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INSTABILITY OF SOLOMON ISLANDS

IMPLICATIONS AND POLICY OPTIONS FOR AUSTRALIA

ABSTRACT The paper presents the case for the thesis that Solomon Islands' instability infringes on Australia's interests. A combination of ineffective government, poverty and conflict destabilized the country and caused a civil war (1998-2003). However, in the late 1990s, it was recognized that similar problems affect almost all of Australia's neighbours. The result was the emergence of the concept of the Australian arc of instability. The main assumption is that states to the north (Indonesia, Timor-Leste, Papua New Guinea) and north-east (Solomon Islands, Vanuatu) of Australia can be characterized as fragile. Persistence of instability in Solomon Islands and other countries in the immediate neighbourhood poses several challenges to Australia's interests: favourable environment for transnational crime to thrive, increased burden on forces responsible for border protection, danger for Australians living in unstable countries, damage to Australia's role as Oceania's leading power and missed opportunities for Australian businesses. Canberra has the following policy options: firstly, structuring the defence forces so they are capable of protecting vast approaches and conducting stabilization missions in Solomon Islands and other neighbouring countries. Secondly, addressing the underlining causes of instability through Australia's foreign aid. Thirdly, encouraging and supporting initiatives which promote regional cooperation.

KEYWORDS *The Pacific Islands, Australian Security, Solomon Islands, Fragile state, Australian Strategic Policy*

INTRODUCTION

Solomon Islands gained independence from Britain in 1978. Since then, its politics has been dynamic and unstable. Political parties exist but they lack discipline as their members show little loyalty to them. *Crossing the floor*, or switching of parties by Members of Parliament, is a common practice. Factional interests are a priority for politicians and come before party affiliations. Debate is dominated by politics rather than serious economic and social policy issues. As a result, long-term problems such as poverty or inequality had not been addressed and sparked a civil war in 1998, which was fought along ethnic lines. The war required an international intervention led by Australia to end. Almost all countries in Australia's neighbourhood are fragile and face similar problems (economic underdevelopment, ineffective government). In Solomon Islands, however, these issues escalated and showed what could happen if they remain unresolved over a long period of time. Indeed, it is the scale of domestic turmoil that makes Solomon Islands worth analysing in the context of Australia's interests. Potential implications are more significant than in cases of even larger but more stable states such as Indonesia.

This paper will present the case for the following thesis: Solomon Islands' instability infringes on Australia's interests. Firstly, the paper will use Robert Zoellick's three criteria of state instability and apply them to the case of Solomon Islands to argue for the proposition that it in fact is fragile. Secondly, it will be noted that the problem of instability is not limited to Solomon Islands. In fact, all of Australia's closest neighbours are fragile, which led some scholars and policymakers to identify the 'arc of instability' to the country's north, north-east and east. Thirdly, the paper will identify implications of instability in Solomon Islands for Australia's interests. Fourthly, it will attempt to assess the best policy options for Canberra to address the implications. The paper is primarily based on reports and official policy documents. They are supported by articles from academic journals and think tanks.

1. THE CASE OF SOLOMON ISLANDS

For the purposes of this paper, three criteria shall be used to determine state instability: ineffective government, poverty, and conflict¹.

1.1. Background – The 1998-2000 Civil War

In June 2000, Bartholomew Ulufa'alu – the then Prime Minister of the Solomon Islands – was forced out of office in a coup. The overthrow was preceded by a period of tensions between 1998 and 2003 which included an open civil war (1998-2000). The sides in-

¹ R. B. Zoellick, "Fragile States: Securing Development", *Survival: Global Politics and Strategy*, vol. 50, no. 6 (2008-2009), p. 69, [online] <http://dx.doi.org/10.1080/00396330802601859>.

volved in the conflict were the Gauadalcanalese and the Malaitans – ethnic groups from Guadalcanal and Malatia (the country's two biggest islands). In June 2003, Australia led a multinational mission to the Solomon Islands (officially known as the Regional Assistance Mission to the Solomon Islands, or RAMSI) under the auspices of the Pacific Islands Forum and with the consent of the Solomon Island Government (SIG). RAMSI had two main tasks. First, to restore law and order (300 policemen and 1,800 soldiers were deployed to disarm the militias). Second, to rebuild the state (efforts concentrated around three 'pillars': law and order, economic governance and growth, machinery of the government)². These tasks were important as they provided what the falling state needed the most – security and stability. The intervention also showed that Australia is willing to play the role of Oceania's policeman and provide external security guarantees to its closest neighbours if they deem such assistance appropriate. In 2013, RAMSI officially ended but its programs (the *three pillars*) are conducted as part of official development assistance of Australia and New Zealand to Solomon Islands. Also, the policing component of the mission remains in the country (withdrawal planned in 2017). The only change from the practical perspective is the termination of the military forces' mission³.

1.2. Government

The problem with government in Solomon Islands is the country's very short experience with modern state. As Elsinia Wainwright stated, *the rush to independence on a timetable dictated from afar, [...] [resulted] in poorly designed institutions of statehood. The weak post-independence governments [...] [continue to struggle] for legitimacy against the older, more deeply rooted political and social traditions*⁴. Indeed, since independence in 1978, the state has not been very influential in many peoples' lives. It was mainly due to the fact that traditionally, Solomon Islanders organized themselves around local entities such as churches, landowners, elders or civil societies⁵ (hence the need for the state to compete for authority). Moreover, the post-independence governments developed a reputation for corruption and erratic leadership which led an increasing number of citizens to think less of the formal political process and those involved in it⁶. Despite

² M. Allen, *Long Term Engagement: The Future of the Regional Assistance Mission to the Solomon Islands*, Australian Strategic Policy Institute, III 2011, p. 6, [online] https://www.aspi.org.au/publications/strategic-insights-51-long-term-engagement-the-future-of-the-regional-assistance-mission-to-solomon-islands/SI51_Long_term_engagement_RAMSI.pdf, 9 I 2015.

³ *Report to the Pacific Islands Forum on RAMSI activities 2013*, Regional Assistance Mission to Solomon Islands, 31 V 2014, p. 2, [online] <http://www.ramsi.org/wp-content/uploads/2014/07/RAMSI-2013-Activities-Report-to-PIF.pdf>, 11 II 2015.

⁴ E. Wainwright, *Our Falling Neighbour: Australia and the Future of Solomon Islands*, Australian Strategic Policy Institute, VI 2003, p. 18, [online] <https://www.aspi.org.au/publications/our-failing-neighbour-australia-and-the-future-of-solomon-islands/solomons.pdf>, 9 I 2015.

⁵ T. T. Kabutaulaka, "Australian Foreign Policy and the RAMSI Intervention in Solomon Islands", *The Contemporary Pacific*, vol. 17, no. 2 (2005), pp. 298-299, [online] <http://dx.doi.org/10.1353/cp.2005.0058>.

⁶ E. Wainwright, *Our Falling Neighbour...*, p. 20.

that, RAMSI and post-RAMSI aid to the country has adopted a state-centred approach (in accordance with Solomon Islands' post-independence goal of creating a modern state) which assumed that once an effective and efficient central government has been created, it would be able to rebuild the nation, deal with civil unrest, improve delivery of basic goods and services and prevent transnational crime from thriving⁷. This approach is problematic because it seeks to address the problem of corrupt and erratic leadership in the central government but does little to shift the primary allegiance of Solomon Islanders from local structures towards the state. Without the latter, it would seem more appropriate to adopt a more community-based approach. Nevertheless, this paper shall focus on the state in accordance with the post-independence goal of strengthening the government based on Western institutions.

At the moment, SIG's financial situation seems stable. In 2013, the government recorded a budgetary surplus⁸ and the public debt was reduced⁹. Reforms to procedures and practices of institutions responsible for economic governance undertaken by RAMSI personnel contributed to the present stability. The changes resulted in improvement in the tax collection system and a more business-friendly environment¹⁰. Furthermore, the rule of law in Solomon Islands seems stronger than a decade ago¹¹. The judiciary received external advisors and was subject to reforms of case handling procedures. Also, its resources were increased and local staff training commenced. As a result, the amount of time needed to handle cases in courts, as well as reliance on expatriate advisors, has decreased¹². All agencies in the judiciary are directed by Solomon Islanders. Access to official or state justice has improved with basic legal services being available throughout the country¹³. Furthermore, in the early years of RAMSI's presence, 25% of the Royal Solomon Islands Police Force (RSIPF) personnel were removed due to their involvement on either side in the 1998–2003 tensions¹⁴. Now, new recruits are carefully chosen and well trained¹⁵, mostly by RSIPF officers supported by the Participating Police Force (PPF; a multinational police force which arrived with RAMSI to restore order, it continues its presence in Solomon Islands despite the

⁷ T. T. Kabutaulaka, "Australian Foreign Policy...", p. 298.

⁸ 2013 *Central Bank of Solomon Islands Annual Report*, Central Bank of Solomon Islands, 30 IV 2014, pp. 3–4, [online] <http://www.cbsi.com.sb/fileadmin/publications/ar/AR-2013.pdf>, 15 II 2015.

⁹ Ibid., pp. 20–21.

¹⁰ J. Fraenkel, J. Madraiwiwi, H. Okole, *The RAMSI Decade: A Review of the Regional Assistance Mission to Solomon Islands, 2003–2013*, 14 VII 2014, pp. 63–65, [online] <http://pidp.eastwestcenter.org/pir-report/2014/July/Independent%20RAMSI%20Review%20Report%20Final.pdf>, 11 II 2015.

¹¹ *Report to the Pacific Islands Forum...*, p. 8.

¹² J. Fraenkel, J. Madraiwiwi, H. Okole, *The RAMSI Decade...*, pp. 56–58.

¹³ *Report to the Pacific Islands Forum...*, p. 8.

¹⁴ M. Allen, *Long Term Engagement...*, p. 6.

¹⁵ M. Barcham, S. Emmott, T. T. Kabutaulaka, *Annual Performance Report 2010: A Report on the Performance of the Regional Assistance Mission to the Solomon Islands*, 21 III 2011, pp. 2–3, [online] <http://www.ramsi.org/wp-content/uploads/2014/07/Independent-Annual-Performance-Report-2010.pdf>, 9 I 2014.

Mission's termination in 2013). Also, RSIPF's infrastructure and has been improved (62 new police houses and three regional headquarters built throughout the country by 2013) and logistical capabilities strengthened (32 new boats received). The Police Response Team (part of RSIPF) has become effective in conducting high risk operations in remote areas. As a result, PPF was able to withdraw from 11 out of 13 provincial police posts, though it continues to be involved in front-line policing in two provinces¹⁶. Other key governmental institutions have also been strengthened. The most prominent example is the Auditor General which now carries out all its official duties¹⁷. Other notable reforms include the Parliamentary support service¹⁸ and introduction of the Biometric Voter Registration System¹⁹. Clearly, progress in strengthening the government of Solomon Islands has been made in the last 10 years. The most significant parts of SIG have been subject to reform. However, this improvement took place during RAMSI. Even though Australia continues to provide substantial aid after the intervention, the question of sustainability in the long-term must be raised because unilateral transfers from other countries are unlikely to last forever.

Indeed, financial dependence is a major problem that SIG is facing. Over 60% of the law and justice sector budget is provided by international donors²⁰. Government spending on education, health and development (especially infrastructure) also requires external support (30%, 50% and 90% of expenditure, respectively)²¹. Furthermore, reliance on foreign advisors continues despite a decrease of their number present in Solomon Islands²². Difficulties with indigenous staff retention in SIG seem to be the primary reason. Public servants are trained by the government but salaries are lower than in the private sector so they leave soon after. As a result, government institutions lack experienced staff and struggle to fill vacancies. This problem affects almost all public institutions, including the judiciary²³, the Ministry of Finance and Treasury²⁴ and the Parliamentary Support Service²⁵. This pattern increases costs for the government as more staff needs to be trained. It also affects the efficiency of government institutions and quality of their service (both require experience and sufficient human resources). Moreover, the good financial situation of the SIG is in a large extent caused

¹⁶ *Report to the Pacific Islands Forum...*, pp. 9-13.

¹⁷ *Aid Program Performance Report 2012–13: Regional Assistance Mission to Solomon Islands*, Department of Foreign Affairs and Trade, Australian Government, 30 IX 2013, p. 13, [online] <http://www.ramsi.org/wp-content/uploads/2014/07/RAMSI-APPR-2012-13.pdf>, 11 I 2015.

¹⁸ J. Fraenkel, J. Madraiwiwi, H. Okole, *The RAMSI Decade...*, p. 73.

¹⁹ *Report to the Pacific Islands Forum...*, p. 5.

²⁰ Personal communication Chief Justice Palmer, 19th July 2013, quoted in J. Fraenkel, J. Madraiwiwi, H. Okole, *The RAMSI Decade...*, p. 59.

²¹ M. Allen, *Long Term Engagement...*, p. 10.

²² *Report to the Pacific Islands Forum...*, p. 7.

²³ J. Fraenkel, J. Madraiwiwi, H. Okole, *The RAMSI Decade...*, p. 62.

²⁴ *Ibid.*, pp. 55-56.

²⁵ *Ibid.*, p. 73.

by the logging industry boom. Log production rose to an unprecedented level in 2010 due to strong international demand and firm prices²⁶. It should be noted, however, that the industry (which provided 17% of domestically sourced government revenue²⁷ and 4.5% of the 10.7% GDP growth in 2011²⁸) is likely to significantly decline due to the exhaustion of exploitable stocks²⁹. As a result, government revenues would sharply decrease and new sources of growth from which the state could benefit are needed. It is worth mentioning in this context that foreign companies take interest in Solomon Islands' resources. An Australian firm, St Barbara, operates the country's gold mine³⁰ while Asian companies dominate in the fishing and logging industries³¹. Foreign firms are not interested in sustainability but profit maximization which leaves SIG disadvantaged in the long-term. The example of forestry industry shows how interests of particular groups (landowners, politicians, businesses) are realized at the expense of the state³². Had it not been for the corruption, SIG would likely have benefited more from the logging industry. Other resources which are not on the verge of exhaustion (mainly fishing and palm oil) can still be explored in a more sustainable manner.

The government in Solomon Islands is in need of more structural reforms and funding. Its current condition can be described as 'fragile but stable'. However, this stability heavily relies on the support from international donors (Australia is the largest source of aid for Solomon Islands, as it provides 73% of all official development assistance³³). The government faces two underlying problems. One is insufficient revenue which makes it impossible to offer competitive salaries to those with technical skills (so they choose to work in the public rather than private sector), provide agencies and institutions such as the RSIPF with resources which are necessary for them to fulfil their duties effectively, and improve the quality of the most basic government services such as healthcare, education or infrastructure. Sufficient revenue would improve effective-

²⁶ 2011 *Annual Report*, Central Bank of Solomon Islands, 27 IV 2012, p. 16, [online] <http://www.cbsi.com.sb/fileadmin/publications/ar/AR-2011.pdf>, 9 I 2015.

²⁷ Ibid., p. 7.

²⁸ Ibid., p. 14.

²⁹ *Solomon Islands Growth Prospects: Constraints and Policy Priorities*, World Bank, Discussion Note, X 2010, p. 1, [online] <http://siteresources.worldbank.org/INTPACIFICISLANDS/Resources/SourcesofGrowthSummary.pdf>, 9 I 2015.

³⁰ *Gold Ridge*, St Barbara Limited, [online] <http://www.stbarbara.com.au/our-operations/gold-ridge/>, 15 II 2015.

³¹ T. T. Kabutaulaka, "Local Capital and Global Ownership in Solomon Islands' Forestry Industry", in S. Firth (ed.), *Globalization and Governance in Pacific Islands*, Canberra 2006, p. 241, [online] http://press.anu.edu.au//ssgm/global_gov/pdf/globalgov-whole.pdf, 15 II 2015.

³² M. Allen, "The Political Economy of Logging in Solomon Islands" in R. Duncan (ed.), *The Political Economy of Economic Reform in the Pacific*, Manila 2011, pp. 286-290, [online] <http://www.adb.org/sites/default/files/publication/28919/political-economy-economic-reform-pac.pdf>, 15 II 2015.

³³ *Department of Foreign Affairs and Trade Annual Report 2013-2014*, Department of Foreign Affairs and Trade, Australian Government, 19 IX 2014, p. 143, [online] <http://www.dfat.gov.au/about-us/publications/corporate/annual-reports/annual-report-2013-2014/dfat-annual-report-2013-14.pdf>, 15 II 2015.

ness of the state and thus its perception by the public and the role it plays in people's lives. The second underlying problem is structural or systemic defects, which primarily affects efficiency of government expenditure. Without proper control and procedures, corruption and unnecessary spending is more likely to occur. In order to build a stable and independent state in Solomon Islands, long term assistance will be necessary.

1.3. Poverty

The 1998-2003 conflict caused a sharp economic decline and even though the majority of Solomon Islanders did not take part in the ethnic tensions, they were forced to watch³⁴ and experience the consequences. In the last 10 years, the Solomon Islands have made little progress in improving living conditions and eliminating poverty. In the 2013 Human Development Index, Solomon Islands rank 143rd (out of 186 countries listed) which falls into the low human development category³⁵. 23% of population lives below the Basic Needs Poverty Line (32% of population in Honiara, 14% of people in provincial towns and 19% of the rural population)³⁶. Poverty affects a higher percentage of the population in Honiara than in other parts of the country because people in rural areas are able to produce much of their food supplies themselves (strong food security)³⁷. To compare, on average, 28% of population in the Pacific island states live below the Basic Needs Poverty Line and only Vanuatu is on track towards halving poverty³⁸. Gross national income (GNI) *per capita* in 2011 was \$2,350 which is the same as in 1997 (the 1998-2003 tensions caused a decline which hit bottom of \$1750 in 2002). The average GNI *per capita* for the Pacific³⁹ in 2011 was \$4,629, twice as much as in Solomon Islands⁴⁰. Nationally, the Gini index in Solomon Islands was 0.39 in

³⁴ M. O'Callaghan, "RAMSI – the way ahead" in S. Dinnen, S. Firth (eds.), *Politics and State Building in Solomon Islands*, Canberra 2008, p. 185, [online] http://press.anu.edu.au/wp-content/uploads/2011/05/whole_book42.pdf, 9 I 2015.

³⁵ *Human Development Report 2013 (Summary)*, United Nations Development Programme, p. 18, [online] http://hdr.undp.org/sites/default/files/hdr2013_en_summary.pdf, 9 I 2015.

³⁶ *Solomon Islands: Analysis of the 2005/06 Household Income and Expenditure Survey*, Solomon Islands National Statistics Office and UNDP Pacific Centre, VII 2008, p. 2, [online] http://phtpacific.org/sites/default/files/surveys_dev_reports/90/files/SLB_HIES-2005-06_AnalyticalReport_2008-07.pdf, 9 I 2015.

³⁷ *Tracking development and governance in the Pacific*, AusAID, Australian Government, VIII 2009, p. 11, [online] http://www.ausaid.gov.au/Publications/Documents/track_devgov09.pdf, 9 I 2015.

³⁸ Calculation based on data from: Ibid., p. 10. Data from 14 countries taken into account: Fiji, Papua New Guinea, Solomon Islands, Vanuatu, Cook Islands, Niue, Samoa, Tonga, Tuvalu, Federal States of Micronesia, Kiribati, Marshall Islands, Palau, Timor-Leste.

³⁹ 10 countries taken into account were: Fiji, Kiribati, Micronesia, Palau, Papua New Guinea, Timor-Leste (GNI for 2010), Tonga, Vanuatu, Samoa, Solomon Islands. No data for Niue, Marshall Islands, Cook Islands and Tuvalu which were included in the Pacific average percent of population living below the basic needs poverty line.

⁴⁰ All GNI *per capita* in international \$, PPP. Source: *World Development Indicators*, The World Bank, [online] <http://data.worldbank.org/products/wdi>, 15 II 2015. Own calculation of average GNI *per capita* in the Pacific.

2005/2006⁴¹. Figures for three areas (measured separately) are lower: Honiara – 0.3, provincial urban – 0.31, rural – 0.32. The difference between the national level and the average for the three regions (0.31) is due to relatively higher household expenditure in Honiara than in the rest of the country⁴². Finally, the Solomon Islands' population pyramid is expansive. It has been growing at a pace of 2.6-2.8% a year since 2003⁴³. Around 10,000 people enter the labour force each year. There are major investment plans in sectors such as minerals, tourism, palm oil and tuna fisheries but they might not generate enough employment to offset the loss of jobs in logging and they certainly will not provide sufficient number of additional jobs for the 10,000 new workers that the Solomon Islands produce every year⁴⁴. The statistical evidence seems to suggest that poverty is a significant problem. Moreover, its scale is likely to increase if the current economic policy is maintained.

Two factors could improve the outlook. First, Solomon Islands' advantage is cheap labour and foreign investments in labour-intensive sectors like manufacturing could contribute to the advancement of economic situation of some people⁴⁵. Second, developed countries could open their labour markets for Solomon Islanders. This is already happening. New Zealand included Solomon Islanders in its seasonal employment scheme which brought significant economic benefits for its participants. The United States did the same⁴⁶. In its Seasonal Worker Program (initiated in 2012), Australia also included Solomon Islanders (they were excluded from the pilot scheme)⁴⁷. However, it should be noted that small and remote economies face additional costs due to their inability to benefit from scale and the necessity of complex transportation. As a result, their real income is prone to remain low⁴⁸. These structural limitations are likely to significantly constrain Solomon Islands' ability to sustain economic growth and development in the long-term without substantial outside help.

1.4. Conflict

Ethnic conflict over land on the island of Guadalcanal was the cause of the 1998-2003 tensions. People from the neighbouring Malaita migrated to Guadalcanal to find employment. They married locally and bought a large part of traditional land from

⁴¹ No up-to-date data on inequality (GINI index) available.

⁴² *Solomon Islands: Analysis...*, pp. 28-29.

⁴³ *World Development Indicators...*

⁴⁴ *Solomon Islands Growth Prospects...*, p. 2.

⁴⁵ *Tracking development and governance...*, p. 15.

⁴⁶ M. Allen, *Long Term Engagement...*, pp. 12-13.

⁴⁷ *Seasonal Worker Program*, Department of Immigration and Citizenship, Australian Government, [online] <http://employment.gov.au/seasonal-worker-program>, 9 I 2015.

⁴⁸ A. Winters, P. Martins, *When Comparative Advantage Is Not Enough: Business Costs in Small Remote Economies*, The World Bank, IV 2004, pp. 27-32, [online] <http://siteresources.worldbank.org/INTRES/Resources/WTR.pdf>, 7 II 2015.

Guadalcanalese landowners. It took them two generations to become the dominant group (apart from owning a large portion of land, they also occupied most jobs in Honiara), while the Guadalcanalese found themselves in a much worse economic situation⁴⁹. Many locals began to believe that the Malaitans were responsible for their problems (“if it were not for the migration, we would now be much better situated”). Some suggested solving this by removing intruders and taking over the land they unrightfully occupy. This is how a local nationalist militia known as the Guadalcanal Revolutionary Army (later transformed into the Isatabu Freedom Movement – IFM) was born. The IFM used violence to force Malaitans to leave Guadalcanal. It is estimated that 20,000 people moved to Malaita by July 1999 as a result of this violence⁵⁰. Some, however, decided to stay and fight back. They formed a militia of their own and called it the Malaita Eagle Force (MEF). The MEF was a response to, first, the crimes committed on the Malaitan people and, second, the SIG’s failure to stop violence spread by the Guadalcanalese militia and lack of help in rebuilding the lives of those who lost everything as a result of the IFM’s actions. The MEF began to attack indigenous Guadalcanalese, fight the IFM and in 2000, it forced the Prime Minister to step down. With the RSIPF split and the government paralyzed, the conflict quickly escalated. The period of tensions in Solomon Islands clearly shows the dangers of persisting economic inequality, especially when the divisions run along ethnic lines. Moreover, it demonstrates the difficulties of creating a neutral state in a diverse society where national identity is of lesser significance for citizens than local or ethnic associations. The central government’s role appears to be reduced to a tool useful for realizing particular interests.

The violence itself, although not completely, ended with a ceasefire which was part of the Townsville Peace Agreement (TPA), signed on October 15, 2000. In fact, it was the only part of the Agreement that was actually maintained⁵¹. The TPA expired in 2002 and RAMSI was responsible for completing the process of weapons surrender (something the Agreement of 2000 should have achieved). RAMSI fulfilled this task. By the end of 2003, 3,600 weapons were confiscated (90-95% of the total estimated number of firearms in the community). Furthermore, 5,000 arrests were made and 7,300 charges laid by 2005 (most of those charged were ex-militants and former police officers involved in the conflict on either side)⁵². These initial steps taken by RAMSI provided a basis for stabilization in a longer term.

The fighting in Solomon Islands was ended by the TPA and RAMSI (the Agreement of 2000 ended most fighting, but the country remained militarized and opportunistic violence still occurred until RAMSI came⁵³). Furthermore, with a large portion of the Malaitan gone, it would seem that the cause of the conflict had been eliminated.

⁴⁹ E. Wainwright, *Our Falling Neighbour...*, p. 21.

⁵⁰ T. Tabutaulaka, “Australian Foreign Policy...”, p. 285.

⁵¹ E. Wainwright, *Our Falling Neighbour...*, p. 23.

⁵² M. Allen, *Long Term Engagement...*, p. 6.

⁵³ *Ibid.*, p. 5.

However, the IFM's motivation was mainly economic (it merely manifested itself as nationalism). Therefore, until the economic situation of Solomon Islanders has been improved, the reason to start fighting again remains.

2. AUSTRALIAN ARC OF INSTABILITY

Solomon Islands is not the only fragile country in the region. Indonesia, even though it seems to be one of the most stable countries close to Australia now, 15 years ago was suffering a serious risk of partition. Timor-Leste was invaded in 1975 by Indonesia. During the 35 year long occupation, the country was severely damaged and remains dependent on foreign aid. Legitimacy of governments of Melanesian countries in the eyes of their citizens is weak despite decades of independence. States struggle to provide basic services and heavily rely on foreign aid. Poverty remains widespread. The population of Papua New Guinea is the most diverse among Melanesian countries. Intertribal conflicts are frequent and government struggles to control all its territory. Furthermore, its island of Bougainville has been struggling for independence since 1989. Vanuatu remains the most stable country in Melanesia but struggles with corruption and ineffective government⁵⁴. Emergence of the concept of the Australian arc of instability is recognition of Australia's difficult environment.

Before focusing on the concept itself, the context of its creation (a change of threat perception after Cold War) requires a brief explanation. In 1986, Paul Dibb in his *Review of Australia's defence capabilities* declared that the country *faces no identifiable direct military threat and there is every prospect that our favourable security circumstances will continue*⁵⁵. The statement referred to traditional state-based security threats and after 30 years it still seems accurate. However, it became clear after the Cold War that security threats such as environmental degradation, spread of infectious diseases, transnational crime, drug trafficking or people smuggling, even though certainly of lesser significance than an invasion by a hostile foreign power, are by no means benign. Indeed, arguments have been raised that if a traditional attack by another state remains highly unlikely, it is unjustified for Australia to spend a large proportion of its defence budget on preparing for a conventional attack against its territory. Instead, resources should be directed towards combating actual threats which nowadays happen to be social, economic and environmental in nature (especially in the case of Australia's neighbours)⁵⁶.

⁵⁴ D. McDougall, "Insecurity in Oceania: An Australian Perspective", *The Round Table*, vol. 96, no. 391 (2007), pp. 418-420, [online] <http://dx.doi.org/10.1080/00358530701564977>.

⁵⁵ P. Dibb, *Review of Australia's defence capabilities*, Canberra 1986, p. 1, [online] http://www.defence.gov.au/SE/publications/defreview/1986/Review-of-Australias-Defence-Capabilities-1986_Part1.pdf, 9 I 2015.

⁵⁶ A. Dupont, "Transformation or stagnation? Rethinking Australia's defence", *Australian Journal of International Affairs*, vol. 57, no. 1 (2003), pp. 59-60, [online] <http://dx.doi.org/10.1080/1035771032000073641>.

State instability creates favourable conditions for development of many of these threats. However, it was not until the domestic chaos in Indonesia, brought on by the fall of President Suharto in 1998, that political instability gained serious attention from Australian policymakers. Indeed, the concept of the Australian arc of instability emerged during the period of uncertainty over Indonesia's survival as a single state. At that time, Indonesia was considered the most prominent example of an unstable state in the arc⁵⁷.

The concept of the arc of instability refers to Australia's weak northern, north-eastern and eastern neighbours. According to Dibb, *Australia now confronts an arc of instability to its near north, stretching from Indonesia through to Papua New Guinea and the Solomon Islands, where there is an active insurrection*⁵⁸. Furthermore, former Minister for Defence in John Howard's government – Brendan Nelson – spoke of the arc of instability in the Australian Parliament: *It is extremely important to us as Australians that we appreciate that we cannot afford to have failing states in our region. The so-called arc of instability, which basically goes from East Timor through to the south-west Pacific states, means not only that Australia does have a responsibility to prevent humanitarian disaster and assist with humanitarian and disaster relief but also that we cannot allow any of these countries to become havens for transnational crime or indeed havens for terrorism*⁵⁹.

At the heart of the arc of instability concept lays a traditional geopolitical idea (more relevant before the process of globalization accelerated than now) which emphasizes the importance of having stable and peaceful neighbours across borders because they act as a buffer, absorbing potential threats before they reach our territory. Therefore, any factor that destabilizes neighbouring countries should be considered as a breach of our own security (the closer to our border, the more significant the breach). This logic also implies that in order to keep a country secure, politicians must have the capacity to respond and eliminate any destabilizing factor. Applying this proposition to Australia's case, a chronic crisis of stability (weak states could encourage transnational crime groups, terrorist organizations or hostile powers) in its immediate neighbourhood is something Canberra must address in its strategic policy. It should be noted here that globalization (international trade, fast and easy transport, instant world-wide communication) forces countries to look beyond their immediate neighbourhood to guarantee their security (for instance, Australia needs to worry about cyber-attacks which could originate anywhere in the world, disruptions of

⁵⁷ R. Ayson, 'The 'arc of instability' and Australia's strategic policy', *Australian Journal of International Affairs*, vol. 61, no. 2 (2007), p. 218, [online] <http://dx.doi.org/10.1080/10357710701358360>.

⁵⁸ P. Dibb, 'Indonesia: the key to South-East Asia's Security', *International Affairs*, vol. 77, no. 4 (2001), pp. 830-831, [online] <http://dx.doi.org/10.1111/1468-2346.00221>. The article was published in 2001 and the conflict in Solomon Islands that Dibb refers to ended in 2003. However, the country remains fragile and thus including it in the arc seems appropriate.

⁵⁹ B. Nelson, House of Representatives Hansard, Parliament of Australia, 8 VIII 2006, [online] <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;db=CHAMBER;id=chamber%2Fhansard%2F2006-08-08%2F0022;query=Id%3A%22chamber%2Fhansard%2F2006-08-08%2F0000%22,9> I 2015.

oil supplies in the Middle East or Ebola outbreaks in Africa). However, globalization does not eliminate the need to secure immediate neighbourhood in order for countries to be safe even if their interest are global. Rather, it adds new sectors which countries must include in their strategic policies while the need to secure their immediate neighbourhoods remains unchanged.

3. IMPLICATIONS FOR AUSTRALIA

The evidence that has been presented seems to indicate that Australia does face a problem of instability in Solomon Islands. Furthermore, it is not limited to one country but affects others in the region too. Therefore, it is crucial to identify implications of these circumstances for Australia and suggest how Canberra could address them.

The most significant implications include favourable conditions for transnational crime to develop, control of approaches to Australia, safety of Australian citizens living in the region, damage to Australia's image as a regional power and missed business opportunities for Australian companies.

3.1. Transnational crime

The absence of law, order and effective governance provide excellent environment for transnational crime to thrive (i.e. relative immunity from law). The weak Indonesia, Timor-Leste and Pacific islands countries could be used as a staging area for criminal activities ("safe havens"). As part of the region, Australia would not be immune to consequences and results of those activities⁶⁰. Furthermore, once those are established in one of the region's unstable countries (Solomon Islands, for example), they could use it as a base for further penetration and expansion of operation into other weak island-states⁶¹. Facing not just one, but multiple countries serving as safe havens for transnational criminal networks would make the protection of Australian approaches more demanding.

According to Ciara Henshaw, transnational crime is not a potential danger. Rather, it [...] *has had a steadily increasing impact on the Pacific Islands countries over the last 25 years*. The region is a place of small trade in illegal weapons, money laundering through tax havens (Nauru, Cook Islands, Vanuatu), drug trafficking and sale of passports by some governments in need for cash⁶². Even though less probable now due to Indonesia's stability, the Bali bombings of 2002 in which 88 Australian citizens were killed showed that Australia faces the threat of terrorism close to its borders. In fact, it was the possibility that terrorists could exploit instability to build bases and form al-

⁶⁰ C. Henshaw, "Strengthening of the Rule of Law in the Pacific through International Crime Cooperation", *Australian International Law Journal*, Vol. 15 (2008), p. 115.

⁶¹ E. Wainwright, *Our Falling Neighbour...*, p. 14.

⁶² C. Henshaw, "Strengthening of the Rule of Law...", p. 116.

liances that made Solomon Islands important for Australia⁶³. It explains why RAMSI was sent 4 years after the breakout of conflict.

One must remember that on a global scale, transnational crime in the Pacific is not as significant as in other parts of the world. Most transnational crime activity that manifests itself in the region is directed and financed elsewhere⁶⁴. Nevertheless, it poses a challenge for Australia's security.

3.2. Approaches to Australia

Control of sea and air approaches is the key to Australia's security⁶⁵. Increased activity of transnational criminal networks or a wave of illegal immigration (caused by instability in the neighbourhood) attempting to penetrate the country's approaches would put extra burden on the Australian Customs and Border Protection Service, affecting its effectiveness. This is why security and stability in the immediate neighbourhood was identified as second most important strategic interest of Australia in its 2013 defence white paper⁶⁶.

3.3. Australians living in South Pacific

According to the 2003 foreign policy whitepaper, the Government of Australia has a duty to protect its citizens living in the South Pacific⁶⁷. This also applies to Australian tourists visiting neighbouring countries. Instability of states they reside in or visit could put their lives at risk. In more extreme cases, Australians are evacuated by their governments to ensure their safety. For instance, this happened in Solomon Islands during the civil war⁶⁸.

3.4. Damage to Australia's role as regional power

Australia is the most influential power in Oceania⁶⁹ and the Pacific island states accept its leadership. In fact, Australia is even encouraged to remain an active power in the region because it serves the Pacific island states' interests. While the reaction to the so-called Howard doctrine (first articulated in 1999, it suggests that Australia has a role as deputy sheriff of the United States in the Asia-Pacific) was not favourable in Asia, leaders of

⁶³ T. T. Kabutaulaka, "Australian Foreign Policy...", p. 291.

⁶⁴ C. Henshaw, "Strengthening of the Rule of Law...", pp. 116-117.

⁶⁵ *Defence White Paper 2013*, Department of Defence, Government of Australia, 3 V 2013, p. 29, [online] http://www.defence.gov.au/whitepaper/2013/docs/WP_2013_web.pdf, 9 I 2015.

⁶⁶ *Ibid.*, p. 25.

⁶⁷ *Advancing National Interest: Australia's Foreign and Trade Policy White Paper*, Department of Foreign Affairs and Trade, Government of Australia, p. 93, [online] http://www.geneva.mission.gov.au/files/gene/2003_whitepaper.pdf, 9 I 2015.

⁶⁸ *Australians begin Solomon Islands evacuation*, PM, Australian Broadcasting Corporation, 8 VI 2000, [online] <http://www.abc.net.au/pm/stories/s138569.htm>, 9 I 2015.

⁶⁹ S. Thomas, "Engaging Oceania", *Naval War College Review*, vol. 63, no. 1 (2010), p. 101.

small island states in Oceania (with the exception of PNG's Prime Minister) accepted it. In fact, some of them criticized Canberra for neglecting the region and called for larger presence. This was confirmed by John Howard's (former Prime Minister of Australia) successful push for an Australian Secretary-General of the Pacific Islands Forum (PIF) in 2003 and the consent for launching RAMSI given by these organizations⁷⁰.

Australia has much to gain from its role as a leader in Oceania. First, primary access to the region's resources would likely be granted to the country whose actions are beneficial for the Pacific islands nations. For instance, with the world facing a fish supply crisis⁷¹ (25% of world's marine fish stocks are overexploited and additional 50% is fully exploited) and the demand at record high, the prices are likely to go up in the long term. Central Pacific is the world's 4th most productive fishing area⁷² and the exclusive economic zones of microstates of Oceania include a significant part of it⁷³. Second, the Pacific island states tend to have similar interests and are likely to vote along similar lines in international. Smart diplomacy could use this potential to support its causes in institutions such as like the World Trade Organization, the International Labour Organization or the Asian Development Bank⁷⁴.

It should be noted, however, that Australia will remain an accepted power and leader in Oceania as long as the microstates of the Pacific see it profitable. They expect Canberra's active engagement in the region through financial aid, trade and external security guarantee (humanitarian intervention to restore order with the consent of the Pacific Islands Forum and, if practical, the troubled state). Therefore, long-term instability, collapse of law and order or military coups in Oceania could damage Canberra's image as the region's power in the eyes of Pacific island states and make it more difficult for Australia to take opportunities that arise in them. Furthermore, China's interest in Oceania has been increasing in the last decade and it might exploit the fragility of Pacific states. The primary reason for Beijing's activity is the one-China policy. 23 countries still recognize Taiwan *de jure*. Six of them are in Oceania, making it the second-largest regional cluster of recognition for Taipei (behind Latin America). Beijing is competing for diplomatic recognition by offering aid and investment. Other reasons for China's increasing activity in Oceania are mostly economic. China needs resources like minerals, fish or timber and therefore a number of investments were made by Chinese companies in these sectors (forestry in the Solomon Islands or mining in PNG, to give examples)⁷⁵. In the end, the more fragile the Pacific island countries are, the easier it is for Beijing to exploit them economically, politically and strategically.

⁷⁰ T. T. Kabutaulaka, "Australian Foreign Policy...", pp. 289-290.

⁷¹ S. Thomas, "Engaging Oceania...", p. 98.

⁷² *The State of World Fish Stocks*, Profish Fisheries Factsheet, World Bank, IX 2006, [online] http://sit-eresources.worldbank.org/INTARD/Resources/Factsheet_2_Fish_Stocks_FINAL.pdf, 9 I 2015.

⁷³ S. Thomas, "Engaging Oceania...", p. 98.

⁷⁴ *Ibid.*, pp. 99-100.

⁷⁵ *Ibid.*, p. 101.

3.5. Missed opportunities for Australian businesses

Unstable countries discourage business activity because of rapidly changing conditions which increase unpredictability. Planning becomes difficult and more bad decisions are made. In other words, doing business in such countries carries more risk. The Doing Business index seems to confirm this claim. Australia's neighbours were ranked as follows (the higher the rank, the better): Vanuatu – 76th place, Solomon Islands – 87th place, PNG – 133rd place, Timor-Leste – 172nd place⁷⁶. Even though the Doing Business index is based on indicators related to only one criteria of state instability (ineffective government) out of three used in the paper (the remaining two are conflict and poverty), it nevertheless provides a useful but general illustration. Therefore, Australian companies miss some trade and investment opportunities in neighbouring countries that they would have seized had the circumstances been different. Moreover, crises such as the civil war in Solomon Islands damage those Australian businesses that decided to invest in neighbouring countries and trade with them.

4. POLICY OPTIONS FOR AUSTRALIA

4.1. Structure of the defence force

Structuring the Australian Defence Force so that it is capable of effectively controlling the country's approaches (with support of the Australian Customs and Border Protection Service) and responding to potential crises in Solomon Islands and neighbours' territories are issues of utmost importance. The former would allow Australia to limit the impact of instability in Oceania on its territory without its direct involvement. The latter would enable Canberra to deal with potential crises directly (possibly even resolving them), reducing burden on the forces controlling the approaches.

The 2013 defence white paper seems to confirm that. Two principal tasks of Australia's military are, firstly, deterrence and defeat of armed attacks and, secondly, contribution to stability and security in Timor-Leste and South Pacific⁷⁷. These interests determine capabilities that the Australian military is required to have and thus constitute goals that defence force planners try to achieve. It should be noted, however, that so far the Australian Federal Police, not the Army, has been the main institution for restoring law and order in neighbouring countries⁷⁸.

⁷⁶ *Doing Business 2015: Going Beyond Efficiency*, The World Bank, p. 4, [online] <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB15-Full-Report.pdf>, 9 I 2015.

⁷⁷ *Defence White Paper 2013*..., p. 28.

⁷⁸ S. Hameiri, "Governing disorder: the Australian Federal Police and Australia's new regional frontier", *The Pacific Review*, vol. 22, no. 5 (2009), pp. 564-565, [online] <http://dx.doi.org/10.1080/09512740903329707>.

4.2. Foreign aid

Directing the flow of foreign aid to Solomon Islands and other neighbours and ensuring that the funds address sources of instability such as poor governance, weak rule of law and lack of economic opportunities. Such approach has the benefit of directly dealing with the cause of Australia's problems posed by its neighbours and not just defending against negative consequences of instability. Furthermore, unlike the first recommendation, it addresses all five implications identified in this paper.

Indeed, the 2014-2015 development assistance budget has a strong focus on Australia's closest neighbours. Solomon Islands will receive \$168 million and is the second largest recipient of Australian aid in the Pacific. More broadly, 92% of total country and regional funding is estimated to be spent in the Indo-Pacific region. Indonesia (classified as an East Asian country) is the largest recipient of Australian foreign aid. Timor-Leste (also located in East Asia) will receive \$96 million during the current budgetary year⁷⁹. However, the Abbott Government plans to cut official development assistance budget by 10% in the next two years⁸⁰. This decision seems misguided from the perspective of Australia's security but no specifics as to which countries and regions will see biggest cuts have been released. Funding of closest neighbours, including Solomon Islands, should be spared.

4.3. Regional cooperation

Encouraging and supporting regional cooperation in the Pacific which promotes economic growth and improves governance by, for example, pooling of resources (benefits of larger scale) or specialization (comparative advantage) is in Australia's interest. Cooperation in certain spheres has the benefit of producing outcomes also intended by foreign aid. Therefore, Australia could achieve more with smaller marginal cost than in the case development assistance.

To a large extent, this has already been proposed in the Pacific Plan of 2005 which received strong support from Australia. Its goal is to strengthen cooperation and integration among Pacific islands states. Four specific objectives were identified to meet the goal: economic growth, sustainable development, good governance and security⁸¹.

⁷⁹ *Budget highlights 2014-2015*, Department of Foreign Affairs and Trade, Australian Government, [online] <http://www.dfat.gov.au/about-us/corporate/portfolio-budget-statements/Pages/budget-highlights-2014-15.aspx>, 15 II 2015.

⁸⁰ *Australian Foreign Aid Overview*, Lowy Institute, [online] <http://www.lowyinstitute.org/issues/australian-foreign-aid>, 25 XII 2014.

⁸¹ *The Pacific Plan for Strengthening Regional Cooperation and Integration*, Pacific Islands Forum, XI 2007, pp. 2-3, [online] http://www.forumsec.org/resources/uploads/attachments/documents/Pacific_Plan_Nov_2007_version1.pdf, 9 I 2015.

CONCLUSION

Instability in Solomon Islands infringes on Australia's security, political and economic interests. In the security sphere, it creates favourable conditions for transnational crime (including terrorism) to thrive close to the mainland, it could put extra burden on agencies responsible for border protection (illegal migration, criminal networks' activities) and it endangers Australians living in Solomon Islands. In the political sphere, it damages Canberra's reputation as regional leader which limits Australia's influence on Oceanian states and creates a power vacuum for other powers such as China to exploit. Finally, in the economic sphere, instability in Solomon Islands causes Australian businesses to miss opportunities that they otherwise would have taken. It should be noted, however, that it is not just turmoil in Solomon Islands that infringes on Australia's interests. Other neighbouring states are fragile too and their problems could result in instability on the scale comparable to the 1998-2003 tensions or even larger.

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