The dark side of economic globalisation: politics, organised crime and corruption in the Pacific

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Abstract

While organised crime comes in a variety of guises, in this paper we argue that organised crime in the Pacific can be best framed as a nexus between political elites and seemingly licit actors. We argue that three changes over the past two decades have made it increasingly likely that the relationship between politics and organised crime is likely to strengthen. The first is the systematic weakening of crime prevention and oversight institutions – which is often contributed to by powerful politicians. The second is the increasing and often unregulated transnational movement of goods (including contraband), money and people associated with deepening globalisation, including intensified levels of extractive enterprise in some countries. The shifting nature of politics and international diplomacy across the Pacific is the third key trend we identify. We argue that these factors in combination are making it more difficult for elements of the political class to resist, and be investigated for, links to organised criminals.
The dark side of economic globalisation: politics, organised crime and corruption in the Pacific

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Introduction

The Pacific Islands region that provides the focus of this discussion paper comprises 22 distinct political entities scattered across a vast expanse of the Pacific Ocean. These include nine independent states\(^2\), eight overseas territories of metropolitan powers\(^3\), and five countries that remain in 'free association' with an external state.\(^4\) The region has conventionally been sub-divided into three broad culture areas, with Melanesia to the southwest, Polynesia to the east, and Micronesia to the northwest (see Figure 1). Taking into account their massive Exclusive Economic Zones, these countries and territories cover an area that is roughly the size of the African continent. It is a region of extraordinary diversity in terms of geography, land mass and population sizes, culture, colonial legacies, political systems, natural resource endowments and development performance. Well over 90% of the total Pacific Islands population of around 10 million people (excluding Australia and New Zealand) live in the four independent Melanesian states of Papua New Guinea (PNG), Fiji, Solomon Islands and Vanuatu, with the bulk of these (approximately 7.5 million) concentrated in PNG which dominates the region in terms of land mass and population size (United Nations Population Fund, 2014). Most Pacific island countries are microstates with small populations dispersed across numerous islands and atolls. While peripheral in global terms, major transport routes crisscross the region connecting Asia to the Americas, and linking the southernmost metropolitan countries of Australia and New Zealand to their northern neighbours.

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\(^2\) Fiji; Kiribati; Nauru; Papua New Guinea; Samoa; Solomon Islands; Tonga; Tuvalu; and Vanuatu.

\(^3\) Guam (U.S.); Northern Marianas (U.S.); American Samoa (U.S.); French Polynesia (France); New Caledonia (France); Wallis and Futuna (France); Tokelau (New Zealand); and Pitcairn Island (United Kingdom).

\(^4\) Palau (U.S.); Federated States of Micronesia (U.S.); Marshall Islands (U.S.); Cook Islands (New Zealand); and Niue (New Zealand).
Despite their social, economic and political diversity, the Pacific Island countries experience a number of shared constraints in their quest for development. These include their relative remoteness from major markets, narrow economic bases and small populations, vulnerability to natural disasters and climate change, and, particularly in the case of the Melanesian states, weak institutions and serious problems of political instability and corruption. On top of these very real challenges, the region, as we shall see, remains highly vulnerable to the threat of organised crime in the context of the rapid economic globalisation⁵ that is evident in even the remotest islands.

⁵ Here we define economic globalisation as the increasing of economic interdependence across a range of economic scales through the intensification of the movement of services, goods, technology and capital (see, for example, International Monetary Fund, 1997).
For many, an analysis of ‘organised crime’ in the Pacific conjures up images of criminal gangs. This is understandable as some Mafia and Bikie gangs do operate in parts of the Pacific and are often featured – prominently and sensationaly – in local and international media. For example there has been some suggestion that Chinese Triads have sponsored political candidates in Papua New Guinea (Australian Associated Press, 2010), while elsewhere Triads and Bikie gangs have been involved in smuggling and drugs, people and weapons (Atkinson, 2005; McKenzie, 2010). However, in this paper we argue that understanding the threat of organised crime in the Pacific requires a shift away from this popular perception. We suggest that the most significant organised crime in the region involves the nexus between political elites and seemingly licit actors. Reframing ‘organised crime’ in this way can provide academics and policy makers with a more nuanced and substantive understanding of the changing political economy of organised crime in the region.

In this discussion paper we examine the nature and drivers of the nexus between organised crime and politics in the Pacific; arguing that it has been shaped by economic globalisation as well as by local, national and international forces. We suggest that this has led to a diverse array of opportunities both for reinforcing this corrosive nexus and for resisting it. To do so we first provide an overview of the divergent impacts of a type of economic globalisation which, on the one hand, has improved economic growth (albeit unevenly), and, on the other, has helped exacerbate opportunities for organised crime in particular industries. It argues that globalisation’s ‘broken promises’ have led to the potential for higher levels of local support of illicit activities within the Pacific. These two sections also highlight the increasingly transnational nature of organised crime in the Pacific. Section three focuses on the challenges faced by national crime prevention and oversight institutions in responding to organised and transnational crime. In this section we also pull the camera back to examine regional responses. We conclude by looking at the challenges posed by the increased legitimisation of the organised crime-politics nexus in the Pacific.
Globalisation’s good, bad and ugly: Economic growth, politics and organised crime in the Pacific

Pacific nations have been experiencing an unprecedented rate of economic growth in recent years. The Asian Development Bank’s analysis of select Pacific nations suggests that the region’s economy grew by around 7 per cent in 2015; at the time of writing it is predicted that in 2016 the region’s economy will again see growth rates well above the global average (Asian Development Bank, 2015: 3; 2016). This growth is spread unevenly with larger Pacific economies (PNG, Timor Leste and the Solomon Islands) enjoying generally higher growth than their smaller neighbours since 2005 (Asian Development Bank & Asian Development Bank Institute, 2015). While growth is patchy, many commentators remain optimistic about the economic outlook for the region as a whole.

This growth has come off the back of an intensified period of economic globalisation, which has seen trade expand exponentially, particularly with Asian economies. Between 2000 and 2012, trade of goods between the Pacific and Asia increased by 800 per cent, to around US$ 4.5 billion (Asian Development Bank & Asian Development Bank Institute, 2015: xvi). Transport links have also improved. There has been a doubling of international visitor arrivals to Pacific countries between 1995 and 2013 (Asian Development Bank & Asian Development Bank Institute, 2015: 67).² Pacific nations are still poorly integrated into the global maritime network, although connectivity is improving for some countries. According to the Liner Shipping Connectivity Index, between 2004 and 2012, the FSM, Palau, Solomon Islands, Fiji and PNG improved their connectivity into the global shipping network (Asian Development Bank & Asian Development Bank Institute, 2015: 29). Fiji and PNG have developed into regional shipping hubs. This economic development and improved connectivity has the potential

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² The term ‘Pacific’ as used in the 2015 Asian Development Bank publication refers to member countries, which includes the Pacific island countries and Timor-Leste.
to bring about opportunities for some in the Pacific, but it also increases the potential threat of organised crime.

Globalised trade in the Pacific has been linked to a raft of nefarious activities. For instance, with the rise of shipping traffic through the region there has been significant concern about drug trafficking (Schloenhardt, 2006; Windybank, 2008; Broadhurst, Lauchs, & Lohrisch, 2012). In 2010-11, drugs were shipped from an estimated 20 countries (UNODC, 2014), with much of them destined for Australia or New Zealand, which have high per-capita drug usage, and (in Australia) high prices (UNODC, 2013: 55; 2016: 17). Several seizures of drugs have been reported within the region, including a seizure of 357 kg of heroin in Fiji in 2007 (UNODC, 2013: 55) and 41 kilograms of methamphetamine the same country in 2015 (UNODC, 2016: 25); over 200 kilograms of cocaine from Tonga in 2012 (Australian Federal Police National Media & Customs and Border Protection Media, 2012); and 750 kilograms of cocaine in Vanuatu in 2013 (Australian Federal Police National Media, & Customs and Border Protection Media, 2013). The Pacific is also a transit route for people smuggling (Schloenhardt, 2006; Lindley & Beacroft, 2011), with immigration officials from ten Pacific Island nations (Fiji, Guam, Marshall Islands, New Caledonia, Northern Mariana Islands, Palau, Papua New Guinea, Samoa, Tonga and Vanuatu) reporting that people have been trafficked through their countries (Lindley & Beacroft, 2011: 2). Some are trafficked into the region’s sex industry (Schloenhardt, 2006; Lindley & Beacroft, 2011). Globalisation has also been linked to a rise in the trafficking of arms and wildlife (Schloenhardt, 2006; Broadhurst et al., 2012). This is the dark side of globalisation in the Pacific.

While these examples are of key concern to law enforcement, activists and governments, the available evidence suggests that they pale in comparison – in terms of social and economic disruption – to other forms of ‘organised crime’, which involves elite politicians, government officials, private sector elites and intermediaries.

**The attraction of natural resources**

While diverse, Pacific island economies are keenly reliant on one key determinant for growth: their natural resources. PNG’s wealth is tied to its substantial minerals, gas and
petroleum sector, while Fiji’s economy relies on tourists to wonder at its natural beauty\(^7\), as is the case in Vanuatu\(^8\). Solomon Islands has long relied on its logging. Kiribati’s growth is built on fishing, reflecting the broader significance of marine resources throughout Oceania. Seabed mining is the next likely frontier in natural resource extraction, with exploration underway in several parts of the region. And it is these natural resources which have attracted – or are likely to attract - organised criminals, whose nefarious activities have been facilitated by Pacific politicians and other elites. As the Pacific Islands are better able to exploit these resources it is likely that organised criminals will be increasingly drawn into the region.

Perhaps the most visible nexus between organised crime and politicians is evident in the logging sector. PNG and Solomon Islands in particular have had a long history of illegal logging, which has been facilitated by an unholy alliance between, mainly Asian, logging companies and local politicians. In the late 1980s, the comprehensive Barnett Inquiry was conducted into PNG’s logging industry. It found excessive examples of human rights abuses and corruption amidst wide-scale illegal logging (Barnett, 1989). Unfortunately little has changed. One of the key commercial organisations identified in the inquiry, Rimbunan Hijau, has significantly expanded and diversified its activities in the PNG economy and is still regularly accused of bribing politicians and trampling on the rights of landowners (Laurance et al., 2011; Broadhurst et al., 2012).

Rimbunan Hijau is a Malaysian based logging company, which has investments across the Asia-Pacific. In PNG it has interests in retail and media industries, which divert attention away from its controversial logging activities. In Solomon Islands, collusion between political leaders, state officials and the timber industry has resulted in “the blurring of legal and illegal trade in relation to formal export-oriented log production”, with many senior ministers having direct interests in logging concessions (UNODC, 2013: 93). This corrupt nexus has been sustained through the regular granting of

\(^7\) Tourism provides for some 35 per cent of the Fiji economy, closely followed by mining (Andrews, 2006).

\(^8\) Tourism is estimated to be the source of 40 per cent of Vanuatu’s total GDP, ibid.
export tax exemptions by elected leaders, as well as by the deliberate undervaluation of log exports by commercial operators in collusion with state officials (Allen, 2011; UNODC, 2016). Estimates of the size of illicit logging is difficult to accurately assess; however, the available evidence suggests it is significantly large. In PNG and the Solomon Islands' it has been estimated that the net value of exports of illegal wood based products in 2010 totalled US$800 million (UNODC, 2013: vii). More recently, the Oakland Institute (2016) put the cost of transfer pricing (undervaluing the price of sold and exported timber) at more than US$ 100 million in lost tax revenue per year. The involvement of ostensibly legitimate companies, means that organised crime in the logging industry operates behind a veil of legitimacy. This veil becomes a heavy shroud once illicit logs are processed in Asia. Once they arrive for manufacture, Pacific logs are transformed into processed goods that turn illicit timber into licit consumer items (furniture, building materials, etc.), ready for sale in markets across the globe.

The quasi-legitimate nature of organised crime groups and their links to politicians is further exemplified by the tiny Pacific nation of Nauru (population 10,000). Nauru’s president Baron Waqa, Justice Minister David Adeang, and other government MPs have been accused of accepting kickbacks from a Queensland company, Getax. In 2013, Australian Federal Police (AFP) investigators uncovered emails dating back to 2009 that show Getax using various forms of inducement to obtain political backing for its phosphate mining operations. In one email, it is alleged that Adeang offered Getax a monopoly over the country’s phosphate resources. As a result, the company was paying around one-tenth of the market price for phosphate – denying Nauruans the benefits of their country’s main export earner. Here, we see political actors hiding their questionable dealings behind corporate respectability. Getax, like Rimbunan Hijau, is an ostensibly legitimate company that operates illicitly with the active connivance of Nauru’s political elite (Thomas, 2016).

The governance of fisheries is another area where organised crime mixes with Pacific politics. Around 58 per cent of the world’s tuna (ISSF, 2015: 24) is produced by the Western and Central Pacific Ocean (WCPO) and the region has seen a significant increase in catch size over the past three decades. The annual tuna fisheries catch in the
WCPO averaged 2.7 million metric tons, valued at US$6.1 billion, over 2011–2015 (Asian Development Bank, 2016: 18). These figures are for fish caught in the waters of both large and small WCPO states\(^9\), however it is the smaller island nations that are most reliant on these catches. In the tiny Pacific Island state of Kiribati, for example, fishing licence revenues in 2015 amounted to US$109 million, or 99 per cent of that year’s GDP (Asian Development Bank, 2016: 24). With miniscule landmasses surrounded by massive expanses of ocean, smaller Pacific Island nations heavily rely upon the region’s fish stocks for their economic and social wellbeing. Coastal fishing provides an important source of traditional food, while commercial fishing, particularly of relatively migratory tuna species, provides income for Pacific Island states through licences, and employment opportunities for citizens (Hanich & Tsamenyi, 2009).

Hanich and Tsamenyi (2009) suggest there are three key areas where corruption is most likely to occur in the Pacific’s fishing industry: licencing, access agreements, and monitoring and inspection. They suggest that organised criminal behaviour that involves politicians is most likely to occur around decisions over licensing and access agreements. By monopolising decisions around licensing, fisheries Ministers and licensing officers have been accused of making deals with private operators for their own private gain. Gaining access to Pacific fishing grounds also requires access agreements between industry representatives and governments. These agreements often involve secretive deals, which have been at the centre of corruption allegations (Hanich & Tsamenyi, 2009; Grynberg, 2013).

Fisheries governance is a widespread problem in the Pacific, but it is important to note that some countries have made notable improvements in this area. Like other Pacific nations, PNG has had problems managing its fishing industry. However, there are signs that it has turned a corner. After threatening to ban importation of PNG’s marine products in June 2014 due to poor compliance around unreported and illegal fishing,

\(^{9}\) The Western and Central Pacific Ocean is comprised of: Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Niue, Nauru, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.
the European Union (EU) lifted its “yellow-card” in October 2015. The EU has found that PNG significantly improved its fisheries governance through improved legal frameworks, strengthening sanctioning systems, and improved monitoring of fishing fleets. The EU now believes that PNG complies with international law (European Commission, 2015). Institutional innovations at the regional level have also seen an improvement in regulatory responses to ocean resource management. For example, by limiting access to their fisheries, increasing licence fees and developing new revenue sources, the Parties to the Nauru Agreement – the eight Pacific fishing nations – have substantially increased their returns from this industry (Keen & Hanich, 2015).

Deep sea or seabed mining is another nascent enterprise in the Pacific Islands region, welcomed by many governments as a promising new pathway to development, with exploration underway in a number of countries including PNG, Solomon Islands, Fiji and Tonga. This potentially massive new area of resource exploitation is likely to face many of the same challenges – including increased opportunities for corruption involving domestic and international actors – already experienced in the cases of commercial fisheries, logging and onshore mining in weakly regulated countries (Blue Ocean Law and the Pacific Network on Globalisation, 2016).

As we outline below, just as economic globalisation has provided opportunities for organised crime in the resource sector, so too have global networks helped shape new prospects for money laundering.

**Increased opportunities for money laundering**

Economic globalisation brings with it opportunities for money laundering involving politics and local and transnational networks. As cross-border financial flows increase, so too does the potential for cleansing dirty money. This is particularly apparent in PNG, where, until recently, a booming economy has enabled elites to amass state largesse for personal and political advantage. In 2012, Sam Koim, head of the country’s anti-corruption agency Investigation Taskforce Sweep, drew international attention to the
millions of PNG kina\textsuperscript{10} that have allegedly been laundered into Australia by PNG elites – much of it ending up in the northeastern Australian property markets. For its role in harbouring illicit funds, he dubbed Australia the ‘Cayman Islands of the Pacific’ (Mason, 2012). While the Pacific Islands remains one of the most heavily aid-dependent regions in the world, another well-placed observer has commented that “inward flows of development aid are often more than matched by outward flows of illicit money to be stashed or spent abroad, often in the very same countries providing development assistance” (Sharman, 2012: 1).

An investigation by NGO Global Witness and Australian media outlets Fairfax and SBS, shows that the laundering of corrupt monies between PNG and Australia involves a network of banks, real-estate markets, politicians and lawyers. In June 2015 lawyers in PNG were caught on film explaining how to launder illicit money through Australia (McKenzie, Baker, & Garnaut, 2015). As Figure 2 highlights, this system involves politicians paying inflated invoices to Australian and Papua New Guinean lawyers who transfer funds into Australian bank accounts or property, where it can be accessed by corrupt politicians.

\textsuperscript{10} Kina is the local PNG currency. In mid-2016, 1 kina equalled approximately 32 US cents.
Figure 2: laundering of corrupt funds from PNG through to Australia

Graphic: Jamie Brown


While certain parts of the Pacific have a reputation for money laundering (Chaikin & Sharman, 2009), the case of Vanuatu – an offshore financial centre - shows that these problems can also be addressed. In the 1990s, Vanuatu’s politicians (including the prime minister) were embroiled in a money laundering scandal, where US1.1 million dollars of cyclone relief were allegedly syphoned off into the PM’s personal accounts in Singapore and Malaysia. No money was recovered and no charges were ever laid against officials (Chaikin & Sharman, 2009). Political leaders and government officials also attacked the country’s independently minded Ombudsman Commissioner who had highlighted this and other cases of large scale government corruption, ultimately resulting in her replacement by a commissioner deemed more sympathetic to the government in 1998, after a new authorising Act was passed. Yet, some years later the country managed to acquire a reputation for good governance. So much so that in 2008, the US government's Millennium Challenge corporation selected Vanuatu as the first country to receive unconditional aid, due to its reputation for clean government. Vanuatu has continued to maintain a reputation for responding strongly to corruption.
In 2015, 14 MPs – almost 30 per cent of the country’s Parliament - were successfully prosecuted for corrupt activities, demonstrating that the state’s accountability system was better equipped to respond to political corruption than many other Pacific nations (Forsyth & Batley 2016).

Extreme cases of corruption also characterised Solomon Islands’ dramatic decline during its ‘tensions’ period (1998-2003). The peacemaking process between rival ethnic militias established under the Townsville Peace Agreement in 2000 became rapidly corrupted as domestic rent seekers, including political leaders, sought to appropriate compensation funds set aside as restitution for those who had suffered material loss during the conflict. As the national economy went into free fall, assorted foreign carpetbaggers sought to capitalise on the collapse of the country’s regulatory and enforcement agencies and the seemingly inexhaustible greed of local elites. These included efforts by a little known Australian company offering to purchase 80 per cent equity in the Solomon Islands Development Bank and, later, to acquire extensive rights to engage in mining, tourism, logging, fishing, banking, printing and a range of service activities. Only a timely intervention by the Central Bank prevented the government proceeding further on a detailed MOU with the company (Dinnen 2002). The subsequent deployment of the Regional Assistance Mission to Solomon Islands (RAMSI) - 2003-2017 - and its substantial engagement around institutional strengthening has significantly improved governance and financial management in the island nation, though, by no means, ended the ability of local elites to plunder state coffers or disrupted the ‘money politics’ that continues to animate the prevailing national political culture (Hameiri 2008).

While the case of PNG highlights that economic globalisation helps enable opportunities for money laundering, developments in Vanuatu and in Solomon Islands nevertheless suggest that the negative impacts of these nefarious networks in the Pacific are open to remedial interventions by domestic and international actors.
Citizens of the Pacific and the fallout from the broken promises of globalisation

Economic growth in the region promises much: employment, improved education and health care, security and prosperity. However, there are other indications that the nature of economic globalisation in the Pacific can also result in greater support for organised crime involving politicians. This is because when the promised benefits of economic growth fail to materialise – as has been the case for many Pacific Islanders – citizens can be more inclined to seek out support from unorthodox sources, including illegitimate actors.

The rise of Fast Money schemes across the Pacific highlights this point. Fast money schemes have generated large-scale interest in the Pacific, particularly in PNG and the Solomon Islands. They promise investors large returns on their investments, and these might well materialise for some early investors. But for most, their hard-earned money disappears (Ranmuthugala, 2001; Cox, 2013). While it is difficult to estimate with any precision how much citizens have lost in these schemes, in 2001 Ranmuthugala (2001) suggested that over 472 Million PNG Kina (US$ 150 million) was invested in one scheme, U-Vistract, alone.

Politicians in the Pacific have been long been involved in these schemes. In 1999, the then PNG Prime Minister Bill Skate and Treasurer Iairo Lasaro exempted fast money schemes from the Financial Institutions Act, thereby helping to legitimise them (Cox, 2013). Some politicians have actively promoted these schemes. A former President of the Bougainville’s People’s Congress, Joseph Kabui, described fast money schemes as a “window of hope” for rural Bougainvillians (Cox, 2013). And politicians have also allegedly put the state’s money where their mouths are by investing government money into fast money schemes (Cox, 2013).

While some schemes have disappeared, others continue to operate, sucking in more investors. For Cox (2013: 175) fast money schemes continue to be popular in PNG, owing to the “disillusioning experience of the state in its failure to deliver ‘development’”. As PNG’s high rates of economic growth fail to positively enhance the lives of its citizens, people are more willing to believe in the fantastical promises of such
Ponzi schemes. Citizen credulity is helped along by the involvement of state officials (including politicians) who give these schemes credibility, and in so doing further blur the line between the state and organised crime.

Disillusionment with the nature of development has also been captured in research that explored citizen’s perceptions about corruption (Walton, 2013). In focus groups in four provinces of PNG, respondents were presented with a number of scenarios depicting possible corruption. A sizable minority argued that some types of corruption, for example bribing a citizen for their vote, were acceptable given cultural obligations, poverty and the weakness of the PNG state. For these respondents, this kind of corruption could be supported if it redirected state resources to local communities. Their ambivalence meant that some forms of corruption could be considered an antidote to the failures of development and the seemingly false promises of economic globalisation.

**Weak crime prevention and oversight institutions**

Intensified global flows of goods, services, technologies and money have increased the potential for linkages between politicians and organised criminals. As highlighted in the previous section, economic globalisation in the Pacific has served to progressively transnationalise crime. It is now easier for networks of local, national, and international actors to actively cooperate to achieve nefarious ends. How is the Pacific region positioned to respond to this transnational threat? The following two sections highlight the opportunities and challenges for efforts to address the increasingly transnational nature of organised crime in the region. The first looks at national and bi-lateral efforts, while the second looks at regional responses.

**National and bi-lateral responses to transnational organised crime**

Transnational crime is widely acknowledged by domestic authorities as a growing threat across the region. For example, PNG’s National Security Policy identifies transnational crime as “our single biggest threat to national security and sovereignty” (State of PNG, 2013: 19). Much of the commentary and analysis addressing this issue
has focused on the region’s challenging geography and, in particular, the institutional weaknesses of its member states and their limited ability to prevent and tackle complex crime that, by definition, transcends national boundaries. Consistent with this view, PNG’s National Security Policy lists a number of structural constraints that inhibit that country’s preventive efforts in this regard, including extensive and porous borders, weak laws, and the absence of whole-of-government strategies, inter-agency cooperation and intelligence sharing. While these factors are magnified in PNG owing to its size and geography, most are shared, in varying degrees, by the smaller Pacific Island states.

The frailties of Pacific law enforcement and oversight agencies have been well known for many years, often reflecting broader and more systemic issues of governance and institutional capacity in the region, especially in the larger Melanesian countries (Senate Foreign Affairs, 2010). In the latter cases, these weaknesses are believed to have increased in recent years associated with rising levels of corruption, lack of support to relevant government agencies and, in some cases, outright political interference, that have cumulatively contributed to a broader process of institutional degradation. The latter process, most evident in PNG and the Solomon Islands (Batley, 2015), has also been linked to the spectacular growth of off-budget discretionary funds controlled by individual members of Parliament. This has resulted in a significant diversion of public resources away from bureaucratic service delivery to these politically-controlled and highly personalised distributive mechanisms.

Institutional weaknesses in law enforcement and oversight agencies present obvious vulnerabilities that can be exploited by both local and transnational criminals. They also ensure a high level of immunity to unscrupulous and corrupt members of local political and business elites, often working in collaboration with domestic and international intermediaries, to advance their own financial interests. This appears to be part of the reason why reforming and strengthening such agencies has rarely been a high priority on the domestic policy agendas of many Pacific Island states. Lack of local capacity and domestic political will has meant that assisting these national agencies has been left largely to international actors, notably traditional donors like Australia and New
Zealand. Much of this assistance has been focused on improving basic domestic law enforcement, and judicial and oversight capabilities through institutional capacity building with particular agencies, or, as has been more common in recent years, through sector-wide programs that aim to strengthen the various parts of – and linkages between - a country’s law and justice sector. Police building assistance has often been provided separately. For example, Australian support to Pacific police organisations is provided by the AFP through bilateral initiatives like the Papua New Guinea-Australia Policing Partnership and Police Development Programs in Tonga, Samoa, Vanuatu and Nauru. Sector-wide programs include the PNG-Australia Law and Justice Partnership and the Solomon Islands Justice Program. Australia also delivers an integrated policing and Justice Support Program in Vanuatu. Anti-corruption support is provided in each of these countries through Australian support to Transparency International.

Several Pacific islands countries have enacted new legislation covering money laundering and proceeds of crime. In practice, however, they often struggle to enforce these laws. Available evidence suggests that the greatest challenge is often not the detection of offences, but the development of effective strategies to disrupt the growing number of offenders involved in financial crimes in countries like PNG. This challenge is exacerbated by the limited resources available to specialist units, such as Financial Intelligence Units (FIUs), the slowness of judicial proceedings and the limited capacities of law enforcement to investigate and prosecute such offences, thereby contributing to the high levels of impunity within which this kind of offending thrives.

As we discuss in the following section, the need to improve performance and cooperation between Pacific Island agencies is not in doubt, particularly given the increasingly transnational character of organised crime in the region. However, a critical aspect of meeting this challenge is how to do so in the face of the kinds of political and economic pressures that some of these agencies experience in their domestic operating environments. PNG and Nauru provide the starkest examples of Pacific countries where law enforcement, judicial and other oversight agencies have come under sustained political pressure. As noted above, inadequate government support has been a consistent complaint over many years and has inevitably
constrained the effectiveness of preventive agencies. For example, the PNG police force has not increased significantly in size since independence in 1975, despite the country’s notorious ‘law and order’ problems and the fact that the population has more than trebled over the past four decades. Recent estimates suggest a police-to-population ratio of 1:1404, which remains well below the UN’s recommended ratio of 1:450 (Walton, & Peiffer, 2015). Complaints about the police not having the human or financial resources to perform their role are echoed by a number of other oversight agencies, including by the Ombudsman Commission (OC), which has a critical role in administering the country’s Leadership Code (Walton, 2016).

While the picture is more variable across the region, the inadequacy of domestic resources committed to addressing the threat of transnational crime is a familiar story. A recent review of government Audit Offices in the Pacific found that most had insufficient funds, have difficulty recruiting and retaining staff, lack technical accounting and auditing skills, and have poor facilities and low pay rates (PASAI, 2015). For example, the budget allocated to PNG’s Financial Intelligence Unit in 2015 was reportedly less than that for the police band (ABC News Online, 2015). A 2006 research paper on oversight agencies (mainly, OCs; Auditors-General; Parliamentary Committees; and FIUs) across the region also drew attention to the kinds of political interference they commonly experienced (Rawlings, 2006). This included meddling with appointments, threats, intimidation, dismissals, and reduction of funding and legislative changes to reduce their powers. Although usually coming from political actors, pressure is also exerted, directly or indirectly, by private sector interests implicated in wrongdoing.

Investigators from PNG’s Taskforce Sweep and the police Anti-Fraud squad have faced blatant obstruction from political and other actors implicated in these and other cases being investigated. Amid the swirl of accusations and denials, serious allegations of impropriety have been levelled at senior politicians, police officers and even some members of the judiciary. Unfavourable court decisions have been routinely ignored and political influence has been wielded to dismiss or marginalise certain officials, and replace them with more compliant individuals in senior positions in key agencies. Those
seeking to follow legal process have been castigated as ‘politically motivated’ and threats to ‘political stability’. The Taskforce originally set-up to investigate corruption has been defunded, an already factionalised police force has become further dysfunctional and divided, and doubts have been raised about the integrity of elements of the judiciary. These developments provoked student-led demonstrations in different parts of the country in 2016 calling for the Prime Minister to stand down and answer the serious allegations raised against him. An understandable focus on the domestic politics behind these dramatic events has tended to over-shadow their possible transnational dimensions, including the likelihood of money-laundering (see previous section).

Similar machinations are evident in Nauru where those seeking to expose corruption and uphold the rule of law have been the target of sustained attacks from powerful political interests (Firth, 2016). Australian lawyers working for the Nauru government, including the Resident Magistrate, Registrar of the Supreme Court and the Chief Justice, have been deported or had their visas cancelled for actions that have been perceived as threatening by members of the ruling elite. Opposition politicians have been suspended and in some cases arrested, while restrictions have been imposed on access to social media on the grounds that they were encouraging pornography. Exorbitant visa fees and other controls have been designed to keep foreign journalists out of the country. Legislative changes have also been enacted, including substantial increases in nomination fees, designed to discourage people from standing for election, while ‘political hatred’ or any statement deemed likely to threaten public order has been made a crime. Although the New Zealand government has suspended part of its aid program in response to the systematic undermining of the rule of law and democratic accountability, Australia’s response has been markedly more muted in light of its continuing reliance on the asylum processing facility located on the island.

Political pressures have also been exerted on domestic law enforcement and oversight agencies in Fiji, most patently during the period of military rule that commenced in 2006. This included the co-option of that country’s FIU – established with Australian support – in the investigation and prosecution of the veteran political leader Mahendra
Chaudry, while simultaneously ignoring serious allegations levelled against the incumbent Attorney-General. More subtle forms of control have prevailed following Fiji’s return to democracy in 2014 and the lifting of most of the draconian restrictions introduced by the military regime. While critical reporting has become more robust, tough penalties under the 2010 Media Industry Development Decree continue to contribute to high levels of self-censorship in much of the media and public commentary. Nominal safeguards for freedom of information and a free press are provided under the 2013 Constitution, although these can be curtailed at the government’s discretion. This includes laws to limit these rights in the interests of “national security, public safety, public order, public morality, public health” (see Freedom House, 2015). The exercise of these powers was demonstrated recently with the arrest of the leaders of two opposition parties and a senior trade union official in early September 2016 following their participation in a forum critical of Fiji’s Constitution. Although subsequently released, their arrests were justified by a police spokeswoman in terms of comments they allegedly made that “could affect the safety and security of all Fijians” (Reuters, 2016). Such an environment is hardly conducive to those who seek to investigate links between licit and illicit actors and activities in the island nation.

Regional responses to organised and transnational crime and politics

Responses to organised crime in the Pacific have been facilitated through a number of regional organisations and networks. These include the Pacific Islands Forum Secretariat’s Political Governance and Security Programme, the Pacific Island Law Officers Network, Forum Regional Security Committee, Oceania Customs Organisation, the Pacific Immigration Directors’ Conference, Pacific Islands Chiefs of Police, and the South Pacific Chiefs of Police Conference. Other agencies play a role in providing oversight and monitoring for specific industries. For example, the Fishery Operation Division within the Pacific Islands Forum Fisheries Agency leads monitoring, control and surveillance services for Pacific countries, this includes providing resources to work against illegal, unreported and unregulated fishing (Pacific Islands Forum Fisheries Agency, 2015). Increased coordination between agencies and countries facilitated by
these groups has led to some success. In 2012, an operation involving Tongan police, the Australian Federal Police, and the PTCN led to the seizure of more than 200 kilograms of cocaine from a yacht which had run aground on an island in the northern Vava’u province of Tonga (Australian Federal Police National Media & Customs and Border Protection Media, 2012).

The transnational dimensions of organised crime has also led to increased regional efforts to improve the collection and analysis of suspicious financial transactions, as well as to facilitate the sharing of information across national borders. Ten Pacific countries\(^\text{11}\) are now members of the Asia-Pacific Group (APG) on Money Laundering which undertakes research, analysis and training in respect of money laundering and terrorism finance, including through Financial Crime Units (FCUs) established in member countries.\(^\text{12}\) Training and technical assistance is provided to FIU’s across the region by the Australian Transaction Reports and Analysis Centre (AUSTRAC),\(^\text{13}\) and previously by the Australian Attorney-General’s Department. The latter continues to provide support to law reform efforts. There is also a Pacific Transnational Crime Network (PTCN), that was established with assistance from Australia, New Zealand and the Unites States. The PTCN is a multi-agency law enforcement and transnational criminal intelligence network with 18 Transnational Crime Units (TCUs) in 13 Pacific Island countries.\(^\text{14}\)

Despite some success, co-operation against organised criminal activities, particularly those involving political elites, has failed to live up to the lofty sentiments of various regional agreements. The region’s premier organisation for achieving intergovernmental co-operation, the Pacific Islands Forum, was formed in 1971, with regional security as one of its key concerns since at least 1981 (Spillane, 2006). In 2005,

\(^\text{11}\) PNG, Nauru, Samoa, Solomon Islands, Fiji, Cook Islands, Marshall Islands, Palau, Tonga and Vanuatu.

\(^\text{12}\) See website: http://www.apgml.org/

\(^\text{13}\) See website: http://www.austrac.gov.au/

the Pacific Plan, a major regional plan for increasing co-operation and integration between Pacific countries, included governance and security as two of the Pacific Island Forum’s four key goals. However, responses to the Plan’s call for better regional co-operation have generally been underwhelming. A 2013 review found that the Plan had failed to help support regional co-operation, due to a lack of ownership, poor financing, a technocratic approach, and lack of enforcement. This review led to the 2014 Framework for Pacific Regionalism, a stripped back approach to increasing regional co-operation (Pacific Islands Forum Leaders, 2014).

Other agreements that have focused on improving regional responses to security and governance have also had mixed results. The 1992 Honiara Declaration on Law Enforcement Co-operation concentrated on improving national legislation on transnational crime matters, including extraditing proceeds of crime, money laundering and illicit drugs. While important law reforms have taken place in some countries, there are still significant problems of implementation. The Honiara Declaration was followed by the 1997 Aitutaki Declaration, the 2000 Biketawa Declaration and the 2002 Nasonini Declaration on Regional Security, which established principles for improved co-operation on national and regional security and governance. Yet, there are continuing concerns about how well governments have implemented these agreements: on numerous occasions Pacific island leaders have themselves complained about a lack of progress (Spillane, 2006).

Improving regional responses to organised crime and the nexus with politicians that enable it will not be easy. Political leaders, unlike less well-connected citizens, have access to state resources to defend themselves from investigation and prosecution. This is demonstrated by the response to PNG Prime Minister, Peter O’Neill’s, alleged corruption involving the release of over 70 million kina to a local law firm. Despite an arrest warrant issued by the PNG police, the Prime Minister has managed to evade arrest by challenging the warrant in the courts. Concerned about diplomatic fallout, other Pacific nations have failed to weigh in to the scandal. At the time the arrest warrant was raised, Australia’s Foreign Affairs Minister, Julie Bishop, refused to condemn O’Neill or comment on the matter. Given Australia’s reliance on PNG’s Manus—
based facility for the detention of Australian-bound refugees, Bishop's silence was not surprising.

PNG’s role as a growing regional power in the Pacific, meant that it was similarly unsurprising that other Pacific leaders also failed to raise concerns. Australia appears to be similarly compromised in the case of Nauru, where its reliance on the acquiescence of the Nauruan government to house its other major off-shore refugee processing facility inevitably tempers its criticisms of the corruption and systematic flouting of the rule of law by political leaders in that country, although in fairness it is less constrained when it comes to dealing with alleged law breakers – individual or corporate – who are based in Australia. As PNG’s Sam Koi has put it, “There is some scepticism that Australia is held over a barrel with the asylum seekers deal” (Koin, 2015).

Action against politics and organised crime is also stymied because of a clash of priorities between member states. Metropolitan countries, Australia and New Zealand, have very different priorities to many Pacific Island nations. This was noted in the Review of the Pacific Plan, which argued that there was a clash between a “more global interpretation of ‘insecurity’ in the region (transnational crime, for example)” and “more endogenous concepts of insecurity (food insecurity, and a pan-Pacific non-communicable disease epidemic, for example)” (Pacific Plan Review, 2013: 50). In other words, while Australia and New Zealand may be worried about some forms of crime that resonate with international concerns (that is, as long as they are unlikely to lead to an unravelling of their own geopolitical interests), Pacific Islanders and their leaders have more pressing issues to address. This misalignment of priorities has seen a splintering of regional efforts. It also provides the backdrop to the emergence of what some have called the ‘New Pacific Diplomacy’ characterized by a new assertive attitude on the part of Pacific Island leaders, the creation of new Pacific-controlled institutions, an appeal to regional and sub-regional identities, and a concern with negotiating and actively shaping - rather than simply conforming to – global agendas that are impacting Pacific societies (Fry & Tarte, 2015). A notable example was the decision by Fiji Prime Minister Frank Bainimarama, amidst concerns that Australia was not doing enough to
address climate change, to start his own regional group in 2013, the Pacific Island Development Forum, without Australia.

The potential for deeper co-operation around responses to organised crime involving politicians will primarily depend on how well Pacific countries can align their competing priorities. Misaligned priorities are the main, but by no means the only, obstacle to building meaningful regional responses. Cultural and other forms of diversity between and within countries means that the region still struggles to find a common identity and sense of purpose. There are also more prosaic challenges. Data on organised crime and corruption are poor at both the country and regional level, meaning that while there is some credible data, in some cases “the credibility of claims of major threats to the islands from transnational crime remains questionable” (Spillane, 2006: 214). Resourcing regional responses to these threats is also a challenge, particularly given that priorities lie elsewhere. Ultimately, addressing these challenges will require moulding the region’s disparate priorities into a shared purpose. Given the history of regionalism in the Pacific, and the elite vested interests involved in organized crime, this is sure to be a long and difficult process.

**Conclusion**

As the processes of economic globalisation have brought increased opportunities to the Pacific, they have also helped increase interactions and deepening entanglements between organised crime and political actors. While organised crime can conjure dramatic images of nefarious characters covered in tattoos and secretive organisations bound by eccentric rituals, we suggest, instead, that it often hides behind a shroud of legitimacy, thereby blurring the boundaries between licit and illicit activity. Organised crime, particularly in areas of wealth creation in the Pacific, often requires the involvement of a network of politicians and other elites extending well beyond national borders. The extent of organised crime in the region is, as Spillane (2006) notes, difficult to measure. It is, however, clear that the nature of criminal activity is changing with economic globalisation. The opportunities for criminal connections have been
strengthened with the increased flow of people, goods, services, technologies and money, making crime in the Pacific increasingly transnational.

It is nevertheless important to note that organised crime in the Pacific Islands is not path-dependent. There are a number of examples where Pacific Islands countries have turned poor governance into better, or at least ‘good enough’ governance (Grindle, 2004) (the case of Vanuatu's response to corruption, or PNG’s fishing industry are cases in point). Yet the obstacles facing those committed to combating the increasingly transnational nature of crime in the region remain daunting. Poor domestic institutions and weak regional co-operation makes the region particularly inviting for criminals, and for legitimate actors to turn their hand to crime. In addition, the misalignment of priorities between Pacific Island countries and their neighbours means overcoming these obstacles will be difficult. However, the region’s few stories of good enough governance suggest there is reason for some optimism. Those prone to pessimism towards the region should note that the future is yet to be written.
References


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