Australia’s regional interventions: the antinomies of ‘good governance’

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Abstract
This paper examines the antinomies of Australian ‘good governance’: the logical nonsense of regional coerced democracy and carefully tutored economic ‘best practice’. The tension between intervention and independence in the region – particularly with respect to the recent experience of Papua New Guinea, the Solomon Islands and Timor Leste – is apparent in the recent Australian regional assistance missions and largely self-serving ‘good governance’ aid programs. This paper considers the origins of ‘good governance’ in aid and reviews the recent interventions through the lens of imperial ambition, considering to what extent they aim to establish: privileged access to resources; a neo-colonial ‘open markets’ strategy which represses public institutions and capacity building; and an attempt to dominate security forces in the region. Elements of these themes can be identified in aid and interventions in each of the three island states. All three are demonstrating elements of resistance through asserting control of their natural resources, developing distinct public institutions, independently pursuing human resource development and diversifying development partners. Consideration of the Australian role and the elements of resistance and autonomous development allows us to reflect on the relationship between ‘good governance’ and ‘self governance’. The latter remains a key and valued theme in the region.

In the wake of the 2003 Iraq invasion, a series of Australian interventions in the region, and in particular in the Solomon Islands, Papua New Guinea and Timor Leste, raise important questions about Australian aims and the nature of the Australian role. These military and police interventions have been in the name of stabilisation and ‘regional assistance’ and have integrated with longer standing development assistance programs which, in recent years, are often labelled ‘good governance’ operations. We thus have new regional programs with a new ideology. Yet in a post-colonial era the claim of externally devised programs of ‘good governance’ is something of a logical nonsense. It has its own particular logic, but misses a key factor, when dealing with newly independent nations.

The tension between intervention and independence is apparent in the Australian warnings of further intervention, in the case of alleged ‘failed states’ (a supposed threat to the region), in the resentment at the largely self-serving aid programs and in elements of resistance from each of the island neighbours: the Solomon Islands, Papua New Guinea and Timor Leste. All three countries have made some moves to extract better value from their own natural resources, to develop their capacity in areas Australia has refused to support, and to diversify their development assistance partners.

Prior to the recent interventions, Papua New Guinean human rights activist Powys Parkops noted that there were three types of colonialism in the Pacific: old style European colonialism, south-south colonialism (Indonesia in West Papua and East Timor), and recolonisation of the region by the development banks and multinational companies (in Dixon 1998). The military and paramilitary interventions highlight these concerns. So it seems timely to examine the neo-colonial and imperial elements within Australian programs of good governance and regional assistance. To what extent is there a growing regional imperialism?

After examining the origins of ‘good governance’ in aid, this paper identifies key imperial themes as: the demand for privileged access to resources; a neo-colonial ‘open markets’ strategy, and an attempt to dominate security forces in the region. Australian initiatives under each of these themes are then studied. Finally, a consideration of the Australian role and the elements of resistance and autonomous development allows us to reflect on the relationship between ‘good governance’ and
‘self governance’. The latter remains a key and valued theme in all the small, independent states of the region.

1. Imperialism and good governance

A century ago the historian John Hobson observed that British imperialism was driven by an oligarchy’s “demand for foreign markets” for trade and investment. It was “idle” to attack imperialism as policy, he said, without recognising “the economic root of the tree” (Hobson 1902: Part I Chapter VI).

In more recent times, Australian policy in the Pacific, similarly driven by trade and investment imperatives, has placed “governance .. at the centre of all our programs .. [mainly] law and order and financial management” (Downer 2003). In this view of the world, a ‘national interest’ is neatly interwoven – apparently without real conflict of interest – into the foreign aid objectives of “poverty reduction through sustainable development” (Downer 2002). This concept of national interest leads with “economic interests … [including] merchandise exports to the South Pacific (excluding New Zealand) valued at $2.5 billion in 2002 and direct Australian investment stock estimated at $2.3 billion” (DFAT 2003: 93). Australia has a trade surplus with all Pacific countries except Papua New Guinea (PNG) and Samoa “and holds significant market share in many of those economies” (FADTRC 2003: 38).

Even PNG’s ‘favourable’ balance of trade is largely a result of Australia based mining companies exporting their products. Annual export revenue in 2003 from the combined mining products (mainly petroleum, gold and copper) was 5.89 billion Kina or (at 2003 exchange rates) A$2.488 billion (BPNG 2006: Tables 8.3, 8.4). Further, Australian companies supply “around 65 per cent” of inputs to Papua New Guinea’s mining sector and the Australian Government provides a range of subsidies to Australian exporters and foreign investors (Austrade 2007). Australia is also the major aid donor to PNG.

There is a North American theory that strategic domination can be a benevolent and stabilising process, without expropriation or subjugation; the ‘hegemon’ in this ideal is said to be altruistic and self-sacrificing, for the sake of open markets and peace (e.g. Kindleberger 1973). I won’t waste time with this idea here, as it would detract from a fuller examination of longer standing and more relevant concerns about the form of regional imperial power. Similarly, I will not take time to discuss the periodic warnings over ‘failed states’, which have become a justification for pre-emptive intervention. Failure and recuperation are a natural part of development.

In a neoliberal culture, where ‘open market’ ideas are mixed with corporate subsidy, mixing business and ‘aid’ is regarded as quite normal. ‘Advancing the national interest’ has been seen as a neat way of bringing together such diverse matters as Australia’s “values [and] place in the world … maintaining security and prosperity … building prosperity through market liberalisation … consolidating and expanding our regional and bilateral relationships … projecting Australia and its values … [and] helping our Pacific neighbours consolidate their future” (DFAT 2003: viii-xviii ). But it begins with the “demand for foreign markets” in trade and investment. Australia’s 2001-2006 strategic plan for the Pacific – apparently with bipartisan support – was to double Australian trade (Stortz 2003: 48). Aid programs are clearly seen as supporting this plan.

The administration of this ‘good governance’ programs has changed in recent years and has been linked to programs of ‘stabilisation’ or ‘regional assistance’. At the same time, Australian control of finances has increased. Budget support for PNG ceased in 2000, to be replaced by “programmed assistance able to address issues of reform”, contracted mainly to Australian companies and seeking
greater “harmonisation” with the development banks (Downer 2003). Since the RAMSI (Regional Assistance Mission to the Solomon Islands) intervention in 2003, other Australian military and para-military interventions have followed. A major police program began, then failed, in PNG in 2004 (Nonggorr 2005). A military intervention was assembled, then requested, in Timor Leste in 2006 (Anderson 2006b). These interventions have presented ‘stabilisation’ rationales, linked to Australian directed ‘good governance’. At the same time, formal agreements with regional aid ‘recipients’ have been weakened. In 2005 the Howard Government specifically rejected a Senate Committee recommendation to “conclude bilateral treaties on development assistance” and to install “performance benchmarks” in such agreements (DFAT 2005: 9). The voice of neighbours in these ‘good governance’ programs was being heard less.

In these circumstances we are entitled to ask, to what extent do these new forms of regional and development assistance - self-styled as ‘good governance’ - represent a form of neo-colonialism (economic domination through large corporations) and regional imperialism (strategic and economic domination)? One unprovoked Australian Government response has been the simple assertion that “Australia is not a neo-colonial power” (DFAT 2003: 93). No serious analyst need accept such a denial at face value. Indeed, reactions to the interventions from Australia’s neighbours (e.g. Oti in STO 2007; Alkatiri in SBS 2007) demand that this issue be properly examined.

‘Governance’ is a fairly recent addition to the lexicon of development assistance and foreign intervention. The term began as a broader sociological view of social regulation, entered domestic political debate, was linked to the role of supra-national institutions (such as the United Nations, the World Bank and the World Trade Organisation) but only really emerged as a theme in development assistance after the failure of the highly unpopular ‘structural adjustment’ programs of the 1980s and 1990s (see Stiglitz 2002). At an international level, the concept has been closely linked to imperialism. Inter-imperial coordination in the 19th century (followed by the League of Nations) was described as the first form of formal international ‘governance’, in the modern era (Tehranian 2002: 9).

In recent times, global economic organisations began a coordination which, while highly controversial, was often described as ‘economic governance’. In the mid 1990s the World Trade Organisation declared the need for “greater coherence in global economic policy-making … the different aspects of economic policy require that the international institutions … follow consistent and mutually supportive policies” (WTO 2003: 387). This was a reference to the links between the WTO’s trade liberalisation plans and the capital liberalisation agenda of the development banks. The Washington-based World Bank had since the early 1980s systematised its influence through Structural Adjustment Programs (SAPs), which embodied the full range of economic liberal demands. These included reducing the regulation on private foreign investors, offering tax exemptions, allowing access to favourable contracts and access to customary and indigenous land. A core principle of this neoliberal governance has been to oppose price controls on basic goods and public wage policies. This is primarily what is meant by “non-distortionary” policies (World Bank 1999: 114). The idea is that ‘natural’ prices send important signals to consumers and producers in competitive markets. In practice, this approach finds no problem with (for example in PNG) foreign consultant fees of US$1,000 to $2,000 per day and minimum wages of US$2 per day (BPNG 2006: Table 9.1).

As a broad concept of social and political regulation ‘good governance’ has become an arena of furious debate, with few clear definitions (unlike rights, which have an agreed basis in international treaties) but enormous moral assertion. Amongst international agencies, the UNDP began a broader discussion of governance in relation to development, democracy and sustainability (e.g. see UNDP 1997). However the development banks and economic liberals began to focus ‘good governance’ arguments on the traditional targets of economic liberal policy: limiting or reducing the extent of
public services, privatising community and public assets and expanding markets and market opportunities for private investors. The World Bank version of ‘governance’, constructed with the help of an expanding set of quantitative measures, began in 1999, immediately after the abandoning of the reviled Structural Adjustment Programs. Its ‘governance’ measures were an amalgam of investor confidence, competitive tendering regimes, open markets, the rule of law and anti-corruption measures (see Kaufman et al 1997; Hellman et al 2000; and World Bank 2007a). This approach to governance and regulatory reform stresses new ‘pro-market’ structures, public–private partnerships (formerly privatisations) and increased authority for the development banks.

Powerful reactions to the austerity measures of the SAPs (e.g. abolition of food and fuel subsidies, cuts in state spending, privatisations) in Latin America and Eastern Europe took a toll on the legitimacy of these programs. At the 1996 UNCTAD meeting in Nairobi, World Bank ‘governance’ through structural adjustment was called a form of “recolonization of the [African] continent” (in Hoogvelt 2001: 181). The governance embodied in SAPs required political repression and the privileging of powerful interests and removal of the ‘buffer’ role of the state (Cheru 1999). Widespread reaction to IMF programs during the 1997 Asian Financial Crisis brought this to a head. Bello (2002: 2) termed this a “crisis of legitimacy” for these ‘economic governance’ organisations. In response, the IMF and the World Bank abolished SAPs in September 1999, replacing them with ‘Poverty Reduction Strategies’ and ‘Good Governance’ programs, with much the same conditions (GAO 2001). The standard package of conditional loans and grants also found its way into ‘transitional economy’ and ‘debt relief’ programs.

The development banks and bilateral aid agencies had to ‘rebrand’ their programs, and also to offset the damage caused by major corruption scandals. Many of those responsible for collaborating with the development banks in austerity packages - such as Fujimori in Peru (e.g. Public Citizen 2007) and Suharto in Indonesia - had stolen a great deal of the money that came to constitute sovereign debt. The World Bank was forced to admit that its programs had been corrupted (e.g. Perlez 2002). At the same time, neoliberal aid began to reconstruct itself as an anti-corruption trainer. Conventional financial management programs, aimed at containing public investment and contracting out profitable public services, were blended with the unremarkable proposition that public servants should not steal public moneys. At the same time, privatisation and the privileging of foreign investment proceeded apace.

AusAID ‘good governance’ programs travelled a similar path. In Papua New Guinea these programs have helped contain the social disruption caused by the resource industries, cashed up aid schemes, urbanisation, and the rich-poor divide generated by these industries. Aid dollars are mostly contracted out to large Australian companies and much goes towards policing and prisons. For example, in AusAID’s 2002 budget, $57 million was allocated to a constabulary project led by ACIL Australia P.L., while another $58 million was set aside for an prison project led by ACIL and SAGRIC International PL (AusAID 2002). In AusAID’s 2003–04 budget, ACIL had 31 contracts worth $323 million, SAGRIC had 22 contracts worth $297 million (AID/Watch 2005). Much of this spending is ‘recycled’ in management fees and Australian salaries. Such spending has done little to reduce corruption or wider violence and crime, which has deeper social causes. Deployments of police and army in Papua New Guinea have often been carried out to secure important investments such as logging camps, mines and gas fields, and to put down protests by villagers whose lives have been disrupted by these big corporate developments (Forbes & Fyfe 2004; Australian Conservation Foundation 2006). ‘Governance’ through aid is often attuned to the much larger investments in resource industries.

Governance ideas are a powerful normative force. Economic governance, for example, requires legitimacy and popular acceptance of and support for key ideas and practices, such as recognising new property rights, abolishing tariffs and accepting new systems of administration. Normally this
would be the result of some sort of democratic process, including the participation of popular
movements. However in aid programs it has been unaccountable ‘technopolitics’ (Scholte 1997: 23-
27), that generally prevails. Policy as a ‘technical’ matter is essential to neocolonial regimes. As
Wolfers said, colonial politics in PNG was “mostly administration” (Wolfers 1975).

We could reasonably conclude, therefore, that the neoliberal version of ‘good governance’ aims to
create an enabling environment for neocolonial relations. Its ideological form links the moral force
of democratic ideals and anti-corruption demands with older ‘open market’ ideas. Its mechanism is
conventional: the use of financial pressures to ease the penetration of private investment groups and
cripple public institution building in developing countries, where such institutions might constrain
private investment strategies. Neoliberal ‘good governance’ is essentially neocolonial.

However two additional steps seem necessary to make the neocolonial process an imperial project;
that is, one which claims exclusive strategic and economic dominance. The first step is securing
exclusive and privileged access to the natural resources of neighbouring countries, and the
associated ‘strategic denial’ of potential rivals (see Friedman 2000). It is not enough to simply
access or buy strategic resources. An imperial project will demand privileged and long term access
to resources. Such a process can be seen in the US venture into Iraq, in 2003. At stake was not the
US ability to purchase Iraqi oil, but rather the capacity to secure long term and privileged supply,
against the vagaries of the local regime and rising competition in demand for oil from Europe and
Asia (see Jhaveri 2004).

The second additional step, to elevate a neocolonial process into an imperial project, must be the
patronage and effective control of the security forces of the dependent nations. The loyalty of a
domestic police or military to the imperial power is essential in the event of a challenge to
privileged resource control. Such loyalties were essential, for example, in the US backed coups in
Iran (1954), Guatemala (1954), Chile (1973) and in the more recent attempted coup in Venezuela
(2002) (e.g. Blum 2003). Each of these coups followed attempted nationalisations of key resource
industries, each depended on close and secret communications with a military and security force
elite, the leaders of which had been carefully tutored at US institutions. The School of the Americas
served this purpose for many decades, training virtually every Latin American dictator and most of
the major human rights abusers of that continent (Gill 2004). Complete dominance of a region does
seem to require effective control of national security forces.

In summary, we could say that the extent to which new forms of regional and development
assistance (self-styled as good governance and stabilisation) represent a form of neo-colonialism
could be measured by the strength of the enabling environment, created by ‘open market’ ideology
and financial pressures. The outcomes will be penetration by private investment groups and an
associated repression of public institutions (e.g. in agriculture, infrastructure, education and health).
In most respects this is simply the experience of neoliberalism in a small country. However the
construction of shared institutions in agriculture, infrastructure, education and health can offset and
frustrate this process. The extent to which this neoliberal ‘good governance’ represents an imperial
project (a plan for strategic and economic domination) could be measured by the strength of
exclusive and privileged access to key resources (and the associated strategic denial of rivals) and
the strength of the patronage and captured loyalty of national security forces.

2. Imperial themes
Focusing on these imperial themes – privileged access to resources, economic penetration and
security force patronage – we can consider the nature of the Australian role in ‘good governance’
and stabilisation in the region, particularly with respect to programs and resistance in Papua New Guinea, Timor Leste and the Solomon Islands.

2.1 Privileged access to resources

Here we can consider the question: what is the strength of Australian privileged access to strategic resources in the region, and the strength of its associated strategic denial of rivals? There does seem to be some privileged access. Australian interests seem to dominate oil, gold and copper mining in Papua New Guinea, have taken over the only gold mine in the Solomon Islands, and the Australian government has had a bitter fight with Timor Leste over royalties from oil and gas.

However the problem with this proposition is that in the Timor Sea, the area of fiercest conflict, the Australian state has been defending commercial interests which are mostly North American. Further, Canadian, European and Asian interests in the region’s resource industries seem to be growing. A closer examination of the interests involved is warranted.

At independence in 2002, Timor Leste claimed about 60% of the natural gas and petroleum reserves of the Timor Sea, in fields which they regarded as within their territorial waters. The Bayu Undan field was thought to have 3.4 tcf, and the Greater Sunrise Fields 8.8 tcf (Symon 2001: 4-5); a total of 12.2 trillion cubic feet of gas. Development of these fields, however, was largely contracted to private companies. The US-based ConocoPhillips emerged as the major corporate player. By August 2006, Bayu-Undan was contracted to ConocoPhillips (56.7%), the Japanese IMPEX (12%), the Italian firm ENI (12%), and the Australian-based company Santos (10.6%). The Greater Sunrise fields were contracted to Australian-based Woodside (33.4%), ConocoPhillips (30%), the transnational Royal Dutch Shell (26.6%) and Japanese Osaka Gas (10%) (Wilkinson 2006). ConocoPhillips also had the major interest in a Darwin based LNG plant, which began operations in 2006 (ConocoPhillips 2007: 48). While Woodside and Santos are Australian dominated in terms of directors and immediate shareholders, the US interests behind them are substantial. A group comprising ANZ Nominees, National Nominees, Westpac Custodian Nominees, and JP Morgan Nominees Australia own respectively 24% of Woodside, and 40% of Santos. Parent company JP Morgan, in turn, is the major shareholder in each of the ANZ Bank, the National Australia Bank and the Westpac Bank. Further, Shell Energy Holdings Australia, the major shareholder, is a creation of the giant transnational Royal Dutch Shell. The Australian dominated directorships of Woodside and Santos masks more substantial US and European interests. So the serious conflict between Timor Leste and Australia over maritime boundaries and royalties on gas (see Anderson 2003), including the partisan intervention in 2006 (see Anderson 2006b) is really a management conflict which hides strong US interests.

Table 1: Major mining companies: Timor Leste, PNG, Solomon Islands

<table>
<thead>
<tr>
<th>Company</th>
<th>Operations</th>
<th>Major Shareholders</th>
<th>Comment</th>
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<tbody>
<tr>
<td>Conoco Phillips</td>
<td>Bayu-Undan 56%; Gtr Sunrise 30%</td>
<td>US based</td>
<td></td>
</tr>
<tr>
<td>Woodside</td>
<td>Gtr Sunrise 33%; Lam-Cor 60-67%</td>
<td>Australian based but major shareholders: Shell Energy 34.3%; US-Aust bank quad 24%</td>
<td></td>
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<tr>
<td>Santos</td>
<td>Bayu-Undan 10%; Gobe (with Oilsrch)</td>
<td>Australian based, but US-Aust bank quad has 40% shares</td>
<td></td>
</tr>
<tr>
<td>Oilsrch (PNG)</td>
<td>Kutubu, Gobe, Moran, SE Mananada, and Hides oil and gas fields</td>
<td>Independent Public Business Corporation 17.56%; US-Aust bank quad 36%</td>
<td>IPBC is a semi privatised PNG body</td>
</tr>
<tr>
<td>ExxonMobil</td>
<td>Moran (with Oilsrch)</td>
<td>US based</td>
<td></td>
</tr>
<tr>
<td>OK Tedi (PNG)</td>
<td>Ok Tedi gold-copper-silver mine</td>
<td>PNGSDP 52%; Inmet 18%; PNGGO 30%</td>
<td>PNGSDP is a semi-privatised body which</td>
</tr>
<tr>
<td>Company</td>
<td>Project/Location</td>
<td>Shareholders</td>
<td></td>
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<tr>
<td>Barrick Gold; Emperor Mines</td>
<td>Porgera Gold</td>
<td>Barrick Gold (Canada-US) 75%; Emperor Mines (Aust) 25%</td>
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<tr>
<td>Lihir Gold Ltd</td>
<td>Lihir Gold</td>
<td>Nuveen Investment 15.65%; Merrill Lynch 11.44%</td>
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<tr>
<td>Australian Solomons Gold</td>
<td>Gold Ridge (Solomon Islands)</td>
<td>ASG group 100%</td>
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**Sources:** the 2006 annual reports of Oilsearch; Woodside; Santos; OK Tedi; ASG; Barrick; Emperor; & Lihir.

**US-Aust quad:** A loose group comprising (i) ANZ Nominees, (ii) National Nominees, (iii) Westpac Custodian Nominees, and (iv) JP Morgan Nominees Australia.

The situation with Papua New Guinea gas and mining is somewhat similar. In terms of directors and immediate shareholders, Australia appears to be the dominant player. Oilsearch, the main oil and gas operator, has the PNG IPBC and several Australian finance bodies as major shareholders. Similarly, Australian directors and interests are strong in Ok Tedi Mining, as also in the Lihir, Tolukuma and Kainantu gold mines. The Canadian-US company Barrick Gold dominates the Porgera gold mine and the now closed Misima gold mine. However once again there are strong US financial interests (embedded in nominally Australian groups) behind Oilsearch.

PNG’s biggest mine Ok Tedi, once with a strong British-South African-Australian presence through BHP-Billiton, is in a different category. In February 2002, BHP-Billiton transferred its majority (52%) shareholding to a Singapore-based company called the PNG Sustainable Development Program (PNGSDP) (Ok Tedi Mining 2007b). This move followed a court case by Western Province villagers who claimed substantial social and environmental damage from the operations of the Ok Tedi mine. The Fly River valley had been massively polluted (Divecha 2001). The PNGSDP is an unusual ‘non profit’ organization which uses two-thirds of its share of post-2002 mine revenue for development projects in Western Province and PNG. However, under a series of contracts, the company also indemnified BHP-Billiton, the Government of PNG and Ok Tedi Mining directors from any future legal claims. BHP-Billiton appoints three of PNGSDP’s seven directors; they are all Australians. The company is not under the control of the PNG Government (PNGSDP 2007: 10, 12-13, 32-33). Once again, Australian directorships mask substantial US and Canadian interests. More recently there has been an emerging Chinese interest, after the Chinese Metallurgical Corporation took over most Australian Highlands Pacific shares in the Ramu Nickel mine.

In the Solomon Islands, on the other hand, Australian mining interests appear to have displaced US interests. This is directly linked to the crisis and the Australian-led RAMSI intervention. The Gold Ridge Project on Guadalcanal in the Solomon Islands, contracted to the US-based Gold Ridge Mining Limited, then the American Home Assurance Company (AHAC), produced 210,000 ounces of gold between 1998 and 2000. However the mine was closed in June 2000 due to civil unrest (ASG 2007a: 4). As with the post-1989 conflict on Bougainville Island, unrest over the Gold Ridge mine had a lot to do with the failure of mining companies to appreciate or respect Melanesian collective rights. Anticipating the conflict that arose, John Naitoro spoke of “the lack of policy framework to deal with issues of customary owners … [and] the vulnerability of kinship based communities” (Naitoro 2000: 137-141). In 2004, after the RAMSI intervention, an Australian company, Australian Solomons Gold Ltd bought out AHAC (ASG 2007a: 10). RAMSI was clearly pivotal to facilitating and stabilising the ASG takeover. Indeed ASG uses RAMSI to build investor confidence in purchasing its shares (ASG 2007b; Asia Miner 2007: 65). Here Australian interests, backed by the ‘regional’ mission, have advanced.

Regardless of the nationality of the foreign corporation, island states and their communities have made attempts to assert national control over their own natural resources. Timor Leste fought to assert sovereign rights over its oil and gas. However an Australian-backed campaign toppled Timor
Leste’s first post-independence Prime Minister, Mari Alkatiri, the political leader who fought hardest with the Australians, securing a better deal over oil and gas royalties and bringing in new development partners (see Anderson 2006b). There remains an ongoing Timorese interest to process gas onshore, at Viqueque, rather than have it all piped to Darwin (Timor Sea Office 2004). In PNG the Bougainville copper mine, closed by a landowner-led guerrilla war, remains closed after almost 20 years. Following the collapse of a proposed gas pipeline to Australia (ABC 2007), the Somare Government backs the construction of an LNG plant in PNG (PMPNG 2006). In the Solomon Islands, community pressure forced the closure of Gold Ridge project, and there is now serious government resentment at the overall Australian role in RAMSI (e.g. STO 2007). The battle has been with the Australian government, but this government has protected wider interests.

2.2 Economic penetration and public institutions

Here I consider the strength of the ‘enabling environment’ created through ‘open market’ ideology, for penetration by private investment groups, and the associated repression of public institutions. We might best consider developments in health and education, land tenure and food security.

In this area, Australian ‘governance’ has been more systematic in its application, though the mechanisms of leverage have been modified. Aid programs were ‘untied’ through lines of budget support, only to be re-tied through contracts to Australian companies. AID/Watch (2005) notes that the majority of AusAID contracts go to a small group of private-for-profit Australian companies. Regional police and military interventions were backed by programs of financial administration which sustained the pressure for privatisation, tax concessions for foreign corporations and an associated hostility to public investment, through structural budget constraints (AusAID 2006: 19). ‘User pays’ regimes have crippled widespread access to education and health services (but Timor Leste has broken from this regime); land registration has been consistently advanced in the region (against considerable resistance, in the case of PNG); and enhancing domestic production of staple foods has been repeatedly undermined (e.g. in PNG and Timor Leste) in favour of import dependence.

Few developing countries have broken from the neoliberal ‘user pays’ model which undermines mass education and health services. However the first independent government of Timor Leste joined that small group, despite its tiny resources, establishing the basis for free basic education and a network of free health services. Most of this was done without Australian assistance. Australian education and health aid has mostly focused on constructing buildings. For assistance with training teachers and health workers, island states have had to look elsewhere.

PNG is perhaps the best example of the consequences of the neoliberal model. Despite $10bn in Australian aid over the 30 years since independence and with high and sustained export income (over 40% of GDP from the 1980s onwards) from its natural resources (World Bank 1988, 2004), PNG has worse than developing country average education and health indicators. Maternal mortality, for example, is amongst the worst in the world, due to a lack of trained health workers and midwives (Mola 2003). Education levels have improved very slowly, with the high cost of secondary school fees being the main impediment for most families. The rate of improvement in PNG's health indicators is below the developing country average. Infant mortality is not only higher than the developing country average (93 compared to 57, in 2004), between 1970 to 2004 it improved at a significantly slower rate (UNDP 2006a). In the year 2000, primary enrolment levels were 85%, but secondary enrolments only 22% (UNDP 2002). Failures in mass education and health, in turn, constitute serious barriers to economic development.

Table 2: PNG: education, exports and aid
A common Australian response to this poor performance has been to blame indigenous culture: the PNG state for corruption and failures in ‘governance’, and PNG culture for parochialism or tribalism (e.g. Hughes 2004). However a deeper problem lies in the neoliberal model. Relentless promotion of privatisation and user pays policies undermines public investment in training and in building public institutions of health and education. The big difference (see Table 2) between primary enrolment levels (where there are very low fees) and secondary enrolment levels (where the ‘user pays’ policy takes over, and fees rise strongly) effectively illustrates the damage of this approach. There are periodic debates in PNG over ‘free education’ (or the increase in ‘subsidies’ to parents) but the neoliberal mode has taken root.

With far fewer resources than PNG, the government of Timor Leste has tried to escape this trap. In 2006 a policy of free schooling plus a meal at school was introduced in three districts (Da Silva 2007). The rationale is simply that poor families cannot afford school fees and hungry children cannot concentrate and study. This policy requires greater investment, and extension to the other districts. More dramatic have been the East Timorese developments in health through a collaboration with Cuba, which began in 2004. This at first involved 20 Cuban doctors, plus 50 East Timorese students sent to Cuba to study medicine, on scholarships fully funded by the Cuban government. After a visit to Havana in December 2005, Prime Minister Alkatiri managed to increase the commitment to almost 300 doctors and 1,000 scholarship places (Araujo 2007). This was an extraordinary program given that, as at 2006, there were less than 50 doctors in Timor Leste. Timor Leste pays expenses and Cuba pays their doctors’ salaries; all health services from Cuban doctors are free of charge. The Cuban program is now centrally important for health services, capacity building and organisation of the national health system. The government notes that Cuban doctors are at the centre of its capacity to mobilise health services (PMCTLG 2006). Equally important is the Cuban contribution to capacity building: within a decade Timorese graduates should replace all the Cuban doctors.

Aware of the Timorese-Cuban program, in 2006 PNG sought Cuban assistance in health. Despite the absence of doctors in rural PNG, Australian Foreign Minister Downer wrote to PNG Health Minister Peter Barter, opposing the Cuban program because it would “destabilise security in the Pacific” (McDonald 2007). It seems the PNG Government will ignore this extraordinary demand.

Another highly sustained attack on a public institution in the region has been the attempt to dismantle systems of customary land rights, through processes of land registration and commercialisation of land. According to Rusanen, over 20 years there have been more than 50 AusAID ‘land’ projects valued at A$130 million, focussed on land titling, land administration and land management in the region. Most projects have been incomplete or unsuccessful and many involved collaboration between AusAID, Australian mining companies and other investment groups and the World Bank (Rusanen 2005: 2-6).

AusAID (backed by the World Bank, the Asian Development Bank and the US) has consistently argued that customary land is an ‘obstacle to development’. To facilitate the land registration agenda, a crisis is often suggested, at the root of which is the supposed failure of Melanesian institutions. Hughes (2004: 4) even claims that the institution of customary land is “the primary
reason for deprivation in rural Pacific communities.” While the system of customary land and clan ownership has food security benefits, this is said to be "at the cost of agricultural productivity and output" Hughes says. The expansion of commercial land relations, generally in the name of ‘land rights’ for poor people, is promoted by the World Bank (see Deininger 2003).

Though the argument for land registration and commercialisation focuses on the suggested benefits for and even sometimes the ‘empowerment’ of smallholders, the principal beneficiaries are those who are already deeply involved in these ‘aid’ projects – the mining companies, banks and investment groups. Yet the economic benefits to small holders are generally overstated while the value of subsistence production and informal markets is most often understated. Combined subsistence production value and informal cash crop income from family land in PNG can range between 10,000 and 20,000 Kina per year, well above family incomes from formal sector schemes, such as village oil palm (Anderson 2006a). This is an amount five to ten times greater than PNG’s minimum wage (BPNG 2006: Table 9.1). Commercialisation of customary land is far more likely to be a threat than an opportunity to small land-owning families.

The attack on customary land is most long standing in Papua New Guinea, where there has been strong resistance (people are very attached to their land); but new programs have been started in the Solomon Islands and Timor Leste, in the wake of the recent interventions. In the Solomons, under the ‘economic governance’ program of RAMSI (principally characterised as a plan for ‘broad based economic growth’), ‘options’ for land registration and other new forms of land security are being prepared, under a wide ranging ‘Transitional Country Strategy’, apparently drafted by Australian officials (AusAID 2006: 5, 20). A Solomon Islands ‘Agriculture and Rural Development Strategy’, influenced by RAMSI, includes the proposal for “pilot customary land registration” (SIG 2007: 63). However Australian pressure on customary land is tentative and seems mitigated by the regional nature of RAMSI, national government caution and community resistance.

Legal tools are available for resistance. The recognition of customary title to land is entrenched in PNG's 1975 constitution, and almost everyone has access to at least some land. PNG has a fairly unique land tenure pattern in the post-colonial era, representing possibly the most even distribution of land, and natural resources, in the world (see Narokobi 1988; Fingleton 2004). Customary land in PNG is a popular and fundamental institution, guaranteeing food and social security. In the Solomon Islands, even under the British protectorate, customary land was said to comprise 83% of the total land area (Ben and Larmour 1979: 249). At the time of independence in the late 1970s, a land was passed to return land to Solomon Island nationals (see Foukona 2007: 70). This recent achievement might not be easily reversed. Timor Leste's constitution does not permit foreigners or corporations to own land. Despite this, both AusAID and the World Bank maintain pressure to remove the ‘obstacles’ for foreign ownership of land, pushing for “the use of land as collateral … creating a system for land registration” and arguing that “a functioning market for land is critical” (World Bank 2007b: 5,7, 39)

Open market ideas have also been used to repress domestic food production. With some minor exceptions, successive Australian governments have promoted a model of food security in the region based on cash earnings from exports. Australia’s ‘food security’ policy is rather unique, being spelt out by the Foreign Affairs and Trade department and designed primarily for other countries (DFAT 1996). Export orientation in food security policy suits Australian interests, as Australia is a major grain exporters, and always looking to expand its markets. Australia exports rice to PNG, but not to Timor Leste. Nevertheless, the strategic aim of dismantling locally protected grain industries has led it into conflict with the East Timorese.

Prior to independence, the World Bank and AusAID refused to assist the rebuilding of East Timor’s rice industry, arguing for an export-oriented and privatised agricultural sector. The World Bank's
Appraisal for an US$18 million Agriculture Rehabilitation Project rejected East Timorese proposals for public sector involvement in “the provision of research, extension and input supply services” because, it was claimed, “such public sector involvement has not proved successful elsewhere; and the anticipated government fiscal resources would not be able to afford such a burden.” The World Bank team demanded that the Pilot Agricultural Service Centres, based on donated aid moneys, would have to be privatised (World Bank 2000: 14). The Bank’s Appraisal was backed by a Bank and donor led strategy document on agricultural policy which suggested that: “the principle [of agricultural development] should be public financing and private delivery of most of those services … the government should not own revenue generating enterprises, such as meat slaughterhouses, warehouse facilities, grain storage facilities, tractor pools or rural service centres … [this] would be costly and would inhibit private entrepreneurship.” (IDA 2000: 3-4)

Yet before and during the transition to independence Timor Leste had been heavily dependent on imported rice, mainly from Vietnam and Indonesia (World Bank 2002: 43-44). Despite Australian and World Bank refusals to assist, the Alkatiri administration (with some help from Japan and the UN’s Food and Agriculture Organisation) maintained a focus on rice production (MAAF 2005). As a result, local rice production rose from 36,848 tonnes in 1998 to 65,433 tonnes in 2004, a 76% increase (UNDP 2006b: 84). This meant that imports fell from two-thirds to one-third of consumption. The 2006 crisis, however, damaged this achievement.

PNG, a food rich country which had, nevertheless, developed a taste for rice, had been importing annually more than A$100 million in rice from Australia, for many years. Australian officials had, in the past, manoeuvred against any diversion in supply of this rice2, and had not encouraged local rice production. Nevertheless, communities and some state-backed projects (with some Chinese assistance) have moved into rice production in recent years. PNG’s Agricultural Development Plan notes: “Production of locally grown foods should be encouraged, especially rice which costs the country K250-270 million in annual imports” (MAL 2006: 42).

Australian Governments have exerted consistent and considerable effort to sustain ‘open market’ policies in the region, particularly in agriculture, but also through ‘user pays’ regimes in education and health, privatisation of community and public assets, and through the commodifying of customary land. These efforts have not always been effective (unpopular land registration plans have virtually all failed) but they have acted to undermine capacity building, mass education, access to health services and, particularly in Timor Leste, food security. The island states have generally defended their customary land rights systems, independently addressed their agricultural priorities and food security needs and, in the case of Timor Leste, have broken with the neoliberal model in education and health.

2.3 Security force patronage
Australian attempts to tutor and capture the loyalty of local police and military commanders is not new, but the recent interventions in the Solomon Islands, PNG and Timor Leste have highlighted the substantial investment in this project. The military interventions were clearly not well planned, as Foreign Minister Downer, just six months before RAMSI, rejected the possibility of such an intervention as “folly in the extreme” (in Dinnen 2004: 7). Nevertheless, after the RAMSI intervention, Australian forces took effective command of the Solomon Islands police; the Enhanced Cooperation Program (ECP) sought to entrench a strategic Australian police presence in

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2 In 1986 then Australian Foreign Minister, Bill Hayden, linked development assistance to future purchases of Australian rice. According to PNG's then Foreign Minister, Hayden “expressed the Australian Government’s very strong concern at plans by Papua New Guinea to import US rice which would threaten the Australian rice industry” (Vagi 1986: 4). US imports were soon abandoned in favour of Australian rice.
PNG; and Australian armed forces sidelined Timor Leste’s army and then refused to submit to UN command, when the matter went to the Security Council.

After street riots and a change of government in Honiara in 2006, relations with Australia soured. The Howard Government was determined to avoid any sheeting of blame to Australian police for the April riots, yet Honiara Bishop Terry Roberts observed “the ‘spark’ that sent the rioters into central Honiara .. was the use of tear gas by the Australian RAMSI contingent”; Australian police ignored a plea by Speaker of Parliament, Peter Kenilorea, not to use tear gas on the people (in Anderson 2006c). The RAMSI intervention had come to be seen as partisan, propping up the former Kemezka/Rini government, backing big expatriate commercial interests (see STO 2007; Masalai I tokaut 2006). The government led by Manasseh Sogavare was offended by the deep reach of RAMSI into every level of government, including an Australian Police Commissioner and the arrest of government ministers over the riots and their aftermath. Relations with the ‘invited’ force deteriorated further. The Solomons Government effectively terminated the contract of the Australian Police Commissioner, by refusing to allow him to re-enter the country, after a holiday; Australian Foreign Minister Downer then took out paid advertisements in Honiara newspapers, opposing the Sogavare Government’s attempts to bring RAMSI under Solomons’ Government control (Pareti 2007). This was an extraordinary intervention. Then, following Australian objections, the Solomons Government was forced to delay the re-arming of Solomons police officers. The Australian move was seized on by opposition MPs (AAP 2007). Repeating a theme he had developed over several months, Solomon Islands Foreign Minister Paterson Oti told the UN that while his government was grateful for RAMSI’s initial work, it had become an ‘occupation’ force and they would assert their “sovereign right to determine the terms” on which RAMSI remained (STO 2007). The Australian Government, through ‘stabilisation and good governance’ programs, was exerting a powerful and partisan influence on domestic politics.

In Papua New Guinea in 2004 the Howard Government organised a large scale police and finance program, apparently influenced by the RAMSI experience. However this program collapsed under a successful legal challenge to the immunities demanded for the Australian police. The 2004 Enhanced Cooperation Program (ECP) aimed to insert 210 Australian police and 64 bureaucrats into Papua New Guinea's government administration. It was said “to help address PNG's development challenges in the areas of law and order, justice, economic management, public sector reform, border control and transport security and safety”, and the headline figure of A$800 million was presented as aid to PNG (DFAT 2004). In practice, most of this money was earmarked for Australian salaries and city rents. Of the A$800 million, $339 million was marked for Australian Federal Police salaries and accommodation, along with $394 million for AFP logistics and operational costs. Only $55.7 was budgeted for PNG police assistance (Aid/Watch 2005). Despite the high sounding aims, the Australian police would most likely have been deployed around major roads, airports, Australian missions and businesses; but they could also have enhanced Australian political influence in PNG, investigating and arresting local politicians, as the RAMSI police had done. However the PNG Supreme Court ruled against the police immunities, finding that the enabling legislation for the program could not interfere with the independent function of the Public Prosecutor, nor prevent PNG citizens from bringing cases against ECP officials, if their constitutional rights were breached (Nonggorr 2005). The Australian Government seemed to think that this problem could be fixed with a constitutional amendment; but this was not be.

The 2006 intervention in Timor Leste followed an armed insurrection by some elements within the army and a complete collapse of a UN-trained police force (see Anderson 2006b). However after the initial stabilisation role the Howard Government, against the wishes of Timor Leste’s Parliament, refused to be subsumed under a UN command (see Hill 2006 and UNSC 2007). The Australian military retained an independent command (raising questions about its legality – see Aid/Watch 2007) and a jaundiced view of the future of the East Timorese army. Marginalisation or
abolition of the country’s army (FNTL) was a call from sources close to Canberra and the Australian Defence Force. James Cotton (2006) suggested that the “deep divisions” in the army “made it unlikely that a viable military can be reconstructed”. Academic Damien Kingsbury bluntly asserted the army was “an expensive and politically divisive institution within the state, and quite frankly it needs to be gotten rid of” (in Hazan 2006). Retired Lieutenant-Colonel Bob Lowry claimed the army and defence ministry was dysfunctional and should be disbanded or changed into “police support and disaster alleviation” function (Lowry 2006). The political implications of this were hardly disguised. Cotton bluntly asserted that “the wrong people” were in government and that “if we cannot have a say in who is in charge in East Timor, we should withdraw our troops” (in Boyle 2006). The influence of Australian policing has been offset by the presence of Portuguese police, in particular. It is significant that Portuguese (and not Australian) police participated in the arrest of coup plotters who had openly declared themselves pro-Australian (see Dodd 2006). Some observers have noted “the fragility of police-building projects” in Timor and the Solomon Islands, and rather generously put this down to poor cultural and political understandings (Goldsmith and Dinnen 2007: 1091-1109). However it seems more likely that independent security forces are seen as obstacles to Australian patronage and political influence.

If we consider the Australian police involvement in the arrest of two Solomon Islands Ministers and the investigation of the office of Prime Minister Sogavare, Australian backing for the forced resignation of East Timorese Prime Minister Alkatiri and ongoing pressure for charges against PNG Prime Minister Somare over the Moti affair (McDonald 2007), it seems that criminalisation has become a tool of Australian political influence in the region. Selective use of criminal charges (for offences real or imagined) is being used to undermine overly independent regimes, and to back and sustain more accommodating domestic political forces. This has been both an ideological offensive and a policing operation. One weak point in the strategy has been the requirement of legal immunity for Australian police and soldiers.

3. Good governance and self governance

Consideration of the recent actions of the Australian state and investment groups suggests they do indeed have imperial ambitions in the region, but that these ambitions are constrained in several ways. The neoliberal element (also essentially neocolonial) of demanding ‘open markets’ and an associated repression of public capacity building is well established. This operates to the benefit of Australian, but also many non-Australian, investment groups. In military and police intervention, in the post invasion of Iraq climate there was an at first hesitant, but then concerted, effort to dominate regional security forces. Each ‘security’ intervention carried with it a powerful political intervention. However resistance to these interventions has been substantial, and the operations have not been completely successful. The Portuguese presence in Timor Leste, and the growing Chinese presence in the region, act as further constraints on Australian influence.

It is not so clear that there has been an attempt to assert exclusive access to natural resources, as non-Australian interests already outweigh Australian interests. US, Canadian, European, South African and (more recently) Chinese investors are sharing access to the natural resources of PNG and Timor Leste. Australian interests are deeply embedded with the former group and powerless to contain the latter. In the Timor Sea, the site of intense political conflict, the Australian state has been asserting maritime and resource privileges, but in support of its relationship with a private oil industry dominated by US investors. In the Solomon islands, Australian mining interests displaced US interests as a direct result of the intervention; but this is not the regional pattern.

Growing resistance in the region should tell us that the veneer of ‘stabilisation’ and ‘good governance’ is wearing thin. ‘Good governance’ as a recent theme in aid carries strong echoes of the colonial past and faces immediate confrontation with the post-colonial aspiration of ‘self
governance’, only recently attained in all the island states. It would be a mistake to imagine that governance is a technical rather than a political issue.

In 1998 Powys Parkops (in 2007 elected as the Governor of Port Moresby) said the main issues of recolonisation in the Pacific were: “alienation, deprivation of land rights, destruction of the environment” (in Dixon 1998). In the post Iraq-invasion climate we would have to include the more direct forms of police and financial administration. Both ‘stabilisation’ and ‘good governance’ rationales have served to facilitate the depth of this ‘recolonisation’.

The recent Australian interventions have been thoroughly neoliberal and neocolonial, with imperial ambitions. But the latter has been a type of ‘regency imperialism’, constrained by post-colonial norms, the need to collaborate with or accommodate other regional powers, and by its own inexperienced and at times inept practice. Despite this, the Australian pretence at regional domination has been dangerous enough, for its independent neighbours.

Emerging resistance does suggests that there is still hope for self-governance in the region. Labels applied to aid programs change rapidly, but we might best judge the contest of self-governance versus neoliberal ‘good governance’ by the extent to which the independent island states: effectively reclaim control of their own natural resources, diversify their development partners, build public institutions, develop their human resources, and retain control of their security forces. These are important lessons from the recent interventions.

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