THE Political Economy OF Armed Conflict

BEYOND GREED & GRIEVANCE

edited by
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& Jake Sherman

A Project of the International Peace Academy

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Foreword

David M. Malone,
President, International Peace Academy

The question of how best to effectively assist transitions from protracted war to lasting peace is of tantamount importance to the international community. Throughout the 1990s, it became increasingly clear from the United Nations' experiences in Angola, Cambodia, and Sierra Leone that the economic dimensions of contemporary internal conflicts, highlighted by—but scarcely limited to—the role of so-called conflict diamonds and other easily exploitable natural resources, have acquired new relevance to peacemaking and peacebuilding. We know that globalization has enabled rival factions, through licit and illicit commercial networks, to better access international markets, and thus to finance civil wars. But until recently, there were few answers for policymakers as to what kinds of tools and strategies could be deployed by the international community to address the flow of economic resources that feed conflict or to engage the economic interests of elites, their internal supporters, and their external economic clients to support the conditions in which peace could be achieved.

Recognizing that a greater understanding of the role of economically driven behavior in generating and sustaining internal armed conflicts was critical, the International Peace Academy (IPA) cosponsored a conference in London in 1999, out of which flowed the now widely cited volume *Greed and Grievance: Economic Agendas in Civil Wars*. The conference and volume proved instrumental in highlighting the importance to conflict resolution of this vector of policy research, as well as the need for further empirical study and policy development. In response, the IPA initiated the three-year Economic Agendas in Civil Wars (EACW) project in September 2000.

The first phase of the project, of which this volume is the culmination, focused on empirical and conceptual research into the economic

(ESP) reports—UNDP, *Nepal Human Development Report 2001* (Kathmandu: UNDP, 2001), ESP, *Pro-Poor Governance Assessment in Nepal* (Kathmandu: Polyimage, 2001)—as well as the draft interim Poverty Reduction Strategy Paper (PRSP) prepared by the International Monetary Fund and World Bank for public consultation in February 2002—National Planning Commission, Concept Paper on Poverty Reduction Strategy Paper/10th Plan, Singhadurbar, Kathmandu, February 2002.

37. These estimates are based on interviews in Nepal in April–May 2002.

38. David Seddon, Jagannath Adhikari, and Ganesh Gurung, *Foreign Labour Migration and the Remittance Economy of Nepal*, Overseas Development Group (Norwich, UK: University of East Anglia, 2000).

39. Bertil Lintner, "Maoist Moneybags," *Far Eastern Economic Review*, October 24, 2002.

40. Interviews with businesspeople in Kathmandu and Nepalganj, April–May 2002.

41. "Maoists Robbed Rs330 Million from Banks," *Kathmandu Post*, May 12, 2002.

42. Interviews in Kathmandu, April–May 2002.

43. See, for example, "Maoist Leader Found Stashing Away Rs. 5.6m," *Kathmandu Post*, July 22, 2002.

44. See the ECON study for more details of the financial impact of the insurgency.

45. Interviews in Kathmandu and Nepalganj, April–May 2002. The figure of 300,000 migrants to Kathmandu was widely attributed to the city's mayor.

46. "GDP Crashes to All Time Low in Two Decades," *Kathmandu Post*, December 11, 2002.

47. See the ECON study for more details.

48. "RNA Is Looking Into Human Rights Abuses," *Kathmandu Post*, November 1, 2002.

49. Calculations based on figures from International Monetary Fund, *Nepal: Staff Report for the Article IV Consultation*, August 19, 2002, table 1, p. 29, www.imf.org/external/pubs/ft/scr/2002/cr02205.pdf (accessed on January 7, 2003); and OECD Development Aid Committee, *2002 Development Cooperation Report Statistical Annex*, table 25, available online at www.oecd.org/en/document/0,,en-document-notheme-2-no-1-2674-0,00.html (accessed January 7, 2003).

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The Bougainville Conflict: Political and Economic Agendas

ANTHONY J. REGAN

BOUGAINVILLE, IN PAPUA NEW GUINEA (PNG), PROVIDES PERHAPS THE ONLY case in the world where a single large and highly profitable mining venture operated by a multinational corporation has been both at the center of a violent separatist conflict (1988–1997) and was also forced to close by that conflict—perhaps permanently. Those initiating violence against Bougainville Copper Ltd. (BCL) in November 1988 were not doing so in support of secession or an end to mining. However, throughout both the subsequent conflict and the remarkably successful peace process to date, both secession and the future of mining have remained issues of central importance. The following analysis of the political economy of the origins, development, and aftermath of that conflict seeks to evaluate several propositions concerning the importance of political and economic agendas in the onset and persistence of civil wars, particularly the claimed relationship between natural resource abundance and the risk of armed conflict.[1]

Current debates on the causes of armed conflict focus in part on whether the main determinant of rebellions and civil wars is "greed" (the pursuit of profit) or "grievance" (the redress of injustice).[2] Earlier research by Paul Collier and Anke Hoeffler identified the pursuit of economic interests as a major causal factor in both the origins of wars and their persistence.[3] Their more recent work de-emphasizes motive-based explanations and instead now focuses on the opportunity for rebellion.[4] In both variants, however, their analysis focuses on the ways in which war can be profitable for at least some of the parties via their capture of either "lootable" resources or trade networks.

Michael Ross, on the other hand, suggests that separating the causal role of political and economic factors is very difficult, as the two are often empirically interrelated. He notes a range of possible initial causes

of conflict arising from natural resources—looting, predation, or grievance, with grievances commonly related to the inequitable distribution of resource revenues.[5] In a study of fifteen cases, Ross finds that "unlootable" resources, such as deep-shaft mines and oil fields, are especially likely to generate separatist conflicts.[6] He argues that grievances about real or perceived inequitable revenue distribution—the accrual of resource revenues to the extraction firm, to skilled workers, and to the government rather than to local people or the poor—can lead to armed conflict.[7]

The Bougainville case does not support the pattern posited by Collier and Hoeffler. Although grievances about distribution of mine revenue were central to the origins of the conflict, the conflict was not primarily about rebel access to the wealth of the mine, nor did that wealth provide the funding needed to make the rebellion more viable and thereby contribute to its persistence. Rather, as the following analysis will show, this was a conflict in which economic, political, and other agendas were mutually reinforcing. Consistent with Ross's analysis, local grievances about the impact of mining operations and the way that its revenues were allocated fed into a long-standing sense of cultural and political exclusion felt by Bougainvilleans, precipitating armed rebellion. Less certain is the extent to which a desire to capture mining revenues for the benefit of Bougainvilleans fueled separatism, as those supporting independence from PNG have been divided from the start on the social desirability of mining, whatever its economic costs and benefits.

Bougainville and PNG in the Colonial Period

At 1,000 kilometers east of the mainland national capital, Port Moresby, Bougainville is the most remote of PNG's nineteen provinces. Composed of a group of islands—the two largest of which are Bougainville and Buka—the region is geographically, culturally, and linguistically part of the Solomon Islands chain. Bougainville's integration into PNG is relatively recent; it became part of PNG rather than the Solomon Islands in one of the "accidents" of late-nineteenth-century colonial map-drawing.[8] Its relations with successive colonial authorities, most recently the Australian-administered Territory of Papua and New Guinea (1946–1975), have often been troubled. In short, the later conflicts over the mine tended to amplify preexisting grievances arising from the accumulated impacts of colonial rule.

Despite the profound intrusions of colonialism and postcolonial development, precolonial social structures, within which small landholding

clan lineages are dominant, have shown a high degree of resilience. Most of Bougainville's population of 200,000 rely on subsistence agriculture in isolated rural communities—a fact that accounts for both their high level of de facto autonomy from the state and their continued cultural and linguistic diversity.[9] While much of what occurred in colonial Bougainville was similar to developments elsewhere in PNG and the Solomon Islands, some aspects of Bougainville's short experience of colonial rule were unusually traumatic. In particular, four related aspects contributed to the formation of deep underlying resentments: the violence with which colonial rule was imposed and administered; the unalloyed racism of Australian rule; the alienation of traditional land for plantations under processes and terms little understood by the Bougainvillean "sellers," for whom landownership was central to economic and social relations; and the persistent failure of successive colonial administrations to make effective provisions for Bougainville's economic development.[10]

During the colonial period, the relatively powerless Bougainvilleans, like other colonized peoples, struggled to come to terms with the new world being forced upon them. Seeking to retain the autonomy of their communities and their traditional way of life, the Bougainvilleans adopted various forms of resistance to colonial rule. Other resistance movements emerged after World War II, after the repeated failure of colonial administrators to honor promises to improve economic conditions.[11] These sometimes violent protests led colonial administrators to concede more resources for various local development projects.[12] As James Griffin notes, from this cycle of neglect, protest, and concession, "the moral for Bougainville was that Port Moresby would only respond when its authority was challenged."[13]

There was continuity between these earlier forms of resistance and support for Bougainville separation from PNG, which came to the fore in the early 1970s. The separatist movement was ethnonationalist, based on a sense of pan-Bougainvillean identity distinct from the rest of PNG, the chief marker of which was the dark skin color of the Bougainvilleans.[14] Although commentary on Bougainville frequently presents Bougainvilleans as a people united in resisting colonialism, the mine, and the PNG administration, in fact the situation with respect to both resistance and separatism varied considerably in different parts of Bougainville, reflecting in part differences in language, culture, length and intensity of colonial contact, and economic status.[15] Separatist support has generally been less in Buka and the north of the main island of Bougainville, the areas with earliest colonial contact and consequential advantages in terms of education and access to economic opportunities.

Moreover, within the separatist movement there were competing visions of Bougainville's future and the role of mining. Alongside modernizers who envisioned an independent and economically developed Bougainville were groups such as the Me'ekamui Pontoku Onoring or Fifty Toea Movement, led by Damien Dameng, the most persistent of a number of traditionalist anticolonial movements that emerged from the late 1950s to defend customary social and economic relations against the corrosive effects of the outside world. From the 1960s, Dameng's opposition extended to the Panguna copper mine, and to mining generally, which was seen as destroying traditional landholdings, the very basis of social relations.[16] To date, these competing visions have not been reconciled.

Overview of Mine-Related Grievances

The Panguna copper mine, one of the world's largest copper and gold mines, was operated in Bougainville from 1972 to 1989 by Bougainville Copper Ltd., a subsidiary of Conzinc Riotinto Australia (CRA) Ltd., now Rio Tinto Ltd. (RTL). This was the first major industrial mining project in PNG and its single most important economic asset.[17] The mine was a major contributor to PNG's gross domestic product (GDP) and government revenue. From 1972 to 1989, it contributed 16 percent of PNG's internally generated income and 44 percent of its exports.[18] Mining revenues were deemed essential to the improved economic viability of PNG as a newly independent state.

The original imposition of the copper mine by the colonial regime for the benefit of the rest of PNG was widely resented in Bougainville. This resentment was reinforced by a range of issues specific to the impact of mining operations as well as to the agreements on revenue-sharing that underpinned them.[19] Throughout, the two major sources of grievance were PNG's insensitivity to concerns of local communities by the mine's two main shareholders, the PNG government and BCL, and inadequate economic compensation and revenue shares from the mine for local landowners, affected communities, and Bougainville as a whole.

Concerns about the community and environmental impacts of mining first surfaced in the mid-1960s, when the project was still in its developmental and exploratory stage, and grew as operations began in 1972. From the outset, the PNG government's policy was that all subsurface minerals were owned by the state and that mining was being undertaken to benefit PNG as a whole. This clashed with traditional understandings and practices of property-holding. Bougainville's landowners believed that their property rights extended to subsurface minerals. They were also

concerned with the destructive effects of the mining operation upon agrarian subsistence farming and landholding patterns.

These concerns were not unjustified. Leases for the mine and related purposes, including access roads, tailings, and waste dumps, cut across the heart of Bougainville, about 50 kilometers from coast to coast, covering 13,047 hectares or 1.5 percent of Bougainville territory. Only one-third of that land was actually utilized for mining-related purposes. Mining operations had massive impacts on both the local communities in the immediate vicinity and also the wider community, including the forced relocation of villages, which affected several hundred people; the destruction of gardens and cash crops; the destruction of land through huge open-pit extraction; environmental damage from huge tonnages of mine waste (overburden and tailings left by crushing of the low-grade ore), which were dumped into surrounding rivers; and the influx of large numbers of outsiders, who were increasingly resented as unwanted competitors for land and economic opportunities as well as a threat to traditional mores and culture.[20]

Mining and its impacts were part of wider social and economic changes that significantly affected Bougainville, placing great stresses on the previously small-scale and highly egalitarian social structures of Bougainville. These structures had been based on principles of reciprocity and balance. Order was maintained by constant reciprocal exchanges of goods primarily directed toward maintaining balance, but also tending to encourage egalitarian distribution of goods. Increasing population and expanding allocations of land to individually owned cash-crop plantations combined with the impacts of mining contributed to increasing inequality, undermining the balance within and between social groups and exacerbating localized tensions and conflicts.

Given the deep attachments Bougainvilleans have to the land, the impact of the mine on landholding has been a particular source of grievance.[21] Traditionally, land belongs to numerous small, local matrilineal clan lineages and the right to exploit it is shared by clan members. Ownership of land can be transferred away from a lineage by custom, but only in limited circumstances, such as in the process of mortuary practices. The concept of leasing to outsiders for extensive periods for purposes involving destruction of land are not encompassed by landownership rules. Given increased population pressures, a lineage who lost or alienated their lands had very little likelihood of gaining land elsewhere. This pattern of ownership was undermined by the compensation deals that were offered to landholders in the affected lease areas, which provided for distribution of compensation payments through nominated male representatives of the matrilineal clans. In addition to the

intraclan disputes that this method caused, compensation deals provoked intragenerational disputes about fairness, as younger landowners, who had not been adults when the original land survey was undertaken in the 1960s, tended to receive smaller shares. In this way, the main dispute between Bougainville and the PNG government over control of natural resources generated secondary intracommunal conflicts.[22] In the late 1980s, these secondary disputes in turn provided the spark for a wider ethnonationalist rebellion against PNG.

The revenue-sharing agreements between the PNG government and Bougainville Copper Ltd., the operator of the mine, constituted the second major source of grievance. There were two such agreements, one in 1967 and another in 1974.[23] The first, the Bougainville Copper Agreement (BCA), was negotiated by Australian colonial officials at a time when independence still seemed many years away. While the agreement set royalties to the Australian administration of 1.25 percent of the export value of ore concentrate produced, it also ensured BCL controlling shares (54 percent) and provided it with a three-year tax holiday, following which the tax rate would be 50 percent, rather than the normal rate of 25 percent. The agreement also provided for BCL to build most of the infrastructure—port, roads, housing, and the like—for the mine. The Australian administration granted these generous terms because they not only met BCL's concerns by rapidly discharging its debt, but also ensured high returns to the government in the approach to, and aftermath of, independence. Unusually, the agreement also gave the administration a 20 percent equity option in BCL at par once the feasibility of the mine was established, an option the administration took up, and one that gave government a seat on the board of BCL. Government shareholding was proposed by CRA "in order to commit the [colonial] government to the project."[24]

On the eve of independence, the new PNG-led government renegotiated the terms of the 1967 agreement, which seemed to the new government far too generous to the company. BCL was extremely profitable in the first eighteen months of operations (1972–1973), due to both the tax holiday and the unprecedentedly high copper prices. The new agreement was directed mainly at revising the tax regime: the three-year tax holiday would end in January 1974 rather than April 1, 1975; a high marginal rate of tax ("additional profits tax") was to apply when taxable income exceeded a threshold (related to return on investment); and various other exemptions and accelerated depreciation allowances were ended.

The outcome was widely applauded as a victory for PNG,[25] but as Donald Denoon notes, "in retrospect BCL was lucky: the government's move gave it a sense of ownership of the project."[26] As a shareholder, the PNG government received significant dividends revenue over the succeeding years. From total earnings of 4.4 billion kina, the mine generated 1.754 billion kina in total revenues in its seventeen years of operation.[27] With over two-thirds of mine revenue going to interests in PNG (the majority to the central government), BCL could be assured that there would be no further major challenge to its mining operations from the PNG government.

Significantly, although Bougainville's concerns were a factor in the 1974 renegotiation of the original agreement, Bougainville as a whole was not a party to these revenue-sharing agreements, nor were local interests consulted in any effective way when either agreement was being negotiated. Initially, the prevailing view of the two main shareholders was that Bougainville as a whole would gain primarily as a consequence of local economic multiplying effects of the mining operation. Indeed, the mine generated 10,000 jobs in the construction phase, almost 4,000 long-term jobs once it began operating, as well as indirect jobs in service industries that sprang up around the mine.[28] While the figures varied from time to time, well under 50 percent of jobs were held by Bougainvilleans. In contrast to the benefits it held for BCL and the administration, the 1967 agreement contained no provision for Bougainville as a whole to receive a share of revenue that would be generated by the mine's operations.

As for the affected landholders, they were originally offered very limited rents and compensation, based on practice elsewhere applicable to land acquired for public purposes such as roads or schools.[29] A series of confrontations with landowners in the late 1960s led the administration to change its compensation policies. Affected landowners would now get 5 percent of the 1.25 percent royalty payable to the national government and much higher levels of land compensation and occupation fees than originally stipulated. Compensation covered a wide range of damages, including destruction to crops and rivers, as well as social inconvenience. While they reluctantly accepted the terms offered, the landholders increasingly came to view the size and the method of these payments as inadequate. Distribution of compensation among landowners caused growing problems and provoked resentment in a number of ways. First, there was general resentment that landowner compensation was mainly related to usage of land, with only a limited share of mine revenues offered to landowners. Second, the total amount of compensation and occupation fees paid to each landowner was seen as too little. Third, the compensation payments were seen as not meeting the changing needs of villagers; for example, as populations grew, relocation housing deteriorated. Fourth, as mentioned above, younger landowners,

whose names had not been listed as members of lineages when landownership demarcation was undertaken in the late 1960s, tended to receive smaller shares. Finally, and more generally, unequal distribution of compensation among landholders and lack of payments to neighboring groups led to resentment among the have-nots as well as concern over the destructive effects of incipient class differences for a traditionally egalitarian society.[30]

It was not until 1974, and in the context of political confrontation over Bougainvillean demands for devolution of power, that the national government agreed to provide Bougainville as a whole with a share of the mining royalties initially payable to the national government. Compared to revenues allocated to the government and BCL, however, Bougainville received only a 5.63 percent share (4.27 percent to the provincial government—mostly royalties—and 1.36 percent to landowners, through royalties, rents, and compensation), a fact that would prove an enduring and dangerous source of resentment.

General dissatisfaction continued, as reflected in a series of claims from the late 1970s onward for increased or new forms of compensation. When BCL was slow to respond to new demands put forcefully by a representative landowner organization—the Panguna Landowners Association (PLA), formed in 1979—landowners set up roadblocks and looted a supermarket in one of the two BCL mining towns. This resulted in the rapid negotiation of a new compensation agreement, mainly to the benefit of PLA members.

In general, the impacts of the massive social change associated with the mine were felt more strongly as time went on, especially those involving the influx of outsiders, who were increasingly seen as competing for land and economic opportunities, undermining culture, and causing crime. These resentments increased support for separatism and reflected an ethnonationalist view that if Bougainville's mineral wealth was to be exploited, then the benefits should flow to Bougainville, not to remote PNG, to which most felt little connection.

Separatism and Mining

Underlining the opportunities and challenges that decolonization would present Bougainville, the commencement of mining operations in late 1972 coincided with the establishment of the first PNG-led government, for which early independence from Australian tutelage was a primary goal. For Bougainvilleans, staking out both its future political status and a claim for greater shares of resources generated by the mine became

issues of central importance in the period from 1972 to 1976. With independence achieved in 1975, however, the accumulated resentments that Bougainvilleans felt toward the colonial government were transferred to the new government in Port Moresby. This simplified the task of those seeking to mobilize Bougainvillean identity around their own separatist agenda.

Throughout the late 1960s and early 1970s there had been increasing calls for Bougainville's separation from PNG, a trend that reflected intensified resentments associated with the arrival of the mine and its intrusive operations.[31] But there was also significant opposition to secession—especially, but not only, in Buka and north Bougainville. With no clear consensus emerging, many outside Bougainville had assumed that secession was a dead issue.[32] The mine had begun operations without overt opposition, and after 1972 Bougainvillean members of the newly elected colonial legislature held significant positions in the national government in Port Moresby, including the effective leadership of a Constitutional Planning Committee (CPC). The CPC developed proposals for political devolution, partly in response to separatist sentiments expressed in Bougainville, which involved elected provincial governments enjoying some exclusive powers under entrenched constitutional arrangements.

It was the December 1972 "payback" killings by New Guinea Highland villagers of two senior Bougainvillean public servants, whose vehicle had struck a child in a road accident, that triggered overt demands for separation. For the first time, separation had widespread support in all areas of Bougainville. Public opinion against "red-skins" was inflamed, and within two months a committee of leaders from all over Bougainville was set up to negotiate the future status of Bougainville with PNG.[33]

The Bougainvillean leadership was certainly interested in secession, but many questioned its feasibility. Hence their initial bid was to press for a high level of political devolution with a share of mine revenue for Bougainville as a whole, backed by the threat of secession if these demands were not met. The PNG government eventually, if reluctantly, conceded to an interim provincial government, which began operating in January 1974. During the same year, agreement was reached on payment of 95 percent of mine royalties to the Bougainville Interim Provincial Government (BIPG). However, discussion of other funding arrangements for the new provincial government (levels of grants, sharing of tax powers) broke down in April 1975, and the BIPG assembly voted to secede.

A decision in July 1975 by the PNG government to remove provisions from the almost completed independence constitution, guaranteeing

the devolution to provincial government was the last straw for Bougainville. A unilateral declaration of independence was made on September 1, 1975—just days before PNG's Independence Day, September 15. Despite some localized violence and destruction of government property in Bougainville that accompanied the declaration, there were no deaths or serious injuries. The Bougainville leadership, many of whom remained ambivalent about secession, also sought to avoid violence. The revenues generated by the mine were also seen as critical to the success of either independence or devolution, and so the leaders sought to ensure that the mine would continue to operate with as little disruption as possible. Aware that armed conflict could destroy the newly independent PNG, the central government was cautious and—in general—conciliatory. In the face of this, and finding no international support for secession, the Bougainvillean leadership abandoned their unilateral assertion of statehood and renewed negotiations on devolution.

The matter was settled in 1976 by a constitutional guarantee for decentralization that offered more autonomy to Bougainville than the original CPC proposals had envisaged, including more exclusive powers and taxes. The arrangements became the basis for a national system of nineteen provincial governments and resulted in the establishment of the North Solomon Provincial Government (NSPG)—the name chosen by the Bougainville government to emphasize its cultural links with the Solomon Islands. A more equitable share of revenues was at the heart of the agreement. The NSPG received confirmation of the previously agreed arrangements on royalties and grants for existing functions; powers over retail sales taxes—an important source of revenue given the high level of economic activity associated with the mine; and an annual grant to meet the costs of the activities it had taken over from the national government. In a sense, these concessions amounted to a return of a greater share of mining revenues from Port Moresby to Bougainville.

Some Bougainville leaders saw these arrangements as a long-term settlement, others as a starting point for later movement toward either increased devolution or outright separation. The issue of the share of BCL revenue received by the provincial government remained, however, a contentious issue.[34] BCL continued to be highly profitable, and the proportion of revenue payable to the national government was increasingly seen as unfair, especially as the NSPG developed policies and the capacity needed to invest these revenues in broad-based economic and social development.

The NSPG generally performed well, administering basic services (health, education, etc.) effectively and making good use of its considerable revenues (mainly from mine royalties and sales taxes) to develop infrastructure to promote economic development in rural areas.[35] While the Bougainville elite became gradually more confident of the benefits of remaining part of PNG—including political and bureaucratic positions, access to higher education, and enhanced business opportunities—the situation was more complex for the wider population. The attempted secession of 1975–1976 had focused attention on independence as a way to resolve Bougainville's social and economic problems. Initial high expectations that the NSPG would have powers and resources close to those of an independent state and the capacity to make policy on mining, environment, land, squatter issues, and crime were not met. As social and economic problems worsened during the 1980s, many ordinary people lost faith in devolution. While discussions of whether it would have been better to press ahead with secession in 1976 became more frequent, with the provincial leadership committed to devolution, it seemed that there was little likelihood of secession again becoming a major issue.

Origins of Armed Conflict, 1988–1997

From the mid-1980s, the long-festering grievances of marginalized younger landowners resurfaced, fed by a number of tensions related to mining as well as to other mounting socioeconomic problems.[36] These tensions contributed to a growing sense of crisis in Bougainville in the middle to late 1980s. The NSPG clearly felt the pressure and responded by developing new policies to deal with problems associated with crime and squatters, land distribution patterns, and unemployed youth. It also began exploring ways to strengthen traditional authority, in response to increasing concerns about the way that modern development was seen to be eroding customary social formations. While there was growing awareness of social problems, there was little, if any, concern among any of the authorities that major social disruption was approaching.[37]

From the mid-1980s, Francis Ona and other leaders of a group of younger landowners began to challenge the leadership of the Panguna Landowners Association, whose members they claimed were benefiting unfairly from the mine and had failed to represent all landowner interests. From late 1987, the young landowners sought to take control of the PLA. By early 1988, they had also secured the support of disgruntled semi-skilled Bougainvillean mine workers, as well as Damien Dameng's Me'ekamui Pontoku Onoring, the prominent traditionalist opponents of mining.[38] Known as the "New PLA," they made a series of escalating demands against BCL, including a huge monetary compensation for

environmental and other impacts of mining operations, a 50 percent share of mine revenue to the landowners and the NSPG, and the transfer of ownership of BCL to the people of Bougainville within five years. The government responded by setting up an independent inquiry. While critical of some aspects of BCL's operations, its report largely dismissed the landowners' claims about environmental damage.[39]

In November 1988 the New PLA and its allies responded by attacking BCL buildings and destroying the power supply to the mine. While no coherent account has yet been provided by those involved in the violence against BCL in November and December 1988, it appears to have been prompted by the frustration of the younger generation of landowners at the failure of the PLA, BCL, and the national government to redress their demands for a more equitable share of mine revenues, for both landowners and Bougainville as a whole, and for environmental protection and compensation. No doubt, past experience of the concessions that could be achieved by violent challenges to authority provided an incentive to violence. Most likely, those involved in the attacks on the mine intended them as a tactic to squeeze further concessions from the authorities and BCL.

The authorities, however, did not play according to script. Instead of concessions, they sought to restore what they viewed as a serious breach in law and order by deploying mobile squads of riot police. This forceful response was in stark contrast to the national government's measured reaction to Bougainville's unilateral declaration of independence of 1975. Two factors may account for the change. First, at this stage, the rebellion remained highly localized and the unprepared Bougainville leadership sided with the national government against the rebels. Second, unlike the unrest of 1975, these attacks were directed squarely at the mine, threatening the very mainstay of the national economy.

With the benefit of hindsight, it is clear that the riot-squad deployment was a disastrous move. Trained mainly to deal with intercommunal fighting in the Highlands of PNG, the riot squads employed their standard tactic of using violence to intimidate communities into ending their conflicts. In Bougainville, police reprisals were directed indiscriminately at communities in and around the mine lease areas. This action had little direct impact on the small but growing groups of "militants" supporting Francis Ona, but provoked outrage and further violence among the general populace, many of whom until then had little reason to support Ona's nascent movement.[40]

Within weeks of being deployed, the almost entirely non-Bougainvillean riot squads became seen as the enemy by many. There was rapid mobilization behind Ona, who emerged as the central leader of a diverse

coalition of actors and interests, which eventually adopted the name Bougainville Revolutionary Army (BRA). Composed of small, armed units based in and supported by local communities, the BRA was never a hierarchical and tightly organized body. Units retained a high degree of autonomy, but would often cooperate in particular operations, employing guerrilla tactics that the PNG forces had not been trained to counter.

In this way, both the attacks and the reprisals they elicited touched off simmering tensions and acted as the catalyst for mobilization of a wider ethnonationalist rebellion, in which secession came to be seen as a panacea for a wide range of accumulated social and economic ills. Initially, Ona's objective was to effect a redistribution of mine revenues. He soon found, however, that wide support was conditional on his embracing the goal of secession, and at least paying lip service to those committed to closure of the mine. From February 1989, he took up the secessionist cause and began to mobilize widespread support. As always, however, the picture in Bougainville was complex. There were people in all areas who opposed the rebellion. There were interrelated regional and nascent class interests in this opposition; as in the past, in Buka and parts of north Bougainville, and in more developed areas of the east coast, as well as among the emerging Bougainville elite who had benefited from mining and related businesses, there was considerable, if uneven, support for remaining part of PNG.

While some members of the national government ministry supported a hard line against the rebellion, others supported a negotiated settlement from the beginning and made strenuous efforts in that regard.[41] These included informal talks with Ona in December 1988, a major new mining benefits package offered in May 1989, peace ceremonies late in 1989, and a bipartisan committee to examine ways of resolving the conflict (although established in 1989, it did not report until 1992).[42] But all such efforts proved futile amid the continuing brutality of the security forces and the concomitant increase in support for Ona's movement.

As the conflict intensified in early 1989, the PNG security forces sought to keep the mine operating, but the security threat faced by its workers forced BCL to close operations in May 1989. Alarmed by the escalating violence and the secessionist threat, and concerned with restoring mine operations, the PNG government made a fateful decision to reinforce the overwhelmed riot police by deploying the PNG Defense Forces (PNGDF).[43] However, the PNGDF proved unable to quell the violence. On the contrary, once they started taking casualties, their behavior became worse than that of the riot squads, and appalling abuses of human rights occurred. However, other than appeals by the

prime minister to the defense forces to protect the innocent and act in accordance with the law, nothing substantive was done to bring the security forces to account.[44]

As rebellion escalated into widespread ethnonationalist conflict, there was a change in the balance of views among the loose coalition of interests within the BRA and its allied groups on the subject of the future of mining operations. Initially, the attacks on the mine were not intended to close it, but to extract concessions, especially for landowners and local mine workers, but also for Bougainville more generally. Once the government made clear its intention to reopen the mine and deployed force to this end, however, the BRA leaders, including Ona, came to view mine closure as a tactic in the fight for secession. Repeated efforts on the part of Port Moresby and BCL to reopen the mine during and after 1989 were successfully thwarted by the BRA. For Ona, closure was expected to be temporary—the mine would later be the source of wealth for an independent Bougainville. However, other members of the coalition supporting secession favored permanent closure. These interests included some mine lease landowners, especially those who received limited compensation and those whose land was threatened with destruction by the ever increasing tailings dumps, as well as young men with "leveling" agendas—notably from areas with limited economic activities—who resented the apparent wealth of mine lease landowners. Closure was also supported by many who objected to the influx of outsiders into Bougainville, and also by Damien Dameng and leaders of movements similar to Me'ekamui Pontoku Onoring, who had always opposed the mine as eroding traditional ways and authority. Dameng's views resonated with many in the BRA and in the wider community. They proved influential in shaping the ideology of the BRA and later the Bougainville Interim Government (BIG), both of which remain ambivalent about the future of mining in Bougainville.

Conflict Transformation, 1990–1994

Unable to contain the escalating violence, the PNGDF was evacuated following a March 1990 cease-fire. In the months before and immediately after March, there was a mass exodus of the 15,000 to 20,000 non-Bougainvillean residents, as well as many Bougainvilleans, especially the elite and skilled workers.[45] All formal government authority lapsed after departure of the security forces. Surprised by the withdrawal and unprepared for rule, it took nearly two months for the BRA to establish the Bougainville Interim Government, with Ona as its president. One of

its first acts was a unilateral declaration of independence in May 1990. The new government adopted a national program, influenced by the traditionalist ideology articulated by Dameng and others, based on communal self-sufficiency, restored egalitarianism, and a rejection of both outsiders and the modernizing influences of the outside world. While this led to the strengthening of the authority of traditional leaders in some areas and some impressive efforts at local self-help, the interim government proved unable to assert its authority throughout all areas of Bougainville.

What ensued in the early 1990s was a situation of semi-anarchy, which saw the emergence of multiple intra-Bougainvillean conflicts over power and resources. In particular, in those regions where there were significant interests opposed to secession, resistance to the BRA began to emerge. Resistance that had little to do with ideology and more with local disputes also developed in many areas. Armed groups developed in opposition to the BRA, often composed of BRA defectors who had been on the losing side of localized conflicts. Beginning with the island of Buka in September 1990, local leaders who opposed the interim government invited the return of the PNGDF, which reestablished authority and public services in "government-controlled areas." The PNGDF also strengthened local opposition to the interim government by gradually uniting disparate armed groups under the Bougainville Resistance Forces (BRF). From the early 1990s onward, the conflict intensified along both dimensions—between Bougainville and PNG and within Bougainville, and between the BRA and the BRF, backed by the PNGDF. Complicating matters further were ongoing skirmishes over localized disputes within and between local BRA and BRF elements.

From mid-1992 until 1994, the national government of Prime Minister Paias Wingti initiated a more aggressive policy toward the Bougainville Interim Government. Rather than achieve a decisive military defeat of the rebellion as hoped, this policy only exacerbated the conflict. When the Wingti government was replaced by that of Sir Julius Chan in August 1994, concerted peace efforts soon followed, notably through a major pan-Bougainville peace conference in October 1994. At the last minute senior BIG and BRA leaders refused to attend. Frustration over the lack of progress of the peace talks contributed to the emergence of new moderate leadership distinct from the interim government, the BRA, and the pronational local governments established in government-controlled areas in the early 1990s. The new leadership persuaded the national government to reestablish the provincial government (suspended in 1990) and set about seeking to build unity in Bougainville as a prelude to negotiations with the national government.

This resulted in pan-Bougainville talks in Australia in September and December 1995, which provided the foundations for reaching understandings between the Bougainville factions. It was agreed that the talks would be resumed early in 1996.

However, an ambush by the PNG security forces of leaders of both the interim government and the BRA on their return from the December 1995 talks in Australia resulted in a further escalation of violence in 1996 and prevented a resumption of the talks. The new wave of confrontation resulted in the virtual defeat of the PNG security forces by the BRA, whose fighters also captured significant amounts of modern weaponry and ammunition in the process. These developments were important factors in the decision by the Chan government from late 1996 to engage mercenaries through the UK-based firm Sandline under a U.S.$36 million contract directed at crushing the BRA and reopening the Panguna mine. However, tensions between the mercenaries and elements of the PNGDF resulted in the latter ousting the mercenaries in a move that precipitated a political crisis, forcing Chan to step aside as prime minister.[46]

Despite the promise of peace talks, the fighting continued. In 1996 there were 800 PNGDF soldiers and 150 riot police active in Bougainville. Although precise figures have never been available, it has been estimated that the BRA had 2,000 armed men, most of whom were home guards, providing security for villagers and refugee camps in BRA-controlled areas. Only a few hundred fought on the front lines of battle. The BRF, meanwhile, numbered approximately 1,500, including those providing civilian protection. The BRF was able to supplement homemade arms and vintage World War II arms with modern weapons supplied by the PNGDF.

The BRA, however, had a more difficult time gaining needed supplies to pursue its campaign, in large part due to a sea and naval blockade on BRA-controlled areas that had been imposed by Port Moresby from mid-1990. During the first phase of the conflict, the BRA gained limited funding and supplies through the looting of the BCL mine as well as other captured government and commercial properties. These assets, however, were quickly exhausted, and the BRA was forced to rely on its own limited resources. Basic needs were met by the BRA's own communities, whose economy of subsistence agriculture enabled them a ready food supply. As its support base developed in 1989 and in the early 1990s, the BRA managed to improve methods for making homemade weapons and for reconditioning vintage World War II arms. Modern weapons were acquired opportunistically, through capture from defeated PNGDF soldiers and, in some cases, through purchases across enemy lines. Few weapons were purchased from outside Bougainville, despite a number of unsuccessful efforts to circumvent the PNG blockade. Likewise, very little financial support came from the Bougainvillean diaspora, although some largely humanitarian assistance was provided by sympathetic groups in the Solomons and Australia. That the BRA was able to sustain successive military victories against the combined forces of the PNGDF and the BRF, despite its loss of support in many areas, was largely the result of superior guerrilla tactics and a widespread base of support from the population in significant areas—support that flowed as much or more from the misguided strategy of successive PNG governments to crush the rebellion through indiscriminate force as from the ideological commitment of some to secession.

Peace Efforts, 1997–2002

As already noted, peace efforts were attempted at the earliest stages of the conflict and continued to be made at various points thereafter, at the initiative of both the national and Bougainvillean authorities, and in a number of instances with facilitation and mediation by governments in the region.[47] By the mid-1990s, several factors converged to make the conflict receptive to negotiated resolution. In essence, there was a growing unwillingness on all sides to bear the cost of continued conflict.[48]

By 1996 the conflict had taken a terrible human and material toll on Bougainvillean society. While the actual number of deaths and injuries is not known, approximately 500 PNG security force members and perhaps twice that number of BRA and BRF combatants were killed in action. Among the civilian population, the number of deaths directly attributable to the conflict is frequently placed at between 15,000 and 20,000. While this number is probably too high, several thousand civilian lives were probably lost, either directly, as a result of battles and extrajudicial executions committed by all combatant parties, or indirectly, as a result of the humanitarian crisis that was exacerbated by the nine-year-long blockade of BRA-controlled areas. Civilian suffering also took the form of forcible displacement, which by 1996 had created a population of internally displaced persons numbering 60,000. In absolute terms, these numbers may seem small in comparison to conflict elsewhere, but for a population of 200,000, it was a massive toll.

The material toll for Bougainville was also punishing. Other than subsistence agriculture, the conflict resulted in the cessation of all economic activity. An estimated 8,000–10,000 jobs related to mining and a similar number in the cocoa and copra sectors were lost. Almost all mining and mining-related infrastructure was destroyed, as were most

government-supported health and educational facilities, and transporta-
tion infrastructure. There was also considerable damage to plantation
infrastructure, as the lack of new investment in maintenance and plant-
ings resulted in plummeting productivity. By 1996 these factors con-
tributed to an increasing war-weariness among local leaders and com-
munities, who supported their own efforts to end the cycles of local
conflict between the BRA and the BRF.[49] This same war-weariness
made the BRA receptive to renewed peace initiatives from Port
Moresby, even though the BRA was by then in its strongest military
position ever, following the virtual defeat of the PNG Defense Forces in
1996 and the abortive attempt of the Chan government to employ the
Sandline mercenaries early in 1997.

On the PNG side, there was always significant opposition to the use
of violence to resolve problems in Bougainville, as evidenced by efforts
in 1990 and again in 1994 to find a peaceable settlement.[50] By 1994 the
PNG economy was in serious trouble, and the costs of the conflict
began to be seen as a serious drain on the economy, a view that was part
of the reason for the Chan government's peace initiative that same year.
For PNG, the loss of the revenue from the mine had the greatest eco-
nomic impact, which was felt most acutely in the first two years after
mine closure and which resulted in PNG's first structural adjustment
package with the International Monetary Fund (IMF). Over time, the
loss of the mine affected the PNG government's ability to maintain
funding for social services while also financing security force opera-
tions, subsistence for the refugee camps, and other services related
directly to the war. By the mid-1990s, pressure to reopen the mine,
which had been a primary objective of PNG in continuing its military
campaign, was less intense because other major resource extraction
projects in gold mining and oil drilling came on line in other areas of
PNG, and because of a growing recognition that resumption of copper
mining in Bougainville might be neither practical nor economically fea-
sible. Overall, the conflict contributed to the escalating economic and
fiscal crisis faced by PNG from 1994,[51] not only in terms of direct cost,
but also in terms of lost opportunities for foreign investment, the break-
down of budgetary discipline involved in the heavy and unbudgeted
expenditures by the PNG security forces, and increasing difficulties
with the World Bank and the IMF—which culminated in the suspension
of structural adjustment program funding following the Sandline affair
of 1997. Taken together, these developments opened the way to PNG's
resumption of the pan-Bougainville talks in mid-1997.

While the peace process that produced the Bougainville Peace
Agreement of August 2001 is generally regarded as beginning in July
1997, in fact it was in many respects a continuation of prior efforts to

end the conflict. An understanding among leaders of most Bougainville
factions on the need to end the conflict was reached in New Zealand,
where the first 1997 talks were held. This cleared the way for officials
from Bougainville and PNG to meet for a second set of talks in New
Zealand in October 1997, where a truce was agreed. An unarmed regional
Truce Monitoring Group, involving New Zealand, Fiji, Vanuatu, and Aus-
tralia, was also agreed upon, and was deployed in December 1997.

Leadership talks in New Zealand in January 1998 resulted in the
Lincoln Agreement.[52] It provided for an "irrevocable cease-fire," con-
tinuation of the regional monitoring force (now called the Peace Moni-
toring Group—PMG), establishment of a UN Observer Mission on
Bougainville (UNOMB), and a program for a political settlement to
begin in 1998. The cease-fire has held, and the PMG and the UNOMB
monitoring missions have both operated well, creating a secure space
within which groups previously highly suspicious of one another have
been able to engage, build trust, and resolve differences.

The peace process was not without difficulty, however. It was
opposed by Francis Ona, who for a time insisted that the unilateral dec-
laration of independence of May 1990 had settled Bougainville's polit-
ical status once and for all, despite the fact that no country had recog-
nized it. However, early support for most elements of the BRA
effectively marginalized Ona's influence. While he has continued to
oppose the process and has remained a potential alternative leader
should progress in the peace process falter, his views have had limited
impact since 1998.

As a result of unforeseen difficulties in implementation of the Lin-
coln Agreement, negotiations for a political settlement did not com-
mence until June 1999, and they continued for over two difficult years
before producing the Bougainville Peace Agreement in August 2001.[53]
The main focus was on a referendum and autonomy as an alternative to
secession. The future of mining was not specifically on the agenda.
However, it was understood on all sides that this would be a matter for
Bougainville to decide, although PNG would reserve its right to a share
of revenues should the mine be allowed to reopen. That understanding
is reflected in the peace agreement, which includes three main elements:

- A constitutionally guaranteed referendum for Bougainvilleans on independence for Bougainville from PNG, deferred for a period of fifteen years.
- Constitutional arrangements for development of a high degree of autonomy for Bougainville in the interim, under which the arrangements with respect to powers and distribution of revenue in relation to future mining are provided.

- A complex, multistage plan for the disposal of weapons by former Bougainvillean combatants, various stages being tied to both withdrawal of the PNG security forces and the passing and coming into operation of the constitutional laws on referendum and autonomy.

As of late 2002, the implementation of the peace agreement was already well under way. Phased withdrawal of the PNG security forces is almost complete, and weapons disposal by the BRA and the BRF is proceeding well. The PNG parliament has met the stringent constitutional requirements for passing the constitutional laws needed to give effect to the peace agreement.[54] However, the full implementation of the provisions of those laws will depend on continuing progress in the implementation of the agreed weapons disposal process.

Prospects for Bougainville: Peace, Development, and Self-Government?

The prospects for peace and development in postconflict Bougainville and PNG in general will largely depend on how well the manifold tensions of social and economic modernization are managed. Given the devastating impact of the conflict on the economy and the livelihoods of Bougainvilleans, the main goal of the population and the leadership is rapid economic development, and ultimately fiscal self-reliance. While there are major differences from the situation in the 1980s, insofar as there are now no mining operations and revenues, similar socioeconomic dynamics may be in place, as many people struggle for access to a much smaller pool of economic resources, which could create new divisions and tensions. In today's postconflict situation, where resort to violence as a method of redressing grievances is still deeply ingrained, it might prove even more difficult to resolve these tensions than in the 1980s.

The Bougainville leadership hopes to develop new policies and institutions to manage these challenges in ways suitable to Bougainville. These include building institutions of government, including local administration, courts, and police according to traditional models of authority, as well as development strategies that seek to create wider economic opportunities. However, building new institutions is likely to involve considerable costs.

Under the autonomy arrangements of the Bougainville Peace Agreement, the costs of providing government services, at least to the level at which they are provided elsewhere in PNG, as well as the restoration of infrastructure, are to be met by the PNG government until Bougainville achieves fiscal self-reliance.[55] These arrangements largely leave Bougainville with the burden of the extra costs involved in establishing new institutions. Fiscal self-reliance based on the present agricultural subsistence economy, however, is unlikely in the near term, placing the onus back on PNG—or donors—to fund postconflict Bougainville's new autonomy. Indeed, part of the rationale underlying the PNG government's decision to concede to a deferred referendum on independence was the hope that, in the interim, the government would be able to convince Bougainville of the benefits of remaining within PNG.

Yet there are serious doubts about the ability of the PNG government to allocate significant new funding to Bougainville, even despite supportive donor states. If this is the case, without significant donor funding there is likely to be a considerable gap between Bougainvillean expectations of the benefits of autonomy and what can actually be provided. There is a danger that a situation rather like that of the 1980s will be repeated, in which much touted expectations are not met, social tensions rise, and early secession—perhaps again supported by violence—re-emerges as an attractive, albeit simplistic, answer to Bougainville's ills.

This highlights the critical role that mining can yet play in Bougainville's path to peace, development, and self-reliance. Given the lack of economic alternatives, Bougainville is unlikely to achieve self-reliance for many years without a return to mining in some form. As it stands, the immediate future of mining remains open to speculation, as in 2001, BCL announced its intention to exit Bougainville.[56] Given the extremely high startup costs, exacerbated by the extensive destruction of mine property during the conflict, investors will likely view Bougainville as a risky place to operate. With international patterns of mining investment moving away from the high-rainfall tropics, the prospect of attracting alternative investors seems unlikely at present.

In the postconflict period, Bougainvillean public opinion on mining remains divided. For those committed to a permanent closure of the mine, the status quo is a desired state of affairs. Many Bougainvilleans, however, would welcome renewed mining as a source of income, albeit with more participatory involvement of landowners, better environmental management, and more equitable distribution of revenue. In addition to those former rebel leaders who originally envisaged revenues from resumed mining as essential to political independence, some groups in other parts of Bougainville now argue that, as they suffered in a conflict that originated in the areas around the mine, the people of those areas owe a "blood debt" to the rest of Bougainville, which can best be met by a resumption of mining.[57]