Conflict over resources is not a new story. There must have been countless examples of pre-Western-contact conflict in the Pacific caused by a lack of resources, or jealousy over access to resources. The first Western incursions in most of the Asia Pacific were driven by the hunt for resources, starting with the Dutch ‘acquisition’ of the Spice Islands. During the early to mid 19th century the central Pacific became a key zone in the briefly successful attempt by Europeans and Americans to locate products that they could exchange with the Chinese for the tea, silk and porcelain that was craved by the newly industrialising West. Sandalwood and bêche de mer—those appetising fruit of the ocean otherwise known as sea slugs—finally attracted Chinese trading interest, so ships rushed to buy from the Fijians and others, transporting them to ‘factories’, really warehouses, in Canton in southern China and then taking the desired bartered goods back home before starting the cycle again in the Pacific. The biggest port in the region then was Levuka on Ovalau island just north of Viti Levu and not far from the tiny island of Bau, the base of Ratu Seru Cakobau. Ratu Seru Cakobau obtained guns and the expertise to use them in inter-tribal wars from the traders, in return for access to the resources they sought and the land base they needed. This finally enabled him to feign possession of all Fiji, via the invented title Tui Viti or King of Fiji, when he ‘ceded’ the islands to Queen Victoria in 1874.

Bougainville is the clearest case of resources and conflict coming together in an apparently causal way in the Pacific, from the time the Rorovanans defied the bulldozers before independence, through to the 12 years’ civil war that began in 1988. But examined closely, the connection is not so clear-cut. Tony Regan, probably the best informed commentator on this sad story, has written that the mine complicated a picture of pre-colonial cultural division, convulsions caused by World War II, rapid population growth, diversion of land from subsistence to cash cropping, growing economic inequality and increased conflict within and between groups due to increasing competition for resources. As Regan points out,

[t]he Panguna mine complicated the picture, bringing employment, business opportunities as well as payments of land rents and compensation to groups whose land was required for mining and associated purposes(Regan 2000:262).
Eventually, inter-generational conflict among Panguna landowner groups about distribution of rents developed into civil war (Regan 2000). The mine had been providing one-fifth of all government revenue, running countless schools and clinics and building roads all over the country. It had been the biggest single trainer of tradespeople. It will never reopen. But if Bougainville were to gain greater autonomy, and if Chinese demand for resources were to persist at current levels, it would be possible to conceive of a new generation of leaders issuing fresh exploration licences.

The Ok Tedi mine also saw a sort of conflict, one fought out, inconclusively in the end, in courts in Papua New Guinea and in Australia, following what a Melbourne law firm described as a ‘litigation patrol’ signing up contingency fee customers along the Fly River. But these customers eventually withdrew from the action, and the mine is currently operating highly profitably, owned principally by a trust for the people of that region in Western province. The Southern Highlands, the oil-and-gas rich Texas of Papua New Guinea, saw in the early 2000s the fiercest conflict in the country beyond Bougainville, with utes for a time transformed through twisted Highlands ingenuity into armoured cars. The battle for control of access to the royalties, taxes and other forms of rent paid by the oil firms effectively led to the abandonment of other activities—coffee, education, tourism, and so on—by politicians, tribal leaders and their fighters, and to the destruction of much infrastructure. There had been fighting before, but the flows of resource cash—or even the mere perception that such flows could become available—triggered a shift to its becoming all-consuming. What battles there have been over resource exploitation in Papua New Guinea have chiefly been over management of the extraction process and division of the proceeds, rather than a principled rejection of the process altogether. Indeed, given the chance, Papua New Guineans—like Indonesians to the west—will rush to exploit their own resources. Fifteen years ago I travelled to the thin-aird region where the Southern Highlands and Enga meet, to witness the extraordinary Mt Kare gold rush: ten thousand people covered in mud exultantly and mostly peacefully digging along and within the river’s course, alerted to its potential by the earlier presence of CRA geologists. Mekere Morauta, then the central bank governor, reckoned they unearthed gold worth more than A$100 million.

It is clearly the logging industry that has made the biggest physical impression on Papua New Guinea, and even more so on neighbouring Solomon Islands. The kings of this business are the Tiong family of Sibu in Malaysian Sarawak. In a single year, a decade ago, their firm Rimbunan Hijau (‘green forest’) made A$500 million post-tax profit from Papua New Guinea. Sixteen years ago the former Forests Minister, Ted Diro, was found guilty of 83 counts of corruption relating to the industry, but he was later returned to parliament. Powerful institutions such as the World Bank—which has stated that Papua New Guinea contains the second biggest pristine tropical rainforest in the world after the Amazon—have proven essentially powerless to restrain logging there, despite making their soft loans conditional on progress towards greater sustainability and towards protection of biodiversity. So far, there has been no substantial conflict. But in the Solomon Islands, the late Prime Minister Solomon Mamaloni’s appetite for logging deals effectively crowded other economic activity out, while the associated corruption undermined governance, setting the scene for government failure as ethnic conflict between Malaitans and Guadalcanal people took hold in and around Honiara. The new Gold...
Ridge mine not far from the capital was one of the casualties, but may now reopen.

Partly in response to what happened on Bougainville, resource companies in Papua New Guinea are now given tax relief for providing services to the people in the immediate areas around their mines or oilfields. Thus they behave more like the East India Company of old, becoming the source of all authority and assistance for those in the region in which they operate, but playing a diminished role for the wider community including in those many areas that lack marketable resources. This contrast can be taken further in a country such as Indonesia, where in some areas companies are faced with the choice of respecting the central government or the local aspirants who, in the cases of resource-rich Papua and Aceh at the extreme ends of the country, are contesting control, sometimes to the death. Such challenges are compounded for the resource sector; companies in this sector require considerable interaction with the authorities, local and national, from which they obtain the means they need to operate, including the right of access to land. The result of such problems in Indonesia has been a collapse of spending on exploration, which is now virtually zero compared with US$200 million per year just five years ago. And many majors have pulled out altogether.

A couple of years ago, the then director of the South Pacific Applied Geoscience Commission, Alf Simpson, told his organisation’s annual meeting in Fiji:

[capital unrest is being caused by problems related to resource insecurity. There is unsustainable development of land, forests and marine resources, with short-term compensation being paid to local landowners. We have increasing poverty, unemployment, spiralling population growth and related health problems, yet the root causes remain unaddressed. All this provides the ingredients for instability, unrest and insecurity.

His analysis remains current today. What shape do those issues, those ‘root causes’, take in the present-day Asia Pacific context? Several key features can be identified.

- Revenues from mining and oil, and from most aid, are the easiest for élites to hijack and divert from development purposes. Agriculture and tourism, by comparison, provide dispersed revenue. The more corrupt—or desperate—the political élite, the more it will focus on the former. The trend in East Timor at the present time is somewhat concerning for this reason, with its preoccupation with battling for a better and bigger share of the Timor Sea oil and gas spoils. There is doubtless some justice on its side. But has it the capacity to defy the regional trends and transform such resources income into broad-based economic activity?

- Yawning government deficits create grave risks that desperation measures will be taken to fill them, including through mortgaging resources in advance, placing the country in hock to uncertain interests. And donors who move too readily to prevent this run the risk themselves of moral hazard: reinforcing bad policy and bad practice.

- Pressure on land use, coming from fast-increasing populations who wish to capitalise on their ownership of land but lack the necessary tools such as registration and capacity to lease or sell, will lead to increasing conflict over access and over forms of development.

- As East Asia’s economic drive since the 1980s has consumed much of its own physical resources, it is turning further afield, including to the Pacific islands to which it formerly paid scant attention. This is crucially so in the case of China which will continue to suck in
commodities at an extraordinary rate, its demand alone sustaining present high prices through the medium term.

- New pragmatic leaders are emerging in the region who are more focused on outcomes than on processes. These emerging leaders are not as rigid about ownership issues as were their predecessors. Their biggest constraint, however, may prove to be the increased control people have taken back over their own lives through formal decentralisation or simply through the erosion of central government capacities and delivery of services. Doing deals for access to resources has never been more complex than it is at present, however eager people may be in many regions to start the process. Over-eagerness—an over-dependence on a single resource or even worse on a single operation, in an area with no other significant cash generator—builds inexorable pressures on a project. Conflict for resources is more likely in the years ahead than conflict to stop resource exploitation. This is what happened (at least superficially) on Bougainville, where in fact closing the mine precipitated rather than ended the fighting.

To conclude, if the potential for conflict associated with resource development strategies in the Asia Pacific region in the future is to be reduced, a number of changes will be needed. Four suggestions can be made for illuminating the way ahead.

- Resource exploiters need to keep their doors and their deals open to constant meetings with their partners who control access to the land. Their partners want a say, and it is essential that they be given it, by providing for very regular renegotiations or updates, however time consuming these processes may be. CRA’s big mistake was to stand behind their formal agreement which required the central government, not the company, to respond to growing pressures from Bougainville. Port Moresby did very little until people started getting killed. It was then too late.

- Searching for that elusive missing link between resource development and broad-based economic growth is like seeking Shangri-La. It doesn’t exist. It is absolutely necessary to focus attention as well—some would say instead—on building the physical and human infrastructure necessary for low-cost agricultural production, hopefully with some value being added through processing, and for tourism.

- Mineral and oil incomes need to be treated as windfalls rather than being depended on to pay recurrent budget costs. That means holding as much as possible offshore in US dollars, perhaps in trusts with highly transparent rules to prevent misuse. This will also quarantine the currency against revaluation that would impair other export industries.

- Governments need both to legislate and to negotiate with banks in order to allow and encourage clan groups or extended families to package up and lease out land commercially for extended periods, or to use it as collateral. Such economic players would thereby have more control over their own resources and would prove more stable for resource development than those whose land title remains contestable.

Reference