

Indigenous Commercial Ambitions and Decentralisation in Papua New Guinea: The Missing Driver of Reform



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Introduction¹

This Discussion Paper argues that the initial mid-1970s establishment of provincial governments as forms of decentralised authority has been misunderstood. Anthony Regan, to cite one instance, has argued that there was intended to be 'a radical redistribution of power, requiring the creation of new centres of power able to act as a counterbalance to the central government as well as operate as new arenas for resolution of local tensions and disputes' (1992:9). Instead, here it is argued that the principal determinant of the constitutional reforms was the continuing drive by indigenes to open up space in the postcolonial state so that their hold on political power could be transformed into commercial opportunities.

The ambitions and activities of sections of the indigenous bourgeoisie and would-be bourgeois were most important. One major consequence of the misunderstanding is that subsequent changes, including the 1995 and 2015 Organic Law reforms, continue to be examined primarily in terms of service delivery, successes and failures, and capacity development (Haley and Wiltshire 2015). This limited focus continues to appear in descriptions of later moves to further decentralisation. These accounts produce little more than a breakdown of budgetary allocations and attempts to pinpoint political beneficiaries, including members of parliament (Wiltshire 2014), while official aid concentrates on what is termed capacity development (DFAT 2011).

Accordingly, a 'shopping-list' of various explanations for the 'unsatisfactory' service delivery informs official policy prescriptions. To cite just one instance of this direction, a 2011 'Project Design Document' lists the following reasons for 'unsatisfactory' service delivery:

(S)ector specific policy and operational challenges, cross-cutting issues related to weaknesses in public administration and governance such as public financial management, policy coordination and coherence, and human resources management, issues to do with politics, power and leadership, funding, as well as logistical and technical issues. The GoPNG [Government of Papua New Guinea], together with development partner assistance, has been working to address these multiple constraints to service delivery. (DFAT 2011:5)

Soon after the establishment of provincial governments in the mid- to late 1970s, there were critical accounts that examined whether these institutions acted as counters to highly centralised authority and a desire to encourage local political participation, power to the people (cf. Ballard 1981; Standish 1983). However, then and now, examinations of the political economy of decentralisation continue to avoid the central questions of what independence and subsequent reforms to the nation-state have constituted in terms of changes in class and state power. Against the proposition that decentralisation produced 'new centres of power' which acted against central authority here it is argued that decentralisation resulted in the creation of an enlarged space *at the centre of the national state*.

Decentralisation was part of changes underway at independence, providing opportunities for political and state power to be joined and enhance accumulation already in train in the capitalist colonial political economy. That is, *decentralisation enlarged the field of central authority* which was subsequently occupied by representatives of the local bourgeois and would-be bourgeois. The intensely political struggles which took place over the forms decentralisation was to take



stressed the importance of state power for the class's advance. The importance was especially prominent in the case of the East New Britain and Bougainville bourgeoisie, as shown below, and of varying significance for sections of the indigenous capitalist class from other parts of the country. Any assessment of the subsequent outcomes of decentralisation which does not recognise this primary purpose and the continuing effect of the initial reconstruction of the postcolonial state is inevitably limited.

This paper begins with a brief consideration of the late colonial legacy in which centralised political and state power was such a prominent feature. From the early 1950s at least, the Australian administration was designed in part as an opposition to demands for devolution of authority from Canberra to Port Moresby and from Port Moresby to district centres. Centralised authority, far from being intended to secure expatriate control, had as its main objective marginalising bourgeois and would-be bourgeois, of whatever racial, ethnic or other identities. The overriding colonial objective — of securing a scheme of smallholder production — required confining settlers and indigenous commercial and political ambitions to the margins of state power. As has been documented at length, increased smallholder agriculture producing for immediate household consumption, local and international markets was successfully coordinated and supervised by the colonial administration. By independence smallholder production of the main export crops had either surpassed or was about to surpass plantation output. Contrary to much accepted wisdom the colonial administration did not favour large holdings over small or almost entirely ignore household production (Hughes 7/5/2003). Particularly during the 1950s and early 1960s, development meant 'securing village life' through major increases in household production (cf. MacWilliam 1986, 1988, 1992, 1998, 2005, 2013:85–90; Thompson and MacWilliam 1992:120–55; Wright 1999, 2001, 2002, with Lea and Curtin 2011).

The second and third parts of the paper illustrate through two instances, from a number which could have been chosen, how indigenous commercial ambitions were expressed as demands for decentralisation during and immediately after the

mid-1970s transition to self-government, then independence. The move into the commercial cockpit of Port Moresby by Highlands and Islands politicians/businessmen and the departure of European plantation owners respectively fuelled other demands for decentralisation (Ballard 1981; McKillop 1982; Mel 1982; Standish 1982). However, none were as important for what occurred as the drive from East New Britain and Bougainville. Because of their relative importance for the forms decentralisation took, developments in these two districts are examined in some detail here.

In the first case, that of the leading Tolai proponents, their demands were pushed through specific commercial/political organisations that operated in East New Britain and Port Moresby. Where there was already a well-established and powerful Tolai bourgeoisie which held power, especially on the Gazelle Peninsula and in concert with the colonial administration, the next generation of would-be bourgeois dressed itself in radical attire, spouting for a time anti-colonial, anti-European sentiments. Based around the Mataungan Association (MA) which was used to join their ambitions with the grievances of smallholders, landless and unemployed, the key figures stood for and won national parliamentary office. One MA leader in particular, John Kaputin, had a major effect on pushing claims for decentralisation to the fore through his influential membership of the Constitutional Planning Commission (CPC). The commission's final report placed the demand for decentralisation in the objectives of the independence constitution itself.

However, the political adroitness of PNG's first prime minister, (Sir) Michael Somare, and his allies succeeded in preventing the constitution from directly and immediately including devolution–decentralisation provisions (Regan 1992:13–17). It was up to politicians who had been commercially insignificant previously in the Bougainville district to play separatism to its political limits, short of secession, to force further reform. Advocates of decentralisation even prior to the first meeting of the CPC, the largely university-educated and commercially ambitious indigenes had begun to force the construction of political space at the centre of PNG's politics. Within ten years, the Bougain-

ville bloc would become one of the leading edges of indigenous capital in PNG, with the flagship Bougainville Development Corporation probably the most substantial indigenous firm operating in a multiplicity of areas, including Port Moresby (cf. Ketan 2004:145).

Origins and Purpose of Centralised Power

To understand the character of political and state power that advocates of decentralisation attacked as centralised and bureaucratic, it is necessary to go beyond the standard anti-colonial claims. These invariably assert that colonialism in general and Australian colonialism in particular is and was necessarily authoritarian, dependent upon suppressing the indigenous population. Rule by administrative fiat was required when no popular legitimacy was available. In order to rule, authority had to be concentrated and centralised in the colonial administration, itself constructed in a highly bureaucratic manner.

As much as there may be merit in such general propositions, they do not explain why particular colonialisms take specific forms. Post-World War II Papua New Guinea was a country where the external authority of capital determined human behaviour, including that of the Australian administration. Bringing development meant bringing capitalist development *in particular forms*. As is extensively documented (see above), the principal form that increasing production and trade took was through smallholder expansion of produce for immediate consumption, local and international markets. So successful was this direction that by the early 1960s, coffee — rapidly becoming a major export — was dominated by household producers. Soon after independence this dominance had extended to copra and cocoa, with plantation output less and less important (see Thompson and MacWilliam 1992, Ch. 4 esp. pp. 126–29; cf. Lea and Curtin 2011, Ch. 10).

To advance the scheme of smallholder production, the colonial administration had to limit other possible forms of capitalist production, particularly where large holdings were utilised. Whether these were owned by international firms, expatriate owner-occupiers or indigenes the barriers to any major, further expansion of plantations employing wage labour

had to be maintained. In order to effect such a policy European settlers and ‘native capitalists’ were marginalised politically (MacWilliam 2013:90–93). Existing plantations continued to operate primarily for instrumental, revenue purposes to provide extension and other services which coordinated and supervised smallholder production. Marginalising included rejecting the first demands for decentralisation which aimed to give district commissioners greater authority to determine such matters as the allocation of land for large holdings. Since these demands arose at the same time Territories minister Paul Hasluck was reining in the allocation of large holdings in the Highlands they could not be countenanced (MacWilliam 2013:101–5).

The initial Legislative Council, established in 1951, was dominated by administration personnel. The design was not, as some have suggested, driven primarily by either racial or bureaucratic motivations. The principal political purpose in having the institution under firm ministerial authority was that Hasluck wanted to be able to closely watch and control deliberations, which were subject to his command. He sought to ensure that local officials were not ‘captured’ by local Europeans/expatriate Australians. The initial three nominated indigenous representatives were also sympathetic to and supportive of colonial authority. Native local government councils too remained under administration control as did cooperatives, processing and marketing organisations, including the Tolai Cocoa Project (TCP). During the 1950s and early 1960s checking indigenous accumulation and political power in any of these organisations remained a constant concern.

The TCP case is instructive for several reasons. Large-scale planting of cacao/cocoa on the Gazelle Peninsula began after World War II under the control of Tolai large holders, including people who had previously learned about the crop while working on plantations. Then it was adopted through both spontaneous and intentional processes by smallholders. The explosion of growing from the early 1950s brought the colonial administration into active coordination and supervision of planting, processing and marketing. The TCP was a major attempt to centralise control of 18 local government council fermentaries, and the marketing of

crop to exporters. From the outset, the administration-supported and supervised TCP contained the opposition between Tolai large holders and household cocoa producers. The effect of the containment became apparent when the project was privatised in the late 1960s. Privatisation and the attempts by younger Tolai politicians/businessmen to move into copra and cocoa production and marketing became an important feature of the anti-colonial drive that fuelled decentralisation demands on the peninsula (see below).

By the mid-1960s the manner in which colonial authority was exercised began to be reformed. The previous indigenous ruling class had comprised chiefs and others with authority dependent upon heredity and acquisition, the so-called Big Men. The transition to a new indigenous capitalist class, driven by accumulation rather than acquisition (cf. Gregory 1982:51; Martin 2015:186–204; Thompson and MacWilliam 1992:85–119), saw the ‘Big Men’ displaced at the centre of state power by representatives of the younger, intensely ambitious bourgeois and would-be bourgeois (MacWilliam 2013, Chs 5–6). Late-colonial institutions were altered to contain the transfer of authority among indigenes. For an important period, district councils and other forms of local government partly corralled the politically ambitious at the margins of state power where the colonial administration also still wielded overall authority.

As the House of Assembly was reformed, moving from a majority of elected members in 1964 to an entirely elected chamber four years later, indigenous politicians were kept focused on local concerns by a universal franchise that made rural smallholders the overwhelming majority of voters. Politics remained local, and parties mostly parochial. At the same time the connection between individual commercial ambitions and holding political power at the centre strengthened as well as became more apparent. There was a noticeable shift in the occupations and other credentials of candidates for the 1968 and 1972 House of Assembly elections with formal education and commercial activities displacing earlier ‘traditional’ criteria (Hegarty 1972, 1973).

The most astute and ambitious of the indigenous bourgeois and would-be bourgeois recognised the limited political space at the centre of the colo-

onial state for their advance and began to campaign for this to be enlarged. One important means by which enlarging took place was through the movement of Papua New Guineans in state employment to occupy more and more of the higher-paid wage and salaried positions: soon after independence nearly all the most senior positions in the national administration were occupied by indigenes. Decentralisation and the formation of provincial governments subsequently meant a further increase in the availability of senior and junior positions within the national and local administrations, even as critics objected to the cost.

The increased occupation of state positions, especially of the higher echelons of the administration, coincided with the removal of an important restriction on indigenous commercial advance which was a feature of the colonial administration. Until the mid-1960s, public officials were barred from straddling between state employment and private commerce: in the Highlands George Greathead and Ian Downs, owner-occupiers of large holdings planted to coffee, had to resign from state employment. However, as independence approached and demands for localisation of state positions and private enterprises became constant, the restrictions on straddling were lifted. Enlarging the administration and expanding the state, and increasing the number of senior higher-waged and salaried positions became critical for indigenous accumulation and acquisition as government officials also became businessmen and women.

In urban Port Moresby, joint ventures between expatriates and indigenes in state employment provided an early example of the effect removing the restriction would have on the formation of indigenous capital (Andrews 1975). In rural PNG, the departure of expatriate plantation owners wanting to quit large holdings as going concerns provided further opportunities for indigenes. The connection between economic advance and political power was emphasised when Development Bank and other finance was needed to buy out previously expatriate-owned plantations (MacWilliam 1986; Ketan 2004, esp. Ch. 4).

If Hasluck was generally concerned to marginalise the European planters and native capitalists, he

also had a more precise focus on which indigenes should be kept out of power. Early on, he identified the 'smart boys and shrewd heads' of Port Moresby and Rabaul as targets for exclusion.² However, once he left office, and amidst the increased commercial and educational opportunities of the 1960s, such regional identities were to an extent surmounted in that part of nationalist politics which had an urban focus. Organisations based in Port Moresby, including the Bully Beef Club, precursor to the Pangu Pati, attempted to be less parochial even when, as noted above, the structure of electoral politics remained rural and local.

Nationalism and the Politics of State Power

The Gazelle Peninsula and the Mataungan Association

During the transition to self-government and independence, localism combined political and commercial ambitions in what were described as 'micronationalist societies'. As James Griffin, Hank Nelson and Stewart Firth (1979:149) explained:

Generally these micronationalist societies felt that the Administration, the missions, expatriate entrepreneurs and councils had failed to advance their economic interests and that more direct assertion, both political and economic, was necessary. An appeal was made to tradition to provide legitimacy and there was a revival or revision of communal rituals.

A central driver of localist as well as national politics was the shortage of fertile land to provide for either further smallholder expansion or the agricultural ambitions of bourgeois and would-be bourgeois. Land ownership — and thus the form in which labour would be engaged to make acreages productive — as well as other forms of commercial advance were at the centre of what were also termed 'micro-nationalist movements' during the transition to self-government and independence (May 1982a). Since the administration of land ownership and the ability to secure transfers lay with a national department subject to central political power, localism was integral to nationalism and the reconstruction of the national state (Fingleton 1981).

During the colonial period, plantations had been established mainly in the Highlands, Eastern and Western, and the Islands region. Where these remained owned and operated by either international firms or expatriate owner-occupiers demands for their transfer to indigenous ownership intensified. Whether the transfers would mean retention as large holdings or break up into smallholdings became an intensely political battle. The tussles resulted in land legislation passed during the self-government period that preserved the private property form, limiting either squatter occupation or compulsory acquisition. The importance of holding central political power was also reinforced by this and other legislation. 'Micro-nationalism' was necessarily a form of 'macro-nationalism': exercising popular authority locally had to be confirmed by national institutions which controlled the transfer of land ownership, issued currency, provided loans and generally determined the conditions which underpinned financial flows.

The central control of land legislation was to have an important effect on Highlands politics in the move to independence. Along with an outburst of tribal fighting, driven largely by shortages of fertile land for smallholders (GoPNG 1973), the pre-independence period was characterised by expatriate settler enthusiasm for the sale of their coffee plantations as large holdings. The construction of development corporations, financed by the Development Bank and private financial institutions, mediated the European settler, indigenous bourgeois and smallholder demands. Large holdings were purchased by these corporations, with indigenous capitalists and smallholders as shareholders, and validated nationally. With many plantations transferred at inflated prices during the coffee price boom of 1976–77, indebtedness — and thus little if any dividends to shareholders — soon turned the large holdings into sites of local struggle between accumulation and welfare. By the mid-1980s, as the takeover of expatriate-owned large holdings was completed, most plantations were under pressure for the return of land into smallholding occupation. Indigenous capital in the Highlands operated more successfully in associated activities, including transportation, processing and marketing, within

the region and by moving into major urban centres, including Port Moresby. Decentralisation had a limited purpose and effect in the Highlands region when land legislation was of contested importance on many large holdings.

Instead, the significance of joining local political authority with a hold on the central government was of greater importance on the Gazelle Peninsula where by February 1969 demands for Tolai internal self-government were being pushed. Here an established Tolai bourgeoisie had been previously dominant in indigenous politics and commerce (Grosart and McColl 1976). Their role in the initial development of cocoa production has been noted above. This powerful Tolai commercial position had been achieved largely through institutions coordinated and supervised by the colonial administration (Epstein 1968). In order to supplant the prior Tolai position, younger Tolai with political and commercial ambitions joined their drive with longstanding household grievances, especially over land. In 1969, the Mataungan Association with a membership entirely Tolai and a leadership decidedly more radical in its demands than were being pushed by the older Tolai was formed in Rabaul. The actions of the MA leadership affected all politics on the peninsula, especially with the 1972 elections approaching.

In the 1972 elections, anti-colonial nationalism coupled with generational radicalism secured electoral success for the association's three main leaders, Oscar Tammur, who had been elected in 1968, John Kaputin and Damien Kereku. Each was from the younger educated 'elite'. Kaputin had studied in Port Moresby, been a member of the nationalist Bully Beef Club and operated an unsuccessful business venture (Grosart 1982:161) before returning to the Gazelle Peninsula where he became manager of the Gazelle League of Savings and Loan Societies. In the early 1970s, Kaputin was involved in the formation of the New Guinea Development Corporation (NGDC) which raised share capital from Tolai, many of them smallholders. The NGDC was formed ostensibly to challenge the European and Chinese commercial dominance on the peninsula, and to capture dissatisfaction with the process by which the Tolai Cocoa Project was being privatised. The NGDC 'establish[ed] a market (in competition

with the Rabaul Council's market), and [acquired] interests in plantations, cocoa and copra marketing, trade stores and a tavern' (May 1982b:14–15).

It is not possible here to document the history of the NGDC whose operations became the subject of Registrar of Companies' investigations and legal proceedings. However, a brief illustration of how the Mataungan Association's leadership walked 'both sides of the street' can be provided. Some hint of the association's ambiguity towards indigenous nationalism was apparent from the outset, even as it became significant in the drive for decentralisation. As Grosart also pointed out (1982:154): 'The Mataungan Association was and is radical because it wants decisions to be made by Tolai people, but this may or may not mean *the* Tolai people', and (1982:160): 'Like the Melanesian Way, Mataunganism was an open-ended idea, seemingly available to self-interested entrepreneurs'.

That the nationalism and the objective of establishing a national state with more space at the centre for local demands was bourgeois in character can be easily seen. The commercial operations of the NGDC were just one instance of the position being taken by the association's leadership. Another, equally telling, can be understood through the following May 1973 statement of Leon Bridgland, the Burns, Philp plantation division manager. Based in Rabaul, Bridgland was trying to cut a deal with the national government so the major trading and agricultural firm could hold on to its most productive and profitable plantation acreages while satisfying demands that it hand back unplanted and under-utilised land for redistribution to smallholders. He wrote to the Burns, Philp head office in Sydney that:

The general outlook up here looks much better than it did a couple of years ago. All very friendly and situation very quiet from a European point of view. Matanguans [sic] have become a reformed capitalist organisation, and have been of great assistance to me in settling land disputes. Somare and Co. performing quite responsibly in difficult political times. (Bridgland, cited in MacWilliam 1987:19)

In 1973, Kaputin was an important member of the Somare-led coalition that had surprisingly taken power after the previous year's self-government election. In August of that year, as a further demonstration of Kaputin's personal flexibility and growing political importance he became Justice minister and subsequently a major radical nationalist figure in the Constitutional Planning Commission. The CPC presented its final report in August 1974 (GoPNG 1974). Two months later Kaputin was sacked as Justice minister (MacWilliam 2013:225–29). The CPC Report played a critical role in determining the political direction of the nation, including in strengthening state power so that separatist demands for the centre's enlargement could be contained. PNG's independence in September 1975 occurred under a unitary constitution, with the national state subsequently reformed through a 1977 Organic Law on Provincial Government. The Somare government was confident of its position and strategically astute enough to appoint Oscar Tammur, MA official and National Assembly member for Kokopo Open, the minister for provincial government. Tammur held office during some of the most intense struggles over how the centralised state could contain the even more separatist claims being made by an equally bourgeois Bougainvillean leadership (see below).

After his sacking Kaputin remained in parliament with his MA colleagues, part of the governing alliance and able to continue to press for devolution of authority to the districts, later provinces. He also retained a measure of political power on the Gazelle Peninsula through the Mataungan Association's activities, which facilitated his retention of the Rabaul Open electorate at the next, 1977, national contest (Grosart 1982:170–75).

However, the most important centre of local power lay outside the grasp of the MA leadership and with the wealthier, older Tolai bourgeoisie, even as the former acquired national influence. While there had been substantial local opposition to the formation of the multiracial Gazelle Local Government Council, it was still incorporated and proclaimed in February 1969. This official move provided a focal point for the MA, which in early 1971 began elections for its own local government

council. The election crystallised the split within the Tolai leadership and their separate bands of followers, at the same time as the tussles over decentralisation intensified nationally. While by 1975 preparations were underway for the establishment of an interim Tolai government with an important role for the first Tolai provincial commissioner, two things were already clear.

The MA had reached the peak of its importance on the peninsula, both politically and commercially (Grosart 1982:168–75; Griffin et al. 1979:204–5). Although after independence the MA leadership retained a measure of success in holding elected office in the local government, a combination of council administrators and other non-MA political representatives held most power in the provincial assembly (Grosart 1982:168–75). Even the focus of MA commercial aspirations changed, as Kaputin became preoccupied with his Port Moresby business and national representative politics. Leadership in the cause of decentralisation had passed to an even more radical separatist movement on Bougainville: it is to this shift that the account now turns.

Bougainville and Separatism Played to its Limits

From the early 1960s at least, there had been concerns expressed on Bougainville about whether the district should be included in a future PNG. Opposition to Australian colonial rule had led to a petition to the United Nations but received no important international support. Instead indigenous capital had begun commercial advance through agriculture and trade, while acquiring a measure of political power in local government and cooperatives (MacWilliam 2005). The relatively higher standards of education in parts of the district ensured that Bougainvilleans would become prominent in the administration of the colony as many positions were indigenised. Others entered representative institutions as these too were reformed.

Paul Lapun was an especially prominent Bougainvillean who became important nationally in the run-up to self-government. Typical of postwar indigenous accumulators Lapun was Roman Catholic mission educated, attended a church seminary, left and became a mission teacher. Occupying a higher wage position, Lapun straddled between

teaching, cocoa farming for which he employed workers, and local politics. Although originally from Banoni, south-west Bougainville, Lapun's influence spread rapidly, including into the Kieta area. In 1964 he was elected to the further reformed House of Assembly, and within two years became under-secretary for Forests. From this position he was able to push for a major renegotiation of the terms for the operation of the Panguna mine, the establishment of which was already causing considerable local dissatisfaction. In 1966 he was successful in changing mining policy, so that instead of a simple acreage fee for occupation plus compensation for damage done, landowners received 5 per cent of the 1.25 per cent mining royalties going to the administration.

Dissatisfied with even this change, Lapun resigned from his official position and became deputy leader of the newly formed Pangu Pati, headed by Somare. He also began to extend his influence in Bougainville politics, cultivating ties in other parts of the district and among the next generation of young radicals. The 1972 Assembly election probably marked the peak of his political power in the district, when his older ally Raphael Bele and his younger protégé Father John Momis also were elected to national seats. In blocking the attempt by young student radical Leo Hannett from even standing for election, Lapun showed the extent of his local authority. Subsequently, the defeat would spur even greater efforts by Hannett to lead the separatist cause on Bougainville (see below). However, bringing the committed nationalist Momis into the fold proved even more significant, especially when a Pangu and Somare-led coalition formed the government after the election.

With Lapun as minister for Mines and Energy, Momis deputy speaker and then deputy, effectively de facto chair of the CPC, and Donatus Mola member for North Bougainville and minister for Business Development, the district's political-commercial position in the new government seemed assured at an especially auspicious time. With renegotiations over the mine to be conducted between the Australian Government, the mining company BCL (Bougainville Copper Limited) and the indigenous PNG Government the terms of the mine's

occupation and operations were settled in a highly centralised form (Garnaut 1981:193–97). Opposition from landowners and those with commercial ambitions intending to gain funding and commercial space around the massive mine had necessarily to take a local form which forced space at the centre for their demands. This space required the continuity of legal title for BCL, the use of a national currency in which to conduct commercial transactions and other political-legal conditions (e.g. export and import licences, labour permits, financial regulations) constructed nationally.

If the protests against the establishment of the mine which were aired internationally as well as in PNG showed substantial landowner opposition (provoking a national police and other administrative response), political-ideological opposition was also developing from a related direction. At the University of Papua New Guinea radical nationalism drove the formation of numerous student organisations, including among Bougainvilleans, with their leaders echoing international objections to colonialism, racism and 'white' Australian rule. Since the mid-1960s a group of students from the district attending Holy Trinity seminary in Madang began pushing for secession. Formed in 1968 the Mungkas Association with branches in Port Moresby, Lae, Goroka, Mt Hagen, Rabaul and Madang, as well as on Bougainville represented the urban educated opposition to developments. Hannett drew upon Brazilian educator and activist Paulo Freire, US Black Panther Stokely Carmichael, and 'Father John Mormis [sic]' among other sources for his influential essay (Hannett 1972; cf. Kaputin 1969). Lapun was ambivalent on secession and as circumstances demanded Hannett, a former Holy Trinity seminarian, was to swing wildly on the preferred direction.

Further expansion of the land area needed for a townsite and port facilities to service the mine continued to fuel local concerns. Lapun failed in an attempt to have the House of Assembly direct the administrator to appoint a committee to tour Bougainville and establish if a referendum on secession should be held among the district's population. A political-business organisation Napidakoe Navitu, headed by an expatriate entrepreneur and initially

with close ties to Lapun, attained a measure of prominence alternately leading the calls for separatism or secession. As the organisation which had had considerable influence began to fail commercially and politically, room was left for the Bougainville Special Political Committee (BSPC), set up in 1973 by Hannett and others to reinvigorate the dissent.

Fortuitously, just as PNG approached independence, a major boom in international mineral prices made the Panguna mine even more profitable. With Lapun minister for Mines, international advice in the form of a World Bank-commissioned Faber Report urging increased government activities to stimulate indigenisation and smallholder agriculture, and demands from Bougainville for more benefits from the mining, renegotiation of the agreement with BCL became imperative (Garnaut 1981).

The outcome of the renegotiations was a major win for the new government. Not only did the revenue flow increase substantially with more attention paid to the socioenvironmental effects of the mine, the manner in which the exercise was conducted greatly increased the confidence of indigenous politicians and government officials (Griffin et al. 1979:189–90). One measure of the chief minister's confidence was soon on display as the demands from Bougainville increased.

The operations of the mine on Bougainville were already giving a major boost to commerce and commercial aspirations in the district, at the same time as protests grew against BCL and the government's handling of these. In early 1973, Somare attempted to coopt the oppositional edge, which vacillated between demands for secession with less extreme claims. He appointed Hannett 'this angry, table-thumping man as my special adviser on Bougainvillean affairs' (Griffin et al. 1979:212). In the next month Hannett gained the approval of the Bougainville Combined Local Government Councils to form a Bougainville Special Political Committee, which would subsequently provide him with a more powerful political base. As Griffin et al. (1979:212) concluded:

How ambivalent Hannett was about secession at this time is difficult to say as he often gave the impression that he was using it as a threat

to gain the fullest autonomy for Bougainville within Papua New Guinea and as a vehicle for self-justification and future preferment. Certainly, he seemed unaware that threats of secession were a tactic which could blunt easily and that time was on Somare's side rather than his own.

Far more than time was on Somare's side as would be revealed subsequently (see below). However, for the remainder of 1973 Hannett used both the formation of the BSPC and his position in the Somare government to advance even stronger claims for revenue, including the right to collect tax and excise as well as decide how much should be remitted to the central government. Hannett attacked Lapun and Mola as Somare's men, demanding they both be removed from current ministerial positions. Instead Somare sacked Hannett from the national post as special adviser which the latter turned into a new position as planning officer for the interim district government. While Hannett was temporarily thwarted in his ambitions to be elected as provincial premier, the 'Interim District Government set to with unusual zest to invest in local enterprises and services. Relations with the Mining Company were amicable; its expertise was available; its multiplier effects could be harnessed for development' (Griffin et al. 1979:214). One such enterprise was the Bougainville Development Corporation, officially registered in 1975 to implement a business strategy framed the previous year (see below).

During 1975 a political bloc led by Hannett ramped up pressure on the national government, using secessionism as a tactic to push separatism to its political limits. Each time the national government made concessions, such as by granting the provincial government the full 1.25 per cent of mining royalties, other demands — including for K150 million to set up a Bougainville government — were made. On 1 September, with PNG's independence date set as 16 September, a flag of the North Solomons Republic was raised at Arawa market while Hannett made a rousing if politically ambiguous speech.

Unfortunately for the separatist strategists, another attempt to gain international support for

Bougainville self-government at the United Nations, led by Momis and John Teosin, was comprehensively rebuffed. The Australian flag was lowered and the new PNG flag raised at a major ceremony in Port Moresby. Well aware of the commercial aspirations which had been further inspired on Bougainville by the mine's operations, Somare became prime minister and indulged his favourite past-time, golf. As Griffin, Nelson and Firth conclude of Somare's self-confidence during what seemed to be an especially tense moment in the battle to keep PNG territorially and politically intact: 'His view was that the *bisnis*-minded Bougainvilleans would tire of this lack of development and of leaders who, without arms or direction, could not supply purposive action' (Griffin et al. 1979:217).

However, as has been argued here, this was not a case of '(e)very Melanesian apparently (having) his price' (Griffin et al. 1979:217). Separatism as played by the new, next layer of the Bougainville bourgeois and would-be bourgeois was to develop arenas of accumulation beyond those previously occupied in agriculture and trade by other Bougainvillean commercial operations. That is, only particular Melanesians had their price and Somare read the direction of their ambitions well. The formation of a provincial government as an integral component of the national state, which enlarged and extended the institutions of government to secure further arenas for indigenous accumulation did not weaken PNG but strengthened the national government's capacity on behalf of capital in general and particular capitals. This account now turns to the most prominent form the new commercial operations took on Bougainville to show an important instance of the ties between decentralisation reform and commercial aspirations.

Bougainville Development Corporation

The following is a brief summary of the firm's formation and operations, from the mid-1970s until the 1988–89 revolt on Bougainville and at Panguna stopped its further growth (Thompson and MacWilliam 1992:103–9; MacWilliam 2013:235–36). Unlike in areas of the country where the bourgeoisie's large-holding ambitions were constantly under pressure from smallholders, as in the

Highlands (see above), on Bougainville indigenous capital had a period of consolidation. Even prior to its registration in 1975, the firm's key officials had developed a business plan with several stages of expansion. The provincial government and the local diocese of the Roman Catholic Church held 75 per cent of the issued share capital, with the provincial government's shares held in a royalty trust, indicating that the source of the funds was royalties from the mine.

Phase 1 of the commercial strategy was to own and operate service industries around the mine. These involved investing royalties from the mine's operations to acquire a tourist resort frequented by highly paid and salaried mine employees, plus the 'wet', alcohol sales through licensed canteens at the mine. The outlets were very profitable during a phase of the mine's construction and operations when many workers were single male migrants, without local ties. The firm also invested in an airline, which adopted a symbol of Bougainvillean identity for its planes.

Tying together the political and commercial dimensions of the firm's existence was the overlap between directors and the provincial government. From the 1975 inception of provincial government in Bougainville until 1984, Hannett was both chairman of the firm and provincial premier. During the early 1980s, Phase 2 of the 1974 plan involved using the established commercial base to move into plantation agriculture, cocoa marketing and exporting. Phase 3 further emphasised the distinctiveness of the firm's direction, to extend beyond Bougainville in shipping and manufacturing. The hold on the provincial government and royalties from the mine was critical to further advance, as were the political arrangements underpinned by national institutions. In the scope of their ambitions, the BDC leadership sought to take indigenous commerce in PNG into a new, advanced phase which would also have required further changes to the national state if import substitution manufacturing was to become substantial.

Unfortunately for the commercial bloc that formed around BDC, the very reach of their ambitions played a major part in bringing the firm undone and provoking the later revolt on Bougain-

ville. Relying upon royalties as a source of finance, then privatising the ownership of BDC through changes in the composition of share ownership generated intense local opposition. Landowners who felt the consequences of royalties fuelling accumulation rather than welfare payments turned their anger against BCL as well as against the Bougainville bourgeoisie. BDC in particular lost much of its property in Arawa and nearby as the revolt intensified and a new form of separatism, with a much more pronounced secessionist component, emerged over the course of a prolonged struggle.

This struggle, with its overt attack on private property rights previously secured through PNG legislation and the national police and defence force, emphasised just how bourgeois nationalist the earlier separatism had been. The leadership of the 1988–89 revolt by mine workers, ex-military personnel, small landowners and their militias of largely unemployed young men with limited formal education served to further emphasise the distance between the content of the two forms of separatism. The latter wanted to weaken the national state while the former required it to be strengthened to sustain their drive for commercial expansion.

Conclusion

It would be a serious mistake to read into this Discussion Paper that the two cases discussed here, of separatism on the Gazelle Peninsula and Bougainville, exhaust the examples which could be used for tying the initial establishment of provincial governments to the ambitions of indigenous capital. Clearly, as the range of accounts of ‘micro-nationalism’ indicate, during the 1960s and early 1970s there were a range of conditions in which political demands were made for greater commercial support from the national government. However, as indicated but not examined during this paper, two features of these demands stand out in districts and sub-districts beyond the peninsula and Bougainville. Firstly, the demands were not ‘anti-nationalist’ but for an extension of national authority, including through decentralisation. Where welfare concerns were raised, even in those cases where the initiators were not simply being opportunist and instrumental, the demand was for the construction of

institutions that depended upon the national state for funds and other resources. Thus the description ‘micro-nationalist’, that the national state be strengthened through the formation of provincial and other levels of authority to provide welfare measures is appropriate.

Secondly, the most important drivers of political reform were not indigenes seeking improved welfare: most of those politically active and important were seeking to join higher wage and salaried positions with commercial aspirations. Such activities were foremost for these ‘leaders’ who were either already or aspired to become bourgeois, owners of capital and employers of labour. As Griffin et al. (1979:187) note, even during the politically difficult period prior to independence, Somare too ‘did not ... neglect his own business interest in Wewak’. If a new layer of capital was in the process of formation as expatriates vacated plantations and other commercial enterprises, holding political and state power was central to this advance. When the colonial state had been constructed to a substantial extent to constrain both European and indigenous capital in key areas of the political economy, both forms of power had to be transformed to accommodate indigenous commercial ambitions and operations. Decentralisation, the supposed ‘redistribution of power’ with the creation of ‘new centres’, was a major means by which the ‘new class’ extended its hold over the national state and population.

Hopefully this paper will encourage others to examine the political economy of provincial governments and other local level authorities with more attention to the importance of these institutions in the development of capital, indigenous and otherwise. Services in the form of welfare are, after all, subject to accumulation. That there might be obstacles to welfare, service delivery, for the bulk of the population in the process of accumulation should be considered by those inclined to policy formulation.

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Endnotes

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- 2 National Archives of Australia M1776/1 vol. 8, Minister for Territories Instructions to Department 1/7/55 to 31/12/55, 18/10/55 Minister to Secretary.



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