

The Paradise Conspiracy:

Tropical heat

A death, missing computer disks, a wineboxfull of secret files, a tax haven in the Cook Islands, alleged extortion, arms dealing, corruption, coverups and criminal fraud, billion dollar deals, kidnap attempts ... and an investigative television team's struggle to expose the truth.



By IAN WISHART

THE FIRST THING that hits you in Rarotonga is the landing. It's a short runway, requiring maximum braking from the Boeing 747s when they touch down. Our appreciation of this had been somewhat heightened as, the night before, our Air New Zealand flight on this very same jumbo jet had been cancelled because of a minor brake failure. Cheerfully, Air New Zealand had informed passengers in its first class lounge at Auckland that normally the plane would continue on with a fault like that, but because of the extraordinarily short runway in the Cook Islands, discretion was the better part of valour. We were therefore 18 hours late, and needed to squeeze all our filming in to a window of opportunity now only 22 hours wide on the ground.

The second thing that hits you is the moist tropical air, gently spiced with the fragrances like frangipani and quickly all-enveloping. Standing at the top of the boarding steps, you soak all of this up in an instant, while your eyes take in the glittering Pacific Ocean beating incessantly on the coral shore beside the airport, and your eyes are bombarded with the cacophony of a minstrel with a guitar and a public address system singing welcome songs in the local dialect, Cook Islands Maori. God, it was good to be here, I reflected, taking a lungful of what passed for a tropical breeze as we made for the terminal.

It was 3pm by the time we hit the street in a taxi, exclusively ours for the rest of the afternoon. Motorbikes and scooters buzzed around us as we made our way into town — the main form of transport in the islands' capital, Avarua. Even most of the taxi vans and jeeps appear to run on clapped-out, two-stroke motorcycle engines.

The road from the airport is guarded by an ageing World War Two anti-aircraft gun, once pointed toward the Land of the Rising Sun, now presumably a lone sentinel against hordes of invading tax inspectors. The other thing you notice — and it has absolutely no relevance to the story — is that every house has its own graveyard, usually on the front lawn. The requirements of local custom through the generations have demanded that relatives are buried close to their surviving families.

Some houses ran out of space aeons ago, or so it appeared, the tombstones and sarcophagi crumbling back to dust, in some cases open to the monsoons and the sticky heat. Elsewhere, the houses themselves were crumbling — long since abandoned — the tombs in front overgrown with lush vegetation, their inmates forgotten.

We had three hours before sunset to film as much as possible, and it quickly became a race to complete the PTCs. Standing outside the Cook Islands Monetary Board offices for one particularly long shoot, I could see the faces of the curious — noses pressed to the windows as this foreign television crew seemed to take over the main street outside.

Conscious of the fact that I needed to get more than a dozen reports down on videotape by sunset if possible, on different sides of the island, we tried to rattle them off quickly, and the strain was showing in the speed of my speech. It wasn't helped by the fact that each PTC was up to 45 seconds long, and all had to be memorised word for word. The lawyers back in Auckland had careful vetted exactly what we would say — one deviation could be the difference between success and a multi-million dollar lawsuit.

While Michael Wilson and cameraman Peter Day had the luxury of wearing sunglasses, I was in double jeopardy — not only no eye protection but, for reasons of lighting, I also had to stand facing directly into the intense glare from a tropical sun. All this while repeatedly walking up and down the middle of the main street trying to dodge mopeds and the occasional four-wheeled vehicle.

This also added to the 'troppo' atmosphere that quickly overtook all of us — every time a scooter went past it sounded like a buzzsaw on the videotape. We marked out 19 'takes' on the first PTC alone.

Terrified of alerting European Pacific to our presence and setting off a court injunction, we were also trying not to broadcast the contents of our PTCs too loudly. In some situations this was achieved by suddenly mumbling at the crucial point as a nosy local walked past, but occasionally it developed into a farce. A group of Cook Islanders walking along a beach we were filming at saw us in the distance pointing a stick into the sand, talking into the camera and then suddenly dancing furiously on the spot before shifting to a new point on the beach and starting the ritual again.

After five or six of these little dances they could have been forgiven for thinking we might be filming some bizarre new kind of rock video, but instead each time they got close we were having to rub out the words 'tax fraud' which we'd carved into the sand with a stick, and move further away to film it again before they got too close.

The astute reader may ask why we didn't let them go past, instead of trying to 'outrun' them on the beach? We had another problem, in that the sun was dropping like a stone on the horizon and very soon there would not be enough light for the shot to work. We were trying to outrun the encroaching shadows

By the time night fell, we'd filmed nine of the 13 required PTCs, far more than we expected to complete. We checked into the Edgewater Resort Hotel, and looked for somewhere to eat. We found it in the form of PJ's Bar, a tavern and restaurant a short distance from the hotel. The place was rocking

Breakfast next morning was a treat to behold. We'd been up since dawn trying to film pieces to camera as the sun rose — the lighting is particularly soft and friendly at dawn and dusk — and by 8am we'd taken our bag of PTCs up to 11.

Arriving back at the hotel, we plotted our next moves over tropical fruit salad and sizzling bacon, eggs, toast and coffee, esconced under a cloudless blue sky with the ocean lapping at the white coral sand just metres away.

'I think we should get the local market scenes as soon as they open this morning,' said Mike, dragging his attention back to the task at hand. 'And Ian if you can go to the Companies Office and get what you can on European Pacific. We'll meet up in town after that and knock off the other PTCs outside European Pacific's building at lunch time.'

The previous afternoon we had also slipped in visits to the local newspaper and television companies to check on some information and get video footage of the fire that had burnt the Cook islands Company Office in 1992. The tape was due to be uplifted this morning.

As expected, our visit was beginning to cause ripples. Just as we got ready to abandon breakfast the hotel manager pulled up a chair at our table.

'So tell me. Exactly what are you all doing here?' he quizzed. We shuffled uncomfortably in our chairs.

'Ah, we're up here getting some library footage of the Cook islands,' I ventured lamely. Wilson picked up the ball and ran with it.

'Yeah, and we're also doing a story on the Sheraton Hotel project while we're here.'

The hotel project was something of a national scandal in the Cook Islands. One of the financial advisers was found murdered, and the project itself had been abandoned halfway through construction the year before, after a big anti-

The X-files

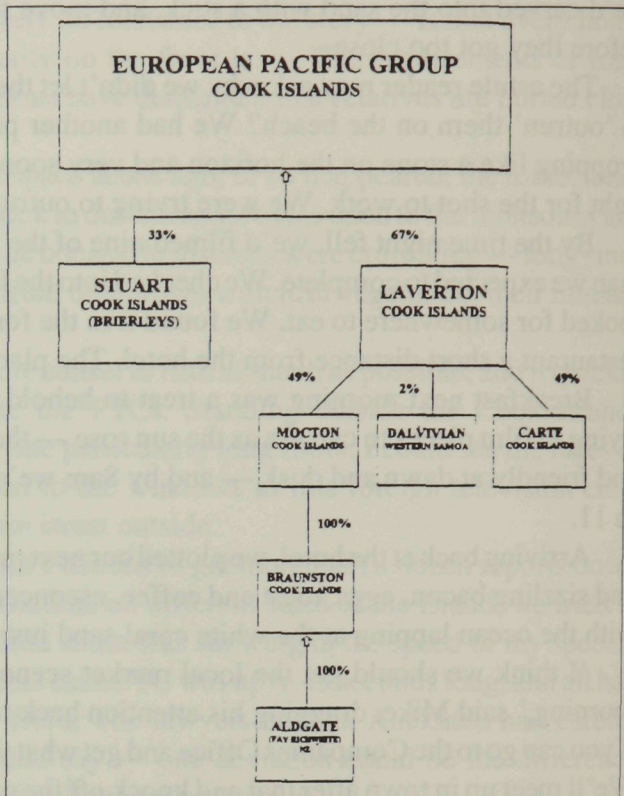
SCRIPT work began that morning. My initial draft had, for security reasons, been compiled on my home computer, not one of the TVNZ news computers. We took draft one to pieces, and began reassembling from ground-zero on the TVNZ system.

To throw interested parties off the scent, we divided the script into four parts, with exotic titles like Palm Trees, Hula Skirts, Coconut Shells and Tropical Heat. These segments were 'locked' with the

codeword 'laundry', so that our colleagues couldn't access them. The locking mechanism, naturally, would not be effective against senior managers, but it provided a modicum of protection against random access.

Rather than work in the general news or *Frontline* production area, we were assigned an office with a lockable door. There was to be no discussion of sensitive material on cellphones, and no unnecessary discussion of the project with anyone not working on it. To all intents and purposes, it became 'Project X'.

In later months the legend surrounding Project X would become much bigger than the reality. I remember listening to talkback on a national radio network soon after the documentary went to air, and hearing the announcer explain to the listeners how the project had been so secret, that not only did we work in a different office, but that we used a new, experimental kind of videotape not available anywhere else in New Zealand and not available



European Pacific ownership, March 1993.

X-FILES

to anyone else in Television New Zealand.

While Michael and I had been working feverishly to rewrite part one — Palm Trees — Carol had been searching through TVNZ's vast library of archival footage and stumbled across some early material on the setting up of the Cook Islands tax haven. We also found that Australia's *Four Corners* program had done a big investigation of former billionaire Alan Bond in 1989 — an item that touched on Bond's use of European Pacific's tax haven operation.

Suddenly, the visual prospects for part one weren't looking so horrific. It needed to be an introduction to European Pacific, a scene setter. We could touch on the creation of the tax haven, the launch of European Pacific amid the hype surrounding Fay's America's Cup challenge, Winston Peter's campaign targeting EP and a hint of what would be revealed in parts two to four.

For the opening paragraphs we would see shots of someone rifling through a filing cabinet in a darkened room, pausing and retrieving a folder marked EUROPEAN PACIFIC.

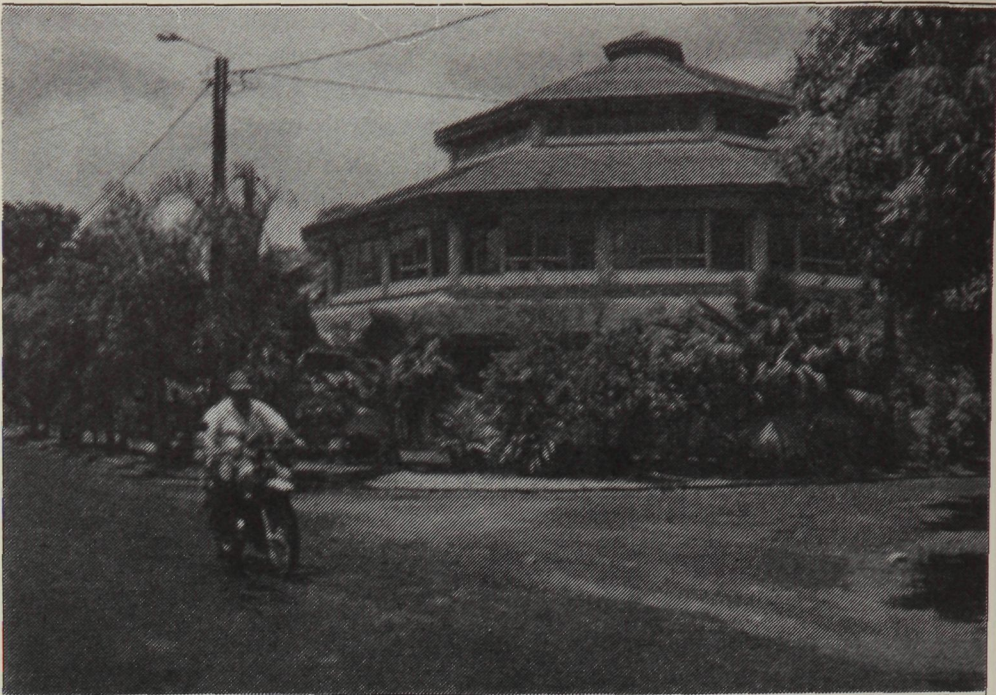
We would see this anonymous individual photocopying documents in the twilight of this office — a veiled reference to the company's claims that its documents had been stolen. This, as a visual device, would be easy on the eye and lead the viewer symbolically into the complex story. It was an effective concept and, when they filmed the sequence that weekend, it looked stunning.

No company likes the idea of its most sensitive commercial documents being leaked, began the voice over. For a company running a tax haven operation, such a breach of security is more than damaging ... it spells ultimate destruction. For once the veil of secrecy is blown, the company and its clients' most intimate financial dealings are exposed for all to see.

The disclosure of a number of documents belonging to tax haven specialist European Pacific Investments has dragged them and their owners into the spotlight. As the intruder began photocopying, the script went straight for the corporate jugular.

Contained in documents Frontline has obtained is evidence that European Pacific broke New Zealand law and defrauded the Cook Islands people. Within 30 seconds of the program beginning, viewers would be aware that this was to be an extremely hard-hitting piece of journalism.

Ian Wishart



The European Pacific Centre in Avarua, Rarotonga. Deep in the interior, a huge concrete vault was allegedly used to store documents hidden from foreign revenue agencies at the behest of corporate clients.

corruption drive in Italy. It seems the Italian partners in the joint venture turned out to have organised crime connections and had been arrested back in Italy, along with hundreds of other business leaders. How come this didn't surprise me? The arrests brought a complete halt to the joint venture, and the Cook Islands government was now carrying a national debt of some \$200 million — a large portion of it due to the unfinished hotel.

Our answer to the inquisitive manager of the Edgewater wasn't exactly a lie, but we could tell from the sceptical look on his face he didn't buy it. European Pacific, in its heyday, had practically owned the Cook Islands. The last thing we needed was for the merchant banks to get wind of our real intentions and blow the whistle.

We were paranoid for another reason too. What we were doing in the Cook Islands was illegal. The tiny nation has tough laws safeguarding its tax haven operators, and the idea of being stopped at the airport with videotapes and documents clearly discussing not only tax haven business but allegedly criminal deals involving the Cook Islands government — it wouldn't have looked good.

We were in fact lucky enough to escape the long arm of the Cook Islands law on this occasion: another TVNZ camera team following in our footsteps a

few months later wouldn't be so fortunate. In addition, the program was due to go to air in just three days — our detention would put the kybosh on my hopes of putting it to air before Christmas.

My sojourn at the Companies Office proved to be a waste of time. Staff confirmed that European Pacific's files had been destroyed in a suspicious fire in 1992, soon after Peters' revelations began. A local drink had been arrested and charged with arson. Despite repeated requests, European Pacific had not replaced any of the missing files by the time of my inquiry at the Companies Office public counter.

If European Pacific's alarm bells didn't start ringing when we began filming their building, I'd be surprised. The EP Centre was now going under the name Standard Chartered Equitor House — but we knew EP still maintained some kind of presence in the building.

We'd left the EP PTCs until last so as to avoid setting off the tripwire until we were almost ready to board the plane and fly out again. Standing right in front of the EP building, talking about an alleged tax fraud, I may as well have been wearing a rhinestone-clad Elvis costume and waving a placard screaming PICK ME.

By the time we hit the air terminal later that afternoon, it felt like we'd been there a week. Adrenalin levels rose as we checked out through Customs, but there was no attempt to interfere. Watching the island vanish out the window as we took off, I had no idea that we would return within a fortnight. I really believed that by Sunday night, the whole story would finally be out in the open. More fool me.

ARRIVING back at work on Friday morning, video cassettes in hand, we were greeted by Norris at our daily planning meeting with an ominous new twist.

'I've given the script to Brent Harman while you were away. He's very positive, very supportive, says it's a great story. However, he's had to leave the country on business, and he's asked me not to run the program until he gets back. He feels, and I tend to agree, that it's going to attract a lot of flak and he wants to be around to go in to bat on our behalf when it goes to air.'

Brent Harman was Television New Zealand's chief executive. A former station manager of Wellington rock station 2ZM in the early 1990s, he'd moved to a provincial station after one of those creative-type conflicts that arise in the radio business. His revenge had been to guide that provincial station to become the country's number one in its market. It was enough to bring him back in from the cold, and in 1987 he was given a metropolitan position again — turning Auckland's top-rating middle-of-the-road Radio New Zealand's flagship, 1ZB, into a newstalk station.

While I'd never worked for Harman, who arrived at TVNZ shortly after I joined TV3, I had some grudging respect for what he'd been able to achieve. I had no reason to doubt Harman's sincerity on the European Pacific issue, but nevertheless something didn't feel quite right. We quickly established he wouldn't be back for a week and a half, putting off our broadcast date until December 19 at the earliest. A quiet chat to one of the production team in the corridor soon gave us a more in-depth analysis of the sequence of events.

'Norris and Brown gave Harman the script at the last minute, and we were kind of hoping he wouldn't open it until he was halfway to Hawaii with no access to a phone. The guy bloody well pounced on it and started going through it with a fine-toothed comb. I don't like the sound of it.'

My disquiet worsened considerably with a phone call that came in half an hour later. It was a detective who'd cut his teeth in the Police Criminal Intelligence Section, CIS. He'd recently lent me a file on another matter; I assumed he was wanting it returned.

'No, it's not about that bloody file,' he muttered down the line, 'it's about your bloody European Pacific story. Someone's given a copy of the script to the enemy. You've got a leak and you need to find it. How the hell am I supposed to feel secure giving you highly sensitive files if you can't keep your secret project secret?'

'Look,' I sighed, 'why don't we meet at the duck pond tonight. Seven okay for you?'

'Yeah, I'll be there.' He hung up.

At the duckpond, the conversation quickly took a more serious tone.

'Like I was saying, about a week ago the shit hit the fan; they even know about it in Wellington. The talk is they got the script out of TVNZ over to TV3 and someone there has given it to merchant bankers Fay Richwhite.'

My heart stopped beating. 'What do you mean TV3 got hold of one of our scripts — why the hell would they want it?'

'How the hell would I know? All I know is a TV3 guy was on a plane sitting next to a Fay Richwhite boy last week, and he apparently gave him the script. They were talking about it and were overheard by some of the other passengers.'

My mind was spinning. Trying to figure out what happened was like tossing a jigsaw into the air and expecting to catch it again in its original form — damn near impossible. I considered the possibilities. It was possible that someone might have picked up an old draft out of the rubbish, but we'd been shredding most of those. Even if they had, the likelihood of a TVNZ staffer passing it to TV3 was pretty slim.

'The only other thing I can think of,' I ventured after a moment, 'is a synopsis that I left behind at TV3 when I came to TVNZ. There were only two

copies of that document, and Keith Davies and I had one each. But I can't see him giving it to that crowd. Maybe someone else at TV3 got hold of it and took a copy.'

I'd already had bitter experience of that. The more I thought about it the more likely it seemed.

The waters were later muddied even further when I discovered *The Independent's* Warren Berryman and Jenni McManus had been gloating about knowing what I was up to and knowing about JIF. Through the traps, the word came back that they too had access to a synopsis left behind at TV3.

When I confronted Jenni she conceded she had seen the synopsis, but claimed she'd been told that I okayed its release to her. Fat chance. Still it was too late to undo the damage — all I could rely on the fact that there was nothing in the document referring to Magnum, and nothing which explained the promissory note mechanism. The intrigue didn't stop there, however.

As a crime beat reporter, you quickly build up a network of contacts and sources from all walks of life. Drug dealers, bank robbers, hired guns, police and private investigators can all be useful additions to a journalist's news antennae. At a loose end, I dialled up a couple of mates at private investigation companies to see if they'd heard the buzz about the script leak. One of them had, but both had something even more significant to report.

Both agencies had been approached by a business executive asking them to 'put Winston Peters out of politics, permanently'. The request came with an assurance that, no matter what the cost, the people the businessman represented, wanted Peters utterly and completely disgraced, and they didn't care what tactics were used — including trick photography. Despite the promise of as much money as they wanted, both agencies had turned down the job. It immediately rang a warning bell within me, as a respected Radio New Zealand journalist had recently boasted to his colleagues that he had seen a photo of Peters doing an unnatural act.

The latest computer programs make such composite photos a breeze to create, and the dirty tricks potential is enormous. The photo never surfaced, probably because newspaper editors — well aware of computerised tricks of the trade — would smell a rat.

It illustrated the existence, however, of an orchestrated conspiracy to discredit the MP for Tauranga, at the same time as many media commentators were ridiculing him as a wacky conspiracy theorist. Someone, with a lot of money, was pulling the strings.

Chief executive Brent Harman of TVNZ arrived back a week later but there was no move to put the program to air that Sunday. Instead we were using the interregnum to fine tune the post-production on the program. The graphics

showing bouncing money bags had cost the best part of \$70,000, and there were other little things that needed tweaking as well.

By chance, Michael Wilson and I bumped into Keith Davies at Auckland airport the following week.

'I hear Graeme Wilson is trying to stop your program from screening,' he divulged conspiratorially over a coffee. I still had no proof that Graeme Wilson had in any way been called in, so keeping a straight face I told Davies that as far as we knew, Wilson wasn't involved in the story and had no power to stop it.'

TVNZ general manager Graeme Wilson is a former journalist who'd taken up a managerial sword some years back. I couldn't see how Wilson would even be involved in something that was between Paul Norris and Harman.

Returning from Wellington later that day, our worst fears were confirmed. Graeme Wilson *was* involved, and was demanding changes to the program. What changes? For a start, Winston Peters' comments had to come out. The production meeting was stormy.

'What right has that jumped up prat got to order us to remove Peters?' demanded one of the team.

'I know what you're saying,' came the response, 'but they don't want our program to be seen endorsing or glorifying Peters in any way.'

What the hell did that mean? Just because Peters happened to be right didn't mean we were glorifying him. The inclusion of a couple of small comments where he called European Pacific a secret and covert series of companies that defrauded the New Zealand revenue hardly made our documentary 'Peters-driven'. Another senior journalist was equally shocked.

'I can't really believe we're having this discussion. The man's the leader of a political party, for God's sake! If we were talking about taking the prime minister out of this piece for political reasons there would be hell to pay!'

Everyone present agreed with the sentiment, but the reality was that the program would not be allowed to go to air with Winston Peters in it. It was a case of compromise or lose the story — end of story. There were to be other changes too. The opening sequence (*see X files, Pages 140-141*) was to be erased — goodbye to Carol's carefully crafted shadowy figure rifling through a filing cabinet. Too sinister, might give us some legal problems, came the explanation.

'You can't be serious,' Mike, Carol, myself and *Frontline* producer Mark Champion yelled, almost in unison. But there was more. Our documentary did not allege Sir Michael Fay was guilty of anything. His company, of course, was involved in what our lawyers believed was a proposed fraud against the Japanese government, but we weren't sure at what level within Capital Markets approval would have been required for such participation.

We had included a shot of Sir Michael Fay in the 1987 America's Cup

parade in Auckland — now we were being told to take it out as well. Graeme Wilson did not want us casting aspersions on Sir Michael Fay. Fay's 1987 America's Cup challenge had caught the public mood, a mood that EPI capitalised on. His photo had been included for other reason — his success in the Cup was integral to the skyrocketing share prices of his companies, and integral to the public float of EPI. There was no reason to drop Fay from the story in that context, and to do so would actually detract from public understanding of that segment in the program.

'The script has been approved for broadcast by our lawyers, on what grounds are they doing this?'

'Well,' came the response, 'they feel that we can't be sure of the facts, that we're taking on some very respectable businessmen, and that we don't want to leave ourselves open to lawsuits.'

Bollocks!, I thought. Not only were we being ordered by TVNZ management to remove Winston Peters from the program because 'they don't like him or his politics'. But they were expressly bucking the recommendations of our extremely highly qualified legal team from Simpson Grierson. To have executives suggest we couldn't be sure of the facts was an insult to Gary Muir — a doctorate in tax law — Professor John Prebble, and the former Auditor-General, Assistant Treasurer Secretary and IRD tax investigator Brian Tyler.

By Friday, 17 December 1993, we'd finally finished most of the surgery on the program, changing some of the vision and excising Peters (although he featured in the broadcast version in May 1994 as a result of his tabling the winebox in Parliament). We all felt unclean and sick to the stomach. Just as we announced the program was ready for airing, the dynamic duo, Brent Harman and Graeme Wilson, found a new way to make our lives hell.

They ordered us to ring European Pacific and seek comment on our investigation. Not only EP, but we were also to ring David Richwhite, Paul Collins and Peter Travers. Without their responses, the program would not screen on Sunday. To those of us on the Project X team, it was obvious that there was now no chance of the program going to air on Sunday — the moment we tipped off European Pacific we'd be caught up in the injunction battle.

© 1995 Ian Wishart.

□ *Ian Wishart is a former Television NZ journalist who cracked the 'winebox' documents code and exposed the activities of European Pacific in the Cook Islands in an investigative documentary. In spite of attempts to block the program over several months, it was eventually aired in May 1994. This article is an excerpt from Wishart's book about the investigation, The Paradise Conspiracy. The book was self-published after TVNZ allegedly pressured him to prevent publication of the story.*