

Although developments affecting Bougainville do not make many headlines today, unlike the years of rebellion and fighting there from the late 1980s until the brokering of the Bougainville Peace Agreement in 2001, international attention can be expected to be increasingly engaged over the next decade. Certainly, there will be a sharper focus on Australian regional interests as Bougainville's political future is determined, and there are likely to be new commercial and investment opportunities there in the future.

Recent years have seen major developments including the designation of Bougainville as an Autonomous Region [unique within Papua New Guinea] and a referendum in which there was almost unanimous support among Bougainvilleans for independence. These have set the scene for a process of discussion and negotiation between the Bougainville and national governments on future political, constitutional and other arrangements.

A crucial element in the arrangements underpinning these discussions is the requirement that any deal reached with Bougainville be referred to, and agreed by, the PNG national parliament. This has created a fundamental unresolved issue: the most recent discussions, in July this year, appear to have agreed on reaching a political settlement by 2027.

For the Bougainvilleans, led by the elected President of the Bougainville Autonomous Region, Ishmael Toroama, that agreement is clearly regarded as leading to independence, and the Bougainvilleans have been dogged in pursuing their cause, seemingly engaged in inching Papua New Guinea forward to that end.

The attitude of the PNG government, and importantly the national parliament, is far from being as straightforward, or even clearly discernible. Prime Minister Marape gives every impression of engaging with Bougainville in good faith, though he has, probably calculatedly, not been publicly definitive about his attitudes to independence, maintaining that this ultimately will be a decision for parliament.

Other national figures are not so reticent. Some regard Bougainville as having had a disproportionate share of national attention in past decades; others have concerns that independence for Bougainville might lead to separatist sentiments in other parts of the country, especially those with resource riches; and some, like former Prime Minister Peter O'Neill, make no secret of their antipathy to the idea of independence for Bougainville.

A further complication is that PNG will have two national elections in the period to 2027, and history suggests strongly that these will see very substantial change in the composition of the national parliament and therefore of the body which will ultimately take a decision on Bougainville's future. The looming national elections in 2022 will increasingly preoccupy the political agenda and this effectively precludes for the time being further developments of substance relating to Bougainville. As for the Bougainville government, Toroama appears to be solidly in power and well regarded by the people of Bougainville as a spokesman for their independence aspirations.

In all these circumstances, discussion of possible future developments in the status of Bougainville is necessarily speculative. Even some basic elements in the current mix may be subject to change as the continuing discussions reveal the complexities of the political, financial and governmental factors involved. For example, the almost unanimous Bougainvillean support for independence would seem to make that a bottom-line aspiration on the Bougainville side, and that is certainly the clear message being delivered by the Bougainville leadership.

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How that sentiment might develop were the national parliament eventually to reject an independence option cannot be assessed with any certainty. Toroama seems committed to a peaceful resolution but this might change if there is no satisfactory progress in coming years.

At one end of the spectrum of possibilities, a unilateral declaration of independence would be a sharp break from the lines being pursued now, and such a step would of course severely complicate if not destroy the chances of agreement with the PNG government on future financial and political arrangements, including crucially the question of possible Bougainvillean membership of the United Nations.

As for the potential PNG response to such a development – it is hard to believe that the government in Port Moresby would resort to force, given the national scarring during the years of the fighting on Bougainville, and even if such an appetite were to arise, the questions of capacity and resourcing of the PNG Defence Force and Police would be powerful inhibitors. Neither side could be assured of a satisfactory outcome to such a crisis. Developments over the past 30 years in the case of the New Caledonian independence movement suggest that other possible scenarios might emerge, involving further pushing out timelines or other stratagems, for example some form of interim international persona short of independence and UN membership.

Serious issues for the future of any future arrangements will be raising revenue for government services and generating employment for Bougainvilleans. In a best-case scenario, Bougainville would benefit from some division of PNG national patrimony. But the fact is that Papua New Guinea government finances are in dire shape, not least because of COVID effects. There is no sizeable national treasure chest, and there is certainly a national debt. For the short term, there are consultations between the two governments on devolution of responsibilities and finances, with the foreshadowing of a single-line entry for Bougainville in the national budget.

Prime Minister Marape presided recently over the launch of a PNG Sovereign Wealth Fund, with an initial injection of Kina 100 million (A\$38.35m) and the promise of more to come from contributions from SOEs and possibly elsewhere. He said that seven percent of all resource revenues would be put into the Fund; that the government intended to begin using the facility this year; and that this would instil a "savings culture in the government for tomorrow."

To put it mildly, that would represent a major cultural shift for the country. PNG has been working towards a SWF for some ten years now, but the process has been marred by doubts about legal frameworks, concerns over accountability and transparency, and political crises. The idea of such a fund fits in well with Marape's agenda to secure for PNG a greater return on its resources, but major problems have been lack of technical know-how and also of a clear vision of how funds might be shepherded and used.

The pre-election timing of the recent announcement may be politically motivated, but a more concerning thought is that Papua New Guinea does not have a positive history of dealing responsibly with capital pools like the public sector superannuation scheme. This history led to serious reservations about government attempts in recent years to take control of Ok Tedi-related trust funds. If the Sovereign Wealth Fund were to be responsibly built up and managed over the next five years, there could be some potential benefit for Bougainville, but all PNG provinces would be pressing their own cases too. For the time being, there are many unresolved details, including central issues about governance, control and purpose. In sum, the Fund cannot yet be regarded as a potential source of major funds for Bougainville.

Leaving that aside, Bougainville would face a tough budgetary challenge. Its current budget has been estimated to amount to only a third of the amount necessary for self-reliance, and of the current revenues less than 20 percent is generated locally. Toroama's government has actively sought to raise awareness among Bougainvilleans of the need for a putative independent country to generate employment for its people and raise taxes to support basic government services.

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It has also set out to attract investment, though projected investment or related summits have not yet materialised. Potential government income from fishing licence and access fees could be significant, given the size and richness of Bougainville's EEZ and continental shelf. The government has also issued a number of mining exploration licences, a timber project is under way, and there is some foreign company interest in other potential resources.

While some of these sorts of developments have the potential to generate employment, and associated tax income, the majority of Bougainvilleans would be likely to continue making a living from small-scale production of cocoa, vanilla and other crops, as well as from small-scale production of gold and other activities unlikely to generate government revenue on any significant scale.

The future of the Panguna mine continues to lurk in the background of any consideration of Bougainville's future. This remains the major potential revenue-earner for Bougainville, given the size of the known resource. But there will be no easy way forward. A large degree of political certainty [including certainty of relations with PNG and other neighbours] would be a pre-requisite for the commitment of the billions necessary to restart the mine. A major potential spoiler would be landowner issues and disputes, of the sort which worked to precipitate the troubles in the late 1980s. And the PNG government has yet to transfer to Bougainville its ownership share of the mine.

Whether the next 5 years will lead to independence or some other change in the status of Bougainville, important Australian interests would be engaged. As in the case of Solomon Islands, Australia would have no interest in a failed state on its doorstep, especially a state whose mineral, fisheries, timber and other resources might be attractive to other powers, including of course China.

There would be a clear Australian interest in assisting Bougainville to develop competent machinery of government, including in management of financial and resource issues and grass-roots programs in areas like health and education. Broadening participation of the Pacific Labour Scheme could also be considered. A further possibility, in the event of independence, would be agreement by a range of institutions and countries to establish a trust fund along the lines developed for East Timor, but again this would likely proceed only if relations with PNG were conducive. In that regard, all regional countries would have a strong interest in seeing, and to at least some extent promoting, positive relations between Papua New Guinea and Bougainville.



## **Bill Farmer AO**

Bill Farmer AO was Australia's longest-serving Ambassador to Indonesia from 2005 to 2010. Among other appointments, Bill served as Deputy Secretary of the Department of Foreign Affairs and Trade (1997-1998), Australian High Commissioner to Malaysia (1996-1997) and Papua New Guinea (1993-1995) and, for eight years, Secretary of Departments dealing with immigration, multicultural affairs and indigenous affairs.