

# The Pacific

Australia, Fiji, New Zealand, Papua New Guinea, Samoa, Solomon Islands, Vanuatu and other Pacific Island countries

*Mark Findlay*

## Overview

During his visit to China in February 2002, U.S. president George W. Bush declared this era to be the 'Pacific century'. It is unlikely that President Bush views the Pacific much beyond the United States, China, Japan and several other developed allies. If this century is to lend legitimacy to the 14 small island states of the Pacific, however, the spread of corruption – now a fundamental challenge to governance in the region<sup>1</sup> – must be stemmed.

Corruption in the Pacific not only undermines good governance, it is a consequence of its under-representation. Electoral corruption and the politics of division remain a dangerous characteristic of Pacific Island countries (PICs) despite some of the most stringent leadership legislation.<sup>2</sup>

Throughout the Pacific, gift-giving cultures – exploited as they are by foreign interests – may help to obfuscate the insidious reality of corruption. Customary gift giving is traditionally open within the clan; its clandestine translation into politics or commerce can expose political leaders to corruption.<sup>3</sup> Furthermore, as the secretary-general of the Pacific Islands Forum Secretariat recently noted, Pacific Islanders tend to find Western definitions of corruption unconvincing in view of their own societies of communal dependence.<sup>4</sup>

Most PICs operate within a culture of dependence as a consequence of post-colonial international aid programmes or the injection of foreign business capital.<sup>5</sup> Since monetary stability is thus linked to external sources, the monetisation of traditional relationships is exacerbated; this trend, in turn, creates opportunities for corruption. Over the past year, national and multilateral donors have used aid as a tool to influence governance in the Pacific, not always with the most constructive results.<sup>6</sup>

In a climate of deteriorating aid commitments, the apportioning of aid has moved in the direction of peacekeeping and security. Australia currently offers its lowest foreign aid budget in decades.<sup>7</sup> Supplementing aid shortfalls, multinational investors have provided opportunities for corrupt relationships to flourish.<sup>8</sup> As Michael Visi, the Catholic bishop of Vanuatu, has observed, profit has replaced the human condition as the goal for development in the region, with corruption as a consequence.<sup>9</sup>

The tragic extent of corruption in small Pacific states is best evidenced in the recent trade in 'tokens of sovereignty'. Whether it be the sale of citizenship, fraudulent letters of guarantee, the prostitution of banking systems to organised crime, money laundering, tax evasion or the subjection of foreign policy to the traffic in asylum seekers, the impact of corruption on national identity and democratic integrity has been mighty.

On the other hand, some of the more powerful nations of the region have this year preyed on the weak, with the tacit consent of some development agencies and the international community. Australia, in particular, has failed to uphold internationally recognised principles of open government, electioneering and public or private service.

Indeed, the conventional institutional protections against corruption – such as an independent judiciary, open government and strong and accountable public and private sector activities – are under strain throughout much of the region.<sup>10</sup>

Criminal justice agencies in the PICs have shown considerable weakness during the past 12 months; civil society observes differential treatment by the police and courts depending on wealth, status and power. Even where accountability agencies are active, their reports amount to little and Pacific communities see their leaders as beyond the law, despite exposure or condemnation. Bias and distortion in criminal justice, governmental accountability and regulation are also in evidence in Australia and New Zealand. Such failings have a profound impact on the limited frameworks of corruption regulation in the smaller PICs.

A number of states – including Papua New Guinea (PNG), which is often criticised for its corruption levels – have recently enacted legislation to promote integrity in the political arena. Indeed, political instability in some states and flawed elections in others over the past year actually provoked calls for institutional and procedural change to protect democracy.<sup>11</sup>

### International and regional

The extent to which a tiny PIC can form the crucial linchpin in a massive international corruption and money laundering scheme came to light in the past year. Evidence emerged to show that Russian organised crime had exploited Nauru's Sinex Bank, one of the island's registered offshore banks, to launder a total of US \$3 billion through the Bank of New York. Russia's central bank claimed that more than US \$70 billion had been channelled through Nauru's 400 offshore banks, all registered to a single mailbox owned by the state-controlled Nauru Agency Corporation. The enormity of the scam is highlighted when compared to Russia's total export earnings of US \$74 billion in 2001.<sup>12</sup> While Nauru clearly served as a laundry for illicit funds, U.S. bankers and Russian organised crime were taking advantage of its fragility. In punishing Nauru, the international community is addressing the context of corruption, rather than the powerful forces that lie behind it.

## Police corruption thriving in Australia

Widespread corruption in Australia's police continues to arouse public concern in spite of major inquiries and reforms in several states across the country.

Following up on a campaign promise made by the Labor Party during the 2001 elections, a royal commission was established in Western Australia in December 2001 to look into allegations of police corruption. The 18-month inquiry opened in March 2002 with an offer of amnesty for any serving and former police officers who made a written tell-all confession about their knowledge of corrupt and criminal police activity before 31 May 2002 and were prepared to give evidence. In return, they would be indemnified from prosecution, given anonymity and permission to resign and to keep accrued staff benefits and any ill-gotten gains.

The Kennedy Inquiry, named after the former Supreme Court judge who was appointed to lead the commission, has been granted wide-ranging powers to investigate cases of corruption or criminal activity by any Western Australia police officer as far back as 1985.

The allegations of widespread corruption in Western Australia are not unique. Indeed, the royal commission in Western Australia is the third to look into police corruption in Australia in recent years. It follows the Fitzgerald Royal Commission in Queensland in the 1980s and the Wood Royal Commission in New South Wales in the 1990s. Both uncovered significant evidence of entrenched police corruption; one case led to the imprisonment and the other to the resignation of the police commissioner. More recently, in New South Wales, hearings held by the independent Police Integrity Commission, first set up in 1996, show that corruption in the police is still a serious problem. In April 2002, Police Commissioner Peter Ryan resigned abruptly amid charges that he had failed in his

reform efforts. Police corruption is set to be an issue in the state elections of 2003.

In the state of Victoria, there are growing calls for a similar high-level investigation. Following an internal police investigation and concern about widespread corruption in the state's drug squad, the newly appointed chief commissioner, Christine Nixon, announced in December 2001 her intention to disband the squad. Those plans stalled, however, after protests from the police union.

All these events have led to debate about why police corruption continues in an advanced industrialised country that has the political will, public support and resources to curb it. Experts say that one of the reasons why police corruption is so widespread is an inherent 'police culture' that encourages unsavoury behaviour.

Justice James Wood, who led the Wood Royal Commission, says that police are taught from the beginning that loyalty to their colleagues is more important than loyalty to the service. The temptations are particularly great when police are dealing with organised crime and drug trafficking, where large sums of money are involved. But these are problems common to policing worldwide and Australia's continuing failure to find the right formula is a serious concern.

Whistleblowing by serving police officers to the media and to public inquiries as well as amnesties seem to be necessary to unearth police corruption as internal disciplinary processes are not seen to be effective on their own. Given the hermetic nature of police culture and the tendency of whistleblowers to be victimised in spite of legislation designed to protect them, it is likely that corruption will continue to be more widespread than publicly reported.

**Peter Rooke**

The Sinex scandal aggravated strains between the developed and developing nations over financial regulation in the region. The Financial Action Task Force (FATF) on Money Laundering of the Organisation for Economic Co-operation and Development (OECD) announced in December 2001 that, for the first time in its 12-year history, it would take action against a sovereign state, and it issued an ultimatum: the island state had to make legal changes to regulate its offshore banks, or face sanctions.<sup>13</sup> Nauru's parliament passed new money laundering legislation,<sup>14</sup> but sanctions for non-compliance will be imposed.<sup>15</sup> In August 2001, Nauru asked the Pacific Islands Forum to oppose the FATF's demands. The forum's president argued that offshore banking provided a legitimate opportunity for small Pacific nations with few resources and little industry but that the states have labelled it harmful competition.

A financial culture designed to exploit banking secrecy and superficial domestic regulation is rife in some PICs.<sup>16</sup> The OECD also pressured the Cook Islands, the Marshall Islands and Niue to clean up their banking and financial systems to avoid sanctions. The United States urged the OECD to vary its approach, preferring to negotiate treaties that facilitate the pursuit of tax evaders.<sup>17</sup> In reference to the Cook Islands, Prime Minister Helen Clark of New Zealand stated that the tax haven issue was not about a country's right not to levy taxes but about whether scams were allowed to go unhindered.<sup>18</sup> The Pacific Islands Forum found it difficult to reconcile the commitment of developed countries to protect their financial interests with the paucity of international action to curb global warming, an issue vital to low-lying Pacific Island states.

International aid and development agencies continue to tie assistance in the Pacific to free-market modernisation. The ambitious privatisation policy launched by the government of Prime Minister Sir Mekere Morauta in PNG, which aimed to reduce incompetence, nepotism and corruption, stumbled. If the policy is not invigorated swiftly, speculates the *Pacific Economic Bulletin*, financial support from international agencies for PNG is likely to dry up.<sup>19</sup>

Some new aid donors – with commercial and political strings tied to their largesse – have become embroiled in the corrupt use of mismanaged funds. In the Solomon Islands, an investigation was launched into the alleged misappropriation of funds from Taiwan. The money had been earmarked for victims of the island's two-year ethnic conflict.<sup>20</sup>

Despite a general decline in aid commitments, PICs receive relatively high levels of foreign aid.<sup>21</sup> Donors have sought good governance assurances in their programmes, largely in response to the corruption opportunities inherent in the aid system. Counter to the desired effect, some of these programmes – such as cash cropping – have tended to destabilise subsistence cultures and create further opportunities for corrupt commercial transactions.

Anti-corruption principles also stand at the core of a joint initiative of the Asia Development Bank (ADB) and the OECD that began at a November 2001 meeting

in Tokyo. Seventeen Asian and Pacific governments adopted the regional Anti-corruption Action Plan for Asia Pacific, which contains principles of policy reform. The Cook Islands, Fiji, PNG, Samoa and Vanuatu all endorsed the plan, though neither Australia nor New Zealand has done so. The Pacific Basin Economic Council affirmed that business stood firmly behind the initiative. Together with other international agencies, the private sector and civil society organisations, the ADB and OECD will support the countries involved in the implementation of the action plan and regularly review its progress. Under the plan, governments choose from a menu of anti-corruption initiatives that meet their specific needs.<sup>22</sup>

The international community has also spearheaded efforts to curb private sector malpractice in the region. International agencies such as the ADB have been active in assisting PICs in the implementation of financial sector reforms, in part through the Financial Development Loan Programme.<sup>23</sup>

### National

Public sector corruption remains an issue in most Pacific states, developed or otherwise. In Australia, corruption is far from eradicated in the police (see box, p. 117). Despite a royal commission and a detailed reform agenda, the New South Wales police service was again rocked by evidence of street-level narcotics corruption at the end of 2001.<sup>24</sup> Western Australia has also commenced an investigation into police corruption.

Abuse of power at the federal level in Australia is motivated less by financial gain than political advantage, a tendency encouraged by a politicised public service in which departmental secretaries are subject to dismissal without notice. The extensive – and unprecedented – use of nearly US \$100 million in public funds on advertising in an election year came to light in 2001.<sup>25</sup> Ads were targeted to convince the electorate of the benefits of government policy, rather than to inform them of the details. The government refused to introduce the integrity measures for controlling government advertising recommended by a bipartisan report of a senate committee the previous year.

In the absence of other integrity mechanisms, Australia's senate committees are taking on a greater role in scrutinising government behaviour, although they are hampered by a reluctance to subpoena witnesses and the government's unwillingness to permit ministerial staff to testify. Independent scrutiny bodies with the powers to require evidence and documents might be a better first line of defence of government integrity in such a climate.

If corruption thrives in such a modern, regulatory climate, it is hardly surprising that PICs with suspect public sectors and severely limited resources suffer from a lack of integrity in civil service. Criminal justice as a check on corruption has all but collapsed in Vanuatu. The public prosecutor's office failed to proceed on hundreds of

## Papua New Guinea media declare war on corruption

Anyone who listens to the radio or watches television in Papua New Guinea (PNG) will hear a new call to arms: 'War on Corruption – Say No to Corruption!' In the weeks leading up to the June 2002 elections, newspapers published full-page ads calling on voters to be critical of candidates and to stop selling their votes. With ubiquitous public service announcements, this anti-corruption campaign pits the country's Media Council against anyone engaging in corrupt activities.

Launched in January 2002, the campaign came in response to a wave of corruption scandals, notably one involving bribery, extortion and misappropriation at the National Provident Fund. The Media Council was particularly concerned about ongoing coverage of the savings institution's former chairman, who was charged with misappropriating 2.7 million kina (about US \$750,000) from the employee retirement fund. Given that no one else implicated in the scandal has been prosecuted since the inquiry was launched more than two years ago, the group urged the police and the public prosecutor's office to make faster headway with their paperwork.

The anti-corruption initiative has elicited a positive reaction from the government. The acting governor-general and speaker of parliament welcomed the media's campaign by calling for new laws to appoint independent prosecutors to tackle corruption cases more thoroughly.

Besides targeting ongoing corruption issues, the campaign also focused on the June 2002 national elections, beginning with a series of training workshops for journalists on how to cover the candidates' campaigns. They were also asked to keep a watchful eye on practices such as 'ghost voting', which Prime Minister Sir Mekere Morauta had identified as a major threat to free and fair elections. Young journalists were also taught how to investigate and report on corrupt practices in general.

Together with Transparency International PNG and the Ombudsman Commission, the Media Council runs a hotline through which members of the public can report suspected cases of corruption directly to the media. A task force of senior journalists and editors has been appointed to investigate public complaints and, if they are verified, to publish them in the press.

The Media Council has built an extensive network of community groups. The council itself consists of members from all PNG's mainstream media – the national broadcasting corporation, three national newspapers, the country's only television station and both FM radio stations – as well as associated members of advertising agencies and smaller commercial and non-commercial publications. Council members also invited various NGOs and business groups to form an independent working committee. More than 20 public and private groups have pledged their support, including Transparency International PNG, the Ombudsman Commission of PNG, youth and women's groups, the Business Council of PNG, the Institute of National Affairs and a number of private businesses. These groups provide resources in areas such as manpower, networking, law, business, insurance, finance, administration and national affairs.

Besides reducing the scope for intimidation and harassment, the Media Council network is a source of support for whistleblowers, while the campaign provides a platform of solidarity for reporters covering corruption.

The June elections in PNG were indeed marred by allegations of corruption. Yet if increasing public awareness and alerting the press are any indication that an anti-corruption campaign is working, then the Media Council's efforts have started to pay off.

**Rachael Keaekae**

cases in 2001. Despite the government's pretence of comprehensive reform, the electoral system remains corrupt and political leaders appear supine in the face of the decline in good governance.<sup>26</sup> Issues of governance and access to information are also at the heart of scandals surrounding the alleged corruption of the royal family of Tonga. News continues to emerge through the persecuted Tongan press and the restricted democracy movement.<sup>27</sup>

Politics remains a corruption focus in many PICs. If codes of conduct for the regulation of political leaders are to be taken seriously, they need efficient enforcement mechanisms and effective penalties. During 2001, the PNG parliament debated life-long bans for violators of the leadership code, but finally rejected the idea.<sup>28</sup>

In the Solomon Islands and Vanuatu, whose electoral systems are characterised by small populations and a large number of candidates in one electorate, parliamentarians obtain power with a relatively small proportion of the vote. Furthermore, since a parliamentarian is unlikely to be re-elected, regardless of his or her performance, the tendency is to get rich quick once in office. The electoral system therefore provides a recurring stimulus for the corruption of public officials.

In the post-coup environment of the Solomon Islands, questions have been raised about the covert reasons behind the violent overthrow of the elected government. The proliferation of racial tension that culminated in the June 2000 coup may have been linked to an effort to conceal corrupt private interests.<sup>29</sup>

The rulers who emerge out of the ashes of democratic governance have less interest in the crucial institutions of good governance, as shown by their disrespect for constitutional instruments, few and ineffective as these may be. In October 2001, Fiji's auditor-general released a report requesting a police investigation into possible fraud and corruption in the central government. Prominent among the cases highlighted was an affirmative action scheme set up by the post-coup prime minister before the recent general elections. Designed to assist indigenous Fijians, the scheme called for the government to pay close to US \$7 million to buy farming and fishing implements for villagers. The report pointed to collusion between the country's Indian hardware merchants and high-ranking public servants.<sup>30</sup> A number of top-ranking government officials have been suspended, investigated or are in the process of being charged.

Governments and financial institutions continue to collude in some PICs, providing additional opportunities for corruption. Since the revelations of money laundering came to light in 2001, Nauru's financial credibility has remained questionable. Despite disapproving statements by successive presidents, the government's Nauru Agency Corporation – alleged to be the principal Internet outlet for money laundering in Nauru – continues to operate. In a March 2001 report on drug trafficking, the U.S. State Department warned that Nauru 'presents significant opportunities for the laundering of the proceeds of crime and allows criminals to make use of those systems to increase significantly their chances to evade effective investigation and punishment'. The report stated that Nauru had made 'verbal

commitments' to fix its system but that 'no concrete action had been forthcoming'.<sup>31</sup> The portrayal of Nauru as a front for organised crime and its isolation from the legitimate international financial community have rendered the island vulnerable. In a bid to avoid exclusion, Nauru was likely to accept Australia's offer of October 2001 to continue the trade in asylum seekers by accepting US \$10 million to host its unwanted visitors.<sup>32</sup>

On a more positive note, New Zealand's parliament enacted into law the OECD Anti-Bribery Convention in May 2001, making the bribery of public officials an extra-territorial offence. Despite lobbying from the New Zealand Dairy Board, the country's largest exporter, the local Law Society and Transparency International persuaded the legislature that restricting the jurisdiction of the offence to New Zealand would make the law ineffectual.

The chronic failure across the region of national integrity systems (NIS), in which the public and private sector share vital responsibilities, is epitomised in the NIS report on Fiji.<sup>33</sup> The report's observations translate all too well to other PICs: 'Components of the NIS exist but the effectiveness of the system is very weak because certain elements have not been appropriately reviewed, upgraded and strengthened to take on the demands with changing times ... The decline in work ethics and degradation of values are social costs of corruption which are becoming increasingly accepted practice.' Appointment and promotion by merit have always been problematic in Fiji.

In this year's election environment, regional governance remains largely unstable. For Melanesia, the difficulties in governance in recent years are exacerbated by 'friction between an array of conflicting cultures. In PNG, the Solomon Islands, Vanuatu and now Fiji, this has produced a succession of weak and short-lived coalition governments manipulated by opportunists whose first priorities are political survival and personal gain.'<sup>34</sup> But corruption of the public sector in the Pacific is influenced by small populations and even smaller elites with the result that kinship plays a far larger role than in bigger countries.<sup>35</sup> Moreover, in societies only recently derived from subsistence cultures, reciprocity is a more important principle than in other nations. For people who largely remain in villages guided by ancestral custom, the forced engagement with globalisation could be a tall order.

### Private sector

The private sector in the Pacific shares much of the responsibility for the degeneration of the NIS. The pace of privatisation was a key issue in the PNG election in June 2002. The debate concerned conditions for international aid assistance to the country and the benefits from the sale of national assets. In theory, privatisation reduces public sector corruption by removing the scope for private gain from public officials. Privatisation may also reduce corruption by making enterprises more accountable to consumers and shareholders. On the other hand, it can

## Access to information in the Pacific

The spread of Internet access is helping to open up government and allowing critical debates about good governance to reach the remotest parts of the Pacific. The comparative glare of corruption in other states helped keep corrupt practices in the region out of the limelight until recently. With increased Internet access, the major media networks no longer govern coverage of best practice, a trend that has allowed small, local and often oppressed media enterprises in the region to make their voices heard. Despite these encouraging developments, however, the digital divide remains evident.

A free press has always struggled in the Pacific, whether in PICs or the developed states. Concentration of ownership and more regulated government interaction with the media have tended to reduce the diversity of reporting, as well as its critical edge. New Zealand, for example, remains a cause for concern: most of the 67 'independent' regional newspapers are owned by Irish media magnate Tony O'Reilly and the rest are part of Rupert Murdoch's News Corporation.

In smaller states the development of a free press culture is skewed by a reliance on government authorisation and advertising revenue, as well as competition with government media outlets. Such factors are straining Vanuatu's small free press, which has come under fire for speaking out against official policy.

The lack of government openness can damage public confidence in political probity. In PNG, public trust was recently harmed when government secrecy was exposed. The government had resisted calls

for a modest rise in the average wage, but secretly awarded cabinet members salary increases of up to 100 per cent.

Access to information on party funding must still be fought for in most PICs, where politicians are dependent on private donations. PNG is the only Pacific Island state with disclosure legislation: the Integrity of Political Parties Law is the first to require disclosure of the source of all donations and greater transparency in how they are used.

If open government were measured in terms of freedom of information (FOI) legislation or judicial review laws, Australia would be judged as open and accountable. Federally, and in the states and territories, FOI and review provisions are detailed and comprehensive. Nevertheless, a delay in responding to FOI requests challenges that openness in practice. The ombudsman and the Independent Commission against Corruption in New South Wales have suggested that laws to protect whistleblowers are failing in their objective. More worrying is the attempt by the federal government to introduce legislation that could result in the imprisonment of whistleblowers from the civil service and journalists who publish their revelations.<sup>1</sup> Fortunately, concerted community opposition has led the government to amend the bill, although the amendments themselves have been criticised for insufficiently protecting legitimate public dissent.

1 Security Legislation Amendment (Terrorism) Bill 2002

simply transfer public resources into well-connected private hands at rock-bottom prices.<sup>36</sup>

The track record of foreign investors and traders across the Pacific has not instilled confidence regarding corporate ethics, integrity or private sector intentions. The connection between governance and corruption in the forestry sector in

PNG was another important election issue. A recent moratorium on new logging concessions and the ongoing ombudsman's investigation into forestry dealings provide evidence of the extent of corruption in the industry.<sup>37</sup> Some logging companies routinely employ bribery, misinformation and poor enforcement of forestry protocols to dodge import duties, avoid corporate taxes and engage in transfer pricing. The overloaded and under-resourced justice system provides an additional comfort for the corrupt.

Fiji was also the scene of considerable private sector corruption last year.<sup>38</sup> Identified practices included the falsification of import documents for customs clearance, overpricing for the transfer of capital offshore, under-valuation to avoid duty payment, as well as the bribery of supervisory construction officials by contractors to persuade them to turn a blind eye to substandard materials.

The strength of regulatory strategies for the private sector is also problematic in the region. The Australia-Pacific Business Council recently welcomed the return of the rule of law in the Solomon Islands.<sup>39</sup> The discontinuation by the new government of beer and cigarette tax remissions for favoured importers was, unfortunately, short-lived. The reinstatement of the tax, the council suggested, was in the national economic interest. The New Zealand Dairy Board's argument that it was also in the national interest to restrict the OECD Anti-Bribery Convention revealed a disturbing attitude towards the ethics of bribery in international trade.

Corporate fraud and the malpractice of directors have a major impact on the quality of life throughout the region. The collapse of the HIH insurance group, currently under investigation in Australia, suggested massive fraud through false reinsurance deals, corruption by senior executives, concealment of crucial business information and the failure of corporate and public governance mechanisms.<sup>40</sup> The truism that everyone is hurt by corruption was amply demonstrated by the failure of the HIH, which is reported to be partly responsible for a 20 per cent increase in general insurance premiums over the past 12 months.

### Civil society

Great responsibility rests with the regulatory potential of civil society in the Pacific, where governments resist accountability, the integrity of the public and the private sectors are in question and the state is shedding many of its traditional responsibilities. The media in particular play a crucial role in empowering civil society.

In the run-up to the PNG election in June 2002, the local media announced 'an all-out war on corruption'<sup>41</sup> (see box, p. 120) in an effort to mobilise voters to hold parliamentarians more accountable. Similarly, the speaker of parliament called for the office of the public prosecutor to be 'protected from political influence', and urged judges and ombudsmen to be adequately funded to 'wage a successful war against corruption'.<sup>42</sup>

The PNG elections were the first to be run under new laws intended to govern the political integrity of parties and candidates. In response to alleged irregularities in the use of discretionary funds, however, the ombudsman was forced to freeze electoral funds three weeks before the polls owing to a widespread corruption crisis.<sup>43</sup> Such intense public scrutiny plays a crucial role in monitoring the integrity of politicians, but it must be noted that the government also placed a ban on foreign media outlets entering PNG to report the election.

In a renewed effort to stamp out corruption, the population of PNG is being encouraged to blow the whistle on political leaders. This initiative emerged after corruption investigations into the activities of the acting chief liquor-licensing commissioner, who allegedly extorted alcohol from suppliers.<sup>44</sup>

In the Pacific region, as elsewhere, NGOs are active in identifying the dangers of environmental degradation, but where the relentless exploitation of natural resources has produced secret business deals and corrupt dealings with governments, the environment should also be a focus for international concern. The recent civil action by the people of Bougainville against Rio Tinto, now being heard in U.S. courts, reveals how environmental destruction in the Pacific – along with land control and royalties for usage – are issues for international civil society.<sup>45</sup>

The role of the media in combating corruption has been a focus of Australian civil society groups. In the latter half of 2001, the journalism department of the University of Queensland conducted a survey on journalists' understanding of corruption. The survey also measures the support provided by civil society.<sup>46</sup> The training of journalists in PNG was undertaken by the Centre for Democratic Institutions, based at Australian National University. A session on 'Elections and corruption' was part of the centre's March 2002 election reporting workshop.<sup>47</sup>

- 1 'The perception in PNG is that corruption is now engrained in the fabric of government.' Pearson Vetuna, quoted in 'Corruption and the Rule of Law', *Time to Talk*, Radio Australia, 2 February 2002. The *Pacific Economic Bulletin*, 26 November 2001, says that corruption in the Papua New Guinea government is running at an all-time high. This allegation was reiterated following the recent election by *Four Corners*, Australian Broadcasting Corporation (ABC), 24 June 2002.
- 2 For instance, the Code of Conduct, Constitution of the Republic of Fiji (1997); the Organic Law on the Duties and Responsibilities of Leadership, PNG (1975); the Leadership Code Act No. 2, Vanuatu (1998).
- 3 Marie-Noelle Ferrieux-Patterson, quoted in *Time to Talk*, Radio Australia, 2 February 2002.
- 4 Noel Levi, quoted in *Time to Talk*, Radio Australia, 2 February 2002.
- 5 In some states, strict budgetary, fiscal and other conditions from donors remain unmet this year, producing political instability when budgets fall short. This instability has generated the opportunity for some donors to buy political influence through unscrupulous lending to cash-strapped governments.
- 6 A case in point is the manner in which Australia has tied aid commitments to Nauru and PNG as part of its 'Pacific solution' to the offshore processing of asylum seekers. In another example, following the election in PNG, the recent World Bank loan has been cited as creating a long-term debt legacy while failing to achieve the economic (and anti-corruption) benefits which its conditions espoused; *Four Corners*, ABC Television, 24 June 2002.
- 7 Community Aid Abroad–Oxfam Australia highlights that, at 0.25 per cent of gross national product, Australia's aid falls well short of the UN target of 0.7 per cent.
- 8 The Internet gambling provider PBL is exploiting preferential licensing and tax rates in Vanuatu. Gambling of this nature is notorious for presenting money laundering opportunities. *Age* (Australia), 3 January 2002.

- 9 Michel Visi, quoted in *Time to Talk*, Radio Australia, 2 February 2002.
- 10 Over the year, the politicisation of the civil service has continued, particularly in PNG, where ministers have a direct role in the running of government departments.
- 11 For instance, the parliamentary allowance in the Solomon Islands and PNG has been criticised for exacerbating the dependency syndrome, creating a cargo cult mentality and perpetuating vote buying and electoral fraud in both these states.
- 12 Agence France-Presse (France), 26 April 2000.
- 13 Interestingly, during 2002 Australia has been unsuccessfully lobbying the OECD task force to remove Nauru from the list of sanctioned states. Although uncomfortable about participating in sanctions, Australia is increasing its aid to Nauru under the 'Pacific solution' asylum-seeker policy. *Sydney Morning Herald* (Australia), 25 June 2002.
- 14 Anti-Money Laundering Act (28 August 2001).
- 15 Agence France-Presse, 6 December 2001.
- 16 Even in Fiji, where the reserve bank is relatively strong, it was unable to do much to prevent or even efficiently investigate the collapse of the state-run National Bank of Fiji. In PNG the reserve bank has a regulatory record against fraud schemes.
- 17 *New York Times* (US), 17 August 2001.
- 18 Associated Press (US), 17 August 2001. While Clark called for PICs to abide by the OECD, OECD countries are in fact the biggest offenders in this area.
- 19 Maxine Pitts, 'Crime and Corruption: Does Papua New Guinea Have the Capacity to Control It?', *Pacific Economic Bulletin*, November 2001.
- 20 *Sydney Morning Herald* (Australia), 6 March 2002.
- 21 For a more detailed discussion, see Peter Larmour, 'Corruption and Good Governance in the South Pacific', at [sunsite.anu.edu.au/spin/SPINDOC/larmour971.html](http://sunsite.anu.edu.au/spin/SPINDOC/larmour971.html).
- 22 [www.oecd.org/daf/ASIAcom/ActionPlan.htm](http://www.oecd.org/daf/ASIAcom/ActionPlan.htm); M2 Presswire, 30 November 2001.
- 23 Y. Iwasaki, 'Building a coalition for transparency: ADB's role in combating corruption in the Asia Pacific Region', at [www.bigpond.com.kh/users/csd/transconf/speechiwasaki.htm](http://www.bigpond.com.kh/users/csd/transconf/speechiwasaki.htm).
- 24 *Canberra Times* (Australia), 13 November 2001.
- 25 See [old.smh.com.au/news/2001/08/31/national/national9.html](http://old.smh.com.au/news/2001/08/31/national/national9.html).
- 26 Open letter to Prime Minister Hon. Edward Natapei from TI Vanuatu, 2 November 2001.
- 27 *Sydney Morning Herald* (Australia), 26 February 2002.
- 28 Nevertheless, corrupt politicians who resigned to avoid PNG's Leadership Tribunal were immediately referred to the public prosecutor for criminal prosecution, where they faced harsh penalties.
- 29 Agence France-Presse (France), 4 August 2001.
- 30 *World News*, Radio Australia, 19 October 2001.
- 31 Agence France-Presse (France), 20 October 2001.
- 32 Agence France-Presse (France), 16 September 2001.
- 33 Transparency International (TI Fiji), *National Integrity Systems 2001: Fiji National Report*.
- 34 Robert Keith Reid, 'Governance in Melanesia: Conditions in Four or Five Countries are Deeply Dismaying', *Pacific Magazine* (Fiji), June 2001.
- 35 Note the recently failed attempt by the Morauta government in PNG to pass a constitutional bill to regulate political patronage in the civil service. Such measures have been promised for the new parliament.
- 36 While competitive bidding is being promoted in the current sale of government entities, the privatisation of New Britain Palm Oil Ltd and Halla Cement lacked transparency.
- 37 The Barnett Commission of Inquiry into the forest industry stated: 'It would be fair to say of some companies that they are now roaming the countryside with the self-assurance of robber barons, bribing politicians and leaders, creating social disharmony and ignoring laws in order to gain access to, rip out and export the last remnants of the provinces' valuable timber.' Interim report no. 4, vol. 1, p. 85. Note that the Morauta government responded with a moratorium on logging; AusAid funded an investigation into the forestry industry.
- 38 'Corruption and the Rule of Law', *Time to Talk*, Programme 8, Radio Australia, 2 February 2002.
- 39 See [www.abc.net.au/asiapacific/news/goasiapacificbnp\\_460801.htm](http://www.abc.net.au/asiapacific/news/goasiapacificbnp_460801.htm).
- 40 In June 2002 a senior director of the company was successfully prosecuted for corporate impropriety through violations of directors' duties.
- 41 Peter Aitsi, president of the PNG Media Council, quoted in *Pacific Beat*, Radio Australia, 4 February 2002.
- 42 *Go Asia Pacific: Breaking News*, ABC Radio, 23 February 2002.
- 43 See [www.theaustralian.news.com.au](http://www.theaustralian.news.com.au), 23 May 2002.
- 44 *The World Today*, ABC Radio, 12 November 2001.
- 45 Alexis Holyweek Sarei (et al.) versus Rio Tinto, United States District Court, Central District of California, Western Division. Regionally, however, major powers such as Australia have tended to trivialise crucial

environmental concerns, including global warming, which is of great importance to vulnerable and powerless PICs; see *Sydney Morning Herald* (Australia), 4 March 2002.

46 See [www.portal-pfc.org](http://www.portal-pfc.org) for survey results.

47 See [www.cdi.anu.edu.au](http://www.cdi.anu.edu.au).