Australian government outlines pro-market agenda for its Pacific sphere of influence

Jake Skeers
28 June 2006

The Australian government last month released a far-reaching report that outlines a 15-year blueprint for the economic restructuring of 14 Pacific island countries and East Timor to pave the way for foreign investors, particularly from Australia.

"Pacific 2020: Challenges and Opportunities for Growth" calls for the removal of government barriers in the fisheries, mining and agriculture sector, the sale of government-owned service providers and the facilitation of foreign investment on customary-owned land.

The fact that such a report has been published brazenly setting out the economic agenda for these Pacific states underscores the increasingly aggressive manner in which Australian imperialism is asserting its economic and strategic interests in the region. A decade ago Canberra still acknowledged, formally at least, the national independence of its small neighbours.

"Pacific 2020" notes the poor economic growth of most of the countries covered by the report over the period from 1990 to 2004. East Timor, the Solomon Islands, Nauru, Micronesia, Marshall Islands and Palau all recorded negative growth in per capita gross domestic product (GDP). The remaining countries—Fiji, Papua New Guinea (PNG), Vanuatu, Cook Islands, Niue, Samoa, Tonga, Tuvalu and Kiribati—all had lower growth rates than the average for the world's developing countries.

The report highlights the low levels of employment, high unemployment, widespread poverty, poor education and health problems, such as malaria, tuberculosis, cancer and diabetes. The purpose, however, is not to suggest that Australia will significantly boost economic aid to help overcome this economic and social crisis. Rather it seizes on these social problems to argue for more of the market reforms that have already led to a deepening social divide in these countries between rich and poor.

"Pacific 2020" outlines three scenarios: firstly, a "doomsday scenario" in which the Pacific region "completely fails to meet its mounting challenges"; secondly "muddling on ... where collapse is prevented by the continuation of aid and migration opportunities" and thirdly, a scenario for "rapid growth" fuelled by the "reforms" outlined in the report.

These measures include:

* The reduction of government involvement in the provision of transport, telecommunications and other industries. The report insists that government has to "facilitate business, not to crowd it out by being directly involved in commercial activities or by imposing burdensome regulations."

Canberra has pushed for a number of years for the rationalisation of small, government-protected airlines operating in the Pacific, including Air Fiji, Solomon Airlines, Air Nauru, Polynesian Airlines (Samoa), Air Vanuatu and Aircalin (New Caledonia) and the opening of their routes to larger airlines such as the Australian-based Qantas.

The report complains that governments in the Pacific are not only running service providers, but that they are charging business customers higher rates for power and telecommunication services to provide cheaper services to households. The obvious implication is that higher costs should be imposed on ordinary workers and villagers.

All of the countries covered by the report are economically backward—a legacy of direct colonial rule which only ended in the 1970s and later. Governments have provided most of the basic services such as electricity, bus lines and ferries often to small, isolated rural communities in remote areas or different islands. "Facilitating business" will inevitably result in the closure of unprofitable services and higher costs for consumers, who can ill afford to pay, in order to lower charges for foreign investors and private business.

* Changes to legal systems and regulations to attract foreign investment. According to the World Bank Group's "ease of doing business" indicator, the Pacific countries rank between 36 to 142 out of 155. The report calls for the removal of high taxes and regulations and changes to the legal system to make it easier for business to recover debt and enforce contracts. It also proposes the removal of caps on interest rates charged by banks, which exist in some South Pacific countries.

* The reform of the system of communal land titles. This measure is potentially one of the most explosive social and political issues in the report as the vast majority of people in the Pacific island states continue to live a semi-subsistence existence in their traditional villages. The constitutions of these countries continue to acknowledge the customary system of land ownership that is the basis of village life, which, as far as investors are concerned, is an intolerable barrier to business activity.

In PNG, for example, 97 percent of the land is held under customary title, 2 percent is state-owned, only 1 percent is under free title and very little of it is registered. In Fiji, 83 percent of land is under customary title, while in Vanuatu the figure is 97 percent. In most Pacific island countries, individuals do not own land and cannot sell it, but rather have rights to use land because of their birth into, or adoption by, a kinship group.

"Pacific 2020" acknowledges that land reform was "difficult and sensitive", but declares these difficulties "cannot be an excuse for inaction". It proposes establishing long-term leases for developers, including tourist operators, mining companies and forest plantation owners, while keeping customary ownership in place. The report calls for legal mechanisms to ensure the rights of businesses when negotiating land deals and to enforce purchased property rights. These measures include recording land rights, providing government mechanisms for negotiating land deals and providing land dispute bodies.

The undermining of communal land rights will inevitably lead to a further break up of village life as customary land holders bargain away the use of their land at the expense of the village as a whole. This process will lead to a social polarisation in the villages forcing more people to turn to towns where they will swell the ranks of the unemployed in the shanty towns and provide private enterprise with a useful source of cheap labour. It has long been a complaint of business in countries like Papua New Guinea that enforcing labour discipline was difficult because workers could always return to their village and subsist.

A background paper to the "Pacific 2020"report points out that the majority of people in the region have access to land to meet their subsistence needs. It notes that while "this remains the case, poverty levels are not likely to approach those found in many other regions of the developing world." In other words, once the leasing or purchasing of land becomes commonplace, the extent and severity of poverty is bound to increase.

Access to land is crucial for the report's proposals for greater commercial agriculture, tourism, mining, fishing and forestry. It calls for greater emphasis on cash crops for export and the removal of government monopolies on the purchase of produce. The report argues for the development of more clearly defined fishing and forestry rights, which will inevitably mean the pushing out of small local operators by larger commercial businesses.

* A call for "better governance". One of the report's main themes is the complaint that politicians in the Pacific have short-term goals in mind, shift political allegiances and take little interest in economic policy. The report stresses the need for "law and order", macroeconomic stability, transparency, moves against "corruption" and for market institutions "to be allowed to work better".

In essence, political institutions have to be geared to the needs of foreign corporations rather than favouring local businesses or making concessions for political support. The demand for "macroeconomic stability" entails the slashing of government budgets, while "law and order" means a crackdown on the inevitable social unrest that such policies will produce.

The release of the "Pacific 2020" has not provoked any protests from the governments of the Pacific. In fact, the report has been officially endorsed by several of the region's leading political figures. The ability of the Howard government to ram through these economic proposals is the result of three years of political bullying and economic threats as well as overt military interventions in the Solomon Islands and now East Timor.

A key turning point was the US-led invasion of Iraq. Howard's unwavering support for the war in Iraq ensured Washington's backing for Australia's colonial ambitions in the Pacific. The illegal "preemptive" war on Iraq also provided a precedent for riding roughshod over national sovereignty in the Pacific. Just months after the Iraq invasion, Australia formed its own "coalition of the willing" and pressured the Solomon Islands to "invite" a military intervention in July 2003.

Under the pretext that the Solomons was a "failed state" and thus a potential breeding ground for crime syndicates and terrorists, a force of mainly Australian police, troops and officials have taken over the running of the country for at least 10 years. In the aftermath of the occupation of the Solomons, Howard bulldozed through a series of measures at the Pacific Islands Forum in Auckland in August 2003 which more firmly placed the body and its member countries under Australian domination. Howard brushed aside protests and installed an Australian official as head of the forum's secretariat.

Under the guise of ensuring "good governance", the Howard government has installed Australian police and officials in top positions in PNG, Fiji and Vanuatu. Since 2004, Australia has held the positions of Secretary of Finance, Director of Police and other senior positions in Nauru. Over the last two months, Australia has dispatched troops to the Solomon Islands once again to shore up its occupation of that country and pressured the East Timorese government to "invite" an Australian-led military intervention. Australian officials are currently lobbying the UN for a Solomons style takeover of East Timor.

The publication of "Pacific 2020" is part of the same process. Given the tiny economies of the Pacific islands and East Timor and their reliance on international aid and trade, these countries will be pushed into implementing its agenda—one way or another. Significantly the report was released a month after the publication of a "White Paper on the Australian Government's Overseas Aid Program" which explicitly links aid to economic demands. If the threat of aid cutbacks fails, then the countries risk being branded as "failed states" and face the prospect of neo-colonial occupation, as in the Solomons and East Timor.