

Australia: report exposes government's foreign "aid" program

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19 June 2007

An investigation released on May 28 by AidWatch, a non-governmental organisation, has highlighted the bogus character of the Howard government's foreign aid program. The material in the report, entitled "Fighting poverty or fantasy figures? The reality of Australian aid," establishes that the government's aid program has nothing to do with improving the lives of impoverished people in neighbouring states. On the contrary, the program has been integrated into Canberra's aggressive drive to assert its domination over the South Pacific, with a major proportion of "aid" funds being spent on Australian police, bureaucrats and other personnel inserted into the state apparatuses of various Pacific countries.

The Howard government is among the most tight-fisted of all international donors, contributing the equivalent of just 0.3 percent of Australia's gross domestic product, compared to an OECD country average of 0.46 percent. This stands in sharp contrast to the record of ordinary Australians, who rank as the second most generous citizens of the 22 OECD industrialised nations in their contributions to private charitable donations. The true level of government aid spending is even lower than the official figures, with AidWatch classifying one-third of all spending as "phantom aid", i.e., funding which has nothing to do with anything normally understood as aid.

More than one-quarter of Australian "aid" money is actually spent by various federal government departments, including immigration, defence, foreign affairs and treasury. Perhaps most cynically of all, the Howard government categorises \$155 million of the immigration department's budget as "aid" for what it describes as "assistance to refugees". This "assistance" includes funding for the notorious "Pacific Solution"—the government's program of imprisoning refugees in squalid detention centres on Nauru and Christmas Island, in violation of international law. The cost of returning asylum seekers to their country of origin, including Iraq and Afghanistan, is classified as "aid", as is a \$3,000 bribe offered to refugees to accept their own repatriation.

Debt cancellation for favoured countries is also counted as aid. A significant proportion of Australia's aid budget over the last two years has been allocated to writing off Iraq's \$668 million debt, after a request from the Bush administration. "[The money] never left Australia and is really an export debt for wheat bought from Australian farmers more than 17 years ago," a recent *Sydney Morning Herald* article explained. "A Pitt Street government insurance agency which indemnifies exporters in risky markets

paid out claims to grain growers 15 years ago. The government paid the agency, the Export Finance and Insurance Corporation, and took on the debt, which it now classifies as aid."

The *Herald* identified a further extraordinary "aid" payment relating to Iraq's purchase of Australian wheat. AusAID, the official aid body, paid more than \$27,000 to law firm Sparke Helmore for legal assistance during the Cole inquiry into the Australian Wheat Board's payment of bribes and kickbacks to the Iraqi government under the "oil for food" program. "It was a cost incurred in the administration of aid program assistance to Iraq," a Department of Foreign Affairs and Trade spokesman insisted.

The Howard government's cynicism in its classification of Australia's aid expenditure is indicative of its entire approach towards neighbouring Pacific states.

But AidWatch's differentiation between "phantom" and "real" aid spending understates the situation. While the report exposes the fraudulent character of so-called real aid, it nevertheless insists on maintaining the real/phantom distinction. This flows from the organisation's futile political perspective of attempting to pressure the Howard government into reforming its aid program.

In reality, all Australian foreign aid is driven by the determination of the country's ruling elite to maintain and extend its strategic influence, and open up critical markets and natural resources for exploitation by Australian corporations. This has been true of successive Labor and Liberal governments but, in recent years, amid the eruption of Australian neo-colonialism in the South Pacific, the Howard government has even more closely integrated Australia's aid program into its predatory foreign policy operations.

In previous periods, Australian governments used the threat of the suspension or withdrawal of aid as a means of pressuring neighbouring governments to enact various economic reforms or make political or strategic concessions. Alternatively, aid packages were explicitly tied to specific conditions (often couched in terms of anti-corruption or "good governance" measures). While many aspects of the aid program continue to be manipulated in this manner, the Howard government has also moved to use it as a means of not merely influencing, but directly controlling, social and economic policy in the South Pacific.

The Solomon Islands provides an instructive example. Hundreds of troops, soldiers, and bureaucratic personnel were dispatched to the country in 2003 as part of the Regional Assistance Mission to Solomon Islands (RAMSI). The takeover operation was not aimed

at addressing the interests of ordinary Solomon Islanders. It was driven, instead, by growing great power rivalry in a region Canberra regards as its traditional sphere of influence—and, in particular, by the growing strategic threat posed by Beijing.

A total of \$112 million, or 50 percent, of all Australian “aid” to the Solomons now goes toward the salaries and logistics of the Australian Federal Police forces operating in the country. In 2006, half of the remaining money went to GRM International, a company owned by Australia’s wealthiest individual, James Packer. GRM runs the Solomons’ prison system, which routinely detains people in appalling conditions (see “Australia’s richest man profits from Solomon Islands intervention”). The company also profits from contracts in other areas of RAMSI’s “law and justice”, “economic governance”, and “machinery of government” programs.

GRM plays an extraordinary role alongside RAMSI in ensuring Canberra’s control over the Solomons’ state apparatus. As the AidWatch report explains: “GRM has been engaged as the de facto recruitment firm, procuring ‘advisors’ to work with the Solomon Islands public service in various financial and economic advisory roles. Publicly available contract information reveals that in the Law and Justice sector, GRM hires magistrates, court officers, legal policy advisers, whilst it manages the Solomon Island prison system and assists in investigations within the Ombudsman’s office.”

GRM’s profits are not open to public scrutiny, because all AusAID contracts with private companies are designated “commercial in confidence”. Nor is it known exactly how much “aid” money Australian contractors receive as salaries. According to AidWatch, “Rarely does a consultant’s short term contract fall below \$100,000, however remuneration can be as high as \$500,000 for a six month stint overseas”.

In stark contrast to these exorbitant salaries, Canberra spends just \$2 million a year on education in the Solomon Islands and, since 2001, an average of less than \$9 million a year on health. With an estimated one-quarter of all Solomon Islanders illiterate and a ratio of 10,000 patients to each doctor in the country, these figures expose the real priorities of the Howard government’s “aid” program.

The RAMSI operation has become the blueprint for Canberra’s increasingly aggressive drive to strengthen its grip over the South Pacific. Nauru is now little more than an Australian puppet state, with the government totally dependent on aid money that is conditional on a series of restrictions and guidelines, including allowing Australian officials free access to all government accounts.

Papua New Guinea has been the largest recipient of Australian aid over the past three decades, due to its pre-1975 status as an Australian colony as well as its economic and strategic significance in the region. An Australian RAMSI-modelled operation labelled the Enhanced Cooperation Program suffered a setback in 2005 when the PNG Supreme Court ruled the presence of more than a hundred Australian police unconstitutional. As of November last year, however, 42 Australian personnel remained in the country as “advisors”, including 27 in economic and public sector administration agencies, seven in law and justice agencies,

and eight in border and transport security. The final bill in salaries and related costs—again chalked up as aid spending—amounts to \$23 million a year.

Australian aid is also directed towards accelerating pro-business economic reform in neighbouring states. While presented as “pro-poor” initiatives, the program of economic deregulation, privatisation of land and state-owned industry, public sector job cuts, and reductions in social spending has exacerbated poverty, unemployment, and social inequality throughout the region.

The AidWatch report highlighted the Howard government’s “Infrastructure for Growth” aid package of \$505 million over five years. AidWatch concluded that the program was “specifically aimed at ensuring the economic levers of a recipient country are geared towards private interest and liberalised regional trade, [and] embeds Australian assistance in the key financial decision making areas of the recipient governments”.

The promotion of profitable investment opportunities abroad has gone hand-in-hand with the development of a multi-million dollar aid industry at home. Packer’s GRM is just one of a number of corporations that have cast themselves as “project management firms” and whose profits largely derive from AusAID contracts. The top ten companies dealing with AusAID have contracts worth a total of \$1.67 billion. Due to the secrecy surrounding these contracts, it is impossible to know how much of Australia’s total “aid” spending is directly skimmed off as corporate profit. AidWatch provides a “conservative estimate” of 10 percent, but noted that “some contractors anecdotally suggest the real figure would be much, much higher”.

In 2006, the leading AusAID contractor, Cardno ACIL, had contracts worth \$366 million. Its operations provide a snapshot of the range of work contracted out to private companies, as well as the close connections between corporate executives and aid officials in Canberra. Last year Cardno was responsible, among other things, for road regravelling in PNG, education in Fiji, technical assistance in the Indonesian province of Aceh, and law and justice and electoral development in PNG.

The head of Cardno ACIL, Charles Tapp, joined the firm last month just three days after he stopped working for AusAID. Formerly an AusAID deputy director-general, Tapp was hired as a consultant for the government body in 2005 and received almost \$600,000 over two years. Announcing the appointment, Cardno’s managing director, Andrew Buckley, said: “Tapp’s close working knowledge of the international division’s major clients [i.e., AusAID] will no doubt position Cardno to better meet these clients’ needs and objectives”.



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