

# Political tensions continue in Vanuatu after Sope government's removal

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The political situation remains tense in the small South Pacific state of Vanuatu following the ousting of Barak Sope's government in a no-confidence motion at a special parliamentary sitting on April 13. Facing defeat in the vote, which was ordered by the Acting Chief Justice, Sope's supporters walked out of the chamber, leaving the opposition parties to vote themselves into office.

The events brought to a head three weeks of political manoeuvring in the former joint British-French colony of New Hebrides, whose 187,000 people are spread across 83 volcanic islands some 2,000 kilometres north east of Australia. The main protagonists have been Sope, a nationalist politician who has sought to evade an Asian Development Bank economic restructuring program imposed in 1997, and the new prime minister, Edward Natapei, who has pledged to adhere to the bank's Comprehensive Reform Program (CRP).

Sope attempted to block the parliamentary session by calling a state of emergency, but failed to win the backing of the police chief. He also swore in two Green MPs as cabinet ministers at the last minute in an unsuccessful bid to cling to office. As the vote to remove the government was taken, members of the 300-strong paramilitary Vanuatu Mobile Force dispersed hundreds of Sope's supporters outside the building.

Sope's Melanesian Progressive Party has declared its intention to reverse the outcome by winning back some of the MPs who defected from his government and calling a new no-confidence motion to remove the new administration.

Holding only a two-seat majority in parliament, the new coalition appears unlikely to be any more stable than its predecessors over the past decade—during which nine governments have fallen. Natapei's commitment to the CRP will mean further cuts in living standards for Vanuatu's workers and rural subsistence farmers, most of whom live in poverty.

Under the CRP, previous governments have already introduced a 12.5 percent value-added tax, made a 10 percent cut in the public service and reduced the number of government ministries from 13 to 9. The Asian Development Bank is currently demanding further cuts to public spending, tariff reductions, financial restructuring and removal of restrictions on foreign investment.

While in opposition Natapei, who heads the Vanua'aku Pati, sought Western support by advocating a return to the CRP and by opposing Sope's dealings with two Asian-born businessmen, to whom Sope had turned as part of his efforts to find alternative sources of funding and investment. On taking office, Natapei immediately announced an inquiry into Sope's business transactions.

The political turmoil in Vanuatu's capital Port Vila began when eight members of Sope's coalition government defected to the opposition on March 27. The defectors were members of the Union of Moderate Parties (UMP), led by Foreign Minister, and former prime minister, Serge Vohor. Having acquired 27 votes in parliament against the government's 23, the opposition gave notice of a no-confidence vote to be held on April 3.

Sope, however, went to the President, Father John Bani, and advised him to dissolve parliament and call fresh elections—a request that Bani refused.

When parliament resumed on April 3, the Speaker, Paul Ren Tari—a Sope supporter—ruled that he could not proceed with the no-confidence vote because Sope had filed a defamation action against the 27 MPs who had signed the motion for his ouster. Their resolution declared that Sope was a “criminal” who was associated with Asian “crooks” and that his government was involved in illicit money laundering.

On April 6 the opposition, led by Natapei, countered with a Supreme Court writ ordering Tari to reconvene the parliament and allow the no-confidence motion. When Tari recalled parliament on April 10, however, he immediately closed proceedings without allowing any resolutions, triggering the second opposition Supreme Court writ on April 12. Finally, threatened with being jailed for contempt of court, Tari allowed the vote on April 13.

Sope has been a pivotal figure in Vanuatu politics since the British and French authorities granted independence in 1980. Over that period he has evolved from a nationalist politician with an anti-colonial stance to a businessman involved in various schemes to stave off the collapse of Vanuatu's economy.

An early leading figure in the Vanua'aku Pati (VP), he espoused Pacific nationalism as a student in Fiji and in the 1980s backed Libyan involvement in the Pacific region as a counterweight to the influence of the main regional powers, Australia and New Zealand.

Sope supported secessionist movements in East Timor, West Papua and neighbouring New Caledonia, which is still a French colony. In 1987-88, he sought to oust prime minister Father Walter Lini as VP leader. Australia, New Zealand and Papua New Guinea offered military support to Lini. Accused of planning an uprising, Sope was jailed for four months before being released on appeal.

In recent times, Sope has again employed anti-Western rhetoric, appealing to Melanesian nationalism. Last year, he called Australian Prime Minister John Howard “a bully” for imposing sanctions on Fiji, implying support for the anti-Indian communalism of George Speight and his backers.

Sope became Prime Minister in late 1999, having tabled a no-confidence motion in the unpopular VP-led government of Donald Kalpokas, which had sought to implement the CRP. Criticising Kalpokas for being too heavily influenced by foreign advisers, Sope vowed to revise the 12.5 percent consumption tax and modify the CRP.

Sope's government consisted of a fragile five-party coalition. While officially remaining committed to the CRP, he informed parliament that his government was ready to stop borrowing from the Asian Development Bank. He sacked a number of government bureaucrats who were hired by the previous government as key proponents of the CRP and replaced them with his own personnel.

His economic policies and associations with two Asian businessmen came under sustained attack from the opposition and media proprietors.

Sope appointed Dihn Van Than to head Air Vanuatu and Anarendra Nath Gosh as a “roving ambassador”. Sope issued Gosh with government bonds and bank guarantees worth \$US10 million, as part of a get-rich-quick scheme whereby Gosh would sell Vanuatu gold and silver coins. Natapei has declared that he will strip Than of his Vanuatu passport and remove Gosh's diplomatic status.

Sope had a running battle with Marc Neil-Jones, the editor of the *Vanuatu Trading Post*, the country's only non-government news source. The newspaper ran a campaign against Sope's business connections and accused him of supporting money laundering by international criminal syndicates. Sope deported Neil-Jones to Australia in January, but was forced to allow his return after a Supreme Court challenge to the deportation.

Adding to the pressure on Sope was a July 31 deadline set by the Organisation for Economic Co-operation and Development (OECD) for a list of offending countries, including Vanuatu and several of its Pacific neighbours—Nauru, Niue, Palau and the Cook Islands—to cease money laundering activities or face financial sanctions. Natapei cited this deadline as one reason for moving against Sope. Some US banks have already placed restrictions on Vanuatu making transactions in US dollars.

Vanuatu has adopted banking secrecy laws to provide a tax-free banking haven for transnational corporations and these measures have allegedly provided money laundering facilities for Russian and South American criminal gangs.

Vanuatu will not disclose the identity of depositors in its 55 banks but major companies such as Unelco, TVL, Boral Gas, Mobil, Shell and financial institutions such as banks, trust companies and accounting firms are known to avoid tax payments in their home countries by using Vanuatu's banking facilities.

Similar operations have become a major source of revenue for many small countries. Nearby Nauru, with a population of just 10,000, has 400 banks. The International Monetary Fund has estimated that between \$US5 trillion and \$US 7 trillion—26 percent of the world's financial assets—are held in such tax havens.

Vanuatu's dependence on this financial activity has increased as other sources of revenue and investment—agricultural exports and tourism—have declined since 1995. The economic slide worsened after the Asian financial crisis in 1997-98, followed by currency devaluations in Fiji, the Solomon Islands and Papua New Guinea, which undermined Vanuatu's exports, which are primarily copra, beef, kava and cocoa.

In 1998 the Vanuatu National Provident Fund collapsed. Riots broke out in Port Vila as it became clear that many people had lost all their savings. The Vohor government was forced to organise a refund of all depositors' funds—a crippling payout totalling 14 percent of the country's GDP. Investors withdrew funds from the country, precipitating a 2 percent fall in the country's GDP during 1998.

While the Australian government has not officially commented on Sope's ouster, it has made no secret of its opposition to his undermining of the CRP. On its web site, the Australian Department of Foreign Affairs and Trade criticises Vanuatu's economic performance, insists that the CRP must be strictly followed and asserts that Vanuatu's “tendency to seek budgetary assistance from individual foreign benefactors suggests certain weaknesses in government processes”.

In 1997, a South Pacific Forum briefing document for Australian Prime Minister Howard described Sope as an “old radical” who was “on the make” in his business ventures. It stated that “transparency and accountability run counter to Sope's instincts and interests.” Marked “for Australian eyes only,” the document was leaked to the media.

With the departure of the British and French, Australian governments have sought to include Vanuatu within Canberra's economic and strategic sphere of influence in the south-west Pacific. Australia has become the largest aid donor to Vanuatu, but the aid—a pitiful \$A18 million a year—is

conditional upon full compliance with the CRP.

The Asian Development Bank has also withheld loans because of delays in implementing the CRP, leaving Vanuatu governments with little room to manoeuvre. According to the Australian Foreign Affairs web site, Vanuatu's official reserves stood at just \$A66.7 million last June—enough to cover less than six months' imports.

Australian and international ruling circles are continuing in the tradition of the colonial authorities who left Vanuatu as one of the poorest states in the world in 1980. During the nineteenth century, British and French settlers exploited the sandalwood on the islands and established a trade in “blackbirding”—the abduction of islanders for forced labour in Australia and Fiji.

In 1887, the British and French authorities agreed to share control over the islands and in 1906 established the joint condominium of New Hebrides. Both powers maintained their own administrations and education systems, however, leaving Vanuatu with three official languages—French, English and Bislama, a form of pidgin English—as well as over 100 vernacular languages.

In the 1970s, differences between the British and French governments over de-colonisation led to the establishment of local political parties based on their alignments to Britain or France. Walter Lini, an Anglican minister, founded the anglophone Vanua'aku Pati and became the first prime minister, opposed by the francophone UMP.

The French authorities also encouraged Melanesian organisations on various islands. The most prominent of these, the Nagriamel movement led by Jimmy Stevens, declared an independent state on the island of Espiritu Santo in 1980. Papua New Guinea troops, backed by Australian logistical support, put down the insurrection.

Lini remained in office until 1991 when he was ousted from the VP leadership and formed the National United Party, initiating a decade of unstable and shifting alliances. Politics in Vanuatu remains the preserve of a small elite, largely based on local allegiances and patronage. Regional loyalties, however, have been undermined as rural villagers migrate to Port Vila and the regional centre of Luganville on Espiritu Santo in search of work. One in seven people now lives in Port Vila although there is little industry in the town.

The business and political activities of the elite stand in increasing contrast to the grinding poverty faced by most people. Vanuatu's adult literacy rate of 34 percent is the lowest of any Pacific nation—and only one in five children attend school beyond primary education. The average income of a rural family—the majority of the population—is \$US780 per annum.

Reporting last year on problems with implementing the CRP, the Asian Development Bank warned of “weaknesses in law enforcement” and insisted that “public expectations will need to be managed carefully to avoid a popular backlash against the CRP”. Natapei's pledge to revive the CRP is certain to lead to continuing opposition and political fracturing.



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