



Bougainville

the future of an island microstate

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Abstract

Bougainville, now an autonomous political entity and no longer a province of Papua New Guinea, is moving in the direction of greater political and economic independence. This paper examines capacity for developing an independent economy. In terms of population, constraints and resources, Bougainville is well placed for success with conventional development strategies. However, the disarray from the 1989–1997 crisis has sapped some of the potential through unresolved conflicts and divisions. On balance, even the complex political and social issues offer some advantages and Bougainville is better placed to achieve long-term sustainable economic development than many presently independent island microstates.

The future of the economy will require successful redevelopment of subsistence agriculture, commercial cocoa and copra production and eventually, mining. Diversification will be crucial and development strategies must first concentrate on subsistence agriculture and cocoa production: they offer superior economic and social outcomes to plantation agriculture. Exploitation of the fisheries potential and development of a forestry industry, though not without problems, are possible. Mining is likely at some time in the future to resume its position as an income source, despite high re-establishment costs, the conflict that closed the Panguna mine and the cautionary examples of other countries' 'Dutch disease' experiences. The manufacturing sector and the tourism industry are unlikely to be of real significance under present social and economic conditions.

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The greatest challenge, therefore, will be to achieve an appropriate structure of political development and participation. Health and education services face particular problems for the development of human resources, hand in hand with factors such as population growth, low levels of emigration and remittances, and the 'brain drain' of skills. Transport infrastructure and regional development are essential. But with appropriate policies, in a climate of domestic and international goodwill, a secure future is achievable, in what may eventually prove to be the newest nation in the region.

Keywords

Bougainville; economic development; globalisation; microstates.

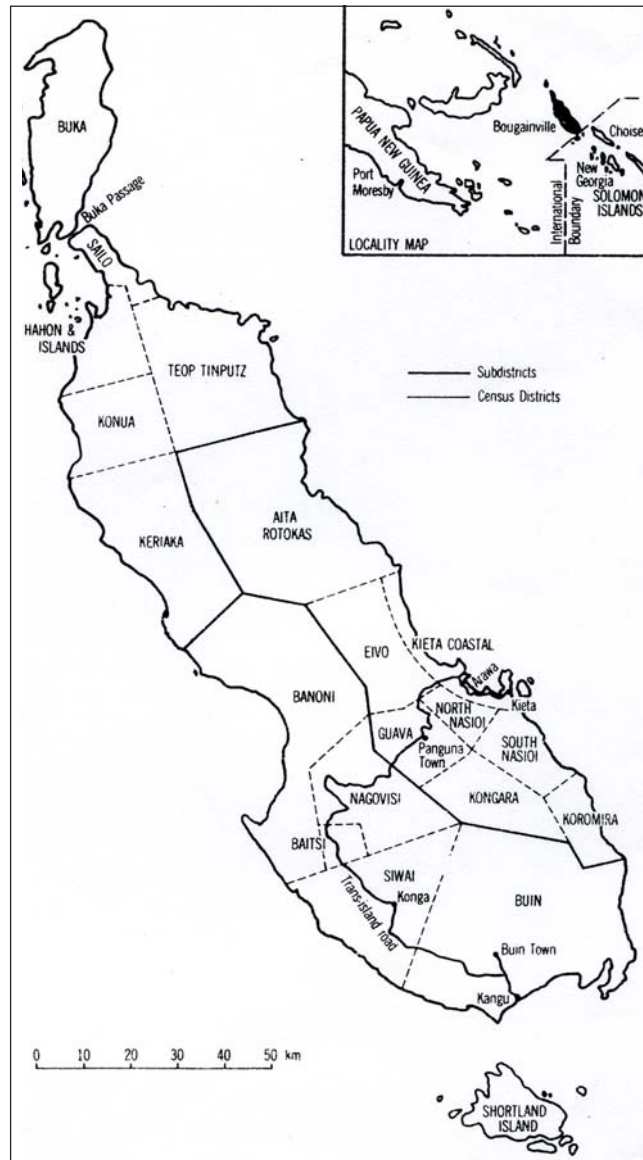
The land is awash with blood
Blut i kapsait na wasim graun
and our people have died in vain
if they do not gain their freedom.
(Havini 2004:118)

JUST BEFORE THE INDEPENDENCE OF PAPUA NEW GUINEA IN 1975 THE easternmost island of Bougainville declared its own separate independence as the Republic of the North Solomons. After six months the illegal RNS faded away as Bougainville became the Province of the North Solomons within Papua New Guinea. Bougainville islanders had always perceived themselves to be both distinct in ethnicity (with customs more akin to those of the western Solomon Islands to their east than with New Guinea to the west) and neglected by the central government. At various times sentiments in favour of secession had been expressed (Griffin 1972), as they had in other contemporaneous Pacific contexts (Connell 1981) but had come to nothing in the colonial era and, after the events of 1975, had largely been ignored in the post-independence years. In some part that was because of both a decentralised provincial administration and the wealth and high incomes that had come from the Panguna coppermine that had effectively opened in the centre of the island in 1972.

However, at the end of the 1980s Bougainville was plunged into disarray. A struggle for greater compensation and profits from, and less environmental damage by, the mine, operated by Bougainville Copper Limited (BCL), was transformed into an island wide struggle for independence. In 1989 the



Figure 1 Bougainville





Bougainville Revolutionary Army (BRA) had closed the mine, half way through its economic life, and launched a secessionist war. Considerable violence ensued (with over a thousand deaths), the provincial economy disintegrated (as communications were cut and the island isolated) and it was not until 1997 that a degree of peace was restored to the island (Regan 1998). The gradual consolidation of peace, guided by the United Nations and external Peace Monitoring Groups, was accompanied by complex debates over the political future of the island that eventually led to Bougainville gaining a new status of 'higher autonomy' as an autonomous region within Papua New Guinea.

As of 2001 Bougainville was no longer a province of Papua New Guinea but an 'autonomous political entity'. After achieving a formal constitution, it became an 'autonomous region' in 2005, with the guarantee that there would be a referendum on complete independence within fifteen years (which might mean as early as 2014), a provision rather like that currently in place between New Caledonia and France (Connell 2003). The Autonomous Bougainville Government (ABG) has effective control of its economy, receives some financial support (in 2005–06 representing about 80% of the budget) from Papua New Guinea, and retains the Papua New Guinea currency. A separate police force, legal system and public service will emerge as capacity builds. The ABG effectively has wide-ranging powers over all but foreign affairs, defence and finance, but is expected to move quickly towards financial autonomy. By October 2005 it had taken steps towards this in mounting a mission to China to participate in the World Trade Fair, with the intent of turning China into a key trading partner (*PIR* 14 September 2005).

In June 2005 provincial elections were held and the island moved forward to a new political structure. It will eventually have two houses of parliament, the first with 40 members now elected, and the second with a more 'traditional format' that is yet to be determined, but will probably supersede the existing Council of Elders. Soon after the establishment of the government Bougainville became a member of the Commonwealth Parliamentary Association. Bougainville has not sought international recognition as an independent political entity, hence though its status is rather like that of the Aland Islands with Finland, the Faroes with Denmark, Aruba with the Netherlands or the Cook Islands, Niue and Tokelau with New Zealand (Aldrich & Connell 1998),



it presently has less political autonomy than most of these. Remarkably, by April 2005 it was already being held up as a model of self-government by the Free Aceh Movement of Indonesia (*PIR* 19 April 2005).

Nevertheless, for the first time, Bougainville is now moving in the direction of much greater political and economic independence. This paper therefore seeks to examine the capacity for and constraints to developing an independent economy and what structure that economy might take. In many respects, its future will be comparable to that of other small island states in the Pacific and elsewhere. Most independent island states do not have complete autonomy, and many are dependent for some facets of development—most obviously aid, but also financial services, foreign investment, medical referrals, tertiary education, migration opportunities and so on—on distant metropolitan states. In that sense Bougainville is likely to be little different, but it will also have, with Papua New Guinea, complex ties that must influence the eventual structure of development.

A context

With a population of around 180,000, Bougainville has roughly the same population as Samoa, Vanuatu, and St Lucia in the Caribbean, but at a much lower density. This population is substantially larger than that of many Pacific island microstates, including Kiribati, the Marshall Islands and Tonga, and Bougainville has land resources greater than those countries combined. Unlike some Pacific microstates, it is not particularly remote from metropolitan states and it has substantial mineral resources, alongside considerable agricultural potential (evident throughout the 1970s and 1980s) and some minor potential for the development of fisheries or tourism. It is thus reasonably well placed for some degree of success with conventional development strategies.

That potential was evident in the 1970s during the first serious discussions of the possibility of independence. At that time, especially in the period prior to Papua New Guinea independence in 1975, the rationale for independence was linked to three key themes. First, the cultural distinctiveness of Bougainville was emphasised, being tied primarily to ethnicity, but also to matrilineal social structures (though these also existed in New Ireland and New Britain) and a history of social and economic ties with Solomon Islands. Second, Bougainvilleans emphasised that it was their right to choose their political



destiny, that colonialism had been imposed upon them, first by Germany, and then by Britain, Australia and finally Papua New Guinea, but that, given the choice, they would have always preferred a separate existence. Third, it was argued that Bougainville would be economically viable, and that viability would stem from the success of mining and, to a lesser extent, agriculture. Secessionist notions were based on both cultural identity and economics.

In the 1970s, a couple of years after the mine had opened, the then provincial Premier, Alexis Sarei, (later to be the first President of the Republic of the North Solomons) queried, ‘Are we to be a fat cow, milked for the rest of Papua New Guinea?’ (Connell 1976:652). It was emphasised that Bougainville would expect to draw most, if not all, of the revenue from the Bougainville copper mine, an expectation that was then opposed in Papua New Guinea, and may again be opposed in future. Frequent references linked the manner in which the tiny island of Nauru had achieved independence to the success of phosphate mining there, pointing out that Bougainville had distinctly more natural resources than Nauru. (Had any Bougainvilleans then visited Nauru—and there is no evidence that any had—it might have put a very different emphasis to future negotiations over mining and politics.) It was also evident that the relatively long ‘modern’ history of Bougainville—though brief compared with many parts of the Pacific—had given the district more sophisticated human resources (through good secondary education and access to tertiary education in Port Moresby) and a better health status than most of Papua New Guinea, whilst the homogeneity of the population, and the success of district government, would enable political stability.

In these senses, and at that time, Bougainville would have moved towards independence, with as much potential for viability and stability as most other Pacific island states, and with some degree of comparability with the new states of Vanuatu and Solomon Islands. (Indeed, perhaps ironically, since Bougainville and Buka are closely linked and, despite a small minority Polynesian atoll populations, the potential for regional instability based on ethnic divisions in Bougainville is weaker than in other Melanesian states.) Though Bougainville did not then become the Republic of the North Solomons, the first twelve years of independence of Papua New Guinea as a whole cast few doubts on the province’s potential. Mining generated enormous profits (less than ten per cent of which went to the province), cocoa produced considerable wealth for most



households, health and education improved steadily, and the province acquired a reputation as one of the more stable and progressive in the country. Inevitably there were tensions and frustrations, for example between migrant mineworkers and local people or over the activities of the Bougainville Development Corporation, but these were relatively minor. It was not until the end of 1988 that economic development effectively ended, political stability disintegrated and the positive evolution of human resources was thrown into disarray. In several respects therefore the potential for sustained development is now much poorer than it was two decades ago, because of the closure of the mine, shattered infrastructure and social tensions, but it remains true that Bougainville has greater potential for development than many other island microstates.

Development constraints

The constraints to development in small island states were summarised three decades ago as first, reliance on very few primary products; secondly, a small domestic market, therefore limited industrialisation and a heavy reliance on imports; thirdly, problems of maintaining a wide range of technical activities and the experts (often expatriates) to repair them; fourthly, dependence on foreign capital; fifthly, a high and disproportionate expenditure on administration, including education and health services (Benedict 1967:2) and high transport costs. Small island states generally have no advantages of economies of scale, which are reduced further by fragmentation. They also usually have a limited range of resources, a narrowly specialised economy, primarily based on agricultural commodities, minimal ability to influence terms of trade, dependence for key services on external institutions (such as universities and banks), a narrow range of local skills and problems of matching local skills and jobs (often exacerbated by a brain and skill drain), a small gross domestic product (hence problems of establishing even import-substitution industries), yet alongside considerable overseas economic investment in key sectors of the economy, and especially commerce (Connell 1988:2–3). In three decades the fundamental development constraints have neither changed nor been supplanted by substantial new advantages; indeed, in most respects, the situation of small Pacific island states appears to have worsened.



That has been particularly so in Bougainville, as the crisis, lasting over a decade, resulted in many deaths and other social costs, including disrupted or non-existent education, the migration of many with skills and the destruction of much of the island's infrastructure. While some migrants have returned and many health and education services been re-established, the infrastructure remains in poor shape: 'The road system is very bad, the provincial radio station has almost no money, there's very little money even for running the power station in the main provincial centre. The power is often off for days at a time, the phone system doesn't work for days at a time. So there are very basic problems just getting people talking to each other' (Anthony Regan, quoted by Borrie 2004:10). In rural areas all these amenities are non-existent and feeder roads have disintegrated.

Island states have proved to be vulnerable to environmental hazards, especially cyclones, and some may be threatened by the accelerated Greenhouse Effect-induced sea-level rise, as the outlying Carteret Islands have experienced (Connell 1990). Few have come close to achieving environmentally sustainable development: deforestation, soil erosion and overfishing, by both the small states themselves and distant water fishing nations, and limited availability of fresh water are not uncommon. Although global geopolitics has substantially changed, to the extent that fears of superpower intervention have disappeared, regime instability is more critical. At a national level there have been crises in a number of states (including, the collapse of both Nauru and Solomon Islands, contributing to the external perception of a primarily Melanesian 'arc of instability') and a general movement towards more autocratic states, where democratic processes are circumvented—as critical transactions occur beyond parliamentary processes—or are truncated. States have been less able and willing to engage in procedures that contribute to more equitable development, including decentralisation, and have moved away from accountability, transparency and openness. Corruption has increased, especially in the more important economic arenas (such as finance and forestry); mismanagement and secretiveness are common, and politicians are concerned with local rather than national issues (Larmour 1997a, 1997b). Although one of the strengths of small states is the degree of social homogeneity that usually prevails, several small states are multiethnic and multicultural, and this has intermittently been



a source of tension and uneven development. Indigenous cultures have sometimes conflicted with development, rather than contributed to it (Macdonald 1997) and women have often been excluded from politics and the practice of development.

Recent decades have seen widespread adoption of development strategies that assign a central role to market forces (a process that has often followed pressure from the World Bank or the International Monetary Fund, as in Papua New Guinea, or the Asian Development Bank). Included are systemic changes in the international trading system brought about by the Uruguay and Doha Rounds; regionalisation of the global economy with the emergence of 'mega economic' spaces, such as the Asia-Pacific Economic Cooperation forum (APEC) or the European Union (EU); declining resource flows to small states; new concerns over environmental fragility; and threats to security (including vulnerability to such criminal activities as money-laundering, drug-trafficking and the harbouring of terrorists). International migration is less easy, other than for the skilled, and remittance flows perhaps less secure, as political barriers to migration increase. Small states face a more uncertain and unstable world than they did even a decade ago. Accelerated globalisation has provided some benefits, but it may have increased the probability of the marginalisation and impoverishment of small states (Connell 2006a). Small states face external (and internal) constraints, risks and threats that impact on them both qualitatively and quantitatively to a different degree from larger states, making them especially vulnerable, and although this is widely recognised, the international community, in whatever form, has not put in place particular measures, or provided resources, to diminish the threats and reduce the extent of the problems. Nonetheless many small states, especially those in the Commonwealth, have had a positive record in maintaining democracy and securing some significant advances in social and economic wellbeing for their populations (Commonwealth Secretariat 1997:1-2, 4, 15). The future is not without apparent problems.

It is immediately manifest that in almost every respect, Bougainville is in a better position than most small island states (and would be even better placed were it not for recent events) for a number of reasons. First, Bougainville has unusually diverse resources for a relatively small island; it has minerals,



alongside cocoa and copra, and each of these was of considerable significance in the 1980s. Other resources—such as fisheries and timber—may also be of potential economic value; neither has been significantly exploited, yet Bougainville is already much less specialised than many other island economies. Second, Bougainville has been self-reliant in food production to a considerable extent (despite significant food imports in the 1980s); indeed undernutrition and malnutrition were not outcomes of the decade of crisis, when imports were few or non-existent. Third, Bougainville is not particularly remote from significant trading partners, notably Australia, hence, once transport infrastructure is rebuilt, costs are unlikely to be substantial (relative to other small island states, where volumes may also be smaller). Fourth, there have been no significant environmental problems comparable to those in many other states; although cyclones, such as Cyclone Namu in 1986, have caused problems in Solomon Islands, and even in Papua New Guinea, they have not threatened Bougainville. The island was only slightly affected by El Niño, despite major problems in Papua New Guinea, but floods and earthquakes can pose localised problems. However, the outlying atolls have experienced problems with regional sea-level rise, even to the extent of there being resettlement on Bougainville (Connell 1990) and that situation may worsen (though resettlement should again be possible). Despite localised problems of soil erosion and the overfishing of some small rivers (e.g. Connell 2006b), development in the rural sector has remained close to sustainable levels, despite some stresses in the outlying islands (Bourke & Betitis 2003).

Political and social issues are rather more complex but, again, Bougainville has certain advantages. First, compared with other island states (especially the remainder of Melanesia), and despite about 18 distinct languages (and thus cultures) and Polynesian minorities on the remote atolls, there is a considerable degree of social homogeneity. Though there are important cultural distinctions from Nissan to Buin, there are many shared characteristics (such as matrilineality) that contribute to a distinct island identity. Second, prior to the recent crisis, provincial government was generally regarded as more effective than in any other province, and other than some problematic links between the government and its business arm, there was little evidence of the more conspicuous corruption evident elsewhere in Papua New Guinea. Crime and raskolism



were also less evident. It is no longer possible to return to these relatively harmonious times, but it may be possible to establish a new structure of effective governance. Indeed there was substantial participation in the 2005 elections and the transition to a new autonomous government was harmonious.

There are inherent problems, irrespective of the crisis, though these are fewer than in other island states. First, prior to the crisis, the population of Bougainville was growing extremely quickly (Connell 1978; Ogan, Nash & Mitchell 1976) and there was localised pressure on land resources, to the extent that in some areas cocoa was even being cut back in favour of food species (Mitchell 1976), conflicts over land had become more intense and land productivity was declining (Oliver 1981:55–66). Population may again grow particularly quickly and put further pressure on scarce resources, as it now appears to be doing in Nagovisi and Nasioi (Nash 2005; Ogan 2005). Second, the crisis has resulted in the migration to Papua New Guinea (and elsewhere) of many individuals with scarce skills—not all of whom necessarily wish to return—and the inadequate education of many youths; there is now likely to be a deficit in skilled human resources. If mining is restarted there will be a significant dependence on overseas capital, technology and skills (a situation that would be inevitable to some extent). None of these problems is insuperable, they occur in other island states and they need not be critical brakes on development. On balance, Bougainville is better placed to achieve long-term sustainable economic development than most presently independent island microstates.

Towards economic development

The future of Bougainville's economy initially rests with the successful redevelopment of both the subsistence agricultural system and the commercial production of cocoa, and to a lesser extent copra. Mining is unlikely to be revived for some time but should eventually contribute very substantially to future economic growth. Diversification will be crucial to avoid dependence on one or a limited number of commodities. Cocoa generated substantial incomes in the past; before the crisis Bougainville produced about a quarter of Papua New Guinea's cocoa (and a sixth of its copra). About 30 per cent of present cocoa holdings were operational in 1998 at the end of the crisis (UNIAT 1998) but that proportion has now at least doubled.



Although subsistence agriculture has declined in most small island states, this has not been generally apparent in Bougainville. The general transition away from labour-intensive crops (notably from taro), and the switch to food imports has occurred, occasionally at the expense of nutritional status, but not to the same extent as in some other parts of the Pacific region. More importantly, with certain rare exceptions (Bourke & Betitis 2003), there is enough land for subsistence production. Production was largely maintained during the crisis and should develop further, as the population have now returned from ‘care centres’ to their homelands, and animal numbers (pigs and chickens) again increase. The various markets that existed before the crisis were of considerable economic and social importance, but were slow in restarting because of an absence of cash and a lack of effective demand. Subsistence production should remain important, first, because it directly provides fresh food to local households (and markets) and thus has an important role in maintaining or raising nutritional levels. Second, it insulates households and small island economies from the vagaries of international price fluctuations and so provides a ‘subsistence safety net’ (Taylor 1987) for rural households and small states. Third, agriculture can provide the stimulus to growth in other sectors, through the purchase of various local products, and, fourth, local food production will discourage rapid local wage increases (Hardaker & Fleming 1994:3–5). Despite the allure of other development possibilities, the bulk of the population will remain rural for the foreseeable future, and hence will continue to be at least partly dependent on household agricultural production for subsistence and survival, and agriculture must absorb a growing rural population. Consequently, subsistence agriculture, and artisanal fisheries, should be at the forefront of island development strategies, especially since they offer superior economic and social outcomes to plantation agriculture.

Island states, including Bougainville, have historically been characterised by their dependence on agriculture, but are highly susceptible to fluctuations in global commodity prices, especially as small national producers cannot influence those prices. At the root of problems in several island states is a dependence on commodity exports in a world in which primary commodity prices have declined relative to those of manufactured goods. Even where



agricultural commodity prices have not fallen, productivity has often failed to increase (often because of inadequate maintenance and replanting), hence output has risen only where agricultural areas have expanded, an option that is not always available. On balance, price fluctuations in the past two decades have led to declining agricultural incomes in most small island states, and this seems set to continue (Connell 2006a), yet Bougainville remains relatively favoured.

Exceptional world prices for cocoa at the end of the 1970s brought a dramatic expansion of the industry in Bougainville, but a decade later prices had slumped to their lowest for 15 years, the market was oversupplied, and there was even global discussion of the need to introduce quotas on country production. By 1998 the situation had substantially changed. Global cocoa production was struggling to keep up with world demand, which was increasing by 3 per cent per year, and the world price had reached a ten-year high. By 2005 the 1998 world price had almost doubled. Fungal growths, including black pod disease, had wreaked havoc in cocoa plantations in central America and the Ivory Coast, two of the most important areas of global production (and political problems had hampered production in the latter). Brazil, once a large cocoa producer, has seen its production halved in the past decade because of pestilence and lack of investment. Bougainville has been free of black pod disease in the past, and isolation may enable this to continue. The future for cocoa production is extremely positive. Bougainville has come close to full production, and having exported US\$48.3 million of cocoa in little more than half the year (*PIR* 11 October 2005), had again become the leading Papua New Guinea provincial producer by 2005, even though the island's large plantations and more remote smallholders had yet to participate in the market.

Since the success of cocoa, copra has been of relatively minor importance as a commercial crop (other than in the outlying atolls, where cocoa cannot be grown). Prices are unlikely to increase to the extent that this situation changes, but coconuts will remain important because they are a major food crop (with a diversity of additional uses, including fuel, timber and animal feed), a useful shade tree (for cocoa) and a potential commercial crop, and source of diversity, if copra prices became high relative to those of cocoa.

There are other potential commercial agricultural products in Bougainville. After the crisis several areas grew both vanilla and chillies, both well adapted



to Bougainville conditions, and both high-value low-weight crops, appropriate to the context of disrupted transport systems (Keil 2005; Connell 2006b). Coffee was grown successfully in post-war years (and declined only as cocoa became successful) and labour demands increased. It could be an attractive proposition in upland areas (such as Guava and Kongara) where cocoa does not grow, but it is unlikely to become generally successful as long as cocoa remains viable. Rubber has been grown, but never commercially, whilst a thriving smallholder cattle industry disappeared in the 1980s, because of the relatively low commercial returns and the demands on land (Connell 1978). Various other potentially commercial crops, including a range of spices, have been grown in most parts of the island. The re-establishment of markets would stimulate further commercial production and, if the mine were restored, mine markets might again be possible (these markets, where smallholders grew goods specifically for mineworkers, largely died out in the 1980s, primarily because of the higher returns to cocoa). It is apparent therefore that, although Bougainvilleans are likely to focus on cocoa, for sound economic and historic reasons, there is a very considerable diversity of alternative commercial agricultural products, were economic circumstances to change. Ultimately, as in other Pacific states, land no longer provides the certainty and security it once did, and employment and income earning opportunities must also be created elsewhere.

Broadly the same kind of cumulative downward spiral that has affected agriculture has also affected artisanal fisheries in island states, though usually less dramatically. Considering the great extension of the fishing grounds that surround the coastline of Bougainville, artisanal fishing has been rare. Like many other Melanesians, Bougainvilleans have tended to turn their backs to the sea; hence ocean resources remain to be better exploited in the future. Though the continental shelf off western Bougainville offers considerable potential, there were few full-time fishermen in Bougainville before the crisis (mainly because of low returns to fishing compared with other economic activities), poor transport infrastructure (on land, and also at sea), lack of ice and the absence of any market structure (Economic Consultants Ltd 1982:16.1–16.5). Developing an artisanal fisheries industry would be extremely difficult, without local expertise, because of the need for the provision of complex



infrastructure (including access to fuel and freezers), credit and technical assistance.

Exploitation of the fisheries potential of the substantial Bougainville EEZ is an even more challenging prospect. Current development potential, as in so many other Pacific states, is limited to the leasing of these waters to the deep-water fishing vessels of distant nations. International restructuring, incorporating more capital-intensive purse seiners demanding sophisticated technical skills, during periods of global market saturation, and the lack of onshore facilities (including fresh water) have limited the attempts of island states to participate in this sector, and the recent experience of other Pacific island states has rarely been positive. Although neighbouring Solomon Islands has developed a fisheries industry and a joint venture canning factory (Meltzoff & LiPuma 1983; Barclay & Yoshikazu 2000), the Bougainville EEZ is much smaller than that of Solomon Islands and it is unlikely that such a scheme would succeed. However, the Bougainville EEZ has enough potential for there to be considerable lease income from distant water fishing. Bougainville also has potential for increased commercial coastal fishing, even including the establishment of a modest trawler fishery on the east coast, but this would take considerable time to develop because of the absence of trawlers, fish markets, freezing facilities, skills and so on (Economic Consultants Ltd 1982:13.2–13.5).

Bougainville has some potential for a forestry industry, but has hitherto taken little interest in timber development (in itself a measure of the potential of other forms of development). This is fortuitous, since the experience of the industry in adjoining Solomon Islands, and in many parts of Papua New Guinea, has been little short of disastrous, with national governments earning limited incomes. The industry has engendered corruption (amongst politicians and the bureaucracy), local landowners have earned very little from royalties (and have few outlets for investment of these royalties), and ecological degradation and unsustainable development have been standard practice (Filer 1997; Frazer 1997; Bennett 2000). Second, the limited resources of Bougainville are still more or less intact, and Bougainville might be able to benefit from experiences elsewhere to engage in sustainable forestry development at some time in the future. Small-scale forestry projects, like those established in New



Caledonia (Kohler 1984), face problems of land tenure and capital availability, but may be of future significance.

Few island states are minerals producers—Fiji being a rare exception—hence Bougainville, with substantial gold and copper resources (significantly beyond those that currently are known to exist at the Panguna mine), is particularly well placed to benefit from mining. However, mining remains inextricably linked with the old Bougainville, and its presence was seen as the catalyst of conflict; although not a priority in reconstruction, mining offers such potential for income generation—and some of the basic infrastructure remains in place—that it is difficult to envisage that it will not again be of importance at some time in the future.

Moreover in mid-2005 the world copper price had reached a record high, Francis Ona, the instigator of the secessionist revolt (whose small and declining group of supporters had remained in control of the mine site in defiance of peace elsewhere and in support of a Republic of Me'ekamui) had just died, and BCL share prices were moving upwards in the faint hope that the mine would reopen. The Papua New Guinea Minister of Mining, one of the members for Bougainville, has supported new exploration; and the inaugural President of Bougainville, Joseph Kabui, has refused to rule out mining. In October 2005 the ABG voted 38–2 in favour of reopening the mine and set up a committee to move towards this. A few days later, it was reported that some of the key landowners in the lease area wanted to see discussions on mining in the lease areas reopened, as long as their own status as 'the smallest recipients of benefits from the mine' was eventually altered (*PIR* 26 October 2005). The villagers closest to the mine site, such as those of Moroni, the most affected by the mine (Connell 1991), presently pan for gold within the mine site; their future livelihood will be absolutely crucial to this.

At the time of its closure, the Panguna mine—estimated then to be about half way through an approximately 30-year life—had generated an average of some 16 per cent of Papua New Guinea's annual income every year since 1972, alongside its contribution in wages and salaries, and a variety of impacts on ancillary services, such as transport and food provision, and on infrastructure provision (AGA 1998). No other economic activity could come close to matching that impact (both positive and negative) on all aspects of Bougainvillean



development. Both copper and gold prices favour the re-establishment of mining operations. However, it has been estimated that to begin operating again, it would cost around a 'relatively low US\$300 million' to enable the mine, whose installations were largely destroyed during the crisis (Callick 2005). BCL faces an uncertain future on the island because of the problems that eventually prompted the violence, but Chinese ventures might consider purchasing the mine. BCL have seven exploration licences on the island, one measure of the island's anticipated wealth. Ultimately, no mining company would seek to invest even a fraction of that income without universal support for the mine and conditions of stability, and these remain uncertain.

Papua New Guinea has experienced the 'Dutch disease', where investment in mining has been so substantial that it has distorted the effectiveness of all other sectors—whilst discouraging investment, at any scale, in these sectors (Connell 1997). Bougainville would equally risk this problem, and other economic distortions, but these are more likely to be minimised (though never absent) if other economic sectors are given priority, as is likely to be the case.

Island states rarely have significant manufacturing sectors. Where such sectors have existed, as in Fiji, these have usually occurred either in Export Processing Zones (EPZs), where particular beneficial conditions (such as tax holidays, low-cost utilities, low-wage rates etc.) have encouraged overseas industries to relocate or/and where products were exported into protected markets. Such protection schemes, however, have largely gone (Connell 1988:52–9; 2006a). Otherwise, industrial development has been confined to certain small-scale import substitution activities (such as soft-drink production) or agricultural processing industries. Although Bougainville had a range of small industries and services before the crisis, almost all of these were linked to the existence of the mine, and few could re-establish without it. Indeed, Bougainville faces the same constraints to industrial development as face Papua New Guinea, including particularly high wage rates and the existence of cheap imports from Asia (Connell 1997:202–4), alongside relative isolation and a much smaller domestic market. Hence, other than a limited range of service industries (finance, vehicle repair etc.) it is improbable that industrialisation—other than future mining-related activities—will be of real significance.



It is almost axiomatic that tourism be a characteristic of island microstates; sun, sand and blue seas sometimes appear the principal comparative advantage that such states offer and several island states, especially but not only in the Caribbean, generate the bulk of their national income from tourism. (Indeed, the few island states where tourism is trivial, for example Kiribati and Tuvalu, are the poorest of the Pacific island states. For these countries international travel constraints and costs, limited facilities and intervening opportunities are the main deterrents.) Bougainville has never had a tourist industry as such—though tourists have certainly visited the island—but tourist facilities have existed in the past (notably a small hotel on Arovo island), mainly used by expatriates working on the island. The 1982 North Solomons Provincial Development Study made no reference to tourism potential, on the assumption that there was none. However, in the months before the crisis there was some optimism that the island could develop a future tourist industry. Bougainville has interesting scenery (including volcanoes and coral reefs), a massive mine site, and opportunities for fishing and diving. Papua New Guinea has largely failed to develop a tourist industry (because of high costs and insecurity), and Solomon Islands had a small-scale industry before its own crisis, but even then experienced problems associated with land tenure, market access, high costs and limited facilities. Tourism is a volatile industry, dependent on stable political circumstances. New facilities would have to be constructed, adequate airline access achieved (which would probably mean direct flights from Cairns) and markets established. None of this would be easy, tourist development would have to await successful redevelopment of the social and economic system and, even in optimal circumstances, high costs (of air access and probably hotels) would be disadvantageous. Yet in April 2005 the first cruise ship berthed at Buka, hinting at new possibilities.

In many of these areas (and some areas of infrastructure provision) the private sector has a major role to play. In most island microstates the private sector has grown insignificantly in the 1990s, despite pressure from aid donors (such as AusAID) and from international organisations such as the World Bank and the ADB. This trend towards privatisation is likely to continue, and Bougainville will need to encourage the re-establishment of a private sector. The overall economic potential of Bougainville is considerable, compared with



the structure of most small Pacific island states, but translating potential into reality will be a complex and demanding task.

The social context

If Bougainville is relatively well placed for successful economic development, in terms of a diversity of economic resources, it is less well placed for social and political development, though this is primarily a result of the crisis, in terms of the disruption of services (especially education), rather than of historic social divisions or corruption. There are unlikely to be challenges to security, in the conventional sense of external threats, but political and social stability may follow limited social and economic development (as they have done in other small island states), both in terms of uneven development (between regions, social groups or genders) or as a result of unsatisfied expectations of what a 'new Bougainville' will bring. Nevertheless, Bougainville is large enough for political and economic development not to be so strongly affected by the personalisation of these areas, as can all too easily occur in smaller states. The older churches have lost influence and their old certainties and stability have given way to more fragmented Pentecostal visions. However, religion has been a source of strength for many during the crisis and is likely to contribute to state development in the future.

Provincial government worked relatively successfully in Bougainville prior to the crisis and it will be crucial for there to be responsive and representative government (and a public service system) to develop a consensual, adaptive and effective policy capacity. National security and development require participation, empowerment and integration. In the past decade the South Pacific has been beset by new social problems, including corruption (in various guises), the decline of transparency, openness and accountability of governments, and various forms of maladministration (Larmour 1997a, 1997b). These will not be easy to avoid, in a difficult climate for the emergence of new structures of governance, but decentralisation, greater regard for chiefly authority and the greater incorporation of women in political and bureaucratic systems will be helpful. Achieving an appropriate structure of political development and participation poses the greatest challenge to the future of Bougainville.



The population of Bougainville is now about as large as it has ever been (despite emigration during the crisis, stable fertility and many deaths), and it is likely that the population will grow quickly in the early years of peace, as it has done in the past. Life expectancies were increasing prior to the crisis and the restoration of health services (which will take some years) is likely to contribute again to that process. In mainland Papua New Guinea HIV/AIDS has recently reached epidemic proportions; though yet to spread significantly to the islands, it may become a critical issue in the future.

Just as it has taken time to restore health services, it has also taken time to restore education, and to make up the education lost by many youths during the crisis will take longer, if it is achievable at all. Not all of those educated Bougainvilleans who left before and during the crisis years to take up employment elsewhere will return (and there may be some resentment towards them). Local skilled human resources are thus likely to be in short supply for some years, a situation that will slow the achievement of development potential. Bougainville will require a larger public service and a police force, which is now emerging. In developing adequate and appropriate human resources, Bougainville is likely, at least initially, to face problems similar to but more complex than those confronting other island microstates. All levels of education will be essential, including vocational training (especially for youths) and tertiary university education. Widening the earlier curriculum and supporting technical training (cf. Commonwealth Secretariat 1997:130) will be necessary, but not immediately easy to achieve.

Almost all small island states are characterised by emigration, which both provides some 'safety valve' against high levels of unemployment and excessive population pressure on scarce land resources, and results in a substantial flow of remittances (to the extent that this constitutes the single most important source of foreign exchange in such states as Samoa and Tonga). Bougainville has experienced virtually no migration outside Papua New Guinea (other than, during the crisis, to Solomon Islands), and it is very unlikely that there will be significant emigration (as is now the case in Papua New Guinea, Vanuatu and Solomon Islands), hence Bougainville will not be able to depend on any external sources of income in the form of remittances. Nor will emigration be able to provide a 'safety valve', hence emphasising the need for Bougainville to develop a population policy.



There are widespread expectations that women will play a more important role in a 'new Bougainville', in part because of their prominent role in the peace process (see e.g. UNIAT 1998). Women have not been excluded from education or from prominent positions in the public service in the past (despite their absence from politics, a widespread Melanesian phenomenon), and it is crucial that this continue, to ensure that available human resources are not squandered, and that there be equity in development. Indeed, given the gendered record of most Melanesian states, in terms of corruption and inefficiency (Larmour 1997a) a greater female presence in politics and the bureaucracy would be a considerable benefit to development. Though this is unlikely to occur, it is no more a constraint to development than it is elsewhere in Melanesia, or in most island microstates.

For economic development to be successful, equitable and sustainable, it will be crucial to rebuild, extend and maintain transport infrastructure, and invest more funds and expertise into agricultural development, especially extension services, and give greater priority to rural development, to reverse the 'urban conspiracy' (Crocombe 1978) that has become increasingly common in other island states. Important therefore, will be the political will to develop outlying areas and provide them with adequate infrastructure and income-earning opportunities. A Development Plan is essential, even in an age where they have largely gone from the Pacific, first, since the task of creating a new Bougainville will be difficult enough, even with a clear structure; second, because it will be crucial that all Bougainvilleans understand what is proposed, and that this is equitable; and third, because of the need to ensure integrated development (for example, incorporating population issues with economic development planning) in a small island economy. There are situations that in the absence of sensitive, participatory and fair dealings, could pose problems (cf. Commonwealth Secretariat 1997:113), especially in contexts where Bougainvilleans experienced considerable deprivations and insecurity for many years and may question whether economic gains compensate for a decade of sacrifice.

A large part of the rationale for the lengthy United Nations presence in Bougainville, which ended only in 2004, was the need to establish security and collect guns from the many ex-combatants. That was never entirely possible:



some Bougainvilleans retain guns, youth still sometimes carry them publicly (especially around the inland Me'ekamui area), there have been a number of incidents of guns being used, even in 2005, at roadblocks and for hold-ups, and their presence intermittently threatens public security. Some Buin villagers who had supported the establishment of the Republic of Me'ekamui argue that they should keep their guns since, if autonomy was unsuccessful 'we will have nothing unless we keep our weapons' (quoted by Keil 2005:413). Particularly in the south, where there were violent disputes between the BRA and the Resistance (that sought to end the civil war), there remain problems of achieving reconciliation in the 'culture of violence' amongst disaffected youth (Connell 2006b; Keil 2005; Nash 2005), and thus localised tensions and disagreement. The legacy of the crisis continues to be disrupted social harmony and uncertainty about public security.

The future

In the last two decades only a small number of countries have become independent. Many of those have emerged in difficult circumstances, including several of the states that made up the Soviet Union and, in Africa, Namibia and Eritrea. Several have had a difficult evolution, not least Eritrea, initially involved in a border war with its neighbour, Ethiopia. Over the past decade only one colony, the distinctive case of East Timor (Timor Leste), has achieved independence. Precisely to retain valuable ties with the metropolitan powers—to secure access to aid, migration opportunities, military security and so on—the remaining 'last colonies' have sought to retain political dependence whilst acquiring as much autonomy as was feasible. Indeed, in some circumstances, metropolitan powers have sought to discourage independence; more than a decade ago a prominent Australian public servant argued that 'sentimental notions of self-determination for the East Timorese and Bougainvilleans, amongst others, threaten national security' (quoted in Aldrich & Connell 1998:249). In a few places, including Surinam and Anjouan (in the Comoros Islands), independent states have sought to re-establish colonial ties (Aldrich & Connell 1998). Movements towards independence, despite threats of secession, are no longer fashionable.



It is in this context that Bougainville would move towards greater independence, a situation inherently fraught with uncertainties—economic, political and social—and complicated by the recent history of divisive violence. It shares certain characteristics with newly independent East Timor—a badly damaged infrastructure, untested political leadership, a recent history of extreme social disruption and a mineral resource base—but is much smaller in population (if not land area), has a higher life expectancy rate, no proliferation of aid donors and UN agencies, and no remittances. Unlike East Timor, however, it faces no potentially hostile elements in its nearest neighbours. It is even conceivable that Solomon Islands could fragment and Bougainville be bordered by even smaller neighbours. External ties will be crucial—especially with Papua New Guinea, Australia and New Zealand, but also with regional agencies, such as the Pacific Community and the Forum Secretariat, that might contribute substantially (for example, to the stimulus of a fishing industry). Overseas aid is currently contributing to reconstruction and is likely to play a continued role in the future, if for no other reason than concern over regional stability. It is likely to become crucial, as restructuring occurs and the economy is reconstituted.

Most small island states have been disadvantaged by contemporary processes of globalisation that have demanded more open economies, mainly because of their narrow production base, fragile fiscal systems, a high degree of export concentration, limited opportunities for diversification and privatisation of enterprises and a relatively small private sector (Commonwealth Secretariat 1997:33). Bougainville is in a position where it can escape and learn from almost all these problems, some evident in its near neighbours, though it will take many years for a private sector to become re-established. Yet the potential benefits from 'late development' have rarely been taken advantage of elsewhere. The productive economic base, the potential for diversity—and the eventual advantages of a thriving minerals sector—offer Bougainville advantages absent in almost all other island microstates. The uncertainties lie primarily in the social and political arenas, as they do in other microstates, but exacerbated in a post-conflict context. Moreover, Bougainville has gained autonomy out of crisis with great expectations (Regan 2002); if those expectations are not realised—in terms of jobs and employment—disappointments may lead to unrest.



The 1970s marked the last significant global phase of decolonisation. In the Pacific most states became independent in that decade, as did Papua New Guinea. In most respects this would have been the ideal time for Bougainvillean independence, despite the various obstacles that existed (Griffin 1972). Three decades later the time is less propitious; small island states have only rarely fared well since independence, and the tide has moved away from decolonisation and self-reliance towards an increasingly global economy and society. At the same time the necessity to create a 'new Bougainville' from the ashes of the old, and the widespread Bougainvillean desire for a future of greater independence, mean that Bougainville is a rather special case and that greater independence is a realistic choice. Moreover, despite what appear to be threats rather than promises from contemporary trends in globalisation, Bougainville has certain strategic advantages, above all its diverse resource base, that present development opportunities that have been absent in most other small island states. Yet Bougainville is no exotic, tropical paradise, with boundless resources and social harmony existing in a benign international environment. It will need external expertise and capital for many years, social and political stability and international goodwill, not least from its immediate neighbours. But with appropriate policies (since policies are more crucial than size), in a climate of domestic and international goodwill, a secure future is achievable, in what may eventually prove to be the newest nation in the region.

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