

International Action against Corruption in the Pacific Islands: Policy Transfer, Coercion and Effectiveness

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There is increasing international attention to the problem of corruption. Action against corruption is required of governments seeking loans from development banks, or applying to join international organizations like the European Union. How coercive and how effective are these international interventions? The article uses ideas about 'policy transfer' to compare and evaluate several attempts to induce governments to act against corruption in the Pacific Islands, where small states are particularly dependent on the international community. It considers the use of loan conditions by development banks; peer review by a regional organization; blacklisting by banks; and the more recent 'cooperative intervention' in Solomon Islands, where Australian officials enforce local laws against corrupt police and politicians.

Keywords: Corruption; Pacific Islands; International Action; Policy Transfer

Introduction

Since the 1990s, there has been increasing international attention to the problem of corruption. It has come on to the agenda of intergovernmental organizations like the World Bank and the OECD. The international development banks are concerned that domestic corruption will inhibit economic growth, so they promote anti-corruption reforms in developing countries. The European Union makes similar demands on countries in Eastern Europe seeking to join it. The new international interest in corruption has been stimulated by the influential non-government organizations such as Transparency International. It was founded in 1993 by disaffected international civil servants, frustrated at the World Bank's tolerance of corruption

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in aid projects, and angry at the way Western governments tolerated their own companies' bribery of foreign officials (Larmour, 2006).

Policy Transfer

This international effort to reach down into domestic politics can be seen as an infringement of national sovereignty or as a new form of colonialism. It can also be analysed less judgmentally as a form of 'policy transfer', defined as 'the process by which knowledge about policies, administrative arrangements, institutions and ideas in one political system (past or present) is used in the development of policies, administrative arrangements, institutions and ideas in another political system' (Dolowitz and Marsh, 2000: 5). The anti-corruption model most admired internationally is the Independent Commission Against Corruption (ICAC), devised in Hong Kong in the 1970s, with its characteristic three-pronged approach to corruption: investigation; prevention, and education. Dolowitz and Marsh (2000) note that there is a continuum in policy transfer, from voluntary adoption at one end through to coercive imposition on the other. At the voluntary end are study tours and consultancy reports on 'best practices'. At the coercive end are colonial rule or military defeat. In the middle are processes of conditionality or accession criteria which say, in effect, 'If you want a loan, or to join our club, you must accept our conditions'. A 'policy transfer' approach was used by Richard Common (2001) in his study of the adoption of New Public Management in Singapore, Hong Kong, and Malaysia. He found, counter-intuitively, that transfer did not result in the adoption of inappropriate institutions, as powerful local bureaucratic elites picked and chose among what was on offer.

It is now over a decade since the new international interventions against corruption began, and it is possible to start making judgments about how coercive and how effective they have been. Nobody commends corruption, but a small critical literature on the anti-corruption movement is emerging, particularly from Eastern Europe where scholars have found externally sponsored anti-corruption campaigns, encouraging a populist style of politics that could undermine the legitimacy of newly established democracies (Kotkin and Sajo, 2002; Tisne and Smilov, 2004). Bryane Michael (2004a,b,c) has assessed anti-corruption campaigns in Africa, finding a standard model that paid little attention to variable local conditions.

The effectiveness of any anti-corruption campaign is, of course, hard to assess. The phenomenon itself typically takes place in secret, between more or less willing partners who have no interest in revealing that it has taken place. Increased levels of prosecution may reflect a more effective judicial system rather than changes in the underlying rate of corruption (Sampford *et al.*, 2006). There are disagreements on what exactly counts as corruption, and popular perceptions may underestimate or overestimate the amount that takes place. It is hard to disentangle the effects of the campaign from other changes taking place anyway. It all takes time. Similar difficulties bedevil

evaluation of campaigns against other kinds of crime, and public policy more generally. Here we rely on self-assessments and external reviews of the campaigns.

The Pacific Islands

The small island states of the Pacific are particularly dependent upon the international system. Many are what Jackson (1990) characterized harshly as 'quasi states', sustained by international recognition of their governments, and foreign aid, rather than domestic capacity and taxation. So, they are more open to international pressure than larger or more self-sufficient countries. Island governments club together in regional organizations like the Pacific Islands Forum (henceforth 'The Forum'). They also form sub-regional groupings in larger organizations like the Asian Development Bank, the Commonwealth, or the Africa Caribbean and Pacific grouping in relation to the EU. During the 1990s, these international organizations became conduits for policies of 'good governance', including public sector reform, accountability, and anti-corruption.

The Pacific Islands also constitute regions of influence for relatively powerful neighbours. Australia, also a member of the Forum, has decided to become actively and directly involved in the government of what it sees as potentially 'failing' states Solomon Islands, Nauru, and Papua New Guinea (PNG) (Dinnen, 2004). Nauru and PNG had been colonies of Australia until they became independent in the 1970s (whereas Britain ruled Solomon Islands until 1978 and has shown little interest in it since). The Australian Prime Minister explained:

The South Pacific has the enduring problems of poverty, bad governance and corruption, and what we're trying to do is do something about both. It's in our interests strategically, historically and sentimentally. If we just throw up our arms and go away, you'll end up with these places being taken over by interests that are very hostile to Australia. It's also walking away from our moral responsibility. We are far and away the most powerful and influential country in the whole area, and nobody else will do the job if we don't. (*The Daily Telegraph*, 31 December 2006)

In this article, we can compare the 14 states listed in Table 1 as each of these have been subject to detailed independent surveys of what Transparency International calls their 'national integrity systems'. We examine the domestic and international dimensions of corruption uncovered in these surveys, and the domestic and international action being against it. The latter includes public sector reforms promoted by the Asian Development Bank and the World Bank; improved accountability promoted by the Pacific Islands Forum; and a crackdown on offshore financial centres by the Financial Action Task Force (2003), an offshoot of the OECD. Recently, Australia has provided soldiers, policemen and other government officials to 'strengthen' institutions in Solomon Islands, PNG and Nauru. The article then draws some conclusions about the coerciveness and effectiveness of these international campaigns.

Table 1 Pacific Islands Population GNP Growth and Aid

	Population (2004, estimated)	GNP per capita \$US purchasing power parity (2000)	Average annual growth of GNP per capita 1970–2000	Average annual aid per capita since 1970 (\$US)	Aid as % GDP
Papua New Guinea	7,236,000	2,180	0.3	104	7
Solomon Islands	589,700	1,710	−0.4	110	20
Vanuatu	289,400	2,960	−0.3	217	14
Fiji	891,100	4,480	2.7	65	2
Samoa	182,700	5,050	0.8	213	14
Tonga	98,300	1,660	2.6	233	15
Cook Islands	14,000	5,000	n.a.	646	n.a.
Tuvalu	9,600	1,100	−1.4	647	n.a.
Niue	1,600	3,800	n.a.	3,558	n.a.
Federated States of Micronesia	112,700	2,000	n.a.	178	50
Kiribati	166,100	950	−1.2	217	33
Marshall Islands	55,400	1,600	n.a.	232	61
Palau	20,700	9,000	n.a.	933	27
Nauru	10,100	5,000	n.a.	51	n.a.

Sources: Secretariat of the Pacific Community (2005); Chand (2003).

Corruption is famously difficult to define, and these difficulties are likely to be great in international campaigns that juxtapose different legal systems and different popular understandings. So, first we look briefly at how ‘corruption’ is understood within the region, and by international organizations.

Domestic Understandings of Corruption

Most Pacific Island countries’ penal codes prohibit bribery of officials, and most public service regulations prohibit conflicts of interest. Papua New Guinea (PNG), Solomon Islands and Vanuatu have constitutionally mandated codes of practice applying to all politicians and senior officials, the so-called ‘Leadership Codes’. Accusations and counter-accusations of ‘corruption’ are also part of the normal language of politics in the region, as loose coalitions of ideologically indistinct politicians rotate office and its spoils with one another.

With the exception of Tonga, which was never colonized, each country’s legal system is inherited from colonial rule. Laws are often criticized by politicians as being out of step with indigenous traditions and popular opinion. Politicians sometimes defend their acts as ‘traditional’ or ‘customary’ behaviour that outsiders might regard as corrupt. Ethical commitments to family and kin may contradict official duties. Traditional gifts and payments to chiefs and pastors may be hard to distinguish from bribes made to secure advantage. Thus, a PNG Prime Minister, criticized for paying money to an MP to cross the floor in parliament, replied ironically that ‘corruption is

part of our culture' (Larmour, 1997). Elections often involve substantial public payments by candidates to local leaders and directly to voters.

Popular opinion often casts the net of corruption widely to include the personal misbehaviour of elites, the signs of wealth such as four wheel drives, and overseas travel. Perceptions of corruption are often biased against ethnic minorities like the Indian or Chinese traders who provide the backbone of a local private sector in most of the region. Krastev (2002) found in post-communist Balkans that new, visible, and unwelcome inequalities of income are often more easily explained as the result of corruption rather than bad luck, effort, or the working of the merit principle. Foreign aid and bribery are conceptually similar (Morgenthau, 1962), and the relatively high salaries of foreign aid workers and consultants are often regarded as corrupt.

International Understandings of Corruption

International organizations tend to take a more economic view of corruption. The World Bank adopted Transparency International's earlier definition, i.e. 'the use of public office for private gain', although Transparency International itself has since moved on to a broader definition, i.e. 'the use of entrusted power for private gain'. While this definition focuses on the acts of individuals rather than the character of a whole system of government, international organizations have generally shied away from campaigns against particular corrupt individuals. They are not like Interpol, coordinating international action against particular villains. Nor do they want to act like an international court of appeal against local acts of corruption. Transparency International decided to avoid chasing individuals out of prudence. Its local members would be subject to litigation or violent retaliation. Intergovernmental organizations prefer prevention to investigation, and approach the harsh word 'corruption' through the softer language of 'governance' and 'accountability'.

Surveys on Corruption

Of the 14 countries we are comparing, only PNG and Fiji have featured in the Transparency International's Corruption Perceptions Index (CPI). The CPI is a poll of polls, based on existing surveys, when available, of each country by local and foreign businessmen, academics and journalists. It treats corruption as an attribute of countries rather than individuals. In 2006, PNG scored 4 on a scale of 1–10 (where 10 is 'highly clean' and 0 is 'highly corrupt'). Transparency International thus ranked PNG at 130th of the 163 countries surveyed in that year, tied with Burundi, Cambodia, the Congo, Kyrgyzstan, and Venezuela (Transparency International, 2006). Fiji was not ranked in 2006, but a year earlier got the same score (4) as PNG. So both PNG and Fiji have below average reputations for corruption, but no worse than many developing countries which tend to cluster at the low end of the rankings.

Transparency International has also subjected them to more detailed qualitative assessments of their 'national integrity systems' (NIS): the institutions in place to control corruption and their performance in practice. A local consulting firm surveyed Fiji in 2001. PNG was surveyed by two PNG academics in 2003, and the remaining 12 small island states were surveyed by in a project Manu Barcham, which I coordinated from the Australian National University. We commissioned foreign academics or retired local officials to carry out the surveys, and compared the results (Larmour and Barcham, 2006). These NIS surveys provide the basis for the accounts of domestic and international corruption below.

Domestic Dimensions of Corruption

The PNG report found that corruption 'has saturated many aspects of the public and private sectors', while most government institutions were 'passive and tolerant' towards it (Mellam and Aloï, 2003: 8). Politics is often a 'means to personal wealth' (Mellam and Aloï, 2003: 8). Most democracies in the region have weak, non-ideological political parties. Even the most honest and public-spirited politicians are under pressure to offer favours to voters, or offer inducements to legislators to hold together winning coalitions in parliament or congress. The exception is Fiji, which has strong and ideological parties, but only intermittent democracy. It suffered military coups in 1997, 2000, and most recently in 2006. Naturally, Fiji's latest coup leader has pledged to 'clean up corruption' in the former governing party before returning the country to democratic rule.

The NIS study of 12 small states found government ministers involving themselves in the day-to-day running of their departments. It reported complaints about favouritism towards relatives in appointments, contracts, and travel. Particular government departments were more vulnerable to corruption than others: the police, the customs service, forestry and fisheries, ports, health, and education. Retirement funds set aside for public servants were often at risk of corruption (or from the authorized depredations of finance departments desperate for revenue). Petty corruption—routine payments for services that officials already received salaries to perform—was an issue in at least three smaller countries (Samoa, Tonga, and Palau). The PNG report found officials 'hinting their willingness to be bribed', either an invitation to lunch or 'six packs' (of beer) and 'bus fares' in return to speed up inquiries and service delivery processes. Officials were also using their official vehicles to carry out private businesses (Mellam and Aloï, 2003: 15).

Under the headings of 'kickbacks', the Fiji report found public officials 'imposing/demanding extra levies for services they are expected to deliver in the normal course of their duties', particularly in the issuing of passports, work permits, driving licenses, and vehicle certification (Olaks Consulting Services, 2001: 6). The Fiji report also found nepotism and cronyism, particularly in the use of powers of appointment delegated from the Public Service Commission as part of an earlier public sector reform programme. The report argues that in small societies with strong cultural ties

‘there is a tendency to promote one’s own colleague or relative’ and ‘everyone knowing each other makes the act of ignoring illegal practices’ easier than ‘blowing the whistle’ (Olaks Consulting Services, 2001). In Solomon Islands, Roughan (2004: 9) describes a state of mind of ‘insidious tolerance’—every official is regarded as on the take, but no one feels anything can be done about it. But not all the news was bad. The NIS reports found oversight institutions generally weak, though the courts remained largely free of suspicion of corruption (except perhaps in Fiji).

International Dimensions of Corruption

The median population for the 14 island states is a little over 100,000. In very small countries, without natural resources, there is often little to sell overseas except the symbols and tokens of sovereignty like stamps, work permits, passports, international telephone access codes, and internet domain names. Back in the 1970s, the Philatelic bureau—selling exotic stamps—was looted by the government to fund campaign expenses in Cook Islands. There have been scandals over the sale of passports to foreigners in Tonga, Kiribati, and Samoa. Several countries use their sovereignty to run offshore banking regimes congenial to companies and individuals wanting to avoid tax in their home countries.

Local opportunities for profitable investment are small in most of Polynesia and Micronesia. Phosphate revenues in Kiribati are placed in a portfolio of shares offshore, whereas in Nauru ministers have invested directly in offshore hotels and an airline. They have often been the victims of scams or at least poor advice. In each of these three cases—passports, tax avoidance, and overseas investment—it was often not clear if ministers involved were benefiting personally, or acting recklessly on behalf of the national treasury.

Often the most valuable thing a small country has to sell is its vote in international forums, like the International Whaling Commission or the United Nations. Japan has cultivated island governments and their officials to support its positions on whaling. Governments switch sides between support for China and Taiwan. The Chinese Premier toured the region in 2006, promising preferential loans, trade access, training opportunities, and debt forgiveness to the seven states with which it currently has diplomatic relations (*Peoples Daily Online*, 6 April 2006). The Premier offered trade as well as aid, and did not nag island leaders about ‘good governance’. Later in the year, the Taiwanese ambassador in Solomon Islands was announcing that his government would be paying \$400,000 Solomon Islands dollars (US\$49,000) in ‘Rural Community Development Funds’ annually to every MP to spend as they wished in their constituencies (Maesulia, 2006). Regretting the sanctions Australia and New Zealand had applied to his country, Fiji’s coup leader promised to turn to China for support.

The three largest countries, Papua New Guinea, Solomon Islands, and Fiji, face the opposite risk, which economists call a ‘resource curse’. Log exports have been a major source of corruption in PNG, Solomon Islands, and Fiji. Politicians often act as

intermediaries between local landowners and the foreign (mainly Malaysian and Indonesian) loggers. A timber project seems to offer traditional landowners in isolated areas access to cash, jobs, and services that are otherwise only available to the capital cities or abroad. The mining industry is more centralized; any corruption that takes place is more hidden; or interested politicians and officials get the law changed in their favour.

The region—except Fiji and Nauru until recently—depends heavily on foreign aid (see Table 1). The multilateral banks rely on the recipient government's accountability structures. Smaller amounts at the discretion of ambassadors or mobilized for emergency relief, are often used or seen as forms of political patronage. In Solomon Islands, for example, the first Prime Minister resigned over claims that French hurricane relief funds were disproportionately channelled to his own village. Funding under the first Compact of Free Association that the US signed with its former colonies became so plagued with problems of accountability and suspicions of corruption that the revised Compact contained the provision for a special audit office based in Hawai'i.

Domestic Initiatives against Corruption

The constitution of the first country in the region to be decolonized, Samoa in 1962, did not address issues of corruption, but the idea of a Leadership Code for senior officials and politicians was introduced at independence in PNG in 1975 (from Africa), and then copied by Solomon Islands and Vanuatu (Larmour, 2005: 104–105). These leadership codes are administered by the Ombudsmen in PNG and Vanuatu (and a combination of the two offices is also planned for Solomon Islands). PNG's Ombudsman Commission supervises over 600 leaders, requiring them to declare assets and avoid conflicts of interest. Penalties range from reprimands through dismissal, fines, and prison sentences. Between 1975 and 1997 35 senior officials have appeared before leadership tribunals. Of the 21 found guilty, 13 were dismissed and eight fined (Mellam and Aloï, 2003: 331–333). Solomon Islands first commissioner was reluctant to confront politicians, and his office unable to keep track of the asset declarations of the thousands of officials it was supposed to monitor. Vanuatu started later with technical assistance from PNG, and its feisty foreign-born woman commissioner produced a stream of scathing reports on the corruption and incompetence of ministers and officials. Parliament, stung, repealed the legislation establishing her office, and eventually replaced her with a quieter figure. Meanwhile little action has followed her reports.

The PNG government initiated (but never published) a comprehensive and damning review of the forest industry, which found it riddled with corruption, and unsustainable in economic or environmental terms (Barnett, 1989). PNG has tried to restrict corruption through reform of the electoral system, campaign financing, and the strengthening of political parties. Legislation preventing MPS from 'crossing the floor' after an election was intended to prevent the kind of trading of favours and

promises of lucrative ministries that had characterized coalition formation since Independence (and precipitated the Prime Minister's remark about 'culture', cited above). These initiatives were home-grown, by concerned PNG politicians and officials, and not the result of policy transfer. There was, however, a minor international dimension when the European Union supported a publicity campaign supporting the reforms that included radio talk shows, TV, newspaper advertisements, and posters and flyers such as 'The Ten Commandments of PNG Democracy', including the ambitious injunction: 'Thou Shall Not Vote for Self Interest'.

The formation of local chapters of Transparency International in PNG, Solomon Islands, Vanuatu, and Fiji also had domestic and international dimensions. Transparency International soon realized that its campaign against international corruption would not attract popular support unless they also dealt with corruption within countries. So they began to franchise their name to local anti-corruption campaigns. Transparency International's structure leaves local groups to fund and fend for themselves, simply franchising its name to any local group that adopts its standards and policies, and sometimes helping with seed money. A PNG group was set up after a political crisis that followed the government's botched attempt to hire foreign mercenaries to subdue a provincial rebellion (Larmour, 2003). Smaller groups have coalesced in Fiji, Solomon Islands. and Vanuatu.

International Initiatives to Prevent Corruption

Public Sector Reform by the ADB, the World Bank and the IMF

Fiscal crises in six countries in the mid 1990s led the Asian Development Bank to make loans to their governments conditional on 'public sector reform'. Loan conditions typically included asset sales, downsizing, the introduction of value added tax, and output-based budgeting. Existing heads of department were removed and their jobs advertised. Corruption was not targeted as such, but new consultation and accountability mechanisms were to be introduced, such as national summits with the private sector and NGOs. In Cook Islands, for example, private sector accountants were brought on to new committee to oversee government public expenditure.

Corruption in the forest industry was targeted more directly and explicitly in the World Bank's loan negotiations with PNG. In the late 1990s, the Bank began to work closely with international environmental NGOs (at the same time its initial hostility to the formation of Transparency International was softening). It pushed to make reform of the logging industry a condition of loans proposed for PNG. Negotiations broke down amid accusations from PNG that the World Bank was interfering into domestic policy. A change in government brought both sides back to the table in 2000. The PNG government seemed to agree to a new loan conditions, including a moratorium on new forestry agreements and a case-by-case review of the legality of existing ones (Filer, 2004).

Peer Review by the Forum

During the early 2000s, Australia began using the Forum to press island states to improve their systems of governance, attempting first to sign its members on to a common leadership code (something the Australian parliaments found difficult to apply to themselves). The Forum has also been promoting a process of ‘peer review’ of countries’ success in implementing ‘eight principles of accountability’ that they have jointly affirmed support for. These do not deal directly with corruption, though their adoption might make it less likely, or easier to detect. Several of the principles rely on power of a democratically elected legislature to oversee the executive and the bureaucracy, through approving expenditure in an annual budget, approving loans entered into by ministers, and considering reports of Auditors General and Ombudsmen. They do not address corruption in parliaments themselves, an issue in most of the NIS studies. The Forum’s financial and economic ministers have signed up to these principles, and are meant to report to each other on progress in adopting them.

Cleaning up Offshore Financial Centres

In 1989, the Group of Seven rich countries set up a Financial Action Task Force (FATF) attempting to persuade the governments which sponsor the Offshore Financial Centres (OFCs) to regulate them more closely. As we have seen, the OFCs have been one of the ways in which island states can trade on their sovereignty by providing more permissive tax and identification regimes than richer countries do. The OECD was originally concerned with loss of tax revenues, but September 11 has shifted its emphasis to money laundering, i.e. ‘the process of converting cash, or other property, which is derived from criminal activity, so as to give it the appearance of having been obtained from a legitimate source’ (Asia Pacific Group on Money Laundering Secretariat, 2003).

The FATF tried to get governments to adopt what it called its ‘Forty Recommendations’, which included obligations to criminalize laundering the proceeds of serious crimes, to require financial institutions to be able to identify their clients, and to report suspicious transactions. Governments were to introduce systems to control financial institutions, and to enter into treaties allowing international cooperation. They published annual lists of ‘non-cooperative’ countries, starting in 2000. The US also sharply increased its own pressure on the OFCs, as part of its counter-terrorist activity after September 11, 2001. Among South Pacific countries, Cook Islands, Marshall Islands, Niue and Nauru appeared on the first FATF list. Listing invoked countermeasures, such as the warning to non-financial businesses dealing with listed countries that the transaction might run the risk of money laundering. In December 2001, FATF members agreed to apply additional countermeasures to Nauru for its failure to abolish 400 shell banks, which had no physical presence in the country.

Australia-Led Action against 'State Failure'

Solomon Islands suffered a period of what was called inter-island 'ethnic tension' before the police led a coup d'état in 2000 and forced the Prime Minister to resign. Though a civilian government stayed in place, and a general election was later held, government officials, particularly those in the finance department, continued to be intimidated by thugs and gangs often believed to be linked to political leaders. Solomon Islands leaders made several requests for Australian intervention which were rejected by the Australian Foreign Minister on the grounds that only Solomon Islanders could solve Solomon Island problems (Moore, 2006: 1).

Australian policy then shifted for several reasons. The success of Australia's intervention in Timor in 1999 and its alliance with the US in its 'war on terror' emboldened the Prime Minister, John Howard. These international events happened against a steady loss of Australian official faith in more traditional approaches to aid and development in the region. Economic growth since the countries became independent had been slow to negative, particularly if measured in per capita terms (Table 1). Pacific Island governments (demonized as 'elites') came to be seen as part of the problem as much as part of the solution.

In July 2003, Australia sent over 2,000 troops, police and other officials in 'regional assistance mission' to Solomon Islands (RAMSI) to restore law and order by disarming combatants and rebuilding institutions, particularly those dealing with finance and criminal justice. The mission was framed as a Forum initiative, and included small contingents of police and soldiers from other countries in the region. The intervention was invited by the Solomon Islands government, and regulated by a special act of the Solomon Islands parliament.

PNG is the largest country in the region, with a population of over seven million. It is the largest recipient of Australian aid, and Australia is the largest donor to PNG. The latter's low rate of economic growth and law and order problems continue to cause despair and impatience in Canberra, and PNG's leaders are regularly offended when their country appears in Australian lists of potentially 'failing' states. Australia devised an 'Enhanced Cooperation Programme', which would put several hundred Australian police on patrol in PNG and Australian officials in line positions in departments concerned with finance and criminal justice, including the prosecution of corrupt officials and politicians.

Nauru—at the opposite extreme of scale, with a population of only 10,000—used to have one of the highest per capita incomes of the island states, as a consequence of phosphate mining. Corruption and mismanagement of its offshore investment portfolio and regional airline had led to Nauru's near bankruptcy. A new source of sovereignty-based revenue became available in 2002 when Australia persuaded the Nauru government to act as an offshore detention centre for illegal immigrants to Australia. They could be held without the protections of Australian law while Australian officials assessed their applications for asylum.

Coerciveness of International Interventions

The international, regional and Australian approaches differed in the degree of coercion they involved. In the case of public sector reform, governments needed loans to get them through fiscal crises, and reform became conditional on the loans. Governments were not forced to borrow though the alternatives might be dire. In PNG's negotiations with the World Bank, the Bank tried to ratchet up tougher conditions, as well as to hold the PNG government to its own stated policies and legislation.

In the second case, the Forum lacked the tool of conditionality, but relied, like the World Bank, on a steady stream consultancy reports and reviews to chivy reluctant leaders to stick to commitments they, or their predecessors, had made in other times and circumstances. In the third case, 'non-cooperative' governments were blacklisted and threatened with boycotts by the commercial banks.

Coercion was intrinsic to RAMSI. It was designed to counter intimidation by armed gangs and corrupt police. The initial landing in July 2003 was heavily armed—Australian forces did not know what to expect and were relieved at the signs of popular welcome. The shows of military strength and the promise of future security encouraged people to surrender their guns. A new police force was introduced side by side with the discredited Solomon Islands force, and it used its powers to arrest under Solomon Islands law. A new jail was built to house those convicted or denied bail.

Effectiveness of International Interventions

The Public Sector Reforms aimed, among other things, to improve financial accountability and budget control, which would thereby reduce opportunities for corruption. Yet aspects of the reforms created new opportunities for corruption and reinforced popular perceptions of it. Putting heads of departments on contract reduced their independence from ministers. The process of privatization was vulnerable to favouritism and insider dealing. There was controversy over the way a government-owned hotel was sold in Cook Islands, and over the privatization of the Bank of PNG.

To-ing and fro-ing continued between the PNG government and the World Bank over the terms of the moratorium on logging and the review of hundreds of existing agreements. Extensions to some permits were issued while others were threatened with rescission (Filer, 2004). The World Bank suspended its loan. In 2004, a new permit was issued to the largest foreign company involved, Rimbunan Hijau. The company had become increasingly vocal on behalf of logging through the local newspaper it conveniently owned, and by commissioning its own consultancy report to counter the welter of documentation produced by the World Bank and the conservation movement (ITS Global, 2006). In 2005 the government and the World Bank jointly announced the cancellation of the project to finance forestry reform (ITS Global, 2006).

Island ministers have rejected the lengthy draft leadership code proposed by Australian consultants, though Tuvalu has gone ahead to draft its own legislation. A 'stocktake' of the accountability process found that agreements made at the Forum were not being well communicated and implemented back home (Pacific Islands Forum Secretariat, 2002). Another stocktake two years later found some changes, mainly to legislation, but only among the seven countries which replied to the questionnaire. The main constraints were the lack of political will, technical capacity, and human resources (Pacific Islands Forum Secretariat, 2004).

The threat of commercial boycotts has brought about legal changes in the OFCs. Nauru held out longest but by 2006 it had legislated sufficiently for the FATF to remove it from its blacklist.

RAMSI quickly restored law and order and turned its attention to supporting institutions involved in finance, accountability, and criminal justice, including a group specifically targeting corruption offences. According to the RAMSI's website, 6,300 people have been arrested—roughly one adult in 50. About 3,600 guns were surrendered. About 160 Solomon Islands policemen now face corruption and other serious charges brought under local legislation. Six former ministers have been charged with corruption. Australian officials occupy line positions in the government departments. The first audit reports in years have been produced and presented to the parliament. Government finances have been stabilized, with economic growth running at 5% per annum (after a fall of 25% through the conflict).

Public opinion polling confirms that RAMSI remains popular and 65% thought violence would return if it left (RAMSI, 2006: 2). However, 62% of the rural population and 46% of the urban population believed that the government was corrupt, although RAMSI's focus groups found 'no universal agreement on what constituted corruption (and some tendency to challenge the conventional Western view of it)' (RAMSI, 2006: 2). There are concerns that RAMSI is not addressing underlying development problems that Australian officials say are not its job. RAMSI's structure and mission are in any case a work in progress, and it has set itself a long time frame—at least 10 years—to achieve results. Events in 2006, however, raised questions about whether either government could maintain the political will to stay that course.

Relations between the Australian and Solomon Islands governments turned sour after RAMSI's police failed to control a riot that followed the election of a new Prime Minister widely suspected of involvement in the old corruption. Rioters burned Chinatown, the capital's business district, including a prominent casino. Australia resisted Solomon Islands government attempts to set up a commission of enquiry into the cause of the riots, arguing it would prejudice legal action against two MPs already facing charges for inciting it. It might also embarrass RAMSI (Moore, 2006: 9–10). In September 2006, the Solomon Islands government declared the Australian High Commissioner *persona non grata*, claiming he was interfering in domestic politics. Then the two governments got into a public row over Solomon Islands' plan to appoint Julian Moti, a Fiji-born Australian citizen, as its Attorney General (and

therefore responsible for the proposed commission of inquiry). Australia claimed alarmingly that Moti was wanted under Australian anti-paedophile legislation, which covers Australians overseas. However, the alleged offence took place in Vanuatu, several years ago, and had already been dealt with by the Vanuatu courts, raising questions about why this old matter was being raised now. PNG got drawn into the farce when Moti fled there and was returned to Solomon Islands in an official aircraft, rather than being extradited to Australia. In October, the Forum reaffirmed its support for RAMSI, and moved to set up better mechanisms for consultation about its direction.

Meanwhile, in PNG, 150 Australian police were briefly on patrol in the capital, and 45 Australian officials remained in 'line' positions in PNG government departments until the ECP programme was halted in May 2005 after PNG's Supreme Court found that immunities against prosecution promised to Australian officials were unconstitutional. The Australian Police Commissioners in Fiji and Solomon Islands were both expelled in late 2006: Fiji's commissioner was dismissed after the December coup, and Solomon Islands Commissioner declared an undesirable immigrant, preventing his return from Christmas holidays in Australia.

Conclusions

Of the several interventions, the FATF's campaign against the OFCs was clearly the most effective, perhaps because it clearly targeted the international dimensions of corruption in each country. It was also coercive, threatening boycotts against countries that failed to cooperate. The World Bank's threats against PNG were less convincing, and Filer (2004) concludes that the PNG government must have decided that the forest industry, even if unsustainable, was worth more to it than a loan from the World Bank. NGO pressure seems to have been effective on the Bank, though it was from environmental NGOs rather than anti-corruption ones—the Worldwide Fund for Nature rather than Transparency International. The liquidation of PNG's forests was at least slowed down through years of negotiation, review, and reporting.

The Forum's peer review processes seem to have been neither coercive nor particularly effective. The jury is still out on RAMSI, which is the most complex and ambitious intervention. Its coercive aspects have been highly effective and popular, but during 2006, cooperation between the Australian and Solomon Islands governments broke down badly.

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