiji is failing, with the decline of sugar and clothing and fire-sale-priced tourism. The Solomon Islands has been brought to a standstill by the Regional Assistance Mission; unsustainable timber extraction is the only industry. Remittances from high emigration sustain Samoa and Tonga. Aid continues to prop up trade with Australia so that Australian firms, clinging

Focus

to colonial monopolies, can fantasise about miniscule, inward-looking Pacific regional arrangements, disregarding the major shifts of trade to East Asia (Peebles 2005).

Australian aid—running to more than A\$1 billion annually—has been a key component of the Pacific's decline. The 'millennium goals' welfare targets were totally inappropriate for a region of subsistence gardens that could feed its population. As in non-developing African countries, in the Pacific, 'millennium goal' funding has been siphoned off so that almost none has reached villagers and shantytown dwellers. The principal beneficiaries have been island élites and expatriates who have flooded into the Pacific, taking the jobs of islanders. Macroeconomic management has improved somewhat, but waves of 'capacity building' have not been able to produce even credible education and health indicators let alone deliver growth or services.

The combination of failed national and aid policies has created 'two-nation' states. Wealthy élites enjoy Australian living standards, educate their children in 'international schools' and abroad, and travel to Australia for medical check-ups. Resource development strategies and aid flows are reflected in palatial home 'parachutes' on the attractive Australian coast. The only sanctions that have concerned the Bainimarama military regime are those limiting visits to their children in Australian boarding schools. The standard economic evaluation by the International Monetary Fund (IMF) of the Vanuatu construction boom noted that GDP growth finally exceeded population growth, but typically ignored that the benefit accrued entirely to a small Port Vila élite with no change for villages (IMF 2010).

In the 1700s, European sailors found lands of unimaginable plenty in the Pacific. In 2010, the majority of Pacific islanders have not only the world's lowest living standards,

but a comparative advantage in corruption, crime and violence. People-trafficking, arms sales, marijuana, prostitution, gambling, money laundering, the sale of passports, and associated trades thrive. Papua New Guinea developed corrupt carbon emission instruments without a carbon trading scheme in place. With its continuing resource development strategy, Port Moresby's skyscrapers reach for high-rise security from streets that compete with Port-au-Prince and Nairobi as the world's most violent.

The Pacific is attracting international interest. Iran is paying for Solomon Islanders to study medicine in Cuba. The United Arab Emirates has launched a Pacific partnership program ('UAE launches Pacific Partnership Program', *Khaleej Times*, 18 February 2010). Russia has long cast envious eyes on the region, although it lacks the competence for action. China sees a Pacific 'lake' astride its raw material sources in Latin America. With a pretence of delivering aid to the Pacific—such as an accelerated program of training Pacific islanders in China—its funding flows, including 'brown paper bags' for politicians, major investments and flows to Chinatowns, are probably reaching a sturdy A\$500 million a year.¹ Australian firms have been eased out of competitive tendering for major projects from power supply to electronic commerce. Among states such as North Korea and Burma, China's chief Pacific client, the Fijian military dictatorship, undoubtedly seems benign.

Whither Australian policy? When Alexander Downer's growth strategy for the Pacific failed to take off (Commonwealth of Australia 2006), he shifted aid marginally from Papua New Guinea to Indonesia, because the latter used Australian taxpayers' dollars more productively. Kevin Rudd not only reinstated the aid cut immediately on becoming prime minister, he embraced the Pacific élites' exploitative policies in a series of partnership agreements that abandoned

Focus

all performance criteria. Aid to the Pacific was increased further in the 2010–11 budget without any attempt at efficiency or effectiveness.

The Pacific is coming closer. Cholera deaths have been reported on Papua New Guinea's Torres Strait islands. HIV/AIDS patients are taking advantage of Queensland's health system. Sweet-potato gardens are flourishing on the Atherton Tableland. In another 20 years, 'undocumented' immigrants—mainly from Papua New Guinea but also from other Pacific islands—are likely to be flooding into Australia as their economies sink further into the mire.

Note

- ¹ This is perhaps five times the US\$100–150 million of China's annual 'aid' flows estimated by Hanson (2008).

References

- Cole, Rodney, 1993. *Pacific 2010: challenging the future*, National Centre for Development Studies, Canberra.
- Commonwealth of Australia, 2006. *Pacific 2020*, Commonwealth of Australia, Canberra.
- Hanson, F., 2008. *The Dragon Looks South*, June, The Lowy Institute for International Policy, Sydney.
- International Monetary Fund (IMF), 2010. Statement of an IMF mission at the conclusion of the 2010 staff visit to Vanuatu, Press release 10/85, 12 March 2010, International Monetary Fund, Washington, DC.
- Peebles, D., 2005. *Pacific Regional Order*, The Australian National University Press, Canberra.