Class formation in Papua New Guinea: The Indigenous Bourgeoisie

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In the last two or three years, class formation has been a central concern of social scientists at the University of Papua New Guinea. Marxist scholars have to date undertaken work on income distribution and dependence (Amarshi, 1977); the peasantry (Good, 1979; Donaldson and Good, 1978a, 1978b, forthcoming); the working class (Amarshi and Blaxter, 1975; Good and Fitzpatrick, 1979); the 'educated petty bourgeoisie' (Good, 1979); the state (Mortimer, 1979; Donaldson and Good, 1978b); and the metropolitan bourgeoisie (Donaldson and Turner, 1978). The existence of a Papua New Guinean bourgeoisie or petty bourgeoisie has not been seriously posited except for some limited and specific references to rural capitalists in the Eastern Highlands (Donaldson and Good, 1978a).

This paper takes as its main concern this otherwise neglected class of Papua New Guinean capitalists, and seeks to establish its existence, briefly to chart its historical development and to examine the social forces, particularly the state and the metropolitan bourgeoisie, that have retarded or advanced its growth.

A bourgeoisie or capitalist class is distinguished by its ownership of the means of production and by its employment of wage labour. In moving from an essentially 'static' definition of a particular set of social relations to an understanding of a social formation in a process of continuous change, it is necessary to understand the material basis on which these social relations rest and which in turn effect the development of the productive forces. In particular, attention must be paid to the changing forces of production, particularly to the objects and means of labour and to knowledge, and to labour itself. Accordingly, this paper focuses upon the changing forms of control exercised by Papua New Guineans over land and labour, and the attempt by some of them to gain access to and control of financial capital, new forms of productive capital, and technical knowledge.

PRE-WAR COLONIAL AGRICULTURE

From the earliest days of colonisation in Papua New Guinea, colonial administrations have been concerned with the development of commercial agriculture. Several Europeans had already established copra plantations in the Bismark archipelago by the time the German Government annexed New Guinea in 1884, and the annexation was followed by a further expansion in plantation agriculture.

Intent as it was on fostering foreign plantations, the German administration was not slow in realising the potential of indigenous agriculture, and in 1887 villagers were compelled to produce food crops and coconuts for sale by a Planting Ordinance. By 1909 some 45,000 acres had been developed under the plantation system, and until the First World War 'a large proportion' of copra exported from the colony was produced by indigenes. Vunamami on the Gazelle Peninsula was 'a community of peasant copra producers' by the early 1920s, and as early as 1910 'rich men' had emerged within Vunamami Society (Salisbury, 1970:126, 242).

Only some decades later did a similar process really occur under Australian administrations and this after a long period of state-initiated and state-controlled 'communal' and 'collective' agricultural development.

In Papua (previously British New Guinea) the Administration was forced to contend with a barely formed and rather disinterested home government, itself attempting to re-establish a viable agricultural sector in the wake of the slump of the nineties. The Australian state, which itself did not formally come into existence as one entity until 1901, was in no position to build an extensive colonial presence in what appeared to be an economically unpromising backwater. Accordingly, the first Administrator, Sir William MacGregor, looked to the indigenes as the main agents for economic growth and adopted coercion as the means by which commercial agriculture would be established in Papua.

As in New Guinea regulations were passed in an attempt to forge a linkage between production for use and commercial agriculture, the first of which was regulation Number 2 of 1894 which enabled district magistrates to compel villagers to plant coconuts. The magistrates were given the task of fixing the minimum number of trees which were to be planted each year by each village. That this attempt to forge a direct linkage had failed, was realised by MacGregor's successor, Captain Barton, who considered that such initiatives were anyway only a stopgap measure to prevent the natives from becoming lazy until such time as full-scale plantation agriculture could be effected (see Miles, 1956:319). The problem that Barton confronted in attempting to encourage white settlement was precisely the problem that had led to the reliance on coercion for native agriculture — lack of infrastructure, expertise and capital.

Despite a government-sponsored advertising campaign in 1899 to attract settlers from England and Australia, by 1907 only 1,467 acres were under development, although the Administration had alienated 29,000 acres for this purpose. Murray, too, was initially of the opinion that plantation labour was the better means to integrate Papuans into the world economy than peasant agriculture, but he was confronted by the reluctance of settlers to rush to this new El Dorado, although the number of acres under cultivation did rise substantially between 1907 and 1914 to reach 42,921. During the war, the settlement programme collapsed, and the Administration began again to think in terms of indigenous commercial agriculture. Nor did settlement pick up after the cessation of hostilities. A white population of slightly more than 1,000, of whom only 115 were engaged in planting just over 60,000 acres, was all there was to show in 1920 after twenty-one years of active settler recruiting. Murray realised his mistake and became a strong partisan of commercial indigenous agriculture (at least, until the thirties).

Murray's scheme was a strange amalgam of colonial coercion and village co-operation. Following the failure of the Administration to develop a particularly strong foreign plantation sector, and the failure of individual indigenous plantings to make a noticeable impact on output, Murray and his magistrates turned their attention to village plantations (see Miles, 1956:322). By 1920 Murray was able to report some progress. The communal copra plantation system was firmly established and other crops were being experimented with. Successful as this scheme was, it is apparent that a fairly high degree of coercion was employed to make it function. The Native Plantations Ordinance, passed by Murray in 1918 and implemented in 1920, contained stiff sanctions and the plantations were under the supervision of a village constable. Under this ordinance the state was empowered to establish plantations on Crown land redesignated as native reserves or to establish plantations on native land with the consent of the natives. All eligible males were compelled to work for sixty days. Two months' work entitled a villager to a remission of his tax. The government supplied the seeds, tools and supervision and took a share (usually half) of the product which was paid to the Native Education Fund. 112 plantations were established under this scheme.

By 1937/38 indigenous copra growers were producing about one-quarter of Papua's meagre copra output (Miles, 1956:324). By 1938/39 the value of the principal agricultural exports from Papua stood at £221,000 (compared with New Guinea's £799,000). By 1940, with the bulk of the colony's exports still produced by planters and with the returns to the indigenes remaining so meagre and irregular that compulsion still had to be employed, Murray admitted that his unity of opposites (compulsion plus communalism) had been a failure. The reasons are manifold, not the least being the contradiction inherent in the equation itself.

Clearly, inadequate returns to the growers was one of the main reasons for the failure of the scheme. The inadequacy of the returns was partly attributable to the government's policy of taking a proportion of the crop and its policy of paying out annually. It was also directly attributable to the dramatic price fluctuations affecting copra and the disastrous price fall of the thirties. Returns to the indigenes in the Government scheme reached a high of £497 in 1937 and a low of £54 in 1939 but was generally between £100-£150, not a vast sum when shared among those working on thirty-three plantations. Other basic causes have a single proximate source: inadequate and/or misdirected state intervention. Lack of expertise and manpower, continued reliance on compulsion, lack of capital, and inadequate infrastructure are all derived from this.

In the first instance, in 1925, for example, there were in Papua one controller and three inspectors and instructors, no one of whom appears to have been qualified for the work he was undertaking. The number was increased, rather too late, in 1927 to eight instructors when the Division of Agricultural Education was formed. The lack of capital was commented on as early as 1944 by W.R. Humphries, a resident magistrate with considerable experience of plantations in the Northern Division. Humphries made the point that capital was just as necessary for an indigenous enterprise as it was for a European plantation (Miles, 1956:327-328), but the capital available for assisting Papuan agriculture was meagre. Assistance to the Native Plantations Scheme was provided out of the Native Education Fund. The amount actually invested (total paid out excluding payment for product and wages for instructors) in improving the means of production and distribution stood at £1,670 (Miles, 1956:328). The money invested in the native plantations Scheme came from the Native Education Fund, into which half the product of the plantations under the scheme was paid. Faced with a lack of trained manpower and a dearth of capital investment, the Administration found solutions common to those found by other colonial administrations: it promoted differentiation and competition between groups of individuals ('natural rivalry between villages' [Miles, 1956:322]); it developed intermediaries to function between it and the colonised (village constables); and it relied upon coercion, compulsion and authoritarianism. The first of these, the encouragement of uneven development, later known as 'building on the best', was to become a firm feature of Papua and New Guinea's further agricultural development. The second was effective not so much in decreasing the gap between the colonisers and the colonised, but in increasing the differences among the latter. And the final solution strengthened the twin colonial stereotypes of the brutish kiap and the lazy, indifferent native.

The early Papuan experience of communal copra plantations had taught the Administration not that adequate infrastructure was necessary; that marketing facilities had to be organised; that better services needed to be provided; that more capital had to be made available to indigenes, but that communal control of production was unworkable. With the failure of 'communal' agriculture, the colonial state turned to 'collectives', a form of primary accumulation that combined individual control at the point of agricultural production with 'collective' control of commodity processing and circulation.

THE CO-OPERATIVES

The immediate post-war concern of the colonial state was with the reconstruction of the plantations and with the reproduction of labour power. Reconstruction generally was aided by an enlarged grant-in-aid from the Australian Government, one of the effects of which was the creation within the D.A.S.F. of a Division of Agricultural Extension employing fifty-four agricultural officers. The extension efforts of the increased Department were directed primarily to the planters (McKillop, 1976:20), but an estimated shortage of 33,000 'units' of labour in June 1948 (Harris, 1971) forced the D.A.S.F. to take some note of malnutrition, exacerbated by the destruction of food gardens during the war, and by the use of vast numbers of villagers as practically unpaid labour in support of the war effort on both sides. The D.A.S.F. attempted to meet this problem by introducing an improved breed of pigs and poultry.

On the coast, the colonial state introduced co-operative societies at the end of the war in an attempt to help post-war reconstruction. The Co-operatives Section was formed in the Department of District Services and Native Affairs in 1949, and the establishment of co-operatives and rural progress societies proceeded on the coast under the Native Economic Development Ordinance of 1951, the first legislation enacted specifically to promote indigenous control in the private sector. The co-operatives movement remained until 1969/70 the most important avenue of entry for indigenes into the business and economic life of the country (Singh, 1969:34).

The basic problem of scarcity of capital proved acute for the co-operatives, and yet this is the problem that co-operatives were primarily to resolve. The co-operative societies were to meet a series of specific problems of capital shortage which an impecunious and weak colonial state was unable (or unwilling) to meet itself, at a time when world prices for exotic agricultural products were high. Thus, co-operatives would resolve the problem of inadequate productive capital by providing driers, pulpers, tractors, and the problem of inadequate infrastructure by providing shipping and road transport, and the problem of lack of business expertise by meeting the costs of training their own clerks and administrators. This saved the State money, and was even a potential source of added revenue.

Until 1969 at least, most of the finance for the co-operatives came from within the co-operative movement itself in the form of share capital contributions by individual members (Singh, 1969:35). This necessitated regular disbursement to members, which however occurred irregularly often with long intervals elapsing between payments. The co-operatives were locked into a downward spiral. Insufficient initial subscribed capital led to poor trading performance, leading to the payment of small and irregular dividends, leading in turn to reluctance for further investment. This state of affairs was reflected in the drop in total net surplus accruing to co-operatives, which stood at $44,588 in 1960/61, rose to $490,231 in 1965/66 but dropped dramatically to $262,989 in 1966/67 (Singh, 1969:35).

The Yagaria Society, a coffee-buying co-operative in the Eastern Highlands, faced the liquidity problem outlined in general terms above. It reported in July 1966 that the main difficulty the society had to confront was that it had continuously to sell shares in order to amass sufficient capital to buy members' coffee. The problem was exacerbated by a ceiling placed by the State on the amount that any one individual was able to invest. The co-operative was forced to accept advances from the large foreign coffee processor and buyer, Coffee International Ltd. (later to become Gollin-C.I.L.). Advances to the co-operative were made at interest rates described by the Government Co-operatives Officer as 'excessive' and the price paid the co-operative for its produce by the company was not competitive. In addition, the society was forced to pay exorbitant freight rates to the only (foreign-owned) trucking company in the area. (For a more detailed account, see Donaldson and Good, forthcoming.)

In the managing of its own affairs, and in obtaining skilled help, the Yagaria Society was also less than fortunate. Although the Progress Societies in the Eastern Highlands were all D.A.S.F.-initiated, the D.A.S.F. were too short-staffed to offer adequate assistance. The District Agricultural Officer commented to this effect in May 1964, suggesting to his superiors that the co-operatives would be stronger if the number of staff in the area was greater. But it was not only staff shortage which caused problems, but staff circulation as well. The D.A.S.F. 1965/66 Annual Report for the Lufa Sub-district (in which the Yagaria Society operated) stated that the area had no European agricultural officer between 1962 and 1964, and that since 1964, six different officers had been in charge. The report noted that this had adversely affected the Yagaria Society.

The clerk of the Society was hired because he was an 'ex-mission teacher with a reasonable knowledge of weights, values, etc.' (Yagaria Progress Society Report, April/May 1964). The knowledge he possessed of bookkeeping and agriculture proved, however, rather elementary, and the Society sent him to undergo training at the Aiyura Agricultural Station. He left Aiyura before he had completed his course to contest a by-election for the House of Assembly.

Established to meet problems of capital scarcity, the co-operatives themselves foundered on this. It was impossible for the co-operatives to obtain loans from financial institutions, and where they did make arrangements with foreign businesses these proved to be yet another drain on scarce resources. Lack of state aid and expertise demonstrated the weakness of Australian colonialism, but at the same time reflected a basic contradiction in the colonial imperative itself. On one hand, the colonised should as far as possible bear the cost of their colonisation; on the other hand, indigenous participation in the economy should not threaten metropolitan investment or the hegemony of the colonial state. The co-operatives launched to make the colony more 'self-sufficient' were also planned as social control mechanisms, as were the local government councils (see Simpson, 1976). As Legge (1956: 218) has commented, 'Tactically the Administration's assistance with co-operatives was designed to guide political forms of resistance into proper channels'.

Perhaps the most well-known example of this was of Johnny Kabu's co-operative in the Gulf District (see Hitchcock and Oram, 1967). Kabu successfully established a co-operative venture in the Purari area, only to have it labelled a 'cargo cult' by the Administration. Kabu himself was detained and questioned by the District Commissioner, concerned over his popular support. When Kabu agreed to join the 'official' co-operatives movement, the Administration refused to provide his group with a co-operative's officer, and splintered his power base by insisting that the co-operative be split into a number of smaller ventures. Similarly, a successful co-operative venture in Hanuabada village in Port Moresby was destroyed by various combinations of state over-intervention and neglect (personal communication, C. Snowden, 23rd March 1979).

Co-operatives, introduced among other reasons to control political demands, also directly constrained individual capital accumulation by restricting the number of shares that any one individual could own. This is not to say that the co-operatives did not provide an avenue for future economic advancement for some of their prominent members, but such advancement was generally from the co-operative base via political office, or by favoured access to the services the co-operative provided (e.g. tractors) or sometimes through misappropriation of co-operative funds. Some notable individuals were able to rise high and fast with the co-operatives behind them, for example, the clerk of the Yagaria Society noted above, emerged from its ruins with a trade store, a trucking company and a piggery, and was recently re-elected Premier of the Eastern Highlands Provincial Government. But while co-operatives may have trained future entrepreneurs and even given some a headstart, they did not do so by allowing individuals the opportunity to accumulate capital in the form of co-operative shares or in the form of co-operative dividends. The co-operatives were initiated expressly (but not wholly) to hinder individual capital accumulation, and the emergence of a national bourgeoisie which might have made unpalatable political demands of the colonial state.

Although the out-going Australian administration generally concluded that the co-operative movement had failed (Committee of Inquiry into Co-operatives, 1972:22; Division of Co-operative Development, 1974:24), at least in terms of accumulation of capital and profit-making, the co-operative remains an important (if not the most dynamic) form of indigenous involvement in the economy. The years 1968/69 to 1973/74 saw a steady growth in the volume of primary products handled by co-operatives. The bulk of the increase came from growing peasant production, coffee in the Highlands and cocoa in New Britain and Bougainville. Helped by booming world market prices, the total value of all produce marketed by co-operatives in 1973/74 came close to $7 million. Large coffee factories at Wewak, Kundiawa and Lae, and a small one at Baiyer River, with a total annual capacity of 10,000 tonnes are owned by co-operatives. There has been a substantial modernisation and expansion of co-operative cocoa fermentaries, with a fixed assets involvement of about $3 million. Since 1973, co-operatives have moved into other spheres of primary produce processing and marketing, including peanut oil and peanut butter manufacture (Jackman, 1977: 3).

The biggest road transport enterprise in the Highlands is organised as a co-operative and there are co-operative taxi and trucking businesses in several urban areas.

The nationwide Co-operative Wholesale Society established in 1969 to import directly from overseas, is now wholly staffed by Papua New Guineans. Its turnover exceeded $2.5 million in 1973/74 (Jackman, 1977:3).

According to Jackman (1977:4) co-operatives now concentrate less on retailing which function is performed in the rural areas by sole-owned and family-owned trade-stores, and more on the processing of primary products and the running of 'bulk stores' (wholesale outlets). This is reflected in Table 1 below.

TABLE 1. TURNOVER OF CO-OPERATIVE ORGANISATIONS, 1968-72

Year	Retail trading ($'000)	Production ($'000)	Other ($'000)	Total ($'000)
1968-9	2,472	3,940	35	6,447
1969-70	2,118	4,313	28	6,459
1970-1	2,209	5,132	54	7,415
1971-2	2,428	5,114	62	7,604

Source: Papua New Guinea Registry of Co-operative Societies (Jackman, 1977:6).

The most recent figures on the strength of the co-operatives reach only to 1973. Since 1969 the number had increased only from 343 to 369. Membership had increased less than 10% on the 1969 figure of close to 130,000. Capital had grown from K3.3 million to K4.7 and fixed assets stood in 1973 at K2.3 million compared with K1.3 in 1969 (*Summary of Statistics* 1974/5, Table 28). On this basis it is possible to conclude as Jackman (1977:5) does, that the co-operatives will continue to play an important role as accumulators of domestic capital.

The emphasis on co-operatives by the Administration continued to the beginning of this decade. In 1969 an expatriate manufacturer involved in establishing one of the first joint ventures in the Territory wryly concluded, 'In considering the over-all situation of indigenous shareholding in Papua New Guinea, one is forced to the very prompt conclusion that it is dominated by investment in co-operative societies to the almost complete exclusion of other types of companies' (Thomason, 1969:85).

THE INDEPENDENT STATE

The strictures placed by the colonial state on share ownership in co-operatives were but one example of the state's attempt to restrict the ability of indigenes to accumulate. Section 5 of the New Guinea Companies Act removed only in the early 1960s prohibited the incorporation of a company for most purposes unless two-thirds of its membership were British subjects, and New Guineans did not come within this category (Fitzpatrick and Southwood, 1976:18). Laws also enacted under the colonial administration directly discriminatory against national businessmen included a number of licensing laws such as those relating to the retail sale of alcohol, public transport and coffee-buying (see Blaxter and Fitzpatrick, 1976:64-76).

This discrimination against potential entrepreneurs was not merely the result of a continued desire for political stability by the colonial state, but was the result of the state's attempt to foster foreign investment.

The basic foundation of the state's approach to foreign investment (other than to that of plantation and merchant capital inflow which had been occurring since before the beginning of the century) was laid down in 1966. In that year the House of Assembly passed a Development Capital Guarantee Declaration giving an assurance that Papua New Guinea welcomed capital investment and that capital investment for the establishment of new industries or the development of existing industries would not be subject to expropriation, nor to discriminatory taxation or other such levies, nor to oppressive trading legislation nor to unreasonable limitations on repatriation. This guarantee was reaffirmed by the House of Assembly in 1968 (Lattin, 1972: 35).

The Pioneer Industries scheme established in the mid-1960s is one practical example of the colonial state's attempt to attract foreign-owned secondary industry to the Territory. The scheme provided, among other things, for a five-year tax-holiday for businesses classed as 'pioneer industries'.

Although most of the more overtly discriminatory legislation has been repealed by the independent state, the thrust of state intervention in the economy at best remains ambiguous, and at worst relegates the interests of national businessmen to second place. In a real sense, the state in Papua New Guinea was left with little choice. In order to continue to maintain the state structures (and their own positions within them) the state bureaucrats had to seek massive infusions of foreign capital and at the same time had to be wary of affronting Canberra from whence came the main chunk of the state's finances.

The state in Papua New Guinea has been characterised as 'overdeveloped' (Mortimer), a condition partly explained by the fact that it has inherited its structure and functions from the Australian colonial administration.

> Mr. Somare's Government inherited a large administration, financed largely from external grants and loans, that provided a range of services of varying usefulness to part of the population. The new government faced the awful choice of rejecting the whole colonial experience as a mistake, dismantling most services, and moving quickly towards financial self-reliance, or of modifying and seeking to extend the most valued services to areas which did not have them. By choosing to improve and extend services, the new government was bound to seek an accommodation with foreign governments on long-term aid and with foreign companies on major resource investments (Garnaut, 1975:8, quoted in Mortimer, 1979:216).

By continuing to sustain the structure of the colonial state in Papua New Guinea the government placed itself in the situation where it desperately needed foreign finance to fuel the bureaucratic machine. In the short term, it had no choice but to find this in large-scale foreign investment and in foreign aid.

The state in most Third World countries is the main source of domestic capital and its accumulation, and plays the major role in economic development and in non-foreign economic activity. It is the principal employer of labour, the chief dispenser of jobs. In Papua New Guinea the state abosrbs 35%-45% of Australian 'aid'. It accounts for 30% of the Gross Domestic Product (*The Economist*, 30th September 1978), an unusually high figure for Third World countries. It employs 70,000 people in professional or semi-professional jobs (*Post Courier*, 22nd November 1976) and in 1973, 85% of the professional and semi-professional manpower and 60% of the technical manpower were employed in the public sector (Department of Labour, Manpower Unit). The cost of maintaining this vast structure is huge, and by far the largest piece of government spending goes on simply maintaining the machinery. In the 1975-76 budget, for example, 68% of government expenditure was on socio-administrative and other non-economic services. Simply paying the bureaucrats is another large drain on government revenue, with salaries and emoluments amounting to 63% of total departmental expenditure (Mortimer, 1979:230).

The state also, of course, actively intervenes in the economy, and coinciding with the flush of national sentiment in the early seventies, signalled politically by the Constitutional Planning Committee and the debates around it, a number of state bodies were established, the apparent purpose of which was to curb foreign investment and build national businesses.

The National Investment and Development Authority (NIDA) was established in 1974 with powers to prohibit new foreign enterprises and impose terms and conditions on existing foreign firms. It introduced a National Investment Priorities Schedule which closed off some areas to foreign investment. But the latest four-year plan projects private investment rising by 6% per annum in real terms, and its success obviously depends upon attracting an even greater inflow of foreign investment. To facilitate this, certain categories of investment which were restricted to nationals have now been opened to foreigners, and the newly appointed Minister for National Planning and Development, John Kaputin, whose ministry includes NIDA, lost no time in selling the idea personally to Australian businessmen at a lunch organised by Sir Asher Joel in Sydney. Kaputin 'issued an open invitation to more than seventy leading Australian businessmen...to participate in Papua New Guinea's development' (*Sydney Morning Herald*, 10th February 1979, p. 5). On the other hand, in stark contrast to the major lending thrust of the Development Bank the 1978 budget removed the tax-holidays for all companies with less than total national ownership.

The Development Bank, formed in 1967 to provide credit for national and particularly rural enterprises, and the Department of Business Development formed from specialist services in the Department of Trade and Industry in 1971 to assist local and joint enterprises in the manufacturing and service sectors, are the main instruments for Government assistance in the fostering of national enterprises. In addition, there exists the Plantation Acquisition Scheme which was established in 1974 to facilitate the purchase of plantations in land-short areas.

The Department of Business Development has concentrated largely on the urban areas, and consequently has been of benefit to a small minority of the population:

> The policy of the office (of Business Development) is to promote business and industry in the rural areas where possible...Nonetheless it is inevitable that most business opportunities will occur in urban areas and that Papua New Guineans will expect assistance in taking up these opportunities. Consequently much of the office's activity has been in urban areas (Programmes and Performance, 1975-76: 98).

The Development Bank is the state agency which has had most impact on the rural areas, not only lending money but supervising its use, giving supervision and training to the entrepreneur while retaining ownership of the business. When the entrepreneur is considered sufficiently trained to take control he acquires ownership from the Bank which extends finance to enable the purchase of its former equity in the business. Businesses assisted in this manner achieved a turnover of more than $2 million in 1974 (Lubett, 1978:25). But generally the role of the Development Bank has been to assist disproportionately foreign and joint enterprises, and enterprises in the commerce sector rather than manufacturing or agriculture. Slightly less than half the money lent out in 1975 was used in the commercial sector of the economy; industry received slightly more than one-third and agriculture less than one-fifth. In terms of to whom the Bank lends, the picture is even bleaker. In 1975, the Development Bank lent more than one-third of the value of its loans to expatriates who constitute less than 2% of the population. This does not represent a drop on previous years. To the contrary, the proportion lent to expatriates has increased steadily since 1972 when it stood at 24.8%. In 1975, the Development Bank lent a total of K2,075,800. The average loan received by expatriates was seven times larger than that received by Papua New Guineans and the average size of the loan received by those undertaking joint ventures was nine times larger (Papua New Guinea Development Bank, World Bank Report, 1976: Tables 5.2, 5.3).

Perhaps the least controversial aspect of state assistance to indigenous capitalists is the hiring by the state of Papua New Guinean labour and skills to fill state contracts. The Housing Commission has adopted a policy of awarding house-building contracts in major centres to suitable Papua New Guinea contractors. In 1973, the Public Works Department instituted a system of selective tendering for contracts, a system later also adopted by the Supply and Tenders Board. In some cases only Papua New Guineans are permitted to tender for a particular contract, and in others a cost margin is allowed in their favour when considering tenders on the open market (Lubett, 1978:24).

Apart from the national airline and the national bank, there are few state businesses in Papua New Guinea. Two important recent developments in this respect were the formation of a state insurance company, and the announcement after several months of deliberation that the Government plans to start 'a government-backed wholesale agency' (*Post Courier*, 9th November 1978). Both are important for they will provide effective competition against existing foreign companies. Insurance premiums in Papua New Guinea are very high and as Lam (1977:15) has pointed out, Burns Philp, Carpenters and Steamships have essentially a monopoly on importing. A state import corporation may help lower previously non-competitive prices, and ensure that the 'hard currency' strategy is actually of some benefit to consumers. The 'big three' are well vertically integrated into other Australian companies, and import manufactures of affiliates and subsidiaries, rather than the cheapest on the market. A state import corporation would then have some effect on lessening the proportion of imported manufactures that come from (high-cost) Australia.

Direct state establishment of businesses is unusual. The normal practice has been for the state to purchase shares in foreign enterprises through the Investment Corporation which was established in 1973 and now holds shares in close to thirty foreign companies, including Bougainville Copper and Burns Philp. Papua New Guineans are able to buy shares in the Investment Corporation, which resembles more a state holding company than a vigorous 'entrepreneurial' firm. The Investment Corporation is now a large concern whose assets were worth more than K13.5 million in 1975, with a net profit after tax of more than K1.25 million. The Corporation has 1,753 shareholders, holding 973,216 shares (*Summary of Statistics 1974/75*, Tables 33 and 34). A recent and important exception to the 'lethargy' of the Corporation was its acquisition in 1978 of ANGCO, the major coffee-exporting company in Papua New Guinea. According to NIDA figures (1974) ANGCO was the largest company in Papua New Guinea in terms of its output value (after Bougainville Copper Ltd.).

Even more substantial has been the state's involvement in the recent palm-oil nucleus estates. In these the state has retained 50% equity with foreign firms.

In terms of its impact on the economy, the Ramu Sugar Project will be even more significant. In 1977 a British firm, Bookers, was employed to investigate the establishment of a sugar industry in Papua New Guinea which would make the country self-sufficient in sugar. Following a favourable feasibility study, a state company, Ramu Sugar, was established and hired Bookers as managers. The nursery for the sugar plantation was due to be completed in January 1979, and the scheme involving a total capital outlay of K50 million will go into commercial production in 1982. It is planned that by 1985 the country will be self-sufficient in sugar.

The significance of the sugar scheme is also in the fact that it is state-initiated, and that it is geared to import-substitution rather than production for export, but what is crucial is its eventual ownership. Presently, NIDA envisages that Ramu Sugar will be purchased from the state by about ten major shareholders, who will hold a maximum of 10% of the shares. Burns Philp, Carpenters, Steamships and C.S.R. have expressed interest, and NIDA hopes that there will be as much(!) as 10% Papua New Guinean equity. The state will own no part of it.

Generally, the main thrust of state intervention in the economy has not been against foreign enterprises in any significant way. Some plantations have been acquired in the face of some reluctance on the part of some planters, but no other foreign businesses have been similarly confronted. Mortimer (1979:224) has concluded:

> The characteristic features of government policy are twofold: to establish partnership between the state and private investors, on the one hand, and foreign enterprise on the other; and to finance the entry of Papua New Guineans into fields vacated or never entered by colonial interests. This activity has not been resisted by metropolitan or multinational capitalist interests, and in fact most of the directions taken by the government were charted by the Australian Administration itself in the late sixties...

The timidity of the state on the fundamental issue of foreign control reflects the basic duplicity of the Government's position: on the one hand, it seeks to encourage foreign investment (while tinkering with the degree to which it will or will not be assisted), while at the same time it talks of promoting Papua New Guinean businesses. In both respects, the Government has done little but continue politics developed by the colonial state.

THE METROPOLITAN BOURGEOISIE

Thus far the absence of an indigenous bourgeoisie has been attributed to the inhibiting actions or inaction of the neo-colonial state. But the presence of foreign monopsonies and monopolies even in the still imcompletely 'controlled' Highlands in the early sixties (see above) is a powerful indication of the suppressive effect on the development of such a class by foreign capitalists. Planters after the war through their politically influential association had attacked the Administration for its fostering of 'communism' through the co-operatives section, but it was the growing influx of Australian investment into the Territory which was the major structural deterrent to the development of indigenous capitalists.

Long dominated by foreign merchant and agricultural capital, the economy of Papua New Guinea is presently dominated by mineral extracting and energy-seeking industries, particularly Bougainville Copper Ltd., a tendency which will continue if the Purari (See I.D.A., 1978) and Ok Tedi (see Jackson, 1977) projects go ahead. The growth of manufacturing has been slow and uncertain, and was itself a spin-off of the phenomenal growth since the war of the colonial state which increased the Territory's market for consumer goods and services as well as investment opportunities in construction and related industries. This was reflected by the growth of employment in secondary industries which increased fourfold between 1960 and 1973 from about 4,000 to over 16,000 (Dixon, 1974). But manufacturing remains of little importance within the economy as a whole, inhibited by the smallness and fragmented nature of the market, the closeness of Australia and the existence of political pressures from Australia to ensure tariffs are not initiated.

There persists in Papua New Guinea a non-industrial capitalism, a capitalism based on commerce, export agriculture and mining, a dependent and stunted capitalism the most striking feature of which is the degree to which it serves the interests of and is indeed directly controlled by foreign capital.

It is extremely difficult to estimate (or obtain estimates) of the degree of foreign control of the economy, of the monetary sector or even the private sector because the data on which such an estimate can be made is not collected by the state. One estimate is that the proportion of the Gross Monetary Sector of the economy generated by foreigners, stands at 80% (Keith Palmer, Department of Finance, personal communication, 1977). Rather less credible is Lubett's (1978:12) claim that 'the share of the monetary sector output *accruing* to expatriates was estimated at over 80 percent in 1973' (my emphasis). NIDA (1975:11.3) estimated that foreign investment 'constituted 80 percent or more' of the private sector. These three estimates suggest an amazing degree of foreign control of the Papua New Guinea economy. This degree of control is borne out even more clearly in relation to income from company property and business. Between 1960 and 1972, 98% of company property and business income accrued to foreigners (Public Service Association, 1974:9). From 1968/69 to 1972/73 incomes payable abroad received by foreign investors rose from $11 million to $63 million. This increase was dominated by the contribution of Bougainville Copper Ltd. By 1973/74 profits from the mine had boosted the outflow of over $100 million, or nearly 11% of total incomes from productive activity in Papua New Guinea (Treadgold, 1976:157).

In a capitalist economy the main economic institution is the company, and hence one crude way of estimating the strength of a foreign economic presence is to estimate the number of foreign companies relative to national companies. This very crude indicator leaves out the important variable of size, a crucial factor in open small economies which are particularly susceptible to the formation of monopolies and oligopolies.

The proportion of foreign companies in Papua New Guinea is the same for 1975 and 1971. These two years represent the lowest since 1970 when the proportion stood at 17.9%. The highest recorded was for 1972 and 1973 when one-fifth of the companies were foreign. Between 1971 and 1975 there has been a small drop in the heavily foreign mining sector and a small proportional increase in the industrial sector. Generally speaking, over five years since 1970 foreign firms in Papua New Guinea have increased at the same rate as national ones, and the proportion stands around one-sixth to one-fifth. (A list of some of the larger foreign companies in Papua New Guinea can be found in Donaldson and Turner, 1978:29-30.)

In December 1974, NIDA conducted a Notification Census from which it was possible to calculate what proportion of all the shares owned in the various industries in Papua New Guinea were owned by foreigners. This information is set out below in Table 2.

In terms of total share ownership in the various industries more than 90% were held by foreigners in 1974.

The economy is crucially dependent on its exports, which as a proportion of the market component of the Gross Domestic Product rose from 25.6% in 1968 to 31.8% in 1972 to 51.3% in 1975 (*Summary of Statistics 1974/75*: Table 58). Once again, information on what proportion of Papua New Guinea's export industries are foreign-controlled remains scarce. One estimate places the proportion of exports generated by foreigners at 65%-70% (Chris Livesey, NIDA, personal communication, 1977). The major earner for Papua New Guinea since 1973 has been copper and gold, accounting for close to two-thirds of Papua New Guinea's export earnings up to 1975. About 70% of the copper exported is derived from the Bougainville Mine, 80% owned by Conzinc Rio Tinto of Australia (C.R.A.).

TABLE 2. VALUE OF SHARES OWNED BY FOREIGNERS AS A PERCENTAGE OF TOTAL SHARE VALUE, BY INDUSTRY

Industry	Percentage
Agriculture, hunting, forestry and fishing	96
Mining and quarrying*	100
Manufacturing	86
Construction	92
Wholesale and retail trade, restaurants and hotels	89
Transport, storage and communication	89
Finance, insurance, real estate and business services	83
Community, social and personal services	90

*Excluding Bougainville Copper Ltd.

Source: *NIDA Notification Census*, December 1974.

The impact of copper, and the narrowness of the export base generally, is outlined in Table 3.

TABLE 3. TYPE OF EXPORTS BY PERCENTAGE OF TOTAL VALUE OF EXPORTS (EXCLUDING RE-EXPORTS): 1972-1975

Exports	1972	1973	1974	1975
Agricultural products	57.4	22.7	22.1	32.6
Fish and timber products	14.8	7.5	7.5	5.9
Minerals	24.8	63.1	69.2	59.6
Total	97.0	98.3	98.8	98.1

Source: Bureau of Statistics, Papua New Guinea, *Summary of Statistics 1973/74*, Table 184; *Summary of Statistics 1974/75*, Table 184.

One way in which some appreciation of the degree to which foreigners control the agricultural export sector can be gauged is by measuring the amount of land which is controlled by the foreign growers of the major export crops. Although Table 4 shows that for copra, cocoa and rubber the proportion under cultivation by foreign growers has dropped slightly from 1971 to 1973, the proportion that remains under foreign control is substantial.

Apart from agricultural products the other major source of Papua New Guinea's export earnings has been minerals, which since 1973 have earned about 65% of Papua New Guinea's overseas reserves. Bougainville Copper, which according to the 1976 World Bank Report contributes 20%-25% of the Gross Domestic Product, is 80% foreign-owned. In terms of further mineral exploitation, the Minister for Energy and Minerals reported in November 1978 that 'investor interest in mining and petroleum

TABLE 5. HECTARAGE OF NON-INDIGENOUS MINERAL CLAIMS AND LEASES HELD; AND AS A PERCENTAGE OF TOTAL AREA HELD

Year	Hectarage	Percentage of total area
1970	7,756	70.5
1971	9,820	57.2
1972	15,937	92.8
1973	9,853	89.2
1974	6,442	93.2

Source: Bureau of Statistics, Papua New Guinea, *Summary of Statistics 1973/74*, Table 81.

prospects is booming at near record levels in all regions of our country'. Private investors have spent nearly K40 million from the middle of 1977 to the end of 1978 on mineral and petroleum prospecting (*Post Courier*, 22nd November 1978). One measure of the degree of foreign interest in mineral exploitation is the number and area of the mineral claims and leases held by foreigners. This is outlined in Table 5.

In the number of firms owned overseas, in the proportion of company profits flowing abroad, in the massive ownership of shares by foreigners, and in the degree of control of the vital export industries, the Papua New Guinean economy reveals an amazing degree of subjugation to the interests of foreign capital.

Despite some rather loose and misleading talk about the 'internationalisation of capital', capital is still located within the confines of the nation state, and metropolitan bourgeoisies possess national characteristics. For Papua New Guinea, the major inflow of foreign capital has been via the Australian capitalist class, either as an intermediary, or more frequently as an initiator and benefactor in its own right. Thus, until 1978 the only serious study of the national complexions of foreign investment had been carried out by that astute and able defender of the Australian ruling class, the Joint Intelligence Organisation (J.I.O.).

In its report (see Benchly, 1973) the J.I.O. claimed that Australia controlled two-thirds of the 'developed sector of the Territory's economy'. The J.I.O. estimated that in 1971, of the 2,376 locally registered companies and the 572 foreign incorporated companies Australia owned not less than 2,500. In terms of output, Australians were estimated to be generating 61% of the Gross Monetary Sector Product.

The 1974 *NIDA Notification Census* provides useful information on the ownership of shares within Papua New Guinea. As Table 6 indicates, in 1974 Australia accounted for 76% of subscribed capital in Papua New Guinea with the next largest ownership being that of Japan with 6.7%.

Australia accounted for 80% of the K421 million invested in Papua New Guinea in 1975 in the form of direct investment. Of total investment (direct plus portfolio) Australia accounted for 74% of the K556 million. Japan followed Australia as the next most important foreign investor, accounting for 8% of the direct investment, 20% of the portfolio investment and 11% of total investment (direct plus portfolio).

Australia is by far the most significant investor country, both in terms of the amount invested and in terms of the shares owned in Papua New Guinea. Japan is the next largest in both respects, but follows a long way behind Australia.

As mentioned above exports make up a large proportion of Papua New Guinea's Gross Domestic Product. The markets for Papua New Guinea's exports have diversified

TABLE 6. DISTRIBUTION OF SUBSCRIBED CAPITAL BY FOREIGN PARTNERSHIPS, CO-OPERATIVE SOCIETIES OR ASSOCIATIONS AND DOMESTIC COMPANIES, AS A PERCENTAGE OF TOTAL SUBSCRIBED CAPITAL: DECEMBER 1974*

Country	Value of shares ($Am)	Percentage
Australia	141.24	76.0
Japan	12.45	6.7
U.K.	2.81	1.5
Singapore	5.96	3.2
Hong Kong	4.33	2.3
U.S.A.	1.20	0.6
Other foreign	3.10	1.6
Total foreign	171.09	91.9

*Excluding Bougainville Copper Ltd.

Source: *NIDA Notification Census*, December 1974.

since the Bougainville mine first came into operation. Japan and West Germany have emerged as the major importers of Papua New Guinea's exports, in terms of the value of goods exported. Australia remains, however, the main recipient of Papua New Guinea's agricultural exports.

The origin of Papua New Guinea's imports which made up 44% of the Gross Domestic Product during 1972/76 remained remarkably stable between 1968 and 1975. Australia supplies about half of Papua New Guinea's imports, Japan between 10%-15%.

TABLE 7. MAJOR RECIPIENTS OF PAPUA NEW GUINEA'S EXPORTS BY VALUE OF EXPORTS, 1968-1975

Country	(K'000 f.o.b.) 1968	1970	1973	1975
Australia	29,288 (42)*	41,295 (44)	46,059 (20)	48,946 (12)
Japan	4,652 (7)	8,560 (9)	81,440 (36)	150,524 (36)
West Germany	5,656 (7)	7,549 (8)	53,435 (23)	110,421 (26)
U.K.	20,279 (29)	15,394 (17)	11,365 (5)	34,168 (6)
U.S.A.	5,403 (8)	11,076 (12)	11,455 (5)	26,608 (6)

*Figures in brackets indicate percentages of each year's total.

Source: Bureau of Statistics, *Summary of Statistics 1974/75*, Table 183.

TABLE 8. MAJOR SUPPLIERS OF PAPUA NEW GUINEA'S IMPORTS, BY VALUE OF IMPORTS, 1968-1975

Country	1968	1970	1972	1975
	(K'000 f.o.b.)			
Australia	78,108 (54)*	114,332 (54)	141,330 (55)	175,697 (49)
Japan	14,448 (10)	26,393 (12)	38,009 (15)	52,261 (15)
U.S.A.	19,613 (14)	22,556 (11)	20,232 (8)	30,316 (9)
U.K.	7,213 (5)	12,347 (6)	11,415 (5)	13,901 (4)
Singapore	2,616 (2)	5,348 (3)	9,149 (4)	28,100 (8)
Hong Kong	4,583 (3)	5,654 (3)	6,121 (2)	9,198 (3)

*Figures in brackets denote percentages of each year's total.

Source: Bureau of Statistics, *Summary of Statistics 1974/75*, Table 169.

Tables 9 and 10 make abundantly clear Papua New Guinea's strong dependency on Japan and Australia in matters of trade. These two countries, in 1975, supplied 64% of Papua New Guinea's imports and purchased 40% of Papua New Guinea's exports. Papua New Guinea finds itself in the situation, then, that the two countries which provide most of the foreign investment (85%) also purchase the bulk of the exports and provide most of the imports.

Foreign investment in Papua New Guinea since 1969 has been dominated by investment in minerals. Investment in mining and quarrying peaked during the establishment of the Bougainville mine in 1971 and 1972 when it reached K161 million (84% of the year's investment) and K151 million (88% of the year's investment) respectively. The second most important recipient of foreign private investment was the wholesale and retail trade, restaurants and hotels. In the four years 1970-1973, this industry ranked second to minerals in attracting foreign investment. Within this industry, the wholesale trade has attracted the bulk of the investment. From 1969-1974, finance, insurance, real estate and business services emerged as the third area of heaviest investment. This was largely because of a heavy inflow of foreign money into that industry in 1974 (*Summary of Statistics 1973/74*, Table 132).

The heavy preponderance of investment in mining and quarrying, and the uncertainty in the minds of the investors between 1973-75 over the political future of Papua New Guinea, make it difficult to specify with certainty where foreigners are mainly investing, but the Bureau of Statistics figures so far suggest that after mining and quarrying, wholesale and retail, and finance and real estate are the largest areas of foreign investment.

This conclusion is supported by information gained in the 1974 *NIDA Notification Census*. Table 9 outlines the value of subscribed capital owned by foreigners in each industry, and the proportion of the total for each industry.

Table 9 supports the Bureau of Statistics data on foreign investment in that it demonstrates the importance to foreign capitalists of the finance and real estate industry, and the wholesale and retail industry.

TABLE 9. VALUE OF SHARES OWNED BY FOREIGNERS IN EACH INDUSTRY, AND AS A PROPORTION OF THE TOTAL FOREIGN OWNED

Industry	Amount (K'000)	Percentage
Finance, insurance, real estate and business services	48,968	25.7
Wholesale and retail trade, restaurants and hotels	41,281	24.2
Mining and quarrying (excluding Bougainville Copper Ltd.)	32,960	19.3
Agriculture, hunting, forestry and fishing	26,498	15.5
Manufacturing	16,559	9.7
Transport, storage and communication	5,503	3.2
Community, social and personal services	2,980	1.7
Construction	1,154	0.7
Total	170,903	100.0

Source: NIDA Notification Census, December 1974.

The strength of trading capitalism in Papua New Guinea as compared with industrial capitalism and agricultural capitalism is demonstrated again by the fact that the commerce industry according to the most recent figures available (1969-75) has each year recorded the greatest value of depreciable assets, ahead of manufacturing, mining and agriculture (*Summary of Statistics, 1973/74*, Table 26).

The amazing degree of foreign control of Papua New Guinea's productive resources, and the areas into which foreign investment have been flowing, ensure that Papua New Guinea will remain deprived of basic industries and will remain a supplier of complimentary products (exotic agricultural products and minerals) and a recipient of manufactured products. Within this framework, the independent state, itself dependent if not for its survival then at least for its popular credibility, on the Australian state, can be seen to have behaved with almost perfect predictability.

THE INDIGENOUS BOURGEOISIE

The actions of Papua New Guineans to retain, regain and attain control over productive resources have been many and various. On the Gazelle, the Mataungans moved to occupy plantations in 1972, but this form of action was rare. The degree of land alienation experienced in the Gazelle was only similarly experienced in the urban areas of Papua New Guinea. In the urban areas, a long and enervating association with colonialism, the weakening of pre-colonial forms of labour mobilisation and control, and a high degree of land alienation, meant that urban indigenes retained control over fewer factors of production than their rural counterparts. Where urban entrepreneurs emerged in successful competition with foreigners, they were met with hostility by foreign capitalists and the state, as the example of the Hanuabada Co-operative (above) illustrates.

In the rural areas (with the notable exception of the Gazelle) land alienation was less extensive, and pre-capitalist societies although heavily undermined by labour-recruiting and indenture, retained their political structure and internal power relations, preserving the kin-based economy and communal ownership of land. The practice of individual usufruct of land, a quite highly structured system of inequalities and a system of repayment of 'favours' through the donation of labour-time, meant that some pre-capitalist leaders were able to enter capitalist market relations from a reasonably secure base. In addition, with the failure of the colonial communal plantation scheme, and of the colonial co-operatives, an essentially indigenous form of business organisation has emerged in the countryside. This is in contradistinction to the towns where the dominant business form, the firm, accompanied colonialism and has, of course, remained after it. But with an economy almost totally dominated by foreign investment, and with state actions described at best as weak and inconsistent, that national urban entrepreneurs of some consequence have emerged at all over the last fifteen years is remarkable.

The first large-scale businesses (other than trade stores and trucks) appeared in the mix-1960s in a few main centres, at a time when no incentives or preferential treatment was given to indigenous businesses. In addition, Papua New Guinean capitalists encountered laws either overtly discriminatory or so stringest in their requirements that indigenous firms were effectively unable to comply with them (see above). Foreign enterprises were assisted under the Pioneer Industries scheme, but even joint ventures were treated with hostility and suspicion (see Morea, 1969:80). As Lubett (1978:12) explains:

> Progress of local businessmen was hindered by administration policies designed to attract foreign capital into Papua New Guinea but without granting preferential treatment or assistance to local enterprise. Established foreign commercial interests also acted to restrict emergent indigenous business to less profitable areas and activities.

Nonetheless, a number of businesses did emerge and by 1966 the biggest indigenous businesses were the following:

TABLE 10. LARGE INDIGENOUS BUSINESS ENTERPRISES, 1966

Name	Shareholders	Subscribed capital ($)	Annual turnover ($)
Palnamadaka	114	23,026	38,400
Namasu	6,000	225,000	1.7m
Waso	446	38,000	27,485
Mirikuro Transport	2	--	117,010

Source: O. Oala-Rarua (1969:41-42).

Problems of capital accumulation remain particularly acute for the emerging bourgeoisie, but were relieved to some extent by the creation of the Development Bank in 1967 which followed on the World Bank visit in 1964. Since the creation of the Development Bank, the number of Papua New Guinean businesses has increased, and between 1970 and 1975 the rate of increase equalled that of foreign firms, rising from 1,900 to 2,800 (*Summary of Statistics, 1973/74, 1974/75*, Table 27). While the proportion by number of Papua New Guinean companies is high, and stood at about 80% in 1975, in terms of share ownership the picture is far less reassuring. Less than

10% of the value of shares owned in Papua New Guinea were owned by Papua New Guineans in 1974 (*NIDA Notification Census*).

Papua New Guinean businesses cover a number of areas and are particularly diverse in the service sector which includes such things as electrical, plumbing and painting contracting; motor vehicle, boat, bicycle, radio, watch and boot and shoe repair services; car hire and driving tuition; pest control and office cleaning; restaurants and coffee shops; squash courts, men's hairdressing and lawnmowing. Manufacturing is less diverse but includes metal fabrication and the manufacture of water tanks, plastic bags, small boats, clothing, fibreglass goods, furniture, concrete bricks, footwear, bicycles and soap. Papua New Guineans are more heavily involved in the wholesale and retail trade, sea, air and road transport and craft industries. Like Australian merchant capitalists, indigenous businessmen are active in the plantation sector, acquiring copra, cocoa, coffee and tea plantations. They have also moved into coffee and copra-buying and processing, and poultry and cattle raising. Fishing and vegetable growing are activities which have successfully made the transition from simple to capitalist commodity production (Lubett, 1977:27-28).

This range of business activities belies the concentration of Papua New Guinean business interests. Seventy-five percent of the 2,800 registered Papua New Guinean businesses in 1975 were involved in commerce (*Summary of Statistics 1974/75*, Table 27), and an examination of the industries in which the K16 million worth of shares that Papua New Guineans owned in 1974 were held, reveals a similar picture.

TABLE 11. VALUE OF SHARES OWNED IN EACH INDUSTRY AS A PERCENTAGE OF TOTAL PAPUA NEW GUINEAN SHARE VALUE

Industry	Percentage
Finance, insurance, real estate and business services	38
Wholesale and retail trade, restaurants and hotels	31
Manufacturing	17
Agriculture, hunting, forestry and fishing	7
Transport, storage and communications	4
Community, social and personal services	2
Construction	1
Mining and quarrying (excluding Bougainville Copper Ltd.)	0

Source: NIDA Notification Census, December 1974.

Papua New Guineans, in terms of their share ownership, seem to place importance on the same industries as foreigners (compare Table 9). Finance and real estate led the way for Papua New Guineans (and foreigners), followed closely by wholesaling and retailing. Together, these two industries accounted for more than two-thirds of Papua New Guinean share ownership in 1974. Agriculture and manufacturing, however, attracted less than one-quarter.

Indigenous capitalism in the urban centres scarcely in existence more than a decade, is extremely weak in comparison to foreign capitalism, and is concentrated in essentially non-productive areas such as real estate and trading.

Capitalism in the rural areas, on the other hand, is based essentially in productive areas, particularly cash-cropping. The decline of co-operatives particularly in the Highlands, did not mean a decline in cash-cropping. To the contrary, as the co-operatives' phase came to an end, a new state policy was underway, based on the individual farmer. This was accompanied by a strengthening of state rural extension services, and at last, the provision of money-capital to successful indigenous farmers through the state's Development Bank.

Just as had occurred in the Gazelle under the Germans, the introduction of cash-cropping in the Highlands led to the emergence of a large number of peasants increasingly dependent on the market for their livelihood. Within this new peasantry significant divisions have emerged based on pre-peasant differences, and on the degree to which individual peasants have been able to gain access to state-controlled finance and knowledge, such that in the Eastern Highlands at least, a rich peasant class has emerged (Donaldson and Good, 1978a).

The rich peasantry, a vital and aggressively accumulating (and certainly not a 'terminal') class, is characterised by its control over productive resources (notably coffee, trees, land, coffee-processing equipment), by its income and by its political action through the local state. Dynamic as this newly emergent class is, the leading elements have moved beyond even this by developing a new form of business enterprise, the development corporation. The rich peasants arose by the successful mobilisation of factors of production through kinship and clan obligations, the development corporation, while still utilising traditional linkages, has transcended them. Like the co-operatives, the development corporations have succeeded in mobilising rural capital in the form of share contributions by village people. Unlike the co-operatives, the limitation of share acquisitions by individuals does not generally exist. Nor is democracy a feature of the development corporations. Shareholders' meetings appear to be almost non-existent, and very few corporations have yet paid a dividend, two conditions that could not have prevailed under the state-supervised co-operative system.

The actual running of the corporations is in each case in the hands of a very small group of local (and national) influentials, who generally employ foreign business expertise to advise on technical questions. The number of prominent national and provincial level politicians on the boards of directors (e.g. John Kaputin, Barry Holloway, Akepa Miakwe, Sailas Atopare, Iambakey Okuk, Iyape Noruka) facilitates access to state benefits and protects the corporations from state sanctions (e.g. for paying workers less than the rural minimum wage).

The rural base of the corporations has usually been much broader than the base of the average co-operative, members (to use the Eastern Highlands as an example) being drawn from a whole census division (Bena), council area (Asaro-Watabung), or district (Kainantu). Unlike co-operatives, the development corporations have been successful in attracting the expertise and skills necessary for the efficient running of their businesses, and have managed to compete for these scarce resources against foreign competition. One corporation, the business arm of the Kainantu Local Government Council, has succeeded in asserting a strong degree of national economic control in the Kainantu area. The corporation was established to break the monopoly of foreign traders in Kainantu town, and to force non-competitive prices down. So successful has it been in this endeavour that it has now bought out a number of foreign retailers, and is itself the largest business group in the town.

As can be seen above, fixed assets for the average co-operative stood at K6,000 in 1973. Table 12 outlines some information on some of the corporations. In terms of assets, it is clear that the corporations on average owned assets more than 100 times more valuable than the average co-operative.

In addition to the corporations listed in Table 12, there exists still more — in the Eastern Highlands, the Asaro-Watabung Rural Development Corporation, and the Yagaria Rural Development Corporation; in the Gazelle, New Guinea Islands Produce Ltd. (profit 1974/75, $244,000); and in Bougainville, the Bougainville Development Corporation (annual turnover, K7 million).

TABLE 12. DEVELOPMENT CORPORATIONS AND ASSETS

Name	Value of assets (K)	Initial private capital mobilised*
Gouna Corporation	1,002,000	125,000
Bena Corporation	n.a.	50,000
New Guinea Development Corporation	500,000+	125,000
Kainantu Local Government Council Development Corporation	600,000	n.a.

*Excludes state assistance, or bank finance.

Source: Donaldson and Good (1978a:14-15); Mortimer (1979).

The basis of the development corporations (with the exception of the Bougainville one), is the ownership of plantations: N.G.D.C., two; Gouna, three; Bena, nine; Kainantu L.G.C., six; Asaro-Watabung, one. Unlike the big farmers, then, the controllers of the corporations have leasehold or freehold land much larger in size than average peasant holdings. They are thus in a position to employ more sophisticated agricultural techniques and technology on their farms than the average grower, and are also able to use them as collateral for the acquisition of bank loans. Almost all the development corporations have moved beyond cash crop production into, to use the example of Gouna, cash crop processing, real estate, shops and food processing.

During the coffee boom of 1976, deposits in commercial banks' personal savings accounts rose by K3.5 million in the Highlands; in the Eastern Highlands investment in savings and loans societies rose by K1 million; and an estimated K8 million of the coffee income was spent on beer (Townsend, 1977:422). This suggests that, at least in the Highlands when coffee prices are good, there exists capital with 'nowhere to go'. The existence of surplus capital in the Highlands is further evidenced by the recent investment by Gouna in real estate in Port Moresby, and the suggestion by the Eastern Highlands Provincial Government business arm that it invest in real estate on the Gold Coast.

But, despite the diversification undertaken by the development corporations and the present surplus capital in some parts of Papua New Guinea, no corporation has yet made the jump from production for export and the circulation of imports, to manufacturing.

CONCLUSION

The only real measure of the size and strength of the indigenous bourgeoisie in this paper has been its ownership of shares, a rather inadequate measure, since what proportion of these shares are shares in Papua New Guinean businesses, and what proportion are shares in joint ventures remains unknown. A group of capitalists who own a mere 10% of the shares in the businesses in their own country are powerless enough, but when it is considered that some (presumably large?) proportion of these shares are minority holdings in foreign businesses, they are revealed as even more powerless, i.e. as essentially comprador. In addition, the areas in which they invest are essentially unproductive areas. Commerce, finance and real estate do not create jobs, nor do they increase the wealth of the nation. These areas of investment are essentially non-productive, being concerned more with the circulation of already existing wealth than with the creation of products either for the domestic market or for export.

Against the powerlessness of the urban bourgeoisie, the recent gains in terms of capital accumulation by the rural development corporations have been most striking. Apart from their obvious (and determining) dependence on the world market, the rural capitalists have the far greater opportunity to develop with some degree of independence from foreign capital, and if a truly national (as opposed to comprador) bourgeoisie is to develop in Papua New Guinea its roots will be in the Highlands and Islands, not in Lae or Port Moresby. But to date the basic (and classic) comprador/national split has scarcely been articulated in Papua New Guinea politics, although it did look for a time as if the Peoples Progress Party under Julius Chan was developing an essentially comprador line.

In terms of fractions within the Papua New Guinean bourgeoisie, the numerically strongest fraction is the commerce fraction. Papua New Guinean businesses are overwhelmingly in commerce, with some representation in agriculture and manufacturing, but with very little in minerals and finance. These divisions have not been articulated at all, since the main political groupings of the fractions (Chambers of Commerce, Employers Federation, etc.) remain dominated by foreigners, although Papua New Guineans are involved in them.

But even more crucially, not only have the fraction and comprador/national divisions not been articulated, the indigenous bourgeoisie itself has no political voice at all. In other Third World situations, the aspirations of the indigenous bourgeoisie are articulated through political parties. For a number of reasons this has not occurred in Papua New Guinea. On the other hand, the foreign capitalists in Papua New Guinea have been quick in their attempts to suggest to national businessmen their common interests, for example, Papua New Guineans are presently on the Employers Federation and the Chairman of the Goroka Chamber of Commerce is also a Papua New Guinean.

Papua New Guinean businessmen have been quick enough to utilise effectively local and provincial level political organisations (for example, the ruling party in Port Moresby City Council, the Workers Pressure Group, largely contains prominent national businessmen, and the Interim Provincial Government in the Eastern Highlands was dominated by rich peasants [see Donaldson and Good, 1978b]), but no consciousness of the businessmen as forming a separate class with national interests has so far developed.

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