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Citizenship For Sale: Passports of
Convenience From Pacific Island Tax
Havens¹

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Pacific Island tax havens have apparently collected \$153,450,000 from (mostly ethnic Chinese) purchasers of passports. This paper considers the evolution of passport sales in Tonga, Samoa, the Marshall Islands, Vanuatu and Nauru and internal and international opposition to them. Tension exists between different conceptions of citizenship within the world-system. Sales reflect classical liberal, individualistic, free market conceptions of citizenship. Opponents invoke both conservative and democratic conceptions of citizenship. The paper favours democratic solutions to many problems sales create. Sales schemes involve secrecy, corruption, and facilitate crime—which attenuates following exposure by media, opposition politicians, watchdogs and crusaders against international terrorism. Pacific Island havens currently have no legal, official passport sales schemes, but the paper demonstrates that they probably continue.

Since 1970 people's desire to migrate to states with favourable conditions has produced a market for passports of convenience (POCs). Tax havens and offshore financial centres (OFCs)² such as Tonga, Samoa, the Marshall Islands, Vanuatu, and Nauru³ provide these, for a fee, with few naturalisation requirements. Wealthy purchasers, mostly ethnic Chinese, consider the price (up to \$50,000 per head of a household⁴) reasonable.

POCs carry tax advantages—

- most heavily taxed countries exempt foreigners with less than six months' residence,
- purchasers avoid taxes on worldwide income, foreign exchange controls, investment and borrowing restrictions, excessive record-keeping and reporting or the frequent revalidation requirements of a primary passport,
- General Motors Vice President, Michael Nyland, and family avoided massive inheritance taxes, by purchasing Tongan passports (*Australian* 1/1/99).

They also —

- facilitate entry into foreign states,
- overcome travel restrictions,
- provide an alternative to a cancelled, suspended or confiscated primary passport,
- facilitate military conscription avoidance,
- permit holders to escape identification with countries with unwelcome reputations,

- allow foreign and privileged status in one's own country; Taiwanese children with POCs may enter international schools restricted to foreigners (Crocombe 2001: 376),
- allow reinvention of a biography; passports provide credible 'proof of identity' documents—a mainland Chinese man reputedly held a flexible blank Tongan passport (James 1994)
- Criminals can acquire multiple nationalities or different names. Interpol apprehended fugitives using companies advertising passports (Hill 1993). Tonga's Police and Immigration Minister Clive Edwards admitted that suspected money launderers and Mafia associates sought Tongan passports (*Islands Business* 2/99).

POCs attract wealthy ruling class people, without real national allegiance, who want a transnational identity —with several citizenships (Balibar 1988), in a capitalist world-system based on competing sovereign states with clearly delineated borders (Wallerstein 2000), which monopolise authorisation of legitimate movement across and within their borders. Affluent purchasers avoid the obstacles to personal mobility facing their poorer compatriots and traverse borders in opportunistic ways.

Demand for POCs generates a plentiful supply. Governments, especially in OFC countries, welcome significant revenues produced for little cost; probably their least recognised source of revenues. Some schemes are formal; others are informal or criminal—some Pacific Island tax havens (PITHs) schemes demonstrate all three.

Promoters contend that few, if any, purchasers will ever reside in the issuing country; and that the few who do are desirable immigrants—with substantial assets, incomes, educations and contacts. Other purchasers may come for short periods—boosting the tourism industry.

Prices vary. Some OFCs such as Switzerland, Monaco and Liechtenstein charge each head of household \$1m or more. Others such as Singapore and Mauritius charge between \$100,000 and \$1m. PITHs target the lower middle range market—charging \$4,000 to \$50,000 for a household head, similar to OFCs such as Panama (Hill 1993).

Pacific Islands' passport sales schemes raise issues of governance, with perceptions that they promote narrow interests over general welfare. Illegal sales or 'privatisation' of legal proceeds minimise the proportion of gross revenue Island governments collect. Direct or indirect sales through agents in places such as Hong Kong, Taiwan and Macau benefit the privileged few in Pacific Island states. In Tonga and the Marshall Islands passport sales contribute to a new Asian dominance in local business. In many cases, particularly Tonga, public outcry has strengthened a powerful democratic reform movement--insisting that government serve majority public interests, instead of the powerful few. All sales whether official (as in Tonga, the Marshall Islands, and Nauru) or illegal (as in Vanuatu and Samoa) generate problems of legitimacy

Domestic or international pressures urge reform or abandonment of such schemes everywhere. Domestic opposition arises when local independent media, democratically

elected political leaders and whistleblowers expose the secret schemes. Passport sales encourage average Pacific Islanders to fundamentally rethink the nature of citizenship; national attachment; political legitimacy, accountability and corruption; governance; Asian immigration; and the future of their country.

External opposition increased after 11 September 2001. Some suspected terrorists carried Nauru passports. Although sales are outlawed or supposedly ended, subsequent events indicate they continue. A few elite receive high profits (for little cost) and measures limiting or prohibiting sales may be corrupted or reversed.

The issue continues to generate conflict between forces seeking to end sales and those seeking to make them (legally or illegally). Limitation or elimination of sales may ultimately depend on deep and durable reforms in governance through stronger commitments to media freedom, transparency and democracy. PITHs apparently sold 13,950 passports raising a minimum of \$153,450,000 (about \$11,000 each) (see Table 1). The power of metropolitan states over their immigration systems restricts some PITHs' ability to issue POCs—New Zealand's association with the Cook Islands and Niue⁵, the US's relation to Guam and Commonwealth of the Northern Marianas, and Australia's with Norfolk Island⁶.

TABLE I

PASSPORT SALES OF PACIFIC ISLANDS TAX HAVENS

COUNTRY	PASSPORTS SOLD	GROSS REVENUES	% GDP	YEARS

		(\$)		
TONGA	8,450	92.95	6.5	1982-1996
SAMOA	2,200	24.20	2.0	1991-1997
MARSHALL ISLANDS	2,000	22.00	11.0	1995-1996
NAURU	1,000	11.00	8.0	1998-2002
VANUATU	300	3.30	1.5	1996-1997

TONGA

In the early 1980s Tonga's King authorised the initial sales of passports in politically insecure Hong Kong. Thomas Chen proposed it in the late 1970s. Chen became Tonga's honorary consul in Hong Kong and began selling Tonga Protected Person Passports in 1982.

Mainly elite would-be emigrants from Hong Kong favour the US, Canada, and Australia, but their residence, taxation, money, education, family ties, and cultural reorientation requirements make them unattractive to those wanting retain Hong Kong citizenship or its tax haven advantages. POCs issued by tax havens carry greater tax advantages, especially those offering visa-free personal movement. Most purchasers' goals are tax minimisation and unrestricted travel (*Offshore Investment* 4/95), but Chinese and Hong Kong residents probably most favour freedom of movement (Langer 1996: 125). POCs give Chinese people flexibility, as the People's Republic of China (PRC) allows those who do not settle abroad to retain nationality. It does not, however, recognise dual nationality and Chinese holders of POCs theoretically risk confiscation (McInnis 1992).

Concomitantly the PRC, especially Hong Kong, is the largest market for Tongan passports (*South China Morning Post* 2/3/91).

Tongan POCs attract residents of unpopular and crisis-ridden areas such as Taiwan, southern Africa and the Middle East, who will pay \$8,000 to \$50,000 for a passport, depending on the retailer. Purchasers include:

- billionaire Ronald Li Fook-Shiu, the subsequently imprisoned former head of the Hong Kong Stock Exchange
- Hong Kong textiles billionaire Chen Din-hwa
- Maximilian Ma Yung-Kit, former chairman of the Diamond Importers' Association of Hong Kong.
- George Tan Soon-Gin, who handed over his Tongan passport to Hong Kong police after his Carrian group of shell companies (most in tax havens) was discovered to have fabricated hundreds of millions of dollars of profits--precipitating the colony's financial crisis of 1982 and 1983 (*Asian Wall Street Journal*, 30/9/96; Naylor 1994: 209-24).
- Zhu Hua Yu, a Chinese millionaire who acquired a Tongan passport and moved to Nuku'alofa. He lost over NZ\$46m (\$30.7m) at Auckland's Sky City Casino. In November 1998 he was convicted of cheating in its 'high rollers' area to finance his gambling addiction (*New Zealand Herald* 31/3/99).
- Philippine dictator Ferdinand Marcos, his wife Imelda (on 8 June 1986) and their daughter Aimée on 8 June 1987 (*Tonga Government Gazette Extraordinary* 15/2/91). In June 1987 two American lawyers, pretending they would help him regain control of the Philippines from Corazon Aquino (installed in February 1986), held a secretly taped a conversation with Marcos in Hawaii. Marcos preferred Tonga as a launching base for

the coup (instead of the Bahamas and Brazil), as he had met both Crown Prince Tupouto'a and the king (secretly). The lawyers gave evidence to the US Congressional Asia-Pacific Committee, which reprinted a transcript of the tape (US House of Representatives 1987). In Tonga's parliament, Crown Prince Tupouto'a, rejected suggestions of Tonga as a Marcos' base (*Sydney Morning Herald* 27/7/89).

The most significant conflicts concerning the nature of governance in Tonga have centred on POCs. Commoner politicians (led by Samuela 'Akilisi Pohiva) who insist on democratic determination of nationality, not feudal aristocratic privilege, have targeted sales. Parliament initially rejected POC legislation despite the built-in majority of aristocrats and the king's appointees.

The kingdom's Privy Council secretly approved POCs on 6 March 1981, precluding constitutional objections. In 1982 Tonga began issuing Tongan Protected Person Passports (TPPP), which conferred neither citizenship, nor residence rights in the country, nor visa-free entry. A signed oath of allegiance and registration of a lease to land on the uninhabited island of Fonualei established the link to Tonga. This elementary form of nationality originated in the idea of allegiance which a subject owes to a sovereign king (Jennings and Watts 1992: 853-4). Many countries questioned this link's authenticity, and refused entry to TPPP holders.

TPPPs contravened the international law that prevented a state refusing right of entry and residence to its own nationals (Brownlie 2003, Green 1987, Jennings and Watts 1992). By August 1984 the US, Japan, Australia, New Zealand, and Papua New Guinea refused to recognise some of these passports, although other countries (including some in Europe) accepted them (*Tonga Parliamentary Bulletin* 13/8/84).

The king and the aristocrat-dominated Parliament then passed the Nationality (Amendment) Act 1984—giving the king powers, and absolute discretion, to naturalise

foreigners (with residence rights). About 5,500 TPPPs were allowed to expire; they had five-year lifespan, and a potential five-year extension (Tonga 1988a). The problem continued. Commoner MPs challenged the sale of citizenship passports under Section 29 of the constitution which requires five years' residency before naturalisation. Pohiva consistently opposed POCs after attaining prominence hosting a popular public affairs programme on the government-owned Radio Tonga in 1981. He was taken off the air in 1983 after pressure from the monarchy, but later reinstated. The government terminated his show a year later when he accused ministers of misusing funds. In 1986 Pohiva founded an opposition newspaper *Ko e Kele'a (The Conch Shell)*, which investigated and criticised passport sales. Other independent media in the country covered his campaign.

In 1988 a court declared the sales unconstitutional and the 1984 Nationality Act was repealed. Pohiva, however, hearing rumours that sales continued, advocated action against Siosi 'Akau'ola, the Minister of Police and Immigration who authorised them. 'Akau'ola (falsely) denied Pohiva's charges, but later acknowledged that most of the naturalisations performed by the Hong Kong consulate occurred after the Nationality Act was repealed. The Tongan Immigration Office either ignored, or was not informed of, passport sales. George Chen, who replaced his father as Tonga's Consul General in Hong Kong, said he continued sales because he was unaware of the repeal until he requested more passports. Purchasers believed the 1984 Act gave them full citizenship. In 1989 Pohiva and barrister Nalesoni Tupou challenged the government's right to sell naturalisation, in court--naming 'Akau'ola, the Finance Minister Cecil Cocker, and the kingdom.

On 18 February 1991 the king's appointees in a special parliamentary session advocated new legislation (advised by a British barrister) to legalise passport and naturalisation sales before the case went to court. Their solution was to validate passports and confer citizenship on 426 purchasers, contrary to commoner parliamentarians' decisions to

nullify them and recompense buyers. A special session (in camera) passed new laws on 21 February 1991. Pro-Democracy parliamentarians left the Assembly, claiming that this was designed to legalise past criminal activities. The king replied that the legislation protected the holders, Tonga's international standing and reduced anti-racism. Pohiva said the schemes damaged the government's legitimacy and its international image. Following the king's consent Pohiva and Tupou dropped their case. However, supported on 8 March 1991 by an unprecedented 2,000-strong street protest against the government's handling of the issue and demanding 'Akau'ola's resignation, Pohiva warned of a revolution if the king did not yield some of his powers and become a constitutional monarch. That same month new Tongan POCs (valid for ten years and permitting one year's residence in Tonga) were sold for up to \$50,000 each.⁷ Tonga's POCs continued to harm its international relations—in June 1999 the New Zealand Immigration Service was alerted that China-born Tongans were entering New Zealand claiming refugee status, using purchased passports (*Christchurch Press* 17/6/99).

The passport issue effectively challenged the king's and nobles' near monopoly on available vernaculars of Tongan patriotism. The destination and size of the proceeds of sales politicised distributional and class conflicts. The government clarified matters only after Pohiva's legal action and associated media scandals. In October 1991 the Finance Minister Cecil Cocker, revealed that in ten years sales had yielded \$2,191,140, held in a Bank of America account in San Francisco (*Tonga Chronicle* 24/10/91, 23/9/93).

The Trust Fund Act of 1988 exempted the overseas Tonga Trust Fund (created on 16 December 1988 to hold sales' proceeds) from public accounting. Its monies were separate from the government's ordinary revenues (Tonga 1988b).

The media suggested that other secret foreign accounts held more sales' money⁸. It noted over 50% of passengers on incoming flights in the late 1980s were Chinese visitors,

particularly from the PRC. They spent between two days and two weeks in the capital, Nuku'alofa, to buy passports. One report indicated sales' revenue of T\$8,081,464 (approximately \$6.5m) from January 1986 to April 1988 (*South Sea Digest* 5/1/90). Other media claimed that sales over six years had raised \$156m (*Matangi Tonga* 1/90). The king eventually acknowledged receipt of \$20m (*Far Eastern Economic Review* 3/5/90), contradicting earlier (and some later) figures. In September 1993 George Chen admitted the Government's receipt of \$30m, but said sales had 'dwindled to a trickle' following Pohiva's publicity campaign (*Matangi Tonga* 10/93, *Tonga Chronicle* 23/9/93). Independent media continued to air commoners' suspicions.

In August 1996 Clive Edwards, Minister of Police and Immigration after 'Akaolu's death, announced the scheme's reintroduction effective from 7 September 1996. He hoped to raise \$80m; with new individual passports at \$20,000, couples at \$15,000 each, children at \$1,000, and upgrades from superseded TPPPs at \$10,000. He focussed on the naturalisation of TPPP holders (*Australian Financial Review* 9/8/96, *Matangi Tonga* 9/97, *Tonga Chronicle* 1/8/96, 12/9/96). When commoner MPs opposed this, Crown Prince Tupou'toa, Minister of Foreign Affairs, threatened to penalise those criticising the king. The Prince claimed that Tongans had closer cultural and racial ties with Chinese than Europeans and that Chinese were not found among these democrats who 'one day...will get what they deserve' (*Cook Islands News* 20/8/97).

By 1996 Tonga had sold at least 8,447 passports⁹, but most were not renewed and expired. This paper calculates conservatively that have raised at least \$92,950,000—about 6.5% of the country's gross national product each year since 1982 (see Table I). The Parliament in 1996 authorised the sale of a further 7,000 passports; but this paper excludes these, as they are inadequately reported. Official projections were of an additional \$80m revenue. Foreign newspapers advertised sales (with the right to lease land in Tonga for seventy-five years) in September 1997, despite Edwards's statement

that they would end when China assumed control of Hong Kong on 30 June 1997. Sales persisted and Prime Minister Baron Vaea promised to end the scheme in December 1998 (*Islands Business* 10/97, 12/98, Radio New Zealand International 12/9/96).

Tongan government' promoters of passport sales had continually denied that purchasers would take up residence, but in 1997 commoner MPs were concerned about many Chinese with Tongan passports establishing businesses, in competition with indigenous businesses (*Matangi Tonga* 7/97). A year later Pohiva said that he did not oppose Chinese immigration (after proper screening) but was concerned that 'they [Chinese] are beginning to take over the business sector in this country' due to passport sales schemes (Radio New Zealand International 10/10/98). The Tongan Chinese community (about 800 in 1993) petitioned the government over a crime wave against it, citing passport sales benefits to the Tongan economy (*Tonga Chronicle* 14/1/99). After the king asked Tongans to learn Chinese, Lopeti Senituli of the Pro-Democracy Movement demanded that passport sales stop, and rearticulated fears that Chinese shopkeepers threatened Tongan small businesses. Protests occurred in Nuku'alofa.

Pro-democracy forces were not interested in prohibiting immigration, but they wanted stricter citizenship criteria than money. Conflicts between indigenous Tongans and Chinese intensified. In November 2001 Chief Immigration Officer Susana Fotu suggested (idly) that six hundred Chinese shopkeepers and their families should leave Tonga after one year's notice. By 2005 Chinese owned about 70% of Nuku'alofa's businesses (*Islands Business* 5/05). Reports of sales continued. In 2001 a scandal emerged when \$30m of Tonga Trust Fund (TTF) assets (mostly derived from passport sales) were lost by the kingdom's court jester and financial advisor, American businessman Jesse Bogdanoff, with failed investments including life insurance policies gambling on the early deaths of prominent Americans (van Fossen 2002). The losses were revealed after the Pro-Democracy Movement raised the matter in parliament in mid-August 2001

(Moala 2002: 113-7, *Pacific Magazine* 11/01). In two years to 31 March 2002 TTF assets declined from \$41,470,548 to \$13,256,362 (*Tonga Government Gazette Extraordinary* 22/11/02).

SAMOA

A scandal developed in Samoa when a Chinese citizen presented a new passport allocated to the Registrar of Samoa's OFC at Samoa's international airport on 7 April 1997. He admitted paying \$4,000 for the passport in Tonga to a shadowy 'Mr. Chan', who had obtained it from some unidentified party. A full-scale investigation followed.

Hong Kong newspapers advertised Samoan passports. Some included photographs of Samoa's Honorary Consul in Hong Kong, Tuigamala Anetipa Lam Sam, and Samoa's Prime Minister Tofilau Eti Alesana. Citizenship cost \$30,000 and passports (presumably without citizenship) \$26,000 per head of household, \$22,000 per spouse, and \$22,000 per child aged thirteen to eighteen years. Some passports apparently cost \$50,000, since sub-agents charged an additional \$20,000 or more.

Samoa's Chief Immigration Officer, Tuipoloa Suisala, and four underlings were suspended. Officials could not account for 4,422 passports (and ten receipt books) between 1991 and 1997--although the government claimed only 321 passports were missing in attempts to avert political damage. However, Dr Leiataua Kirifoti Eteuati, Samoa's ambassador to Australia, admitted, in September 1997, that Samoa's 49

Members of Parliament and their wives had ordered (but not used) over five hundred passports (they preferred diplomatic passports). In Samoa, like Tonga, democratic accountability is weak as only aristocratic *matais* (not commoners) can legally legislate (Lawson 1996). New Zealand police investigated a Samoan diplomat who repeatedly (with diplomatic immunity) flew from Hong Kong to Auckland between October 1995 and March 1997, carrying large amounts of US currency. In late 1997 the Samoa government admitted to New Zealand's Immigration Service that it could not account for 712 passports¹⁰.

In 1994 Prime Minister Tofilau (increasingly called Tusifolu, Samoan for passport) sought to legalise passport sales to foreign business people (advocated by the Hong Kong Consul Lam Sam), but New Zealand and Australian concerns that wealthy Chinese might attempt entry under the Samoan business migration quota, delayed this. In March 1998 New Zealand included Samoan birth or parentage in its residential requirements for its yearly quota of 1,100 Samoans, in attempts to exclude Samoa POCs purchasers (some had already entered New Zealand). Despite the scandal, Tofilau remained Prime Minister and Lam Sam was reconfirmed as Samoa's Consul in Hong Kong¹¹. The Samoan media exposed illegal sales and proposed legislation (hidden in a Foreign Investment Bill) to legalise them (Malifa 2000). The Samoan passport scandal lessened after 1997, but accusations of sales in Hong Kong resurfaced in 2001. Rumours still circulated that, despite fines and imprisonment of Samoan immigration officials over the 1990s passport crimes, the death of a senior immigration official before his trial concealed many details of the illegal schemes (*Samoa News* 23/5/01, *Samoa Observer* 5/1/01, 5/4/01, 8/4/01). This paper estimates that 2,200 Samoan passports (approximately half of the 4,422 reported missing from the Immigration Department

from 1991 to 1997) were sold for an average of \$11,000 each—or a total of \$24.2m, equivalent to about 2% of the country's annual GDP.

THE MARSHALL ISLANDS

In 1987 the Marshall Islands government began granting passports to Asian businessmen who invested at least \$50,000 in the country--and authorised a Taiwanese company to promote this ad hoc scheme. The 'Nine Group' issued a brochure which emphasised low taxation and alleged easy entry to the US for Marshall Islands passport-holding investors. In 1989 legislation by the aristocratic *Iroij* dominated parliament allowed the sale of 3,000 passports to aliens. However the new price (involving a \$250,000 Marshall Islands investment) and the restrictive conditions (prohibiting the buyers from owning land in the Marshalls) limited demand¹².

In June and July 1991 an Australian named Gregory Bernard Symons initiated a passport venture which soon prompted a media scandal. This had international repercussions and ended the political career of Australian powerbroker, Labor Senator Graham Richardson. Richardson was Symons's wife's first cousin and he defended Symons's venture using his ministerial position. The US granted permanent residence visas after five years continuous Marshalls residency (but only if the American government deemed that passports were not bought in order to migrate to the US). Sales were restricted as many wealthy Asians found both the cost and the residency requirement (five years in the Pacific Island country) unappealing. Symons convinced five Taiwanese investors that

they would receive a Marshallese passport and immediate permanent residency in the US if they placed \$250,000 in his Marshall Islands Investment Trust (supposedly guaranteed by its government).

Apparently Symons planned to persuade the US government to relax its residency requirements, exploiting his political connections with Richardson and other Australian and Marshallese politicians. Symons could not deliver passports and visas to the Taiwanese investors, and was in trouble by late February 1992. The Marshalls government did not authorise Symons to take money until his projects were firmly established. Its investigations revealed that he had forged the signatures of the Foreign Minister, Tom Kijiner, and the President's legal adviser, Gregory Danz, on documents presented to investors.

On 2 April 1992 Symons was arrested in Majuro; the next day Richardson telephoned President Amata Kabua, asking that Symons be allowed to return to Sydney to gather documents for his defence. Three weeks later a major media scandal erupted about Richardson's involvement. The issue stayed on the front pages of newspapers and led television and radio news broadcasts for a month, with considerable coverage in *The Marshall Islands Journal*, Majuro's independent newspaper. On 7 May 1992 the Australian Senate censured Richardson for deliberately misleading it over his knowledge of Symons's business dealings, and his attempts to assist the venture. He resigned from Cabinet on 17 May 1992, ending his political career. On 19 March 1993 Symons pleaded guilty to forgery, started serving another ninety days in jail, publicly apologised to the

Marshallese and promised to use his future income to repay Taiwanese investors \$1.25m (with interest, although less than \$30,000 remained)¹³.

A new August 1993 scheme cut the cost of Marshallese passports -- each person buying a \$33,000 bond and receiving part of this back after twenty-five years. Sales increased rapidly. Almost one thousand new passports were issued to PRC, Taiwan and Hong Kong residents, compared with seventeen under the old scheme.

The sales of passports were supposed to have stopped in August 1996, but the legislation was not repealed. Before then one thousand were sold, for \$9,977,255. From each \$33,000 sale, \$20,000 supposedly went into the government's general fund and it supposedly invested the remainder.

Some parliamentarians alleged in the *Marshall Islands Journal* that passport sales to Asians continued, with proceeds going to the sellers. The government initially denied this, but later admitted that it had lost control of some sales agents. In 1999 the former Chief of Immigration Una Watak was convicted of offences in relation to unlawful passport sales. In October 2001 Hong Kong-born Los Angeles resident, Tommy Ho Ching Cheng, pleaded guilty of tax evasion on \$2.5m of income from the sale of Marshalls passports to ethnic Chinese for \$30,000 each between 1993 and 1996; he failed to tell them about the five years Marshalls residency requirement.

The Marshalls government damaged its reputation when it refused to grant permanent residency or refunds to eleven Japanese who in 1996 had paid about \$200,000 to the country's embassy in Tokyo after the embassy advertised in Japanese newspapers inviting people (particularly the elderly) to relocate permanently in the Islands. In 2001 a Japanese court dismissed their lawsuit when the Marshalls government claimed sovereign immunity and refused to respond to the plaintiffs or subordinate itself to Japanese jurisdiction (*Marshall Islands Journal* 19/1/01, *Yomiuri Shimbun* 17/8/98).

In 1996 the US Government made entry on Marshallese passports more difficult—particularly for those born outside the Marshalls. The American Immigration and Naturalization Service (INS) started lobbying Congress to restrict the access of all Marshallese citizens to the US¹⁴.

In the late 1990s local Marshalls businesspeople and media commentators complained about Chinese passport purchasers beginning to dominate retailing and hospitality in Majuro by undercutting local prices, evading taxes and import duties, selling lower quality goods, and importing foreign workers for jobs which required fluency in Chinese. In April 2003 the Marshall Islands Development Bank established a loan fund (between \$5m and \$10m) in attempts to save Marshallese-owned businesses hard hit by competition from Asian passport purchaser owned businesses. The scheme had generated serious secondary problems—including Asian illegal aliens and over-stayers without Marshalls passports on one-month tourist visas who worked in passport

purchasers' businesses for years (many without pay). It was difficult and expensive for the government to apprehend, try and deport them¹⁵.

In January 2002 Justice Minister Witten Philippo admitted that passport issuance was not 'under control'. The local media emphasised that sales raised critical problems of governance—indicating little concern with long term planning, damaging US relations and attracting negative international publicity. American INS agents often targeted indigenous Marshallese as potential illegal immigrants with bought passports. 1,454 Marshallese passports were sold legally, countless others illegally, and sales may still continue. After 1996, overseas newspapers advertised Marshalls passports, many backdated to 1996. In May 2002 the Attorney General's Office complained there were no official records of sales through agents or of proceeds (*Marshall Islands Journal* 16/11/01, 18/1/02, 21/6/02).

In October 2003 the country's Assistant Attorney-General, Jack Jorban, concluded that passport sales had dramatically marginalised Marshallese and Americans, so that they no longer controlled the country's economy. He said that virtually all purchased passports were issued illegally—and could be invalidated, and that Cabinet had not approved passports sold below \$100,000, as required. Jorban emphasised that purchased passports were only identification documents and not proof of citizenship (*Marshall Islands Journal* 10/10/03).

In 1995 and 1996 it appears that at least 2,000 Marshall Islands passports sold for at least \$11,000 each—produced revenues of \$22m (about 11% of GDP per year).

VANUATU

Attempts to establish schemes in Vanuatu OFC have required state co-operation to waive its ten-year residency requirement for citizenship and lift its dual citizenship prohibition. Many failed when fraudulent connections were publicised. In 1994 John Avram, former CEO of failed Australian tourism property developer Interwest (who had breached Australian corporations law), and Melbourne associates proposed a A\$400m five star tourism complex on Moso Island, with a bank, a casino, its own companies register, financial markets, and a business migration programme (involving Vanuatu citizenship, passports and residence) for investors (Armstrong and Gross 1995:76, 232, 297-8, *Vanuatu Weekly* 24/2/96, 14/9/96). Although the government approved the scheme it never eventuated. In July 1994 he Olilian Group proposed a new bank, OFC and export processing free trade zone (FTZ), with government approval, to entice about 3,000 wealthy Asian passport purchasers to settle in Luganville on Espiritu Santo. It included residential, hotel, commercial and medical developments. It failed when promoters were charged with fraud in July 1995¹⁶.

On 20 June 1997 Vanuatu's Minister of Foreign Affairs Vidal Soksok, advised by Prime Minister Serge Vohor, gave the Resort Las Vegas Group (a.k.a. the South Pacific Immigration Authority) exclusive rights to sell Vanuatu citizenships. Jai Yong (Richard) Jung (a.k.a. Sung Ho Jung), the principal of Resorts Las Vegas, was granted citizenship and an official passport (as trade commissioner to South Korea) despite only fifteen

months' Vanuatu residence and his retention of South Korean citizenship. He had a criminal conviction and had fled South Korean securities fraud charges. Jung claimed he would build a \$100m hotel and casino at Tukutuku in western Efate. His citizenship programme for 60,000 to 80,000 people (a tax haven refuge for Asians) was supposed to bring the government over \$350,000,000 and probably more to Jung and other middlemen, based on \$17,000 to \$25,000 per passport. This would increase Vanuatu's citizens by 50% and change its ethnic and class character drastically. The country's ombudsman Marie-Noëlle Ferrieux Patterson exposed the scheme's fraudulent elements (Patterson 1997), attracting considerable media attention, and it failed to attract the necessary two-thirds legislative majority.

In October 1997 Interim Prime Minister Vohor's government approved the plan of Volani International (a Gibraltar OFC registered Italian firm) to establish a 'state within a state' on Espiritu Santo. Volani promised an OFC, FTZ, upgraded airport, luxury and low-income housing, and a large casino-hotel complex for Asian visitors. Volani was to transfer the international airport to the Vanuatu government after twenty-five years (Patterson 1998a; *Vanuatu Trading Post*, 11/7/98, 22/2/99; *Vanuatu Weekly*, 5/11/97, 21/2/98).

On 22 July 1999 Vanuatu's Deputy Prime Minister, Willie Jimmy, and Lord Keyes, representing the Mondragon Group, signed a Memorandum of Understanding in London's House of Lords. Mondragon's associate, Nevada real estate developer Michael Oliver, had sponsored tax haven-oriented secessionism in the New Hebrides-Vanuatu since the mid-1970s. He attempted to create a new (libertarian-based) country and sell citizenship to thousands of settlers. His 'Republic of Vemerana' briefly controlled

Espiritu Santo in 1980 until Papua New Guinean troops defeated it and restored the island to Vanuatu (van Fossen 2001). Mondragon proposed to develop a FTZ on 80,000 hectares of land in Big Bay, Espiritu Santo; to operate Vanuatu's consular offices around the world (beginning with Israel, Belgium and Michigan); and to engage in exclusive Internet activities, air services and fishing.

The FTZ would have its own currency, postal service and OFC. On 17 December 1999 Vanuatu's Council of Ministers approved the project and on 28 January 2000 it appointed Israel's Major General Daniel Rothschild, Mondragon's choice, as Vanuatu's Honorary Consul in Tel Aviv. Vanuatu's Foreign Investment Review Board approved Mondragon's FTZ in principle on 26 July 2000.

Obstacles developed in August 2000 when the *Vanuatu Trading Post* newspaper exposed the dubious past of Oliver's colleague Stefan Mandel (Mondragon's man in Vanuatu). The scandal deepened in June and July 2001, with the revelation of Mandel bankruptcy in Australia in 1995. Oliver severed connections with Mandel and his projects on 11 October 1999; an Israeli court ordered Mondragon to stop offering its shares there without a prospectus; and investors in a betting syndicate run by Mandel (which won \$27m on the Virginia lottery) complained that they were not paid. Finally, the new Ombudsman Hannington Alatoa concluded that Mandel had financially assisted Willy Jimmy and three other government officials improperly (Alatoa 2001).

From 1997 media scandals concerning Vanuatu's passport sales continued. Deposed cabinet minister Jimmy accused senior officials at Prime Minister Vohor's office of

illegally selling passports to unqualified Asian businessmen--between fifty (Jimmy's figure) and three hundred (anonymous government estimates) were sold, reputedly costing \$8,000 to \$25,000. Honorary Consul positions in Macau and Hong Kong allegedly cost about \$90,000 each. Vanuatu's government apparently received no proceeds. The media scandal continued until several civil servants resigned¹⁷.

In March 1998 the Ombudsman reported the illegal issue of numerous ordinary, diplomatic and official passports since 1993 under instruction from high government officials—particularly Korman, Jimmy, Vohor and Soksok. Recipients included people with criminal, or dubious, histories, or no recorded address. It was impossible to determine how many ordinary passports were issued to foreigners; at least 29 diplomatic and 42 official passports were granted (only six of these being formally accepted by a receiving country)¹⁸. The Ombudsman was concerned about possible abuses of exemptions granted with diplomatic and official passport--to carry drugs, 'dirty' money, or weapons. The Ombudsman detailed direct or indirect improper payments to Vohor, Jimmy, and Soksok. Scandals continued with the suspension of Citizenship Commission Secretary General, Kepouwe Manwo, accused of illegally issuing passports, in March 2003. Ironically, all powers concerning citizenship were transferred from Manwo to Jean Sese--previously suspended for unlawfully issuing a passport to Richard Jung of Resorts Las Vegas and issuing 64 passports to ineligible foreigners (Patterson 1998b, *Vanuatu Trading Post* 6/3/03).

In one year (probably its most active one 1996-1997) Vanuatu received about \$3.3m for three hundred passports; approximately 1½% of its gross national product. Suggestions (with alarm in 2001) continue of significant illegal sales (*Far Eastern Economic Review* 5/4/01). Vanuatu's international reputation was damaged and some countries (e.g., Canada) dropped visa waivers for Vanuatu's nationals (*Ottawa Citizen* 5/12/01, *Vancouver Sun* 7/12/01).

NAURU

Nauru's passport sales started in 1998 despite Australian threats to withdraw recognition of Nauru's passports—affecting many Nauruans living in Melbourne. Nauru offered 'economic citizenship' to people who paid between \$15,000 and \$50,000 to Nauru's exclusive agent in Hong Kong--Washington, DC-based TransPacific Development Corporation. TransPacific was created by Paul Lee Der (imprisoned for securities fraud in 1994). TransPacific issued new Nauru passports to purchasers in their chosen names after simple medical tests and a ten-minute interview.

On 12 November 2000 Manila airport immigration agents arrested Alexev Polukhim, a Russian suspected of belonging to an international terrorist network. He held a Nauru passport (recently purchased for \$30,000) and was in transit to Canada, which gave free entry to Nauru passport holders. Soon Canada and Australia complained that Russian and Chinese criminals and illegal aliens were entering with changed identities on Nauru passports. In December 2001 Canada tightened visa requirements on Nauru citizens.

Hours after the terrorist attack on Bali's Sari Club on 12 October 2002, the Washington lawyer Philip Gagner wrote confidentially to Nauru's President Rene Harris. He represented TransPacific and Paul Lee, the Chinese-American manager of Nauru's passport sales. Gagner claimed that the US, threatening sanctions, demanded that Nauru's passport sales scheme and offshore banking operations stop. It offered substantial aid (reportedly \$250m over ten years) for compliance. The global media, the

US government and international organisations had all targeted Nauru's OFC's reported facilitation of serious crimes (van Fossen 2003), amid claims that terrorists, including al-Qa'ida and Indonesian groups, used Nauru's passports and offshore banks.

US Secretary of State Colin Powell then wrote to President Harris stressing the necessity to end sales. The US was concerned, with reason. Two alleged terrorists from the Turkestan Liberation Organization were arrested bearing Nauru passports purchased without any background checks. Andriy Simonyan, a suspected terrorist from Azerbaijan, bought a Nauru passport for \$15,025 on 26 October 1998 and moved to Hangzhou, China, where he was arrested in 2003 after allegedly stabbing a US citizen and planning terrorist attacks on Americans. In February 2003 two alleged al-Qa'ida operatives carrying Nauru passports were arrested in Malaysia. The US pressured Nauru's new President Bernard Dowiyogo, who had replaced Harris on 31 January 2003. He signed an executive order ending passport sales and offshore banking schemes on 27 February 2003, while in a Washington, DC hospital for a heart condition; he died ten days later.

Before dying, President Dowiyogo gave Nauru diplomatic passports to Steven Ray and Jack Sanders (allegedly US intelligence operatives, both denied it). Ray is an American citizen, established in Washington's Republican networks. He arranged meetings between Nauru and the US on the passport and offshore banking schemes; he was appointed Nauru's honorary consul in Washington. Sanders, an unsuccessful Labor candidate for the New Zealand parliament in 1990 under the name James Thomas Stubbs,

moved to China. He was made chargé d'affaires for Nauru's new embassy in China. Reputedly Ray and Sanders were to supervise Nauru's involvement in 'Operation Weasel'—an American plan (broached to President Harris soon after the Bali bombing) to smuggle twenty North Korean nuclear scientists and high-level military and industrial defectors (carrying fraudulent passports) to the West through Nauru's Beijing embassy, avoiding diplomatic problems for Washington¹⁹. Allegedly Nauru would receive \$1m for its contribution, and some private American organisations (e.g., International Law Institute) would subsidize Nauru's new missions in Washington and Beijing, for at least two years.

Opposition politicians were unimpressed with Dowigogo's American pact. Ex-President Harris claimed that parliament did not debate the schemes' abolition properly. Ex-President, Kinza Clodumar, said Nauru had sacrificed much for an unfulfilled promise of US aid. Ray claimed that the US threatened crippling sanctions 'if known corrupting elements ... regain(ed) control of Nauru's parliament' (*Australian* 12/4/03) and they reversed Dowiyogo's executive ban. Concern was expressed that people who profited from sales might influence the results of Nauru's election on 3 May 2003, in which the two schemes were important issues.

Ironically, Nauru's political instability was a principal reason for not using it in 'Operation Weasel'. Chinese authorities, suspicious of Sanders's activities in the country, detained him but released him because he held a Nauru diplomatic passport. Investigations proceeded about the apparent disappearance of several hundred thousand

dollars from Nauru's accounts; it was alleged that TransPacific failed to account for \$1.2m owing to Nauru. In July 2003 Nauru closed its Washington and Beijing embassies, amidst accusations that Southern Cross Consultants in China (allegedly involved with Ray), had sold fraudulent Nauru diplomatic passports for \$50,000 each. New Zealand Maori activist Whititera Kaihau added that in 2003 Sanders suggested printing Maori passports to fund indigenous land rights campaigns.

Tony Audoa, a former Justice Minister in Nauru, concluded that passport sales and issuing diplomatic passports to CIA-affiliated operatives had damaged Nauru's international standing and that government members, illegally receiving income from sales, had quashed police investigations. Since 1998 more than one thousand Nauru passports reportedly sold for \$15,000 each. The US government was unconvinced that Nauru had stopped sales²⁰. I conservatively estimate that 1,000 passports were sold for about \$11,000 each—a total of \$11m, averaging about 8% of the country's gross national product for each year between 1998 and 2002.

COMPARATIVE ANALYSIS

Passport sales probably still occur. The absence or abolition of an official scheme does prevent this. Politicians and government employees may derive substantial incomes from sales and oppose democratically ratified official programmes that deliver significant revenues to the public treasury since these constrain private profits²¹. Although Samoa, for example, has strong political opposition to an official programme it appears to have the second highest number of actual sales among PITHs. Most Pacific Island passports

have been sold (often secretly) by the least democratic tax havens in the region--the nearly absolute monarchy of Tonga legislated and formalised the scheme following media revelations and democratic protest, also Samoa, whose aristocratic *matai* system restricts democracy (Lawson 1996). Sales were greatest in the Marshalls where *Iroij* (High Chiefs), and the authoritarian President Amata Kabua dominated the government.

Transparency has been the greatest threat to Pacific Island passport sales, which generally operate in secrecy. The (ultimately false) assumption that passport purchasers would not settle in the issuing country helped convince those domestic interests who benefited that the schemes could remain secret. Yet this secrecy destabilised the schemes. Exposure of hidden details by the media and by democratic interests demanding transparency, led to invalidation of many passports because (i) sales were illegal, (ii) some purchasers were notorious undesirables and (iii) secrecy concealed corruption.

The credibility of all passports issued by Tonga, the Marshalls, Nauru, Samoa and Vanuatu was damaged. Foreign countries restructured visa restrictions and innocent citizens-by-birth were harassed, refused entry or their travel was delayed. Even after metropolitan countries announced countermeasures against Pacific Island POCs many purchasers used them to enter those countries, while poorer native-born Pacific Islanders were delayed at immigration inspections.

Immigration inspectors sometimes waved through apparently rich passport purchasers, with powerful, influential friends and relatives, but delayed their poorer 'compatriots', who lack influence. Metropolitan public opinion is unlikely to be rallied against ethnic Chinese millionaires holding Pacific Island POCs, who may spend or invest large amounts of money. The general public is ambivalent toward, and gives little support to, immigration agencies. These are often tension-riven, with divided approaches to

sensitive issues--needing constant political support and pursuing opportunities to assist the rich and powerful.

Immigration inspectors make discretionary one-to-one judgements. The system is skewed toward entry, creating pressure to process many cases with minimum delay. Immigration inspectors who minimise confrontations with apparently rich or powerful travellers improve their status. Obstructing can lead to political pressure which creates problems, which may damage the agency's image, with a consequent flow-on damaging the inspector's performance evaluation, career prospects and reputation. Admitting passport purchasers removes potentially doomed struggles with rich people and their powerful friends, whereas a crackdown on poor indigenous people, shows that the agency is 'doing something' (Gilboy 1991, 1992).

Challenges to POC schemes come from both high politics and the micropolitics of the immigration booth. At the highest diplomatic levels issuing states are accused of mismanaging their passport systems. Since sovereignty is granted by other states, it has always been conditional—limited by obligations to the 'global community' as defined by the world-system of states and, when such exists, the hegemonic state. The US, Japan, Canada, Australia, New Zealand, Fiji, Papua New Guinea, and other countries have criticised all PITH passport sales schemes²². Countries such as Nauru, which sell to suspected terrorists or criminals, are seen to fail to satisfy their duties to the community of states with sales endangering other states. Australia (initially) and the US (later) insisted Nauru terminate its scheme, arguing that its dangerous nature justified external intervention (Hindess 2002: 131-2). Many countries oppose POCs because of national security concerns. 11 September 2001 exacerbated these anxieties. Terrorists may use POCs to enter a country to attack it. It is ironical that Nauru officially terminated POC sales, then entered into a scheme to advance US interests regarding North Korean defectors. Probably external powers will continue using POCs in covert action (spies

need false documents and identities) and in false-flag operations, where operatives use assumed national identities to divert attention from the country instigating the operation (Salter 2003: 34). Some Nauruans felt that Nauru's involvement in a false-flag passport plan damaged its international credibility and legitimacy. Likewise, pro-democracy Tongan parliamentarians were concerned that sales to the Marcos family involved a larger plot to involve the country in dangerous international intrigues.

Pacific Islanders, believing that passport sales were illegitimate, became hostile toward immigrants, creating insoluble conflicts, at least in Tonga²³. Community involvement in formulating the sales arrangements could have produced commitment to the processes and the durable support necessary for sustainability. Substantial proceeds and an annual tax on non-resident purchasers could fund a visible project with such as a free university or hospital (Hill 1993). The Tonga Trust Fund (controlled by the royal family) had this opportunity, but it kept revenues overseas. The loss of most of this money in dubious investments renders this possibility unlikely.

Media scandals play an important role in promoting democratic governance and strong ethical principles; stories about ethically objectionable activities uphold social ethics. The independent media's attentive gaze increases transparency and accountability, reducing secrecy. After exposure, continuing media attention impairs damage-control strategies—attempted cover-ups often prolong the scandal. In Tonga, the independent media support democratic governance by presenting aristocrats as vulnerable to common ethical weakness. Independent media may pursue scandals until they conclude to public satisfaction—and history providing lessons for proper governance (Lull and Hinerman 1997). These lessons favour democracy.

Pacific Islands and metropolitan media generally uphold *democratic* conceptions of citizenship, while opposing classical *liberal* and *conservative* ideas concerning passport sales. The underlying issues in media reports can be articulated with academic literature about liberal, conservative and democratic conceptions of citizenship. These ideologies transcend the individual personalities of politicians and officials and they construct the political coalitions (Bawn 1999) that act in relation to passport sales. Neither liberal nor conservative scholars have addressed the issue of POCs, so the following analysis of classical liberal and conservative views is somewhat stylised—based on academic writings about related areas. This is the first scholarly paper to argue for a democratic perspective on POCs.

POCs involve an individualistic and depoliticising classical *liberal* conception of citizenship—formal, legalistic and without ties to a collective identity or membership in a particular political community. POCs liberalise the passport institution itself by increasing individual purchasers' freedom, choice and powers of action. Torpey (2000: 166) argues 'Ultimately, passports and identity documents reveal a massive illiberality, a presumption of their bearers' guilt when called upon to identify themselves'. Classical liberals support unrestricted trade, and minimal government interference in migration and globalisation overturning border controls (Bhagwati 1998, 2003). POCs remove barriers and free global migration.

While POCs are a first, step towards more complete deregulation, like licenses that allow relatively unencumbered movement for individual purchasers, from a classical liberal

perspective POCs are insufficient, since each sovereign state's passport monopoly is seen as unjustified. Thoroughly liberalised global migration would allow money spent on POCs to be used more productively: POCs payments are 'rents' (Krueger 1974), encouraging 'directly unproductive profit-seeking' (Bhagwati 1982) by sellers—including black markets, corruption, illegal campaign contributions to politicians, and exorbitant fees paid to honorary consuls.

This gives POC sellers a perverse incentive to support a general global system of bounded sovereign states and migration controls—which give POCs their value as special exemptions. The classical liberal solution is universal citizenship, to ultimately supersede the embryonic and incomplete liberalisation of POCs. Deregulation of international migration would weaken sovereign states' monopoly on passport licensing and migration restriction systems—extending globalisation and encouraging greater freedom of worldwide movement.

A *conservative* notion of citizenship is defined in terms of a common, unified (and often racial, ethnic, religious or linguistic) identity without necessarily involving individual freedom or democracy. This perspective emphasises the virtues of solidarity, order and purity and opposes passport sales (see Cohen 1999). The media generally criticise these conservative conceptions, such as those expressed by Tongans who have committed criminal acts against Chinese passport purchasers in Nuku'alofa.

The media generally oppose passport sales using *democratic* conceptions of citizenship connected with political participation and feelings of common destiny defined in political (rather than ethnic, cultural or racial) terms. They emphasise openness, transparency and equality. This conception has been represented most dramatically by the Tongan Pro-Democracy Movement and the Vanuatu Ombudsman's Office—which the media portray as heroic crusaders.

Democrats consider that the problems presented by POCs stem from a lack of democracy and transparency. They cite statistical evidence that democratic decisions are as efficient as market decisions (Green and Shapiro 1995, Wittman 1995) and that passport sales emanate particularly from aristocratic polities such as Tonga, Samoa and the Marshall Islands. Democrats find that the judiciary can strongly oppose powerful groups and their legislature, whereas many classical liberals consider the courts as 'enforc[ing] the "deals" made by effective interest groups with earlier legislatures' (Landes and Posner 1975). For example the Tongan High Court, in 1988, maintained its independence and agreed with the Pro-Democracy movement in declaring the laws permitting passport sales unconstitutional—deeply offending the monarchy, the aristocrat-dominated parliament, and the powerful lobby of honorary consuls and immigration officials selling passports.

Democratic and transparent processes accommodate all parties; nobody is rejected as unworthy of information and participation. In a democratic and transparent system of governance, an issue will probably remain settled, once it is democratically decided unless a significant environmental change occurs. Non-democratic, secretive and corrupt

systems never settle issues (Stiglitz 1998). This underpins the frequent collapse of Pacific Island passport sales schemes—leaving considerable ill feeling, recrimination and uncertainty about the status of issued passports and the disposition of proceeds.

CONCLUSION

Trust, civility, political activism oriented toward improving social welfare, and democratic consensual deliberation are the basis of long-term commitments that lower transaction costs (Green and Shapiro 1995, Kuttner 1998, Sabatier 1992, Stiglitz 1998). Maturing democratisation acts against corruption; strong empirical evidence supports this internationally (Sung 2004) and in the US (Hill 2003). Cheating and opportunism (with frequent misrepresentation by sellers and numerous illegal sales) generated high transaction costs. Most unlawful passports were not renewed—with subsequent losses for purchasers. There are few if any binding agreements, official covenants, iron-clad guarantees, exhaustive monitoring arrangements and efficient enforcement practices (which all minimise transaction costs) in the schemes considered here. Instead, sales have followed a pattern which historically has blocked the well-being of economies, polities, and societies world-wide. Characteristically a corrupt situation favoured elite attempts to gain revenues--without negotiating with citizens by extending greater power and democracy to them in exchange for revenues. Democratic, honest and competent governance produces competitive advantage for nation-states and is crucial to economic performance (North 1989). Corruption problems (in both public-to-private and private-to-private dimensions) have reportedly grown around the world with the rise of neo-

liberalism and ‘business politicians’ since the mid-1970s--as the prevailing ideology moves from public service to maximising self-interest in an international political economy shifting toward actual (rather than the neo-liberals’ ‘ideal’) markets (Angandona 2003, Bull and Newell 1997, Nelken and Levi 1996).

Passport sales have provided an issue and opportunity for citizens in some Pacific Island states to express their support for their conceptions of nationhood, democracy, honesty and transparency in government. It remains to be seen whether this mobilisation of the people can overcome the revival of passport sales schemes that benefit a privileged few.

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² A tax haven is a jurisdiction which allows residents or foreigners to minimise tax payments. An OFC is a tax haven jurisdiction with at least one significant institution primarily oriented toward accepting deposits and investment funds, and where government policy is attraction of foreigners' business by creating legal entities and structures, or facilitating immigration, naturalisation, residence, or allowing foreigners to acquire passports to minimise taxes, regulation, assets' loss, unwanted financial disclosure and forced disposition of property. All OFC's are tax havens. Not all tax havens are OFC's (e.g., the Federated States of Micronesia and Pitcairn Island are tax havens, but not OFC's).

³ This paper will not consider passport sales by Pacific Island countries that are not tax havens—Kiribati, etc.

⁴ The household head's passport costs more than for a spouse or child.

⁵ In 2004 by Australian businessman Bruce Porteous and immigration lawyer Kenneth Oh proposed that Niue sell passports and permanent residence visas to South Koreans fearing a Northern invasion. Niue's politicians blocked the legislation that would allow it to issue its own passports. All citizens of Niue carry New Zealand passports and the New Zealand government objected to the proposal (*New Zealand Herald* 15/5/04).

⁶ The tax haven of Palau has no official passport sales programme, but reports circulate of passports not accounted for (*Palau Horizon*, 11/10/03, *Tia Belau*, 6/11/93).

⁷ Bain 1993: 160-157, Campbell 1992: 218-222, *Islands Business* 10/89, 3/90, 4/91, James 1994, Moala 2002: 77-86, *Pacific Islands Monthly*, 5/91; *South China Morning Post*, 2, 13/3/91; *Tonga Chronicle*, 21, 28/2/91, 7, 14, 21/3/91, 23/9/93; *Wall Street Journal*, 23/8/94

⁸ *Islands Business*, 5/90; *Pacific Islands Monthly*, 5/91; *South China Morning Post*, 2, 13/3/91; *Tonga Chronicle*, 21, 28/2/91, 7, 14, 21/3/91, 23/9/93; *Wall Street Journal*, 23/8/94..

⁹ Official statistics started in 1983, a year after sales began. They state that between 1983 and January 1991 3,582 passports were sold in Hong Kong and 3,632 in Nuku'alofa. It was reported that from February 1991 to 31 December 1995 1,233 were sold in Nuku'alofa (*Tonga Chronicle*, 15/2/96).

¹⁰ This figure represents the known numbers of unaccounted for recorded passports. Samoan insiders claim numerous unrecorded passports are circulating. Marshall Islands' evidence supports this. The Marshall

Islands immigration department could not find records of the numbers of twelve Marshall Islands passports and nineteen naturalisation and residency certificates (all dated August 1996) held by Taiwanese businessman Chen Nan Huang when US immigration officials detained him in Guam in July 1998,—suggesting numerous unrecorded passports were possibly sold (Agence France-Presse, 29/8/98; Inter Press Service, 28/8/8).

¹¹ *Christchurch Press*, 19/9/97; *Cook Islands News*, 19, 23/9/97, 8/10/97; Crocombe 2001: 376; *Dominion*, 12/3/98; *New Zealand Herald*, 12/3/98; New Zealand Press Association Report, 18/9/97; *Pacific Islands Monthly*, 11/97; *Talamua*, 7/97 9/97, 10/97.

¹² *Islands Business*, 5/89; *Marshall Islands Journal*, 1/1/88, 12/2/88; *Pacific Report*, 2/3/89; *South Sea Digest*, 3/3/89.

¹³ *Marshall Islands Journal*, 26/3/93; *Pacific Islands Monthly*, 7/97; *Pacific Magazine* 7/92; Richardson, 1994: 341-5; *Sydney Morning Herald*, 8/5/92, 9/5/92, 12/5/92, 15/5/92, 16/5/92, 18/5/92, 19/5/92, 22/5/92, 27/5/92, 28/5/92, 3/6/92, 20/3/93, 12/8/93; Wilkinson 1996: 347-358.

¹⁴ Agence France Presse, 7/9/96; Associated Press 25/5/02; *Guam Business News*, 9/93; *Marshall Islands Journal*, 26/2/93, 4/7/97, 18/7/97, 23/7/97, 7/11/97, 4/2/00, 31/5/02, 26/7/02; *Pacific Islands Monthly*, 12/97; *Pacific Magazine*, 9/93, 3/94; *South Sea Digest*, 24/10/97; *Sydney Morning Herald*, 8/5/92, 9/5/92, 12/5/92, 15/5/92, 16/5/92, 18/5/92, 19/5/92, 22/5/92, 27/5/92, 28/5/92, 3/6/92, 20/3/93, 12/8/93.

¹⁵ Agence France Presse, 3/1/05; *Marshall Islands Journal*, 20/4/01, 15/6/01, 30/11/01, 18/1/02, 9/8/02, 3/1/03, 7/1/03, 17/1/03, 18/4/03; Pacnews, 23/8/03.

¹⁶ *Euromoney*, 8/96; *Pacific Magazine*, 9/94, 11/94; *Pacific News Bulletin*, 8/94; *PITCO Vanuatu Update*, 7/94; *Vanuatu Weekly*, 11/3/95.

¹⁷ Inter Press Service, 9/10/97; *South China Morning Post*, 15/2/98; *Vanuatu Trading Post*, 13/9/97, 27/9/97.

¹⁸ The national distribution of 42 official passports issued was—China 18, Taiwan 12, France 6, Singapore 3, Malaysia, South Korea, and Belgium, 1. Distribution of 29 diplomatic passports was—China 8, Nauru (holders with Chinese surnames) 4, Philippines, France, Australia, Unknown 2, Taiwan, Japan, Thailand, Malaysia, Singapore, Vanuatu, US, UK, Switzerland 1 (Patterson 1998b: 7-13). Vanuatu rejected some potential purchasers, including Jon Edelman and his family, who arrived at Luganville on a yacht in September 1995. Edelman was fleeing US justice (a, November 1991, six years gaol sentence for operating a fraudulent scheme that allowed false tax deductions of \$532m for clients of Arbitrage Management, that Edelmann co-owned with Bernhardt Manko) (*New Zealand Herald*, 15/9/95; *Wall Street Journal*, 9/2/89, 27/11/91).

¹⁹ In April 2003 Sanders's brother, Paul Stubbs, was released from prison after serving eleven months of his 26 month sentence for people smuggling, involving Chinese. Both supplied Chinese purchasers with Nauru passports (*New Zealand Herald*, 3/5/03, 25/11/04, 15/1/05).

²⁰ Agence France-Presse, 29/5/98; Australian Broadcasting Corporation, 17/4/03; *Australian*, 5/4/03, 7/4/03, 8/4/03, 12/4/03, 16/4/03, 19/4/03, 2/8/03; *Dong-A Ilbo Daily*, 19/5/03; *Manila Standard*, 13/11/00; *National Post*, 6/12/01; *New Zealand Herald*, 16/6/00, 26/4/03, 2/8/03, 24/11/04, 25/11/04; *Sunday Age*, 19/8/01; *Sydney Morning Herald*, 12/4/03; *Wall Street Journal*, 16/5/03.

²¹ Hill (1993: ix-x) estimates that \$1b went to Panamanian officials from covert passport sales between 1988 and 1993.

²² *Age*, 4/9/96; Agence France-Presse, 29/5/98; *Australian*, 5/4/03, 7/4/03, 8/4/03; *Dominion*, 8/8/96; Inter Press Service, 17/11/96; Radio Australia, 26/9/97; *South China Morning Post*, 7/8/96.

²³ International law is making it more difficult for a state to denationalise or expel unpopular people holding its passport. However illegal purchase weakens the passport's status (Muchmore 2004).