6. Uncertain Development and Independence

Introduction

Once it was settled in the mid to late 1960s that self-government and then Independence would occur within a decade, uncertainty reigned in PNG. The condition extended from electoral politics to the composition of the first indigenous government formed at the 1972 elections and to the structure of the new nation-state as outlined in the yet-to-be finalised constitution. While these and related matters, including the extent of the Australian commitment to provide financial and other support captured most attention, a more important struggle was taking place among indigenes. Screened by the emotional power of nationalism, primarily now indigenous but continuing to be bolstered by expatriate anti-colonialism, the division between indigenous capital and households was becoming increasingly important for the country’s future political economy.

The indigenous attachment to development as an idea and objective of state policy remained powerful, even as there was uncertainty about what forms this would take and how development could be made to happen. The first section of this chapter notes the continuing power of the idea, and details how domestic conditions challenged attempts by the first indigenous coalition government led by Michael Somare to shape development policy.

These local circumstances made the task of shaping policy to bring development difficult. The differences between the late colonial policy heritage and newly prominent internationally fashionable ideas added to the uncertainty. The second section details the contest which took place prior to Independence over the direction of development policy, including the tussles among leading PNG politicians.

The third and final section of this chapter discusses how underneath the apparent uncertainty over development policy a major struggle was taking place which affected the legal and political shape of the future nation-state. As the colonial authority was being removed, state power was defined in terms which strengthened the hold of the indigenous bourgeois and would-be bourgeois. An especially important feature of the structure of the National Constitution became how it presented increased opportunities for members of the class to press claims for preferential treatment. The establishment of provincial governments
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provides a telling instance of how separatist and secessionist demands pushed to the limits of representative politics opened space at the centre of independence constitutional arrangements. The case of Bougainville and the coupling of an aggressive separatist politics with commercial ambitions is examined here to illustrate the argument.

The Continuing Attraction of Development

A commitment to intentional development and the agrarian focus of thought about development passed easily from the Australian authorities to the Papua New Guineans who gained power during the late 1960s and early 1970s. Speaking in the House of Assembly on 3 March 1969, two of the most important indigenous politicians signalled the importance of ‘bringing development’ as the appropriate objective for a representative holding state power. Moving a condolence motion on the death of Kaura Duba, newly elected Member for the Jimi Open Electorate, Tei Abal, Ministerial Member for Agriculture, Stock and Fisheries, said:

He wanted to develop his own electorate and he also worked for national development....

Opposition party leader Somare, Member for East Sepik Regional, reiterated Abal’s description in seconding the motion:

He was the elected representative of his people; he came here both to bring development to this country and to his people ....¹

Further, for indigenous representatives as well as for colonial officials and expatriate advisers, the preferred direction of development efforts remained the rural areas, as the primary base for the productive endeavours of the majority of the people as well as the most desirable means for dealing with rising unemployment and disorder.

Urban Growth and Impoverishment

The urban dimension to the problems facing policy makers, especially the newly empowered politicians, was sharpened as for the first time these areas too contained greater numbers of indigenes, with impoverishment apparent in major towns. In August 1969 a motion was passed in the House of Assembly:

¹ See PNG House of Assembly Debates Second House vol. 2, nos 4–5, 3 March to 27 June 1969, p. 825, for both statements.
indicating that a majority of its members saw urbanisation as a threat to village life and as a cause of unemployment, and requested the Administration to reintroduce restrictions on movements to towns except where employment was assured or for short visits.\(^2\)

In October 1970, when visiting Washington DC, Pangu Pati leader and MHA Somare compared children at play in slum conditions in the US capital with those ‘to be seen at home in the slums that have started to grow on the periphery of our larger towns’. In his autobiography, PNG’s first prime minister asked rhetorically:

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\text{Will we at home have to go through the same experience [as evidenced by impoverishment in US cities: SM]? I hoped that we would be able to get rid of our slums and help our people live better.}\(^3\)
\]

The Prime Minister’s concern continued. In September 1975 shortly after Independence, PM Somare visited China to explore the possibilities of diversifying foreign aid sources away from Australia, and finding ways to reverse the increasing drift of the population from the countryside to towns.\(^4\) Somare’s visit had been preceded in January 1975 by Sir Albert Maori Kiki, Deputy PM and Minister for Foreign Affairs and Trade who went to China with the announced aims of promoting PNG, looking for a market for coffee and cocoa, and ‘to study Chinese programs especially in village development and small-scale industries’.\(^5\)

During the 1940s and 1950s colonial officials shaped development policy for PNG in anticipation of as well as with the initial signs that increases in urban populations and wage employment could also lead to the related effects of unemployment, impoverishment and disorder.\(^6\) However indigenous policy makers were not concerned about a possible future condition but having to deal immediately with the effects of a major change which had begun in the mid-1960s, concomitant with rapid economic growth. Population increases in the most important centres were especially striking, and changed completely the character of the main towns. They had previously been primarily expatriate enclaves, with the indigenous presence confined to the perimeters in peri-urban settlements, except during daylight working hours. Between the first census


\(^3\) Somare Sana p. 82


in 1966 and second in 1971, there was a rapid indigenisation of most urban residential areas, with a population increase probably in the order of 17 per cent per annum, compound. The outcome was that towns now held about ten per cent of the total indigenous population, with growth exceeding that in other areas of the country.\footnote{Ross Garnaut ‘Urban Growth: An Interpretation of Trends and Choices’ in May (ed.) Change and Movement p. 74. See also Ross Garnaut, Michael Wright and Richard Curtain Employment, Incomes and Migration in Papua New Guinea Towns Monograph no. 6 (Boroko: IASER, 1977) pp. 3–5, including qualifications regarding the data.}

As a consequence of the overall movement to urban centres, the main political-administrative town, soon-to-be national capital contained a reduced proportion of the country’s total urban population. Nevertheless, between 1966 and 1971 Port Moresby’s indigenous population almost doubled to 60,000. Lae, the main manufacturing centre with 32,000 indigenes resident, was the second largest town.\footnote{Garnaut ‘Urban Growth’ pp. 75–79} This rapid growth in urban populations, without substantial improvements in the availability of housing and urban services was linked initially with a major expansion of various forms of wage employment.

Between 1962 and 1964 there had been a 40 per cent increase in indigenous workers in public administration, and growth continued at a rapid rate into the 1970s. Later, especially after the beginning of construction work at Bougainville, private employment also expanded sharply. That work, primarily in urban jobs associated with tourism, commerce and manufacturing, as well as mining and construction, involved fewer employment agreements. Unlike the earlier widespread use of formal agreements for many plantation workers, throughout the 1960s private employment was increasingly accompanied by casualisation. By the early 1970s, a substantial majority of workers outside the public administration had little employment security.\footnote{Garnaut ‘Urban Growth’ pp. 72–74. Contra the concerns of national politicians for the effects of urbanisation, Garnaut (p. 72) describes the ‘marked decline in the relative importance of formal employment agreements’ and the increase in casual employment as indicating ‘growing self-confidence and mobility in the workforce’ which ‘paved the way for the migration of family groups, which became increasingly important through the 1960s’.}

A downturn in the rate of growth of wage employment of the early 1970s coincided with weak commodity prices for farm crops, which in turn ‘reduced rural incomes and demand for urban goods and services’.\footnote{Garnaut ‘Urban Growth’ p. 87} Urban unemployment increased, although more sharply for work-age males than females, and especially in Port Moresby.\footnote{Garnaut ‘Urban Growth’ pp. 75–81. Garnaut also argues (p. 72), against criticism of the first years of the Michael Somare-led government, that between mid-1971 and 1977 there was no increase in the proportion of men in Port Moresby who did not have wage or salaried employment: see also Ross Garnaut ‘The Neo-Marxist Paradigm in Papua New Guinea’ in RJ May (ed.) Social Stratification in Papua New Guinea Working Paper no. 5 (Canberra: Department of Political and Social Change, RSPAS, ANU, August 1984) pp. 63–81. However}
Although the bulk of the urban population increases had occurred through people from peri-urban settlements and proximate rural areas moving into the towns, substantial migration from the heavily populated Highlands also began to make a significant contribution to urban populations. While in 1971 a majority of the indigenous population in towns were migrants, and the proportion of migrants born nearby remained greatest, an important change was underway. In Port Moresby, Lae, Madang and Wewak ‘the most notable development in the origins of migrants to these towns was the greatly increased flow from the highlands provinces’. By 1972, one estimate suggested that for a Port Moresby population of around 75,000, there were approximately 10,000 migrants, or just under ten per cent, from the Highlands. As the proportion of coastal (i.e. not including the Southern Highlands) Papuans in the main highlands towns of Goroka and Mt Hagen fell, Highlanders also began to migrate in substantial numbers to urban centres outside the region. A key component of uniform development, keeping smallholders on land in the Highlands to grow coffee and other crops, had begun to unravel. Out-migration was one consequence.

Rural Tensions

To make matters more difficult for the incoming indigenous government, rising unemployment and underemployment was also occurring in the rural areas. Squatting continued on Gazelle plantations, and separatist even secessionist demands were being pressed in Bougainville and among Papuans. There was a major re-appearance of ‘tribal fighting’ in the Highlands. On the smallholdings where coffee was grown, a substantial generation gap was beginning to emerge, with most growers older, less well educated, dependent on extension services. The next generation was being squeezed off the land.

Coffee from the Highlands had become the country’s most important agricultural export. Fighting threatened both smallholder production, which yielded around 70 per cent of the national output with up to 80 per cent of households growing the crop, and plantations. The Committee set up in 1973 by the first

between 1971 and 73/74, at least, the proportion of all people in wage employment fell, as more and more women and children moved into Port Moresby, Lae, Rabaul, Madang and urban centres on Bougainville. See Garnaut, Wright & Curtain Employment, Incomes and Migration pp. 23–25
12 Garnaut ‘Urban Growth’ p. 81
13 See James Griffin ‘Movements for Separation and Secession’ in A Clunies Ross and J Langmore (eds) Alternative Strategies for Papua New Guinea (Melbourne: Oxford University Press, 1973) p. 109. This was not a census year and the figure was supplied to Griffin by Councillor ND Oram.
16 David Anderson An Economic Survey p. 9
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Somare Government rejected a mono-causal explanation for the increase in the scale and degree of violence associated with the fighting. Nevertheless it concluded that ‘most of the fights are connected with disputes over land’. New cash crops had made land more valuable, and impending self-government had encouraged claimants of disputed land to try to obtain possession in the belief that ‘possession at that date [that is, of self-government: SM] will be the basis of future legal ownership’.  

Opposition to self-government was especially powerful in the Highlands by comparison with other regions of the colony. There were increasing tussles among smallholders, as well as between these and the indigenous capitalist class over the large holdings being vacated by expatriate owner-occupiers and firms. During 1974 ‘the apparently rising incidence of unsavoury and openly hostile attitudes towards plantation owners and expatriate workers [was] prompting a number of owners to place their properties on the market’ in the Western Highlands. There was also concern among Highland leaders and university students from the region that a too-rapid departure of the colonial administration would result in coastal and island politicians dominating the national government. Hasluck’s concern, noted in Chapter Three, that the country’s government might pass into the hands of ‘smart boys’ and ‘shrewd heads’ from Port Moresby and Rabaul resonated in the pre-Independence jostling for power.

The Downside of Commercialised Production and Consumption

Beneath the surface of urban and rural life, a further major change had taken place which heightened uncertainty. As was intended by colonial development policy, the increases in production of immediately consumed as well as locally and internationally marketed crops had become tied through commercialisation to changes in household consumption. As Shand and Straatmans note, during the 1960s ‘virtually all growers [they interviewed in several areas, including

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18 MacWilliam ‘Smallholder Production, the State and Land Tenure’ in Peter Larmour (ed.) Customary Land Tenure: Registration and Decentralisation in Papua New Guinea (Boroko: IASER, 1992) pp. 25–26. These incidents were not, of course, confined to the Highlands: see more generally Jim Fingleton ‘Policy-Making on Lands’ p. 237, who notes that in 1974 a Division of District Administration list showed ‘that around the country some sixty properties were illegally occupied, either totally or partly, and another forty properties threatened with occupation’.
where coffee and cocoa were produced: SMJ indicated that a desire to purchase European goods had strongly influenced their decision to introduce cash crops.\textsuperscript{20}

But the change from consuming food and other items domestically produced to marketed produce went much deeper than adding imported items to some household needs. From the mid-1950s, coincident with the major increase in household production of coffee in the Highlands, markets were established in the main urban centres. During 1955, the Goroka market was created when coffee prices were at a postwar peak. Four years later, while prices for the crop declined, a similar situation arose in Mt Hagen as villagers harvested from their later plantings. Two reasons for the early establishment of official administration sanctioned markets in these centres may have been for health control and for the distribution of crop seeds by extension officers.\textsuperscript{21} Nevertheless the markets in these and other locations also indicated an important change in the relationship between household production and consumption, with both increasingly commercialised. However, the shift was not only occurring through the growing of export crops.

By the early 1970s a trend away from once or twice a week to daily markets was accompanied by a major change in the commodities exchanged. To cite only the instance of the Mt Hagen market set in one of PNG’s fastest growing districts with a high population density, demand was no longer dominated by Europeans but by indigenes resident in and near the town. The goods traded at this market had become, in Jackson’s terms, ‘dominated by basic foodstuffs’. With major retail stores the source of imported manufactured goods, markets sold agricultural produce from nearby as well as from other areas of PNG, especially the coast. Even within the area proximate to Mt Hagen, between 1967 and 1973 motor transport made it possible to increase the distance from which produce came from 11.3 kms to 17.5kms. For the Goroka market in 1973, approximately 85 per cent of the sellers travelled via motorised transportation.\textsuperscript{22}

Of the change Jackson concludes:

What started as a small weekly operation dominated by male sellers catering for mainly European demand has become a very big, almost daily event dominated by women selling their surpluses of basic foodstuffs to meet urban Melanesian demand.\textsuperscript{23}

Two points arise from the description of the items sold as ‘surpluses of basic foodstuffs’, distinct from the possibility that such items were no longer ‘basic’ in

\textsuperscript{20} Shand & Straatmans \textit{Transition from Subsistence} p. 138
\textsuperscript{23} Jackson ‘The Impact of the Introduction of Markets’ p. 180
the consumption of the sellers’ households. Taste preferences may have changed so that imported foods, tinned fish and rice to name just two possibilities, were now common in these households leaving space for ‘surplus’ domestically grown vegetables to be sold at the Mt Hagen market.

Firstly, the increased availability of local produce for sale and purchase in markets was a central aim of colonial development policy, as noted previously. Against the proposition that the official concern was solely or overly directed at increasing export, even plantation, crop production the growth of markets from the 1950s where ‘surpluses’ of ‘basic foodstuffs’ were bought and sold suggested a development success in another direction altogether. Where possible, households increased production of crops for domestic, marketed and non-marketed consumption as well as production of export crops.

Secondly, this apparent success needs to be qualified, as events soon after Independence were to show in the Highlands. Commercialised production and consumption does not necessarily always lead in a direction which ‘preserves’ either previous forms of household existence or result in continuous improvements in living standards. Households may become vulnerable to detrimental changes in terms of trade, including even on occasions when a short-term favourable shift occurs.

During 1975 a severe frost in Brazil, the main producing country, drove coffee prices sharply higher. With this windfall, producers, now predominantly smallholders sought to take maximum advantage of the advantageous price change. If possible, more cherry was picked from existing bushes and sold. An especially obvious effect of the upward shift in prices was the transformed consumption of purchased items. (In central Kenya, that country’s major coffee-growing region, stone replaced previously used materials in house construction.) In the PNG Highlands, as well as purchasing motor vehicles, store-bought food, clothing and durable items for domestic use, indigenes—primarily but not solely younger males—dramatically increased their consumption of alcohol, mainly beer.24

One effect of the rapid increase in commercialised consumption was to reveal to what extent households had become reliant upon coffee and other incomes, while at the same time reducing the production of immediately consumed foods. Even if the area planted to permanent crops, including coffee did not substantially reduce the availability of suitable fertile land for growing immediately consumed vegetables and other crops, and food for pigs, the allocation of labour time was transformed. When household incomes rose dramatically, as during the coffee boom, increased leisure and alcohol consumption became an attractive

possibility. So too did reducing the effort involved in maintaining food gardens, with purchased food a preferred and available option. However once prices fell, as they did from 1977, living standards which had undergone a major upward shift were threatened. The decline had even greater immediate consequences where production for immediate household consumption, so-called subsistence production, had been ‘radically undermined by the commercial economy’.25

Where permanent tree and bush crops now occupied substantial areas, including land previously employed for growing immediately consumed food, smallholders had a reduced capacity to absorb the effect of export price falls by increasing plantings of either export crops or gardens to meet immediate consumption needs. Increased commercialisation of food crops, evidenced by the late colonial spread of markets in which buying and selling of food dominated, did signal the possibility of rising living standards. However the increasing vulnerability of households to rapid fluctuations in export prices suggested another possibility, impoverishment across wide swathes of the countryside.

During the early 1970s, academics debated whether there was indeed unemployment, with some urging measures to encourage further expansion of smallholder agricultural production to reduce underemployment.26 However important politicians had no doubt about the seriousness of conditions being faced in towns and rural areas by substantial numbers of indigenes. But indigenous politicians were not the only ones concerned with the rapidly developing inequalities among indigenes. Australian Minister for External Territories Andrew Peacock was also aware ‘of the dangers of developing an unstable society with an unhealthy gap between impoverished peasants and a prosperous isolated elite’.27 An urgent problem facing the colonial administration and then the self-government coalition was what policies were most suitable for a national government directing an independent nation-state.28 Before Independence, three important reports provided advice on post-colonial development policy. The 1973 Faber report and the 1973 report of the Commission of Inquiry into Land Matters, followed in 1974 by the Constitutional Planning Commission report, pointed away from the colonial administration’s favoured accelerated development policy.

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26 For one summary of the positions taken regarding unemployment and underemployment, see Garnaut, Wright & Curtain Employment, Incomes and Migration pp. 7–13.
27 Downs The Australian Trusteeship p. 537. See the Minister’s Opening address to the Sixth Waigani Seminar at UPNG, held from 30 April to 5 May, which begins with the sentence: ‘Development will clearly be one of the main interests of the new government and the House of Assembly’. The address appears in May (ed.) Priorities in Melanesian Development pp. 3–6. See also Garnaut ‘Problems of Inequality’ pp. 52–62
The Search for a New Direction

The Faber Report

In the turmoil and uncertainty of the early 1970s, during which the 1972 election produced an unexpected outcome with the victory of the Somare-led coalition government, the reaction against colonial authority and policies became particularly powerful. The strength of the reaction became obvious in June 1972 when one of the first acts of the newly formed Somare Government was to present a white paper, intended to provide the basis for a sequel to the 1968–73 five year plan Programmes and Policies for the Economic Development of Papua and New Guinea. Prepared by the Office of Programming and Coordination (OPC) within the Administration but introduced into the parliament by the new government, the proposed program supported a continuation of accelerated development policies. This direction was rejected by the parliament as unsuited to the economic and political circumstances.

These circumstances included alternate advice which had begun to flow to the incoming government from a number of international and domestic sources. The rejection of the five year plan was couched in terms which showed the influence of ideas promulgated by an advisory group which from March to May 1972 had visited PNG. This group conducted a study arranged by the Australian Government through the World Bank as executive agent for the United Nations Development Program (UNDP). The Bank commissioned consultants from the University of East Anglia to provide advice on development strategies for the five years from 1973. Over the next few months the group began to circulate their draft report, before its final submission in September to the World Bank and the Australian Government.

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29 John Ballard ‘Policy-Making as Trauma: The Provincial Government Issue’ in Ballard (ed.) Policy-Making in a New State pp. 95–132, notes (p. 131) how influential non-Australian consultants, including Canadians, were especially important ‘in any kind of radical administrative reform’ such as decentralisation (on which more below).
31 Fitzpatrick ‘The Eight Aims’ p. 24, suggests that the administration-prepared plan was ‘an effort to outflank Faberism which offered lots of principles and lots of choices but, in the end, there remained one
Although not finally published until February 1973, the Faber Report was highly influential well before publication.\(^{32}\) The views of the Mission’s members influenced the December 1972 announcement by Chief Minister Somare of the government’s economic plans and the establishment of a small planning secretariat answerable to a Cabinet Committee of the governing Coalition parties’ leaders. As a result of Finance Minister Julius Chan’s resistance to the term ‘Development Programme’, the plans were initially described as an ‘Improvement Programme’.\(^{33}\) The Programme would become better known as the Eight Aims, foremost of which were indigenisation of the control of the economy, equalisation of economic benefits, and decentralisation of economic activity. Over the next three years, the Eight Aims were at the centre of intense political tussles among indigenous leaders and government critics. The debates over design and implementation continued after Independence.\(^{34}\)

Just as the colonial administration transferred authority, changes to the manner in which policy was designed and asserted by the newly elected government fuelled domestic opposition. As the Faber report’s recommendations were being considered, the government deliberately abolished the previous administration’s OPC and later established a Central Planning Office (CPO).\(^{35}\) The government kept a tight rein on the formulation of the Eight Aims, including by relying on sympathetic and thus reliable expatriate advisers.\(^{36}\) While this was done in part to pre-empt anticipated opposition from the remaining colonial officials, objections were also expected from some ministers and other members of parliament.\(^{37}\) Subsequently the Eight Aims were further shaped by a number of other international sources of ideas should not be underestimated: the 6th Waigani Seminar in April–May 1972 had not only heard Peacock’s cautionary words, noted above, but also from René Dumont, French agronomist and Ivan Illich, educationist. R Dumont ‘Some reflections on priorities in Melanesian development’ in May (ed.) Priorities in Melanesian Development pp. 7–19, emphasised (p. 7) ‘that it is imperative at the beginning to foster a more rapid growth of agriculture’, citing a phrase ‘Agriculture is the base of the economy, industry the engine of development’ which he claimed was the basic formula of Chinese development since 1960. See also Illich ‘Design for a Convivial Society?’ 32 \( {\text{IBRD/WB A Report on Development Strategies for Papua New Guinea Report prepared prepared for the IBRD/World Bank by a Mission from the Overseas Development Group, University of East Anglia, February 1973.}} \)

33 Fitzpatrick ‘The Eight Aims’ p. 24

34 For the second Somare government’s sensitivity to criticism over the effectiveness of government programs to implement the Aims during the first seven years after Independence, see Deputy Prime Minister and Minister for National Planning Paias Wingti ‘Standing By Our Principles in Tough Times’ in King, Lee & Warakai (eds) From Rhetoric to Reality pp. 15–21.

35 Garnaut ‘The Framework of Economic Policy-Making’ pp. 157–211 discusses the formation and subsequent operation of the CPO. Garnaut was a research fellow at the New Guinea Research Unit from 1972 to 1975, during which time he acted as consultant and adviser to the government, including to the Finance Minister. See Ballard ‘Contributors’ in Ballard (ed.) Policy-Making in a New State p. xiv, for an extended statement on Garnaut’s official roles during and immediately after self-government.


of committees, and specific programs submitted to the CPO. Tony Voutas, MHA from 1966 and 1972, founding member of Pangu Pati, and principal research officer in PM Somare’s office from 1972 to late 1974, explains that:

The powerful Constitutional Planning Committee boosted the process of commitment to agreed national aims even further by developing the Eight Aims and having them incorporated in Papua New Guinea’s Constitution as a bipartisan statement of the philosophy behind the new state.\(^{38}\)

Voutas may well be correct that the lineage of the National Goals and Directive Principles included in the preamble to PNG’s Constitution leads from the Eight Aims through the Constitutional Planning Committee (CPC) to the Constitution.\(^{39}\) But the phrase ‘bipartisan statement of philosophy’ avoids more fundamental questions about what was the ‘philosophy behind the new state’. Major disputes surrounding ‘philosophy’ were becoming apparent, especially over two matters, land and the structure of the new nation-state’s governing institutions.

The Commission of Inquiry into Land Matters

As noted previously, since the late 1950s the need to change land tenure arrangements in order to lift smallholder productivity began to affect policy deliberations. The complexity and difficulty of making the desired changes was also recognised. In the last days of the colonial administration an attempt was made to introduce legislation which would make it possible to substantially extend adjudication and systematic registration of land held under customary title in selected areas. Encumbrances on registered titles, including those which limited the powers of mortgagees, were to be removed and control of dealings in land decentralised to land control boards, where local landowners would exercise authority.

One result of this late colonial attempt at legal and institutional reform was the formation of a powerful coalition, which included indigenous politicians, expatriate academics and lawyers, opposed to the proposed legislation. The growing squatter revolt and generalised lawlessness underpinned a nationalist opposition to any such late expression of colonial authority. The fear that the moves promoted by the legislation would accelerate what one critic termed ‘an agrarian revolution’ which increased landlessness strengthened the opposition.\(^{40}\)

\(^{38}\) Voutas ‘Policy Initiative and the Pursuit of Control’ pp. 36–37
\(^{39}\) For the Constitution and the source of specific sections, see: Brian Brunton and Duncan Colquhoun-Kerr *The Annotated Constitution of Papua New Guinea* (Waigani: University of Papua New Guinea Press, 1984).
The proposed legislation was withdrawn and in February 1973, the same month that the Faber report was published, the Administrator appointed the Commission of Inquiry into Land Matters (CILM). Its report was submitted in October 1973.

There is no need to revisit here the CILM’s composition, its activities or report: the literature on each subject is extensive and comprehensive, some of it by committed participants and some by subsequent commentators.\(^{41}\) One of the former, Jim Fingleton has assessed the CILM report as a threat not only to the ‘privileges of dominant commercial entities in the country’ but also to the aspirations ‘of the emerging Papua New Guinean class of entrepreneurs’.\(^{42}\) For this account, it is sufficient to note that as a consequence of the CILM report and the political tussles surrounding land reform, four Acts were passed in 1974 and a fifth, the \textit{Land Disputes Settlement Act}, in the following year.\(^{43}\)

The fourth piece of legislation which followed the direction proposed by the CILM report, the \textit{Land Trespass Act}, blocked the movement by squatters on to large holdings. In their entirety the five Acts meant that takeover could only be sanctioned by the state and made illegal any other forms of occupation and ownership. The legislation also provided the basis for an important compromise between two distinct forms of contestants for the land. The takeover of large holdings provided for the continued operation of some as plantations but the Acts also opened the door for some break-up of large holdings to meet smallholder demands. The legal compromise was crafted by a committee, whose official members were Papua New Guineans with supporting staff ‘entirely expatriate’.\(^{44}\) Under the legislation a short-term resolution of the tussle between indigenes, for plantations and smallholdings, was made possible by the departure of European settlers who had been the owner-occupiers of estates, the surrender of unplanted acreages by major plantation companies, and the release of large areas held as government land.\(^{45}\)

As a further effect of the legislation, the ownership and occupation rights of large and smallholders alike were now dependent upon post-colonial state
power and made subject to the holders of this power, the indigenes who held national executive and administrative authority. With regard to Voutas’ proposition regarding the development of a ‘philosophy behind the new state’, the compromise over transferring land ownership from expatriates to indigenes was critical in the process of establishing a central element of the philosophy. Indigenous governments wielding post-colonial state power would enshrine and defend private property rights, whether of large holding or smallholding owners, and would not provide support for squatting or any other forms of illegal occupation.

As much as this compromise dealt with ownership and occupation, it often left unresolved the more important matter of how to make productive what had become or threatened to become unproductive, land and labour. After Independence, as the compromises over land ownership were worked out in different areas of the country, the critical question became ‘What Do We Do About Plantations?’ As one contributor to a 1981 conference devoted to this question asked, regarding plantations which were subject to redistribution to indigenes as large holdings ‘Who wants to be the Labourer?’ Clearly, household ambitions to avoid wage labour remained powerful.

If reformed land legislation provided the basis for an initial solution to the tussles between owners and would-be owners of large holdings and households, a more serious matter was still to be settled which could not be done by mere legislative reform. This was because while planning was proceeding for the new nation-state, a struggle was taking place which in its most serious form raised important questions about development as national development. What would be the territorial parameters of PNG and what would be the governing institutions that reflected these boundaries? When including or excluding particular areas of the country had important implications for government revenues, and in turn the capacity of the state to bring development, attempts to remove or separate particular districts from the new nation-state were critical. The third section of the chapter takes up the account of how these matters were determined.

Such fundamental questions were the concern of the CPC, the most important of the numerous bodies established in the early 1970s to chart the direction of the independent nation-state. The CPC’s deliberations as well as its final report presented in August 1974 to Chief Minister Somare were pivotal for future institutional arrangements and development policy.

46 See, for instance, Fingleton ‘Plantation redistribution among the Tolai’
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Structure and Power

The Constitutional Planning Committee

The 1972 elections which preceded the formation of the self-government coalition had ensured that the opposition to accelerated development would have substantial parliamentary representation. During 1969 the Mataungan Association and Napidakoe Navitu had been formed to coordinate and represent opposition to important aspects of the accelerated development program on the Gazelle Peninsula and in Bougainville respectively. Both organisations were electorally successful, and the most important anti-colonial indigenes were elected. Of the prominent critics of Australian colonialism, only the radical Bougainvillean student leader Leo Hannett failed to win endorsement to stand for a seat.⁴⁹ Once elected, however, the MA's leaders began to play a mediatory role, between plantation owners and squatters.⁵⁰ The successful Bougainvillean concentrated initially upon improving compensation for land taken by the mine and acquiring a larger share of lease monies for landowners. For the colony overall, the generational change noted above at the 1968 elections continued, if in a form mediated by ‘tradition’.⁵¹

A conservative coalition headed by the United Party had been expected to win the 1972 self-government election and take power. However the surprise victory and formation of a coalition government led by Pangu Pati and Somare advanced the co-optation of the anti-colonial nationalists. This coalition brought the strongest critics of the Administration's plans to continue with accelerated development into positions of influence. Although the Mataungan leaders Tammur and Kaputin did not initially accept ministries, they supported the Pangu Pati-led coalition. The senior Bougainvillean MHA Paul Lapun became Minister for Mines, while Father John Momis became deputy speaker of the House and then effectively de facto chair of the CPC. A third Bougainvillean, Donatus Mola as Minister for Business Development was one of four People's

⁵⁰ See MacWilliam ‘International Companies and Nationalist Politics in Papua New Guinea’ Journal of Contemporary Asia vol. 17, no. 1, p. 19, where a May 1973 statement from Burns, Philp’s general manager plantation division based in Rabaul is cited, noting that: ‘Matanguans [sic] have become a reformed capitalist organization, and have been of very great assistance to me in settling land disputes’.
Progress Party MPs, including Julius Chan as Finance Minister, who took senior economic ministries.\textsuperscript{52} The most important Bougainvillian politicians had a strong grip on power at the centre of the soon-to-be independent state.

The inclusion in the government coalition of most of the strongest critics of colonial rule and policy also meant that the government was to an extent dependent upon their support to maintain a parliamentary majority. The radical nationalists, represented especially by Momis and Kaputin, pushed this dependence, particularly in the formation and operation of the CPC. To balance their presence, and aided by the June 1972 parliamentary endorsement, Somare ensured that the CPC included what he termed ‘the most skilled backbenchers’, to formulate ‘a home-grown constitution’.\textsuperscript{53} If the composition of the CPC was an attempt to be inclusive, locking major radical nationalists into the process of devising a constitution, it also gave the same critics an institution through which they could exert political leverage. The result was especially important for the structure and operations of the National Government, as well as in settling that all areas of the colony would remain within the new nation.

Although Somare was the formal \textit{ex officio} chair, much of the direction taken by the CPC was determined by Momis and Kaputin—who first joined the government as Justice Minister in August 1973 and then was dismissed in October 1974, two months after the final CPC report was presented. Utilising a number of permanent and visiting consultants, between May and August 1973 members of the CPC travelled widely within PNG. Visiting ‘almost every sub-district’ and ‘holding over one hundred public meetings attended by an estimated 60,000 people’ the Committee also called for and accepted ‘well over 2,000’ submissions.\textsuperscript{54}

For this study three features of the CPC’s activities and final report are significant. Firstly, the very public process through which the CPC operated gave full vent to the radical nationalist position, in nearly all its aspects. This position sometimes caused concern and discomfort for the Australian and PNG governments, even to the extent that the date for Independence was delayed from 1974 to 1975. However with support from the opposition parties, especially the United Party, the government was able to defeat the radicals in parliament and strengthen its authority. Chief Minister Somare and his close ally John Guise tabled a minority CPC report ‘Government Paper on Constitutional Proposals’, which skilfully captured majority parliamentary support. Forcing conservative


\textsuperscript{53} Somare \textit{Sana} p. 98

\textsuperscript{54} GoPNG \textit{Final Report of the Constitutional Planning Committee 1974 Part I} (Port Moresby: Government Printer, 1974) p. 1/1
nationalists, cautious about self-government and strengthening the central government machinery, to back the Chief Minister against the radicals provided room for manoeuvre when the more substantial challenges appeared. As had been the case for most of the late colonial expatriate officials, including Hasluck, development continued to have national development through a strengthened state machinery, nation-building at its centre.

What remained to be resolved was the structure and operation of this machinery. Indigenisation of the public service, especially at the senior levels, was a critical component of strengthening. Before Independence the expatriate presence both in the permanent positions and as advisers to ministers was considerably reduced. Some of this reduction was in response to government actions taken to deal with criticisms by CPC members. The departure of Voutas from the PM’s office in late 1974 was a striking example of the power of the CPC radicals and the importance of indigenisation within the idea of indigenous development.

Secondly, the CPC re-enforced the move against accelerated development, when this was conceived primarily as increases in gross domestic product regardless of the consequences for land occupation and impoverishment. Instead the Committee emphasised three ‘ideas’, equality, self-reliance and rural development. The National Goals which it recommended to follow from the Eight Aims were subsequently incorporated into the Constitution. The first goal, of the five recommended for inclusion, was ‘Integral Human Development–Liberation and Fulfilment’:

All activities of the state should be directed towards the personal liberation and fulfilment of every citizen, so that each man and woman will have the opportunity of improving himself or herself as a whole person and achieving integral human development.

Further, the CPC’s members did not take:

development to be synonymous with material progress. For us the only authentic development is integral human development. This means that we use the term development to mean nothing less than the unending process of improvement of every man and woman as a whole person … integral human development must reach out and enrich Papua New Guineans in every part of the country.

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56 GoPNG *Final Report* vol. 1, p. 2/3

57 GoPNG *Final Report* vol. 1, p. 2/3
Securing Village Life

The third outcome of particular relevance, alongside strengthening the government and cementing the ideological shift against accelerated development, was the Committee’s role in checking separatism. This claim may appear to be at variance with the politics of key CPC members. The CPC’s most important members Momis and Kaputin continued to be associated with movements on the Gazelle Peninsula and Bougainville which variously espoused separatist and in the latter case secessionist sentiments.\(^{58}\) However through widespread consultation, and the dominant nationalist views of the CPC’s membership, the Committee’s deliberations kept attention focused upon how the national state could be constructed to include—rather than exclude—representatives from all areas which had been part of the colonial territory. As Somare noted, despite his radicalism, CPC ideological leader Momis was above all a (PNG) nationalist.\(^{59}\)

The national state and the Somare Government were strengthened by other means as well. A substantial rise in international copper prices, and the determination of government officials to renegotiate the agreement with RTZ/CRA/BCL, secured a major increase in revenues at an especially critical moment.\(^{60}\) The accession to power of the ALP in Australia and the willingness of the new PM Gough Whitlam to make a three year commitment on aid from 1974–75 further assisted planning.\(^{61}\) Soon after Independence, the extensive frost in the main coffee growing areas of Brazil noted above resulted in a very substantial price increase for PNG’s major agricultural export which further boosted government revenues, commercial activity and grower incomes.

The CPC’s linking of state activities, nationwide comprehensive development and individuality may seem, at first sight, to have much in common with the earlier uniform development pushed so determinedly in the 1950s by the Hasluck-led colonial administration.\(^{62}\) However beneath the change in the racial and national identities of those who held state power, from Australians to Papua New Guineans, a more fundamental shift was under way.

The shift expressed major changes in the character of state and class power. These changes ensured that beneath the superficial similarities there was little

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58 Griffin ‘Movements for Separation’ distinguishes between the sentiments of separatism and secessionism, as well as the forms of opposition to the national government on the Gazelle Peninsula, Bougainville and Papua.
59 See Somare Sana p. 99 for Somare’s description of the CPC leader as a ‘true nationalist’.
61 Somare Sana p. 97; G Whitlam The Whitlam Government 1972–1975 (Ringwood, Vic.: Penguin Books, 1985) pp. 98–99. This commitment turned out to be less important when in November 1975 the Labor Government was dismissed by the Governor-General and the aid program had to be renegotiated with the incoming Malcolm Fraser-led Coalition Government.
62 See, for one more instance, the GoPNG Report statement (p. 2/3) ‘No particular area or grouping of people should be developed at the expense of another, materially or in other ways. There should always be an equitable distribution and balanced sharing of all the benefits and opportunities the nation has to offer.’
in common between uniform development and the development policy which characterised the first Somare government. This was largely because instead of being marginalised, as was a central objective of the initial postwar development policy, during the transition to independence the indigenous capitalist class gained a substantial hold on state power. This hold was utilised for commercial advantage and also to shape the post-colonial state, most notably in the establishment of provincial governments which could be engaged to open up further arenas for commercial operations. Political power exercised by and on behalf of indigenous capital became a major feature of representative politics. In turn, it became less possible for those who represented the leading commercial figures to claim that they were also acting on behalf of smallholders and other indigenes. The possibility that the government of the newly independent state could exercise trusteeship was diminished. Consideration of the political advance of indigenous capital and its allies shows in an especially clear manner how the political economy of the pre-Independence phase differed from that of the late 1940s and 1950s.

**Indigenous Capital—Class and State Power**

For most of the late colonial period Australian officials, who were not themselves members of the capitalist class either in the metropole or the colony acted as trustees for the particular form(s) of development detailed here. Their ability to do so was enhanced by regulations which prevented straddling between state employment and private accumulation. Public officials were specifically barred from engaging in commercial activities, including farming and trading. There were expatriate state officials who, prevented from straddling, left senior positions to start or join existing commercial enterprises in PNG. George Greathead and Ian Downs were just two.  

Australian public service regulations precluded officials from also engaging in commercial enterprises, although by the late 1960s and early 1970s means of surmounting this barrier were regularly employed. In one case, that of a Port Moresby steel furniture manufacturing business, of the five expatriates who floated the firm, several were public servants. In order to take up shares in the firm, the public servants were required to obtain the permission of the Administrator. Approval ‘was granted only in view of the intention to foster indigenous participation’. In 1969, the leading expatriate promoter of the firm

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63 Hasluck *A Time for Building* pp. 119–120
Securing Village Life

financed a 75 per cent buyout by a Papua New Guinean, with the Development Bank taking a one-quarter ownership share. Other expatriate state employees used spouses, relatives and friends to run private enterprises.\textsuperscript{64}

None of the Australian Ministers with responsibility for policy had any commercial interests in the colony, and only Barnes—Minister in the accelerated development period—could be regarded as having close ties with private businessmen who had operations in PNG. Ward and Hasluck were committed to the means and goals of late colonial trusteeship, particularly securing smallholder attachment to land. As explained in Chapter Three, especially during the 1950s the Australian Government’s hold on state power had been highly centralised which ensured that international firms, expatriate owner-occupiers and the emerging indigenous bourgeois could not exercise unacceptable leverage against the colonial administration. Whether or not the colonial state of the Ward-Hasluck period conforms to the descriptions of a bureaucratic state or Administrative Colonialism is not important here.\textsuperscript{65} What needs to be recognised is that neither of these characterisations adequately capture the principal objective of colonial rule which was to bring development as the basis for self-government. This direction required the deliberate marginalising of particular forms of accumulation.

During the 1960s, while power was still exerted in a form of colonial trusteeship, accelerated development opened space for not only the well known and obvious forms of international enterprise, including the Panguna mine, but other forms of commerce as well. While some of these commercial activities were a focus for the anti-colonial nationalist criticisms raised by Crocombe, Kaputin and others (see Chapter Five), important moves by indigenous capitalists and would-be capitalists were also occurring. The critics’ attention to the clash between expatriates and indigenes over petty commerce (taxis, shops, hairdressing salons etc.) often indicated thwarted ambitions. At the same time, there was also a substantial shift of ‘big men into major businessmen’ to extend Ben Finney’s description of what was occurring in the Eastern Highlands, around Goroka, to other parts of PNG.\textsuperscript{66} As indigenisation of colonial administration employment occurred, legal and other barriers to straddling between state positions and private commercial activities were lowered.


\textsuperscript{65} Hawksley \textit{Administrative Colonialism}

\textsuperscript{66} The academic literature of the 1970s and 1980s is replete with studies which documented the growing presence from the 1960s at least of indigenous entrepreneurs. See, for example, Finney \textit{Big-Men and Business} and works listed in Finney’s Bibliography pp. 189–199. See also Andrews \textit{Business and Bureaucracy} for the establishment since the early 1960s of indigenous enterprises in the largest urban centre. In this literature, the pre-Independence presence of Papua New Guineans in commerce was widely acknowledged but in the confused descriptions of the period, including ‘new elite’, ‘big peasants’, ‘rich peasants’, ‘middle peasants’,
Much of the political running against colonial rule was made by disgruntled civil servants, academics and would-be businessmen, including Mataungan leader Kaputin, who hoped to become owners of large holdings and other commercial enterprises. As expatriates in small and more substantial businesses departed, many indigenous politicians extended their commercial holdings. By the early 1970s, political leaders, as well as the main parties, Pangu, United Party and Peoples’ Progress Party, represented indigenous commercial ambitions in a range of individual and corporate forms. These ambitions had quickly out-grown their local origins. Papuan separatist leader Josephine Abaijah claimed ‘New Guineans were taking over the indigenous business affairs of Port Moresby’.

Two observations from the period will suffice to illustrate the conjunction of electoral-parliamentary politics and commerce. David Hegarty notes regarding the number of candidates who contested the February–March 1972 election, that:

The heaviest concentration of candidates occurred in the Highlands which may still reflect the persistent solidarity of the traditional clan-based political units in the region. It may also reflect, however, the emergence of a new entrepreneurial type or group in the Highlands which sees its economic success as being a basis for political support.

He also states (p. 297) that:

close to 40 per cent of (the elected) MHAs are classified as businessmen (planters, traders, farmers, store-owners, etc), about 30 per cent as government officials (interpreters, clerks, senior officials) and about 17 per cent as school teachers’.

The second instance, identified by James Griffin and Donald Denoon, occurred in late 1975 when ‘the business arms of Pangu party (the leading party of the national coalition [government]) and of the United Party (the only
party on the opposition side) were jointly proposing to enter the lucrative field of motor car sales [a field dominated by subsidiaries of the major Australian South Pacific firms Burns, Philp and WR Carpenter].

The principal arena for the initial advance of indigenous capital, however, was the countryside, in agriculture. The Tolai movement into large holding cocoa growing, processing and trading, which began in the late 1940s, is documented in Chapters Two and Five. A parallel advance also occurred in the Central Highlands, where Papua New Guineans had extensive coffee plantings, and other enterprises. As a result of the major expansion of smallholder coffee production from the 1950s, processing and trading smallholder produce and household consumption goods, as well as growing other marketed crops provided a starting point for indigenous commercial operations. As a consequence of their earlier expansion, members of the indigenous bourgeoisie and would-be bourgeoisie were anxious to acquire plantations being vacated by departing expatriate owner-occupiers and international firms. However the smallholder agricultural increases of the 1950s and 1960s also contributed to the land shortages and triggered clashes over the former expatriate-owned large holdings (see above).

If the unplanted land on many large holdings attracted squatters and other indigenous households seeking to extend their holdings, by the 1960s and 1970s the existence of under and unutilised land often signalled that the expatriate owners and operators of the plantations were uncertain about their future. In 1974, during an especially torrid political battle over the need for legislation and action on compulsory acquisition of ‘foreign-owned’ plantations, Burns, Philp packaged a substantial area of its landholdings as a political offering to the Somare Government in exchange for a guarantee of continued ownership and operation of its profitable holdings. Other large holding owners were not in as strong a position as Burns, Philp and were forced to adopt different strategies to sell entire properties as plantations. During 1974 an expatriate coffee plantation owner proposed that a District Investment Authority be established to fund the takeover and continued operation of large holdings in the Highlands.

An especially prominent form of indigenous business organisation established to facilitate the takeover of large holdings was rural development corporations. Their formation had two principal purposes. The first was to ensure that previously expatriate-owned and operated businesses continued as forms of centralised and concentrated property. This meant blocking the ambitions of

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71 MacWilliam ‘International companies’
smallholders and other indigenes for a form of redistribution which would have divided the assets of the departing settlers and small businessmen. The second purpose was to include households in the ownership of the plantations and other enterprises as shareholders. Instead of acquiring separate parcels of assets, including small blocks of land carved out of the plantation, shareholders were offered the prospect of increased consumption out of share dividends, if and when these eventuated. Including indigenous smallholders as shareholders assisted in raising money for purchases, and made it easier to obtain loan funds. The development corporations also dampened smallholder dissent, holding out the possibility of higher levels of consumption funded by share dividends. Central to the formation and operation of many of these enterprises were powerful politicians, who could attract investors from among local populations and facilitate access to state resources.73

While the development corporations were critical for fulfilling the ambitions of Papua New Guineans aiming to take over and maintain plantations, agricultural operations did not represent the extent of the indigenous bourgeoisie’s ambitions. Members of this class moved into crop processing and export, transportation, trade, urban real estate and other areas of commerce. These moves were invariably made possible by representatives of the class and its small business allies gaining political power. While some of the political advance took place through gaining representation on boards, state agencies which allocate licenses and finance, a more substantial basis involved restructuring the post-colonial state itself. An especially significant instance of major changes was the establishment of provincial governments, which in the most advanced provinces were quickly captured by leading indigenous businessmen and their political representatives.

Provincial Governments and Indigenous Capital

The end of colonial rule was accompanied by moves to decentralise administration at the district and local government levels.74 The CPC provided an important

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74 See Conyers The Provincial Government Debate chs 1–3; Ghai & Regan The Law, Politics and Administration ch. 1
policy direction for decentralisation. The CPC recommended a reduction in the power of the central administration through the establishment of political means by which citizens could participate in decision-making. According to Ghai and Regan, this was an attempt by the CPC to formulate a new ‘paradigm of development’, which was heavily influenced by ‘(e)vents in and demands for autonomy or secession by leaders from Bougainville … since the 1960s’. While Ghai and Regan, and Conyers correctly identify the ‘centrality of the Bougainville experience’ for the decentralisation push and formation of provincial governments, neither of these accounts adequately explains what was critical about that ‘experience’ for late colonial and post-Independence development policy in PNG.

Decentralisation and the formation of provincial governments extended the means by which indigenous capitalists were able to combine class and state power to enlarge their opportunities for accumulation. The case of Bougainville was central because the establishment and operation of the Panguna mine, after and in addition to the well-established commercial agricultural base in the district, created more room for the local bourgeoisie. The willingness of the Bougainville bourgeoisie to play separatism in an aggressive secessionist form showed how rapidly the class was advancing and the extent of their ambitions. The creation of provincial governments became a seminal moment during which policy was pushed away from agrarian smallholder development as state revenues were captured to support the ambitions of indigenous capital.

Once provincial governments were established, local businessmen-politicians campaigned for the formation of business arms formally connected to these institutions. While sometimes justified as a means for securing revenues which would permit the provision of public services, these businesses also made the takeover of plantations and other enterprises from departing expatriates possible. Subsequently, after Independence, this form of public enterprise became a shell as the assets were transferred to private ownership.

In the process of constitutional transformation, the establishment of the Bougainville Provincial Government was distinct. This was because of the very substantial and exceptional commercial development which had already taken place around the Panguna mine, and the popular opposition to its establishment which could be mobilised into a political movement. The reaction was further driven by the immediate effects of the mine’s establishment, including land alienation and rapid migration into the area from other parts of PNG. Bougainvilleans who had previously eschewed working as plantation labourers found themselves in competition with, and in the presence of considerable numbers of people from other parts of PNG seeking wage employment in ‘their

75 Ghai & Regan The Law, Politics and Administration p. 16
district’. Specific events, including the 1974 deaths of two Bougainvilleans in a pay-back killing in the Highlands added to popular disaffection. The physical difference between black-skinned Bougainvilleans and ‘red-skinned’ Papua New Guineans, the distance of the district from the rest of PNG, especially Port Moresby, its proximity to Solomon Islands ‘kin’, and the failure of the colonial administration to ‘bring development’ to the district were used to provide further support for secessionist demands as a particularly aggressive form of separatism.\(^76\)

Secessionism became the means by which a section of indigenous capital gained a hold on and played a part in reconstructing national state power to advance their accumulation. In particular, key members of the indigenous bourgeoisie held managerial positions in the Bougainville Development Corporation (BDC) while also occupying the most important elected and managerial offices in the Provincial Government. This linking of private and public office was used to strengthen their commercial position.

Officially registered in 1975, the Development Corporation was established to carry out a business strategy framed the previous year.\(^77\) The firm had the Provincial Government and the local diocese of the Roman Catholic Church holding 75 per cent of the issued share capital. The Provincial Government’s shares were held in the form of a royalty trust, indicating that the source of the funds was royalties from the mine. Over the next ten years BDC became the most important indigenous commercial entity on Bougainville. Until 1984, Hannett and his group also controlled the Provincial Government. Hannett was both company chairman and provincial premier. This close connection between political and economic power in what had become the most prosperous province in the country, provided a template for developments in other provinces, where provincial governments established business arms.\(^78\)

Phase 1 of the BDC’s business strategy was to own and operate service industries around the Panguna mine. These included investing copper royalties in transport and commerce as well as acquiring a nearby tourist resort frequented by highly paid mine workers.\(^79\) BDC acquired the wet canteens at the mine. With a largely migratory male workforce, the outlets were very profitable. In the 1980s, the

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76 A detailed account of the formation of provincial governments, and the importance of Bougainvillean secessionist politics is provided in Conyers The Provincial Government Debate. For the Prime Minister’s personal involvement, see Somare Sana esp. pp. 114–122. See also Thompson & MacWilliam ‘The Bougainville Rebellion’ in The Political Economy of Papua New Guinea pp. 14–48, ch. 2
77 Thompson & MacWilliam ‘From acquisition to accumulation’ p. 104, notes how in 1979, BDC’s management pin-pointed 1974 as the year the strategy of the firm was first set.
78 Thomson & MacWilliam ‘From Acquisition to Accumulation’ p. 118, fn. 80 provides a specific instance of the importance of the coupling of political and economic power in the personae of Hannett.
closure of the canteens in response to the changing drinking habits of a more permanent workforce reduced BDC’s income and pushed it into other activities. These included forcing BCL to use lime from the BDC-owned mine, rather than CRA/RTZ’s cheaper international sources.

Phase 2 involved utilising this commercial base to move into plantation agriculture, smallholder cocoa marketing and exporting. In the third phase the firm extended operations beyond the North Solomons in shipping and manufacturing. In 1985–86, while still espousing the firm’s role in providing funds which could be utilised by the Provincial Government to provide services, directors privatised BDC by increasing its share capital and themselves acquiring the issued shares.\(^\text{80}\)

The firm’s formation and activities became an important indicator of just how extensive were the commercial ambitions of indigenous capital. BDC’s operations were also an acknowledgement that commercial advance in post-Independence PNG required holding considerably more political power than had been permitted under colonial rule. By playing the politics of separatism to the limit, leading Bougainvillean won substantial commercial benefits for the Development Corporation. The commercial opportunities provided by the enormous mine were critical for the ambitions of this section of the Bougainville bourgeoisie. But without political power there was no guarantee that the opportunities could be taken and rivals from other parts of PNG kept out, for the honey-pot of the giant mine had excited the ambitions of indigenous labour and capital alike across the country. The route taken by Bougainvillean with commercial ambitions but politically marginal to remedy the latter changed the structure of the state.

As noted previously, at the 1972 national elections, radical student leader Leo Hannett had failed to win endorsement to run for a seat. Subsequently, his political marginalisation and the co-optation of leading Bougainvillean politicians Lapun, Momis and Mola into the central political and administrative machinery of the new government gave the impetus for the secessionist politics which were to be so important in reshaping late colonial and post-Independence state power. While co-optation of the most out-spoken of the younger generation who were using separatism as a political tactic became one of the important achievements of the first Somare Government, this strategy was less successful in dealing with the ambitious Bougainvillean, including Hannett, who had been marginalised.

In February 1973, Hannett had been appointed special adviser to PM Somare on Bougainville affairs. Dissatisfied with the pace of the move to district/provincial government, Hannett subsequently launched a public attack on

\(^{80}\) BDC’s post-Independence advance and subsequent decline following the 1988 revolt on Bougainville are charted in Thompson & MacWilliam *The Political Economy of Papua New Guinea* pp. 103–109.
the two Bougainvillean ministers in Somare’s Government, Lapun and Mola. Somare dismissed Hannett from the adviser’s position. The latter proceeded to further develop his political base on Bougainville, with a continuous escalation of demands and threats. In January 1974, the first meeting of the Bougainville Constituent Assembly was held, with an appointed, not elected, membership. Five months later, Bougainville was provided with a special financial allocation by the national government in lieu of royalties from the mine. Hannett and another critic of the central government, Moses Havini became Planner and Executive Officer of the newly established Provincial Government, with considerable power over the province’s finances.

The government’s handling of the CPC and its report included measures to reduce the powers of the proposed provincial governments. Specifically, the Somare Government was concerned that ‘the CPC proposals could result in an undue concentration of power at the provincial centre’. After a prolonged and often bitter tussle over the powers of provincial governments and their constitutional standing, a compromise was reached. Provincial governments gained power to make laws including on agriculture and rural development, business, rural and urban land use, and transport, providing these did not contravene national laws. However in giving constitutional and administrative effect to the compromise, through which provincial governments were removed from the Constitution but included under a special organic law, negotiations between the new Bougainvillean political leadership and the central government broke down.

At different times, both Somare and Hannett agreed that decentralisation provided the best prospects for national unity. However by May 1975 Bougainvillean officials, including Hannett, were threatening that the province would secede from PNG. Demands for increased royalties and capital works funds continued to escalate, particularly after a renegotiation between BCL and the PNG government substantially lifted the royalties paid by the firm. On 1 September 1975, two weeks before PNG’s Independence Day, the Bougainvilleans led by Hannett declared their independence. However this action did not prevent Bougainville being included in the territory of the nation which came into being at Independence. Instead the demands and threats secured an important and potentially powerful political and administrative structure in the new nation-state. While the North Solomons Provincial Government was the most developed initial form of this structure, similar arrangements followed for PNG’s other remaining districts. These became 18 provinces and a nineteenth

82 Conyers The Provincial Government Debate p. 55; Somare Sana p. 122
83 Conyers The Provincial Government Debate pp. 55–64
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administrative unit, the National Capital District, which was created based on Port Moresby and its immediate surrounds. After Independence, indigenous businessmen-politicians held office in several provinces, particularly those most commercially advanced, including the Eastern Highlands.

Conclusion

The period between the formation of the Michael Somare-led coalition government in April 1972 and formal Independence in September 1975 was notable for the unresolved political conflicts among indigenes. These conflicts often centred on what redistribution was to mean, especially for land being vacated by departing expatriate plantation owners. Development thought in and for PNG during the transition retained the emphasis upon the primacy of ‘village life’, even as securing smallholders upon land at increasing levels of marketed production had become a less certain component of state policy. One important dimension of the conflict which gave rise to the uncertainty about development policy was the growing political and economic ascendancy of indigenous capital. The political and economic power of this class made it unlikely that independent PNG governments would design policies which gave smallholder agriculture primacy. By Independence, the phrase which had captured the essence of postwar colonial policy, ‘the paramountcy of native interests’ had acquired a distinctive meaning, becoming synonymous with indigenisation and local ownership of commercial properties.

Smallholder production of export crops had either become dominant or was gaining the ascendancy and would soon surpass large holding production. Major changes had also occurred in indigenous consumption, of domestically produced items, some locally manufactured commodities and imported goods, including rice and other foods. The indigenous population had probably doubled, from about 1.25 million in 1949 to around 2.5 million at Independence, which suggested successful rehabilitation after the war and a subsequent improvement in living standards for many. An indigenous government had come to power in a newly independent nation-state, fulfilling one of the central terms of Australia’s trusteeship obligations.

The population increase, improved living standards, and the continued attachment of the majority of the population to smallholdings occurred under policies

84 From 1949 until 1970, the population figure increased in part simply by the extension of colonial authority to more areas and peoples. While the 1949 figure does not include people in the ‘restricted areas’, not completely under colonial rule, from the 1966 census a more comprehensive count begins to emerge. In 1966, the colony had a population of 2.12 million, which five years later had risen to 2.43 million. See M Bathgate ‘Basic composition of the population’ in ESCAP/SPC (ed.) Population of Papua New Guinea Country Monograph Series no. 7.2 (New York and Noumea, United Nations and South Pacific Commission, 1982) pp. 13–47.
constructed in the name of agrarian development. The outcome described in this study appears to confirm not only the power of the idea of development but the capacity of the colonial administration to implement what was intended. Even if there were signs that the terms of the household occupation of smallholdings were shifting, with a rapid increase in some urban populations and unrest in the rural areas, ‘village life’ retained much that was attractive. Unsurprisingly, perhaps, conditions suggested considerable optimism was warranted about the government’s capacity to continue to make development happen.\(^8^5\)

However, with the coming to power of Papua New Guineans who were major beneficiaries of the production increases and political reforms to hasten self-government, state power had taken on a schizophrenic character. Official planning and key government officials continued to applaud, and to try to strengthen means of maintaining the centrality of household production and village life.\(^8^6\) Pushed by international advice and domestic aspirations, the national government was still intent upon keeping development centred upon rural areas, in accord with the National Aims.\(^8^7\)

In 1974, under the direction of the National Planning Committee of Cabinet, the CPO prepared two documents. Under the general heading Strategies for Nationhood the documents Programmes & Performances and Policies & Issues were intended to give effect to the Eight Aims. This was to be done by relating items of departmental and other government expenditure specifically to the Aims. Both documents are testament to the continuing pull of these Aims and the idea of development, with its indigenous and rural focus, contained in the Aims. Thus: ‘Development of a Papua New Guinean society also means increasing the capacity of village communities to improve their own lives’.

However accelerated development and the political reforms leading to self-government and Independence had given a major boost to the position of indigenous capital. This class’ representatives sought to use their new found political power to reshape state power to extend accumulation. While a series of political and commercial compromises made some temporary solutions possible during the prelude to Independence nationalist euphoria only partly concealed the contradictory ambitions of indigenous capital to accumulate and demands from other indigenes for increases in consumption. Major changes, particularly

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\(^8^6\) HK Colebatch ‘Policy-Making for Rural Development’ in Ballard (ed.) Policy-Making in a New State p. 257–279 documents one ‘field of governmental activity—the Rural Improvement Programme (RIP)—whose proclaimed aim was to link central financial resources with local initiative in order to improve the way of life of rural people … The National Coalition government placed great stress on this programme, particularly in its early years in office, as a means of translating into action its concern for improving the lives of rural people [as opposed to what it saw as a narrow concern for economic growth]’.

\(^8^7\) GoPNG Strategies for Nationhood Policies and Issues (Port Moresby: Government Printer, December 1974) p. 14
in rural PNG, which were stimulated by colonial development policy made the task of post-Independence policy makers seeking to satisfy both the ambitions and the demands monumental.