

Chapter 5

Transnational crime

5.1 To date, the committee has examined the security challenges that originate from within Pacific island states. It has suggested that poorly resourced policing organisations and overstretched justice systems create difficulties for the Pacific island countries in managing law and order, containing civil disorders and prosecuting and deterring criminal activity. It has also noted that on occasion indigenous policing organisations have been unable to manage breakdowns in law and order, with some states requiring the support of regional partners to help restore peace. In this chapter, the committee turns its attention to the nature and extent of illegal activities that originate outside Pacific island states, giving specific attention to those forms of transnational criminal activity that represent the most significant threat: unauthorised fishing; smuggling and the transshipment of illegal goods; money laundering; and terrorism.¹

5.2 Transnational crime generally refers to any crime that crosses international borders or moves from one jurisdiction into another. Weak policing and poor security sector governance, as explored in chapters 3 and 4, have made Pacific island states vulnerable to the activities of transnational criminal groups. It is axiomatic that such groups target areas of least resistance. As Mr Neil Jensen, CEO, Australian Transaction Reports and Analysis Centre observed, transnational criminal syndicates 'will look for any chink in the armour anywhere along the way'.²

5.3 The Pacific Islands Forum identified the threat of transnational crime when adopting the Honiara Declaration on Law Enforcement Cooperation in 1992. Forum leaders set out the rationale for the declaration in its opening paragraphs:

The threats to the stability of the region are complex and sophisticated, and the potential impact of transnational crime is a matter of increasing concern to regional states and enforcement agencies. The Forum agreed that there is a need for a more comprehensive, integrated and collaborative approach to counter these threats.³

1 See Department of Defence, *Submission 18*, p. 1; Australian Federal Police, *Submission 62*, pp. 2–3, 6; DFAT, *Submission 68*, pp. 15–16; Pacific Island Forum Secretariat, *Submission 69*, pp. 23–24; Attorney-General's Department, *Submission 40*, p. 3; Austrac, *Submission 45*, p. 4. Illegal immigration, the movement of undeclared currency across borders and identity crime have also been identified as matters of continuing concern by the Secretary General of the Pacific Islands Forum, Tuiloma Neroni Slade, Forum Regional Security Committee Meeting, 4–5 June 2009, <http://www.forumsec.org.fj/pages.cfm/newsroom/speeches/2009-1/sg-tuiloma-neroni-slade-frsc-meeting-opening-address.html> (accessed 23 September 2009).

2 *Committee Hansard*, 21 November 2009, p. 48.

3 Annex to the Forum Communiqué, 23rd South Pacific Forum, Honiara, Solomon Islands, 8–9 July 1992.

5.4 The Declaration sought to promote and develop methods of cooperation, specifically legal sector cooperation, to deal with transnational crime. In the wake of September 11, the Forum decided to re-endorse the Honiara Declaration through the Nasonini Declaration on Regional Security (2002).⁴ In this Declaration, Forum leaders recalled their commitment to act collectively in response to regional security challenges.⁵

5.5 More recently, in an article which appears on the World Legal Information Institute database, Ms Ciara Henshaw suggested that the threat of transnational crime has steadily increased in the Pacific island countries over the last 25 years:

The Pacific is known as a major production and distribution hub for illicit drugs and has been chosen as a base by many transnational crime groups, including terrorist organisations. There is strong evidence of extensive money laundering within the region, corruption is manifest, small arms have proliferated, the region is being used as a transit zone for both human trafficking and people smuggling, and identity document fraud compounds the problem. However, the transnational criminal activity that has manifested itself in the region has largely been directed at supplying markets elsewhere and has been planned and financed from elsewhere.⁶

5.6 In his opening address to the Forum Regional Security Committee Meeting in June 2009, Secretary General Tuiloma Neroni Slade, provided a status report on the current threat of transnational crime to the region. In referring to the 2009 Pacific Transnational Crime Assessment, which was developed in cooperation with specialist regional law enforcement agencies, he suggested that transnational criminal activity is of growing concern:

It is clear from the variety of investigations undertaken in the last year that the region continues to be targeted by individuals and groups attempting to undertake a range of transnational criminal activity. These include the illicit movement of drugs, weapons and people. We are even beginning to witness

4 Pacific Islands Forum Security Program, <http://www.forumsec.org.fj/pages.cfm/security/> (accessed 4 September 2009).

5 Pacific Islands Forum Security Program, <http://www.forumsec.org.fj/pages.cfm/security/> (accessed 4 September 2009). Questions have been asked about the usefulness and the implementation of these security declarations. Susan Windybank has been critical of the 'alphabet soup' of regional security initiatives and agencies that have emerged to counteract terrorism and money laundering, *The Illegal Pacific, Part 1: Organised Crime*, http://www.cis.org.au/policy/winter08/windybank_winter08.html (accessed 16 October 2009). Ciara Henshaw has also questioned the implementation of the declarations: 'Although technical assistance has been given particularly in the drawing up and adaptation of model legislation to local conditions, Pacific Island countries face a general problem of law reform', 'Strengthening the rule of Law in the Pacific through international crime cooperation' (2007), International and Humanitarian Law Resources, <http://www.worldlii.org/int/journals/IHLRes/2007/3.html> (accessed 24 September).

6 Ciara Henshaw, 'Strengthening the rule of Law in the Pacific through international crime cooperation' (2007), International and Humanitarian Law Resources, <http://www.worldlii.org/int/journals/IHLRes/2007/3.html> (accessed 24 September).

the incidence of new organised crime groups entities attempting to exploit vulnerabilities in our banking and financial sectors.⁷

5.7 These concerns have been raised within the Pacific Island Forum's Security Program which considers increased transnational criminal activity as a symptom of globalisation. The program suggests that improved communications and information technologies; greater mobility of people, goods and services; and the emergence of the globalised economy all contribute to increased transnational criminal activity.⁸

5.8 Recently, concern has also been raised that the region faces increased transnational criminal activity as a result of the global financial crisis particularly in the areas of commercial fraud: evasion of duty on imported goods and the movement of counterfeit products.⁹

Unauthorised fishing

5.9 The vastness of the maritime waters of the Pacific makes enforcement, regulation and the management of international boundaries extremely complex for Pacific island states, and many struggle to regulate the movement of licensed and unlicensed foreign fishing vessels through their Exclusive Economic Zones (EEZs). When appearing before the committee, the Pacific Islands Forum Secretariat identified the Pacific's fisheries security challenge in the following way:

Given that fisheries are one of the clear and most stable resources that the region possesses and given the potential to use those resources for the future of the children of the region, it is basically a very important security challenge. The need to protect the resources, the need to surveil our waters and the need to provide effective approaches to ensure that we have good security in the region are all basically underpinning quite concerted efforts

7 Opening address to the Forum Regional Security Committee Meeting, <http://www.forumsec.org.fj/pages.cfm/newsroom/speeches/2009-1/sg-tuiloma-neroni-slade-frsc-meeting-opening-address.html> (accessed 14 September 2009).

8 Pacific Islands Forum Security Program, <http://www.forumsec.org.fj/pages.cfm/security/> (accessed 4 September 2009).

9 Secretary General Tuiloma Neroni Slade, Forum Regional Security Committee Meeting, 4–5 June 2009, <http://www.forumsec.org.fj/pages.cfm/newsroom/speeches/2009-1/sg-tuiloma-neroni-slade-frsc-meeting-opening-address.html> (accessed 23 September 2009). Research has suggested that corruption increases in line with a country's engagement with international economy, and thus, corrupt capital is an international security issue in a double sense: '...the sources are from outside the Pacific, and the corruption itself is mobile, being able to shift from state to state according to need or opportunity. The remedy therefore needs also to be international'. I. C. Campbell, 'Tongan Development and Pacific island security issues', in Jim Rolfe (ed.), *The Asia Pacific: a Region in Transition*, Asia-Pacific Centre for Security Studies, 2004, p. 352, <http://www.apcss.org/Publications/Edited%20Volumes/RegionalFinal%20chapters/Chapter20Campbell.pdf> (accessed 14 October 2009).

to cooperate across the region, both on surveillance and on fisheries management issues...¹⁰

5.10 In a recent report by the Australian Strategic Policy Institute, Dr Sam Bateman and Dr Anthony Bergin suggest that with declining fish stocks, 'illegal fishing is the main transnational crime at sea in the region' and that 'fisheries protection and law enforcement have become major tasks for maritime security forces'.¹¹ In its submission, DFAT contended that the landed value of fish taken from the region is vastly under-reported, with poaching estimated at 40 per cent.¹²

5.11 As suggested above, the vastness of the maritime boundaries presents significant challenges for Pacific island states. Typically, the EEZs are 200 nautical miles.¹³ The combined EEZs of Pacific island states cover approximately 30,569,000 km².¹⁴

Figure 5.1. Pacific Island countries' land and EEZs¹⁵

| Country | Land area (sq km) | Size of EEZ (sq km) | Approx. ratio (land/EEZ) |
|--------------------------------|-------------------|---------------------|--------------------------|
| Cook Islands | 240 | 1,989,000 | 1:8,300 |
| Federated States of Micronesia | 701 | 2,900,000 | 1:4,150 |
| Fiji | 18,272 | 1,338,000 | 1:73 |
| Kiribati | 684 | 3,540,000 | 1:5,175 |
| Marshall Islands | 181 | 2,131,000 | 1:11,735 |
| Nauru | 21 | 320,000 | 1:15,238 |
| Niue | 258 | 390,000 | 1:1,512 |
| Palau | 508 | 629,000 | 1:1,238 |
| PNG | 162,243 | 3,120,000 | 1:19 |
| Samoa | 2,935 | 131,000 | 1:45 |
| Solomon Islands | 28,530 | 1,340,000 | 1:47 |
| Tonga | 699 | 720,000 | 1:1,030 |
| Tuvalu | 26 | 725,000 | 1:27,885 |
| Vanuatu | 11,880 | 680,000 | 1:57 |

10 *Committee Hansard*, 19 June 2009, p. 8.

11 Australian Strategic Policy Institute, 'Australia and the South Pacific: Rising to the challenge' Special Report, issue 12, March 2008, p. 57.

12 *Submission 68*, pp. 10, 15.

13 However, due to the proximity or adjacency of many states, zones may be significantly smaller. *Committee Hansard*, 20 November 2008, p. 60.

14 Martin Tsamenyi, 'Plundering the Pacific', *World Conservation*, May 2008, p. 3.

15 Australian Strategic Policy Institute, 'Australia and the South Pacific: Rising to the challenge' Special Report, issue 12, March 2008, p. 56.

5.12 By contrast, the collective land mass of Pacific island states totals 552,789 km² (with 84% of this landmass belonging to PNG).¹⁶ Kiribati, for example:

...consists of 33 atolls with a total land area of about 800 sq km. The atolls exist in three separate groups—the Gilberts, Line and Phoenix. Each group has a separate Exclusive Economic Zone, with the total EEZ for Kiribati being around 3.5 million sq km.¹⁷

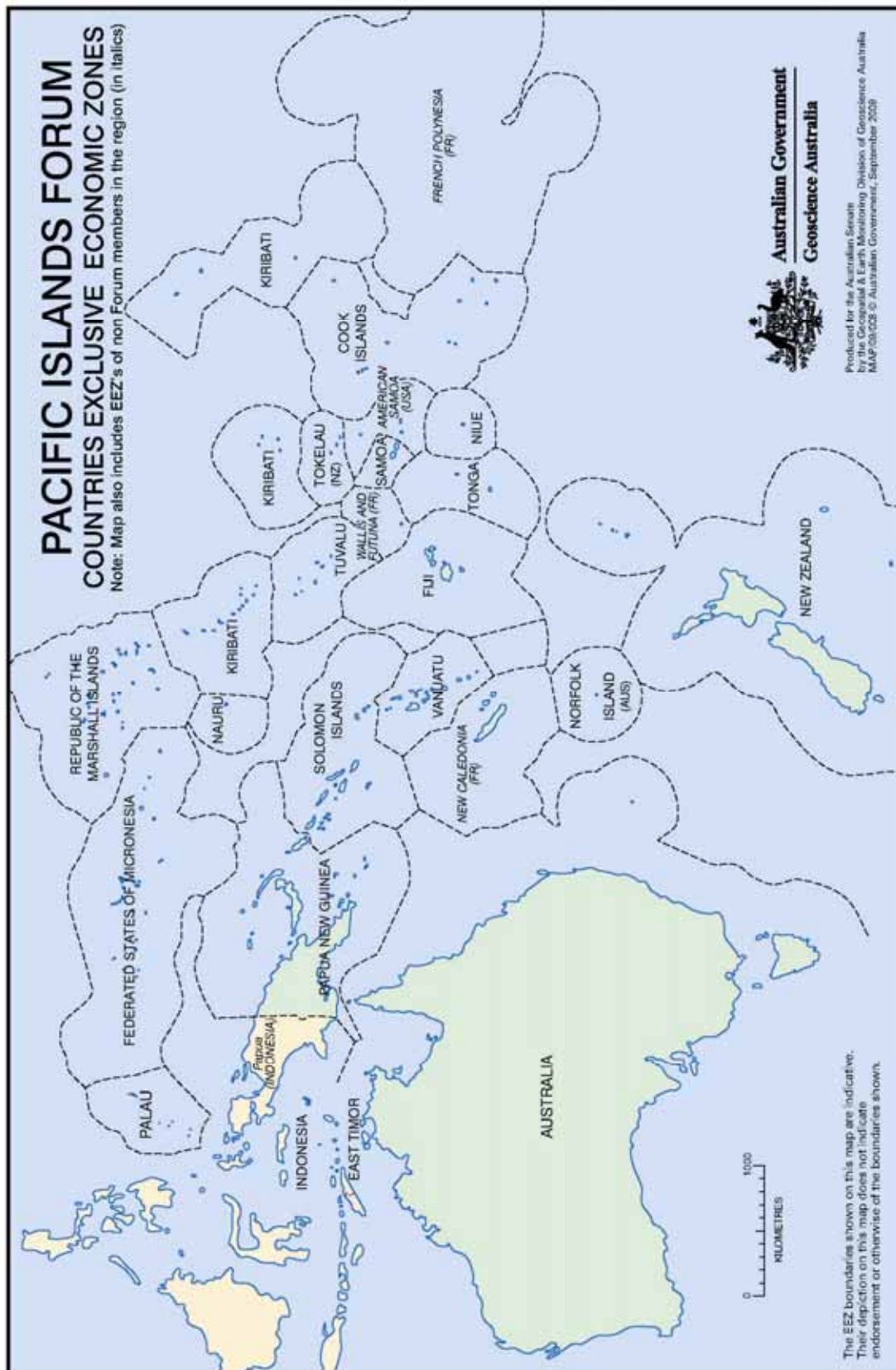
5.13 The map prepared for the committee by Geoscience Australia of the region's EEZs (below) illustrates the enormity of the challenge. It highlights just how difficult it is for archipelago states like Vanuatu, or island states that are even more disparate or scattered such as Kiribati, Tuvalu and the Cook Islands, to detect illegal activity in their EEZs.

5.14 There are primarily two forms of fishing activity that take place in the Pacific: domestic fishing and fishing conducted by distant-water fishing nations. The majority of the fishing by distant-water nations is undertaken by countries including: China, Taiwan, Japan, Korea, the US and EC countries, in particular Spain.¹⁸ Access agreements for the fleets of distant-water fishing nations are provided through licensing arrangements, and vessels must be registered with the Pacific Islands Foreign Fisheries Agency (FAA). However, despite these licensing agreements, much illegal fishing across the Pacific goes undetected. Illegal fishing activity takes several forms: foreign vessels that overfish their quotas; overstay their prescribed time in the EEZs; and have no entitlement to fish in the EEZs of Pacific states. Illegal fishing operators, however, are not the only ones to use the vast areas of sea to their advantage.

16 Martin Tsamenyi, 'Plundering the Pacific', *World Conservation*, May 2008, p. 3.

17 Republic of Kiribati's National Adaptation Program of Action (NAPA), <http://unfccc.int/resource/docs/napa/kir01.pdf>, p. 3 (accessed 16 February 2008).

18 *Committee Hansard*, 20 November 2008, p. 59.



Smuggling and transshipment of illegal goods

5.15 The submission from the Attorney-General's Department and the Australian Customs and Border Protection Service (ACBPS, formerly Australian Customs Service), claimed that the manufacture, trafficking and consumption of illicit drugs are significant security challenges for PNG and Pacific island countries. It noted that Pacific island states are being used as a transshipment point for the flow of various illicit drugs by sea and air between suppliers in Central and South America and South East Asia and distributors in Australia, New Zealand and North America. As an example it suggested:

In 2004, Fijian authorities raided the largest methamphetamine laboratory ever discovered in the Southern Hemisphere near Suva. The then Fijian Police Commissioner indicated that the lab was linked to an Asian crime syndicate that was using Fiji as a staging ground for its illegal activities. The laboratory had a large capacity to manufacture crystal methamphetamine aimed at supplying regional markets, including Australia.¹⁹

5.16 The ACBPS identified Fiji, Vanuatu, Tonga and PNG as states that have been used as transshipment points for large drug consignments. In an attempt to illustrate the extent of this activity, they identified a number of recent seizures across the Pacific:

- 375kgs of heroin destined for Australia was seized in Fiji in 2000;
- 74kgs of methamphetamine was found on a ship in Singapore headed for Fiji and Australia in 2002;
- 160kgs of heroin was shipped from Myanmar to Vanuatu, presumed to be on route to Australia, in 2001;
- 120kgs of cocaine was found buried at a beach in Vanuatu in 2004;
- 98kgs of cocaine believed to be bound for Australia was seized in Tonga in 2001; and
- International Narcotics Control Board thwarted an attempt to import 12 tonnes of ephedrine and pseudoephedrine into PNG in 2002.²⁰

5.17 However, the ACBPS surmised that, although the transshipment of illicit drugs is known to occur, the precise levels of trafficking are unclear.

19 *Submission 40*, p. 4.

20 Australian Customs Service, answer to questions taken on notice 3, 21 November 2008. In January 2009, Samoan newspapers reported that the Commissioner of Police, Papali'i Lorenese Neru, was given a 'severe censure' for his involvement in the handling of guns imported from American Samoa, which arrived in Samoa without proper documentation. Alan Ah Mu, 'Top cop receives "severe censure"', *Samoa Observer*, http://www.samoaoobserver.ws/index.php?option=com_content&task=view&id=3865&Itemid=62 (accessed 18 February 2009).

5.18 Because of its proximity to Australia, PNG represents the greatest security threat as a transshipment point for illegal goods entering Australia. ACBPS informed the committee that although PNG does not feature as a source country, or transshipment point, they have concerns about the capacity of border control and law enforcement agencies in PNG to effectively deal with such threats, stating:

Although there are few confirmed cases of large scale trafficking in illicit goods, potential remains for cross-border criminal activity. The nature of PNG's borders makes them difficult to patrol and secure. When this is combined with limited border enforcement capability and close proximity to Australia, these factors contribute to an ongoing potential threat.²¹

5.19 As is the case with the transshipment of illicit drugs, although the transshipment of weapons is believed to occur, the precise levels of trafficking are unknown. ACBPS explained:

Anecdotal information has surfaced periodically regarding a 'guns for drugs' trade through the Torres Strait but no evidence has been uncovered of significant operations of this nature.²²

5.20 The Pacific Islands Forum Secretariat suggested, however, that in the past, there have been more problems with the storage and control of gun stocks, as outlined in Chapter 2, than with arms trafficking.²³

Money laundering

5.21 Typically, money laundering is the act through which illicit funds are made to appear legitimate. However, money laundering may also refer to the conversion or transfer of property, with an asset value, for the purpose of concealing or disguising the illicit origin of money. The committee received evidence which identified trade-based laundering:

Trade based money laundering is the process of disguising the proceeds of crime, and moving value through the use of trade transactions in an attempt to legitimise its illicit origins. In practice this can be achieved through the misrepresentation of the price, quantity or quality of imports or exports. For example, if organised crime is involved in illegal logging, funds generated through, for instance, people trafficking could enter the financial system through a seemingly legitimate logging transaction, where the value of the logs is overestimated in an invoice.²⁴

21 Australian Customs Service, answer to question taken on notice 2, 21 November 2008.

22 Australian Customs Service, answer to question taken on notice 3, 21 November 2008.

23 *Submission 69*, p. 25.

24 DAFF, answer to question taken on notice 4, 20 November 2008. Also see, Pacific Island Forum Secretariat, *Submission 69*, p. 23; DAFF, *Committee Hansard*, 20 November 2008, p. 68.

5.22 Money laundering, trade and non-trade based, can weaken states financial stability and engender political instability and has been identified as critical aspects of the Pacific's security agenda.²⁵

5.23 In 2000, the Financial Action Task Force (FATF)²⁶ listed Nauru, Cook Islands, Republic of Marshall Islands and Niue as 'non-cooperative countries and territories' due to the prevalence of offshore banks and financial centres that were operating within these countries under secrecy provisions.²⁷ Nauru, in particular, has a poor reputation for accountability when it comes to money laundering and offshore banking. The Australian Transaction Reports and Analysis Centre (AUSTRAC) explained:

Back in 2000 when they were blacklisted Nauru had a number of, essentially, offshore banks which did not conduct any customer due diligence, did not keep track of the beneficial owners of them and all that. With the introduction of the AML/CFT [anti-money laundering/ counter-terrorism financing] arrangements and that black-listing process, or the listing of noncompliant countries and territories by the Financial Action Task Force, essentially all of the offshore banks have been shut down.

There still remain offshore financial centres, which are something different. There are trust company service providers in several countries in the Pacific. But offshore banks, as they are defined, do not exist any more. As a result, Nauru basically has no bank. Commercial banking in Nauru has also left and money now, to get into Nauru, comes in on boats.²⁸

5.24 States are particularly vulnerable to money laundering activities if they have weak legislation, as DFAT suggested: 'Pacific island states with weak legislation have been used by international criminal syndicates for large-scale money laundering'.²⁹

5.25 Under the Honiara Declaration, Pacific island countries have agreed to implement legislation to prevent money laundering and to deal with the proceeds of crime. The Nasonini Declaration expands this requirement to include counter-terrorism measures. However, while leaders at the annual Pacific Island Forum meeting frequently recognised that the countries in the region remain vulnerable to transnational crime, legal and capacity issues limit effective regional implementation and law enforcement activity.

25 Acting Secretary General of the Pacific Island Forum Secretariat, Mr Peter Forau, Opening Address, Forum Regional Security Committee meeting, June 2008
<http://www.forumsec.org.fj/pages.cfm/newsroom/speeches/2008-1/acting-sg-forau-speech-opening-of-2008-frsc-meeting.html> (accessed 14 January 2009).

26 The FATF is the inter-governmental body who develop national and international policies to combat money laundering and terrorist financing.

27 Attorney-General's Department and Australian Customs Service, *Submission 40*, p. 3.

28 *Committee Hansard*, 21 November 2008, p. 53.

29 *Submission 68*, p. 15.

Threat of terrorism

5.26 Published shortly after the terrorist attacks in Bali on 12 October 2002, the Australian Strategic Policy Institute's (ASPI) first strategic and security policy review, *Beyond Bali*, identified the increased threat of terrorism as the most urgent new security policy challenge faced by Australia.³⁰ In the section headed, 'Our Failing Neighbours', the review suggested that Melanesia contained failing states that were vulnerable to terrorist activity:

Three of our closest neighbours—Papua New Guinea (PNG), the Solomon Islands and Vanuatu—are in different ways struggling to survive as functioning nations and societies. The Solomon Islands is the furthest down the road to state failure, but PNG and Vanuatu also face serious problems...We have humanitarian concerns about the well-being of our neighbours, and important concerns about their providing footholds for transnational crime in our neighbourhood. These countries are also potential havens for terrorist groups. They could serve as bases for groups planning attacks in Australia, and their weak security infrastructure means that such groups could not only slip in to these countries unnoticed, but could also use these states as points of entry to Australia. While the risk may be slight, it is one that we cannot ignore in the aftermath of the Bali bombing.³¹

5.27 Thereafter, the link between transnational crime, potential terrorist activity and the weakness of Pacific security institutions was made more explicit. Reinforcing the assessment in *Beyond Bali*, Dr Elsina Wainwright, formerly the International Program Director at ASPI, identified the potential risks for Australia:

Of course, the south-west Pacific countries are geographically very close to Australia. They could serve as bases for terrorist groups planning terrorist attacks in Australia.

Given the weakness of their security institutions, some of these states could be points of entry to Australia for such groups.³²

5.28 In an ASPI publication of 2003, *Our Failing Neighbour: Australia and the Future of the Solomon Islands*, which was launched by the former Minister for Foreign Affairs, Alexander Downer, Wainwright went on to suggest that the 'Solomon Islands risks becoming—and has to some extent become—a petri dish in which transnational and non-state security threats can develop and breed'.³³

5.29 In contrast to this characterisation of the Pacific as a hotspot for international crime, a haven for money launderers and a region vulnerable to terrorists, submitters

30 Australian Strategic Policy Institute, *Beyond Bali: ASPI Strategic Assessment 2002*, p. 3.

31 Australian Strategic Policy Institute, *Beyond Bali: ASPI Strategic Assessment 2002*, p. 28.

32 Elsina Wainwright, 'Pacific states are likely havens for terror', *Australian Financial Review*, 23 October 2002.

33 Elsina Wainwright, 'Our Failing Neighbour: Australia and the Future of the Solomon Islands', Policy Report, Australian Strategic Policy Institute, p. 13.

to the inquiry referred to the threat of terrorism in the Pacific as low.³⁴ The Pacific Islands Forum Secretariat suggested:

The terrorist strikes of 11 September 2001, the Bali bombings and the numerous terrorist acts since, have caused states to focus on how they can contribute to counter-terrorism efforts. There is now a recognised risk that conflict and extremism can develop anywhere including the Pacific Islands. Notwithstanding this, the threat level from terrorist related activity in the Pacific is recognised as low.³⁵

5.30 Nevertheless, the Forum Secretariat was mindful to distinguish between their assessment of the potential *threat* of terrorism and a security environment that places the Pacific at *risk* of terrorist activity:

There is a converse risk that terrorist entities may exploit the Pacific security environment in support of terrorist activity in the wider international community. The utilisation of flags of convenience, money laundering, arms trafficking are all activities that are undertaken by such groups, and are activities that are occurring in the Pacific.³⁶

5.31 DFAT made a similar distinction. It suggested that although the terrorist threat is low, 'the factors which make the region vulnerable to organised and transnational crime could potentially be exploited by terrorist networks, particularly with regards to money laundering'.³⁷ Both submissions suggested that because of weak security institutions and law enforcement capacity, and the limited capacity to monitor the movement of people and capital, Pacific island states may be exploited by transnational criminal networks. The Pacific Islands Forum's Security Program has similarly cautioned that 'Terrorist entities may also exploit the Pacific security environment to support terrorist activity in the wider international community'.³⁸

External donors

5.32 Pacific island states must also manage complex relationships with external donors. In its previous report into Australia's relationship with China (2006), the committee noted that some of the island states of the southwest Pacific are among the smallest and poorest in the world and are susceptible to the influence of outsiders

34 In 2005 and 2006, the counter-terrorism contingency planning exercises *Ready Pasifika* were held in the Pacific and Australia's National Counter-Terrorism Plan was drawn upon to assist Pacific island states to establish their own national security planning arrangements, Attorney-General's, *Submission 40*, p. 12.

35 *Submission 69*, p. 23. DFAT agreed with this assessment suggesting that 'the current threat of terrorism in the Pacific is low', *Submission 68*, p. 15.

36 *Submission 69*, p. 23.

37 *Submission 68*, p. 15.

38 Pacific Islands Forum Security Program, <http://www.forumsec.org.fj/pages.cfm/security/> (accessed 4 September 2009).

willing to use their economic leverage to serve their own foreign policy objectives.³⁹ At this time, the committee suggested that the political and diplomatic rivalry between the People's Republic of China (PRC) and the Republic of China (ROC) did not provide an environment conducive for the most effective use of development assistance. It therefore recommended that the Australian Government, through the Pacific Island Forum, encourage members to endorse OECD guidelines on official development assistance.⁴⁰

5.33 Since that time, Taiwanese President Ma Ying-jeou has indicated that the ROC would adopt OECD guidelines on aid effectiveness and work more collaboratively with the PRC when it came to its development assistance to the Pacific region.⁴¹ Witnesses who appeared before the committee suggested that this announcement signifies the potential for a new era of engagement that may result in improved aid transparency throughout the region.⁴²

5.34 The committee also received evidence suggesting that the PRC pledged aid to the Pacific had increased dramatically, almost tenfold, between 2005 and 2007:

Pledges went from around \$US 30 million in 2005 to over \$US 290 million in 2007. Much of this pledged aid may never arrive or take several years to be dispersed. China has, nonetheless, emerged as a major regional donor.⁴³

5.35 In noting this increase, the committee reiterates comments in Volume I that Australia work with all donors to the region to enhance good governance and the transparency of aid.

Conclusion

5.36 Evidence taken by the committee points to a critical distinction between security *threats* and security *risks*. For while the threat of organised crime—or even terrorism—may be low, because Pacific islands states have weak security institutions and law enforcement capacities, the risk for the region, both in terms of probability

39 Foreign Affairs, Defence and Trade References Committee, *China's emergence: implications for Australia*, March 2006, paragraph 10.28.

40 Foreign Affairs, Defence and Trade References Committee, *China's emergence: implications for Australia*, March 2006, Recommendation 7.

41 DFAT, *Committee Hansard*, 21 November 2008, p. 7. This comment was made after the change of government in Taiwan in March 2008.

42 See comments from DFAT, *Committee Hansard*, 21 November 2008, p. 7 and Professor Ben Reilly, *Committee Hansard*, 19 June 2009.

43 Lowy Institute for International Policy, *Committee Hansard*, 24 March 2009, p. 15. These figures are for pledged not disbursed aid. The amount of disbursed aid is lower at \$150 million per annum. Mr Fergus Hanson pointed out that 'there is evidence to suggest that the amount of aid being pledged is taking a number of years to be spent, that not every project is being built and that there are constant re-announcements of different projects over time', *Committee Hansard*, 24 March 2009, p. 15.

and potential impact, is correspondingly high. This distinction between threat and risk is also critical for understanding Australia's assistance to the region. Much of Australia's development assistance to the Pacific is anticipatory: it seeks to manage risk through prevention rather than through containing a situation that has already taken place. Such an approach seeks to develop the skills and capacity to plan and manage a real security threat. These issues of capacity will be addressed in detail in the following chapter.

5.37 This chapter has identified those transnational criminal activities that present the greatest threat to the security of Pacific island states: unauthorised fishing; smuggling and transshipment of illegal goods; money laundering; and terrorism. In order to address these various forms of transnational criminal activity, states are required to develop a robust and diversified regulation and detection capacity. The capacity to develop the surveillance capacity at ports, or within EEZs, is different to the sophisticated surveillance and networked capacity that is required to respond to money laundering and terrorism. In the next chapter, the committee examines the capacity of states to protect their borders, prosecute unauthorised fishing and detect the smuggling of contraband. This is followed by a chapter that examines the capacity of states to deal with complex forms of transnational crime, such as money laundering and terrorism.

