



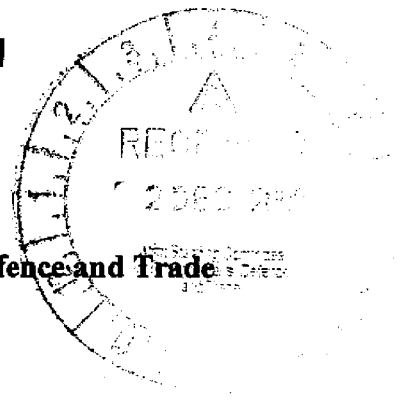
Submission No 61

Inquiry into Australia's Relations with Indonesia

Organisation: Mineral Policy Institute

Contact Person: Mr Igor O'Neill
Information Officer

Address: PO Box 89
ERSKINEVILLE NSW 2043



**Submission to the Joint Standing Committee on Foreign Affairs, Defence and Trade
Inquiry into Australia's Relations with Indonesia**

Submission made by The Mineral Policy Institute

The organisation making this submission, Mineral Policy Institute, is an Australian non-government organisation concerned with the rights of communities and indigenous people, and also concerned with the importance of conserving remaining forests and other natural ecosystems. The Mineral Policy Institute has special expertise in the area of mining policy, and monitors the activities of Australian mining companies both within Australia and in neighbouring nations such as Indonesia.

We are concerned to hear of the pressure to revise the Indonesian Forestry Law of 1999, being brought by the Australian government as explained in a letter from Australia's Foreign Minister Alexander Downer (dated 9 May 2002). This law wisely prohibits open cut mining operations in Indonesia's protected forest areas. We are also disturbed to hear of what are in essence threats from Australian mining companies to "punish" Indonesia by withdrawing investment and by threatening international arbitration if the Indonesian Government does not agree to permit mining in protected forests.

This paper makes the argument that mining, including the mining projects currently conducted or planned by Australian mining companies, does not contribute beneficially to the development of Indonesia. Indeed, at each of the Australian-run mines in Indonesia there are significant problems in terms of one or more of non-recognition of indigenous rights to land management and ownership, other basic human rights violations including violence against local communities, and severe problems with environmental protection. These problems have been amply and specifically documented in the media and in publications by many non-government organisations including the Mineral Policy Institute, and will not be re-iterated here. The Mineral Policy Institute encourages the committee to read the material available on the matter, some of which is attached in appendices.

The relevance of these problems to the Joint Standing Committee on Foreign Affairs, Defence and Trade is twofold: firstly, it is submitted that Australia is morally and politically responsible for the actions of its nationals, including companies, when they are abroad, and that the political reality is that these actions are Australia's concern as far as they impact relations between Australia and Indonesia.

Secondly, it is a matter of record that it is the policy and practice of the Australian Government and its staff in Indonesia to promote mining to the Indonesian government and to facilitate the activities of Australian mining companies operating in Indonesia. It is submitted that these lobbying activities by the Australian government are certainly not in the best interests of Indonesia since Australian-owned mining activities have not been a net benefit to Indonesia; nor in the end do they serve Australia's long term interests because of the inevitable political repercussions of human rights abuses and environmental destruction by Australian companies.

A key current issue is cited to provide context for these arguments; it is the current decision facing the Indonesian government regarding the Australian mining industry's call to be allowed to mine in Indonesian protected areas, including protected forests, national parks, and other such areas.

There are differences within the Indonesian government on the matter. The call to overturn the ban on open-cut mining in protected areas is publicly championed by the State Minister for the Acceleration of Development in Eastern Indonesia, Manuel Kaisiepo. The Minister was reported in the *Jakarta Post*, September 28, 2002 as rejecting the ban because of fears it would jeopardize some 39 mining operations in protected areas in Eastern Indonesia. The *Jakarta Post* reported a week later on October 7 2002 that Cabinet had subsequently decided to bypass the ban on mining in protected areas in the case of 22 mining companies, "in a bid to promote economic growth in the eastern part of Indonesia".

Eastern Indonesia can be pictured as forming one side of a triangle of mineral resources, with the other two sides made up of Western Papua New Guinea and Northern Australia. The mines in the west of PNG are OK Tedi and Porgera gold/copper mines, built by BHP Billiton and Placer Dome respectively. Northern Australia is home to the Jabiluka uranium mine project, owned by Rio Tinto. The experiences of these two sides of the triangle are directly relevant in policy terms to the future of mining in Eastern Indonesia.

PNG's Ok Tedi and Porgera mines dump hundreds of thousands of tonnes of mine waste into the same river system daily. The result is an ecological and human disaster which will last for generations, the Ok Tedi river fishery destroyed and forest, food gardens and sago smothered for hundreds of kilometers along the river. Both BHP Billiton and Placer say they have learned their lesson and will never again build river-dumping mines. But have they really learned? Turning to Eastern Indonesia we see that the very same BHP Billiton has begun work on a huge nickel mine in the protected forest area of Gag Island, and plans to dump a staggering volume of dangerous mine sludge directly into the ocean via a controversial dumping method called Submarine Tailings Disposal.

In Northern Australia we see another case of a mineral project in a protected area. Rio Tinto's Jabiluka uranium mine is located in the middle of World Heritage listed Kakadu National Park. Jabiluka is opposed by the indigenous landowners and, according to newspaper polling, also opposed by the majority of Australians. In an encouraging response, Rio Tinto has announced that they will not develop the mine in the foreseeable future. But crossing over to Eastern Indonesia, there is no such reticence from Rio Tinto, who hold mining leases over two protected areas, the Palu gold prospect in Poboya Great Forest Park and a share in Freeport's mining lease over World Heritage listed Lorez National Park. Like Jabiluka, the Palu mine is opposed by indigenous locals. A Rio Tinto double standard? Clearly.

Mining is an exciting, larger than life enterprise, long ago assuming folklore status as the incentive for which the Australia and North America's "wilderness" was opened up by

newly arrived Europeans. This folklore is behind the idea that mining was the economic engine that drove the early development of the US, Canada and Australia, and even that mining continues to underpin current prosperity. There were resource booms early in the development of North American and Australian economies, and these countries are now wealthy. Indonesia is similarly mineral rich, so the suggestion is made that an effective solution to poverty and rapid path to sustainable development can be paved with Indonesia's gold, nickel and coal exports. This "mining-for-development" argument is made by lobbyists for the mining industry in Indonesia, where the major players are not coincidentally from North America and Australia.

Enter Thomas Michael Power, Professor and Chair of the Economics Department at the University of Montana, with a study published in September 2002, entitled "Digging to Development? A Historical Look at Mining and Economic Development", commissioned by Oxfam America. Professor Power doesn't need to rely on his nearly 30 years study of the economics of mining to cut through the flawed logic of "mining-for-development", observing that a sequence of events does not prove causality. Power argues that it was the rapid development of robust political institutions, technological improvements, value-adding industries and large domestic markets protected by geography and trade restrictions which allowed these nations to beneficially exploit their mineral reserves. The sustainable economic development flowed as benefits of these circumstances, rather than from mining. Indeed, the actual richness of mineralisation was of minor significance, many of the exploited deposits being very low grade ore. It is interesting to note that Australia's economic development continued at a rate unaffected by several resource booms and busts, and that our neighbour New Zealand's economy developed at much the same rate as Australia's despite having an insignificant mining sector.

A key question is therefore whether resource-rich nations such as Indonesia can exploit their resources as a springboard to development, as Australia is said to have done. The problem is that the circumstances just aren't the same - today's global economic system is almost unrecognisable from the days when the US, Canada and Australia began their economic development booms. Transport costs have plummeted. Global economies mean mines all over the world compete on a computerised global commodity market. Indonesia exports much of its minerals as the most basic ore concentrates or as semi-processed minerals, ie as raw commodities. In the great tradition begun by the Dutch VOC, riding up in the captain's cabin of the ships ferrying copper, coal, nickel and gold out of Indonesia, is the vast bulk of the profits of mining. It's heading straight into the pockets of developed nation lending banks and mostly non-Indonesian company shareholders, so unlike in the case of developing era Australia and North America, it not being reinvested in Indonesia.

Where do Indonesia's raw materials end up? After providing feedstock and fuel for factories from Germany to Japan, they do eventually make their way back into Indonesia, as value-added products like stainless steel and copper wiring, but at vastly higher prices, contributing to Indonesia's foreign exchange deficit.

The fallacy of the “mining-for-development” model is highlighted by the fact that at least half of today’s richest 25 nations by per capita income are resource poor, and we need look no further for examples than Indonesia’s wealthy neighbours: Japan, Hong Kong, Korea and Singapore. At the other end of the scale of nations’ wealth, the phenomenon known as the resource or mining “curse” can be clearly seen. Harvard economists Jeffrey Sachs and Andrew Warner studied 95 countries over 20 years, finding that the higher the dependence on natural resource exports, the slower the growth rate in GDP per capita. This finding arises again and again, for example in the findings of economic geographer Richard M. Auty of Britain’s Lancaster University, whose analysis of 85 countries between 1960 and 1993 found small hard rock mineral exporting countries actually had negative growth between 1970-1993 (-0.2 percent per year), and that regardless of size, mineral-driven resource-rich countries were among the poorest economic performers.

Several explanations of causes point to an over-emphasis on investment in natural capital over human and physical capital, eg too much money diverted to mining instead of education, technology or transportation. The World Bank’s own studies produce similar results, which is one reason why the World Bank is currently conducting a review of its support for mining, headed up by Indonesia’s own Dr. Emil Salim.

Most relevantly for the sustainable development of Eastern Indonesia, Professor Power cites literature showing that the negative symptoms of the “resource curse” appear strongest at the local and regional level, and even applies in the modern US; mining dependent regional economies there overwhelmingly tend to suffer increased regional inequality, unemployment, and poverty. It is at the local level that the greatest negative environment and social impacts are felt, coupled with local economic depression after mining ceases. In summary, there is no evidence to support the argument that mineral exports can be a major force in Indonesia’s overall development, nor in poverty alleviation or the development of Eastern Indonesia’s regional economies.

It is hoped that these unfortunate facts will not go unheard in Australia’s, and particularly Indonesia’s government decision-making process. But it will be hard to consider it all over the deafening cries of the mining industry lobbyists. The lobbyists come in various guises, and not all declare who they’re lobbying for. In fact, governments of developed nations don’t seem to have done their homework and are still helpfully promoting mining as a means of poverty alleviation and a path to sustainable development for Indonesia.

Here we come to Australia’s foreign policy intervention, of key importance to the Joint Standing Committee on Foreign Affairs, Defence and Trade. In accordance with Australian Foreign Minister Downer’s policy, Australian Embassy staff in Jakarta are lobbying on behalf of Australian based multinational mining companies to have access to mine in Indonesia’s protected forest areas. It is claimed that this mining will be good for Indonesia. But whose interest does this really serve?

The Indonesian Mining Association represents the interests of multinational mining companies in Indonesia, including Australian/British Rio Tinto and BHP Billiton, Canada’s Placer Dome and INCO and US-based Freeport and Newmont. In its January

newsletter this year, the Indonesian Mining Association outlined ongoing lobbying efforts to overturn the ban on open-cut mining in protected areas. This intervention goes as far as a special mining industry team formulating proposed text to become Indonesian law. However, the mining industry would rather avoid a public debate on the issue, noting that while it is lobbying hard behind the scenes, "in view of the high political sensitivity of the subject it is advisable that IMA play a low key in the press" and specifically warning that "IMA members refrain from making too much public statements on the revision". It can therefore be seen that Australian mining companies are actively engaged in attempts to diminish environmental protection laws in Indonesia, a matter which should be of the utmost interest to the Joint Standing Committee on Foreign Affairs, Defence and Trade.

A broad coalition of Indonesian civil society groups have already made their case in the national media that the value of protected areas outweighs the importance of mining in these areas. This coalition comprises Indonesia's most respected expert organisations on conservation, forestry, and mining, including World Wide Fund for Nature Indonesia, Kehati, Forest Watch Indonesia, Indonesian Mining Advocacy Network, Indonesian Forum for the Environment, Pelangi, and the Indonesian Centre for Environmental Law. And just like the Australian "wilderness" opened up by mining, Indonesia's protected areas are not uninhabited, but actually home to indigenous people and other communities. Their voices must be heard, such as the indigenous people resident in and around the Poboya Great Forest Park, 245 of whom have signed a declaration stating their opposition to Rio Tinto's plan to mine gold on their land in the Poboya Great Forest Park (attached). The views of Indonesian and Australian civil society groups and local communities should play a more important role in policy making. It is hoped that the Australian Government will re-assess it's policy after examining these points of view.

Recommendations

Australian government policy towards Indonesia should consider the real interests of Indonesia, not short term gain for Australian business, particularly not at the cost of environmental protection and human rights. This is because it is only through mutual respect that Australia and Indonesia can forge a strong relationship which will ensure the cooperation and security of both parties in the long term.

Therefore, mining in Indonesia as presently conducted by Australian companies should not be supported with assistance of any kind, through the Australian Export Finance and Insurance Corporation, nor by facilities and lobbying from the Australian Embassy staff in Australia, or by any other Australian Government activity.

Apart from reforming it's own foreign policy and lobbying efforts by Australian diplomatic and trade staff in Indonesia, there are practical steps that the Australian government can take to ensure the operations of Australian companies in Indonesia do not jeopardize relations between the two countries, by respecting basic international environment, labour and human rights standards, and other measures. Many of these

means have been embodied in the Corporate Code of Conduct Bill 2000, tabled by Senator Vicki Bourne.

The Australian government is encouraged to debate and pass the Corporate Code of Conduct Bill 2000 as soon as possible.

Finally, we would like to thank the Committee for the opportunity to make a submission, and to indicate we are willing to elaborate on this submission or answer questions in a hearing if the Committee deems this to be of assistance.

Sincerely,
Igor O'Neill, Information Officer for the Mineral Policy Institute, November 2002.

Please see attached appendices for relevant explanatory articles and examples of mining related activity by the Australian government and Australian companies in Indonesia.

Contact:
Igor O'Neill
inform@mpi.org.au
PO Box 89,
Erskineville NSW 2043
Phone 02 9557 9019

APPENDIX 1

Poboaya, 28 June 2002

Re: Rejection of Gold Mining in Poboaya
Attachments

Dear:

1. Indonesian House of Representatives (DPR-RI);
2. President of the Republic of Indonesia;
3. Indonesian Minister of the Environment;
4. Indonesian Minister of Energy and Mineral Resources;
5. Indonesian Minister of Forestry;
6. Indonesian Minister of Eastern Area Development;

OUR INDIGENOUS LANDS ARE NOT FOR GOLD MINING!!

We hold the government plans to change the status of Poboaya, our indigenous lands located just east of Palu, into a gold mining area as a future disaster for us. We have come to this conclusion based on the reality that the mining industry wherever they operate have always caused bad impacts for the community and surrounding environment. We regard the experiences of the Kelian community with the PT KEM operations, the Buyat Bay community with the PT Newmont Minahasa Raya operations and the Amungme community with the PT. Freeport operations and many other mining cases elsewhere too numerous to mention as experiences of human rights violations, sexual abuses and environmental and ecosystem destruction that we do not want to happen to us. Experiences in several areas mentioned above are evidence, whether hidden or highlighted, that community rights have been alienated and the environment has been destroyed by the mining industry.

For this, we **the Poboaya community**, whose lands have been under exploration phases three times with the drilling of forty-one test pits state that:

1. Gold mining plans by PT. CPM, having received approval from the government, mainly the central government, will take over our lands and forests that we have wisely managed. We, the communities, who will certainly feel the impacts from this mining, among others are from the villages and settlements of Tondo (especially Vatutela), Lasoani, Kavatuna, Ngatabaru, Tanamodindi as well as the whole city of Palu.
2. The aspects of the proposed gold mining project have never been made known to the community as owners and managers of the forest nor has the project ever received approval from these groups. Because of this, we firmly state that **WE, THE POBOYA COMMUNITY REJECT THIS GOLD MINING !!!**

3. The forest area being proposed to be turned into a gold mining area by PT. CPM and the government, once again are our lands, the lands of the local community. These lands have been wisely managed for a long time, long before the government designated the area as a Forest Park area. For as long as we have managed this forest, there has been no environmental destruction as a result of being managed based on our cultural wisdom. With the existence of the gold mining project, the community in and around the forest will certainly lose access to their forest and natural resources, only to be taken over by gold mining interests. Other than that, the area that will become the mining project area is one of the main suppliers of drinking water for the community in the Palu Valley. With the existence of this gold mining project, the community that generally lives in the Palu Valley will be threaten with a lack in drinking water. For this, once again, we firmly state **WE REJECT THE GOLD MINING PROJECT BY PT. CPM OR OTHER MINING COMPANIES!!!**
4. As communities dwelling in and around the forest area that is planned to be turned into a gold mining area, call on all NGOs and community-based organizations to immediately protest this gold mining project;
5. **OPPOSE** all efforts by the government, PT CPM and others who are forcing their will and/or are trying to moderate the community into accepting this gold mining project.
6. **STRONGLY PROTEST** the position of the central government that is taking into account more the interests of finding profits, for the government and for PT. CPM, rather than considering the interests of the community, as owners and managers of the forest. Changing the status of the forest area will take away the rights to life of those living in and around this area because it is this forest that has up until now provided life for us.
7. Call on all communities in the city of Palu and Central Sulawesi as well as the national and international public to support our position.

This protest statement has been drafted for the attention of all parties, mainly the government, PT. Citra Palu Mineral and/or other companies. (Signatures Attached)

cc'd:

1. Governor, Head of Central Sulawesi Level I
2. Head of Central Sulawesi House of Representatives
3. Mayor, Head of Palu Area Level II
4. Head of Palu City Local House of Representatives
5. Head of Central Sulawesi Local Environmental Impact Control Agency (Bapedalda)
6. Head of Central Sulawesi Natural Resources Conservation House (BKSDA)
7. Head of Tadulako University Environmental Study Center
8. PT. Citra Palu Mineral/PT. Rio Tinto

9. PT. Newcrest
10. WALHI and all NGO networks
11. Mining Advocacy Network (JATAM) National Secretariat in Jakarta
12. Head of Agrarian Reform Consortium Implementation Body (BP-KPA) in Bandung;
13. Participative Mapping Working Network Secretariat (JKPP) in Bogor;
14. Community Forest System Support Secretariat (KPSHK);
15. Community Advocacy and Study Foundation (LSAM);
16. Indonesian Legal Aid Foundation (YBHI);
17. Indonesian Legal Aid Union (PBHI);
18. KEHATI Indonesia;
19. All Indonesian Agrarian Reform and Peasant Movement Networks;
20. All Indonesian Indigenous Organizations;
21. National and local media;
22. Archives

Following are the names of the Poboya community who signed the statement rejecting mining in the Poboya Forest Park area:

1. Abd. Rauf
2. Umbas
3. Arjun
4. Asrudin
5. Hikmat
6. Sarjun
7. Abdul Karim
8. Asrun
9. Ajaliman
10. Nirtan
11. Adi
12. Fadlin
13. Ece
14. Roi
15. Tiar
16. Rahma
17. Amin
18. Sisnawati
19. Herman
20. Haizah
21. Syam
22. Manzal
23. Hamza
24. Tamin
25. Rina
26. Bahkar
27. Amrin
28. Gafur
29. Hamran
30. Suhpi
31. Udin
32. Sai'un
33. Eru
34. Opa
35. Lan
36. Pardi
37. Jamal
38. Rustam
39. Bakri
40. Jabir
41. Adlan
42. Arif
43. Irfan
44. Amir
45. Ibrihia
46. Lahama
47. Santi
48. Mamat
49. Risdal
50. Pato
51. Manjal
52. Lamente
53. Isi
54. Lalna
55. Indoaha
56. Masna
57. Amaria
58. Naima
59. Adrusi
60. Nurni
61. Mariani
62. Phian
63. Lahibi
64. Kudusia
65. Ari ati
66. Ida
67. Firman
68. Amiasa
69. Asna P.
70. Isman
71. Hadijah
72. Mariam
73. Erlian
74. Ida H.
75. Saona
76. Asmina
77. Rusunia
78. Fani
79. Raflin
80. Dewisusanti
81. Zulfina
82. Budiman
83. Hamza
84. Ipa
85. Ramli
86. Yuli
87. Mu'mini
88. Dewi
89. Halima
90. Harusu
91. Nirwan
92. Habiba
93. Nur Linda
94. Nur Hidayat
95. Anuar
96. Bahtiar
97. Asrar
98. Yamin
99. Iri
100. Guntur
101. Mansur
102. Afan
103. Ismawati
104. Nurdiana
105. Taofan
106. Amsan
107. Aslia
108. Robin
109. Caria
110. Noria
111. Siti Arpa
112. Hamante
113. Ariana
114. Habir
115. Zaidar
116. Andi Ohan
117. Epriani
118. Onding
119. Djatun
120. Isa
121. Djafar
122. Aspian
123. Tapu
124. Zulfian
125. Cora
126. Erlin
127. Erni
128. Rosdia
129. Siska

- | | | | | | |
|------|-----------|------|------------|------|---------------|
| 130. | Reliana | 176. | Doalin | 222. | Ikzan |
| 131. | Tamrin | 177. | Mina | 223. | Zaman |
| 132. | Djaho | 178. | Latinggi | 224. | Yan |
| 133. | Nur Faina | 179. | Ajot | 225. | Mamad |
| 134. | Isran | 180. | Ibnu | 226. | Aswin |
| 135. | Banti | 181. | Suni | 227. | Dian |
| 136. | Djoharia | 182. | Iru | 228. | Nur Aiman |
| 137. | Musman | 183. | Aspar | 229. | Bayu wansa |
| 138. | Andi Lima | 184. | Nesi | 230. | Abdul Razak |
| 139. | Andi tani | 185. | Dasa | 231. | Ismet |
| 140. | Siti Ria | 186. | Aji | 232. | Aci |
| 141. | Pati Ria | 187. | Jatuh | 233. | Romli |
| 142. | Nisman | 188. | Isa | 234. | Aco |
| 143. | Hasyim | 189. | Lian | 235. | Udin |
| 144. | Obing | 190. | Nona | 236. | Amir |
| 145. | Renal | 191. | Candra | 237. | Yayan |
| 146. | Agus | 192. | Nisama | 238. | Riantowe D.P. |
| 147. | Dewi | 193. | Nasir | 239. | Azidar |
| 148. | Henro | 194. | Ifan | 240. | Ifagarini |
| 149. | Tira | 195. | Pati | 241. | Nana |
| 150. | Wining | 196. | Ila | 242. | Anda |
| 151. | Mulia | 197. | Rizal | 243. | Bakir |
| 152. | Afriani | 198. | Rustam | 244. | Andi Gala |
| 153. | Jerman | 199. | Sofian | 245. | Rul |
| 154. | Damlan | 200. | Marwani | | |
| 155. | Maidi | 201. | Zulfian | | |
| 156. | Sici | 202. | Hendarmah | | |
| 157. | Laku meja | 203. | Abdullah | | |
| 158. | Sanisa | 204. | Raden | | |
| 159. | Daru | 205. | Hery Yani | | |
| 160. | Risna | 206. | Eman | | |
| 161. | Didid | 207. | Rosneni | | |
| 162. | Romi | 208. | Ruslin | | |
| 163. | Hamu | 209. | Hasismi | | |
| 164. | Talo | 210. | Hala Wiya | | |
| 165. | Nining | 211. | Irsan | | |
| 166. | Darma | 212. | Nur'Aiman | | |
| 167. | Dayat | 213. | Harira | | |
| 168. | Far | 214. | Nur Fianti | | |
| 169. | Muhaeni | 215. | Marlina | | |
| 170. | Disa | 216. | Rafian | | |
| 171. | Masna | 217. | Zainal | | |
| 172. | Ridwan | 218. | Mida | | |
| 173. | Masani | 219. | Fadlina | | |
| 174. | Lili | 220. | Ain | | |
| 175. | Nuri Yani | 221. | Zulfatma | | |

mining

monitor

reporting on the mining and energy industries

Volume 7
Number 2
June 2002The journal of the
Mineral Policy Institute

Embassy ignored killings at Indonesian mine

The Australian government has defended Embassy officials in Jakarta who lobbied Indonesian security forces and officials to deal with 'illegal miners' at an Australian-owned mine. In three separate incidents after the lobbying commenced, two people have been killed and another five injured.

Controversy over the lobbying activities of Australian Embassy erupted after the shooting incidents by the notorious Mobile Brigade (Brimob) – in June 2001, August 2001 and January 2002 – at the Mt Muro mine owned by the Perth based company, Aurora Gold.

Aurora Gold – and its predecessors – have encountered local opposition to large scale mining over concerns about the obliteration of traditional small scale mines, past abuses by security forces and pollution.¹

Aurora's Chairman, Rory Argyle, has acknowledged that the collapse of the Indonesian economy has forced many people to turn to what the company calls 'illegal mining' as 'a means of survival'.² However, Aurora's economic survival was also tied to the Mt Muro mine, its only source of cash.

In answers to parliamentary questions by Australian Greens Senator Bob Brown, the Minister for Foreign Affairs, Alexander Downer, revealed that since November 1999 Embassy officials in Jakarta have worked with Aurora Gold representatives in lobbying Indonesian officials and security forces to eject illegal miners entering the Mt Muro mine.



Australian Minister for Foreign Affairs, Alexander Downer. Photo: Bob Burton.

Downer insists that the Embassy officials stressed that the difficulties Aurora – a signatory to the Minerals Council of Australia's voluntary Code for Environmental Management – was having with 'illegal miners' should be resolved 'in a peaceful manner'.³

Despite Embassy officials being aware of the deaths and injuries from the military crackdown, no inquiries were made of either Aurora or Indonesian police until after Senator Brown asked a series of questions in February 2002.

In October 1999 IMK unsuccessfully urged authorities to 'take control of illegal mining and unrepresentative groups'.⁴ Aurora then turned to Australian Embassy officials. On 2 November 1999 Aurora Gold representatives briefed the then Australian Ambassador, John McCarthy, about their concerns. Just over two weeks later, McCarthy met the Indonesian Minister for Mining and Energy to discuss concerns of Australian mining companies, including Aurora's 'prob-

lems with illegal mining'.⁵

A follow up meeting was held on 2 March 2000 in Jakarta with the Governor of Central Kalimantan, the Bupati (regent) of the local regency, police and military officials. Embassy staff also attended 'as observers, at the request of Aurora Gold'. According to Downer, Embassy staff 'highlighted the damage to investor confidence in Indonesia if the Government was unable to honour contracts of work and resolve the Mt Muro dispute'. The following day Aurora welcomed assurances from Indonesian government officials that 'illegal' miners would be removed.⁶

On 25 May 2001, Richard Smith – who had taken over from McCarthy as Ambassador in January 2001 – visited the Mt Muro operations 'at the invitation of Mr Joe Ariti, President Director, Aurora Gold Indonesia'.⁷ Smith addressed a meeting of provincial government officials and, according to Downer, stressed 'the importance of upholding the law, including

In this issue

'Socially responsible' climate change? _____	4-6
SRI funds worry miners _____	7
Coming clean with Old King coal _____	8-9
SRI advisers rely on media to ring alarm bells _____	10
Bringing it back home _____	11

laws relating to illegal occupation of mining leases and theft, at Australian-owned mining operations in Indonesia to ensure an environment in which Australian investors could operate in accordance with their contracts of work'.⁸

On 5 June 2001, Brimob members shot at a group of small-scale miners scavenging waste rock in the waste rock dumps at the Kerikil mine, one of a number of pits at the Mt Muro minesite. Fleeing the Brimob, six of the miners fled into a flooded mine. From the pit edge Brimob members continued firing and threw stones at the trapped miners, killing two of them. Another three were injured, one crippled as a result of being shot in the knee.

Aurora's then Company Secretary, Michael Baud, later claimed that the deaths 'were drownings by people who were operating illegally in the mine and fell in to the water at the bottom of a disused pit and drowned'.⁹

According to Downer, while the Ambassador was aware of media reports of the incident no attempt was made to obtain information from either Indonesian government

officials or Aurora.¹⁰ Nor, wrote Downer, did Aurora inform Embassy staff of the incident.

Despite the killings, desperate miners continued their scavenging operations. Early on Monday morning 27 August 2001, Brimob fired three shots at a group of small boys scavenging in the Kerikil pit. One – a teenage boy – was shot and disabled with a bullet passing through one of his legs and entering the other.

According to Downer, 'the Ambassador was aware of media reports of the incident' but made no inquiries of either Indonesian government officials or Aurora Gold.¹¹ Downer insists

'the Ambassador was aware of media reports of the incident'

Alexander Downer

Aurora did not inform the Australian Embassy of the incident.

In a further incident on Saturday 17 January 2002, a police officer shot and seriously wounded a 20 year old man who was searching through

waste rock at the Kerikil minesite. The man's two companions – who fled after the shooting – reported that he was shot in the head at close range. After the shooting protests resulting in the pit being occupied for a day.

A media release the following Thursday by the Mineral Policy Institute sparked media coverage by the *Australian Financial Review* and ABC's Asia Pacific program.¹² According to Downer, it was not until five days later that Aurora advised the Australian Ambassador of the incident. According to Downer, the Ambassador took no further action. However, two weeks after the shooting and protests in Indonesia, authorities announced that Brimob would be recalled from the minesite.¹³

The Australian Embassy in Indonesia only began inquiries into the series of shootings after Brown tabled questions in the Senate on 18 February 2002. Nine days later, the Australian Embassy 'sought clarification' from the Indonesian police force about 'the reported incidents'.¹⁴ On 5 March 2002 Aurora sent a written briefing to the Ambassador on the series of incidents at the mine.



ISSN 1443-5284
Editor: Bob Burton
Sub-editing/proof reading: Consensus Productions

Mining Monitor is published quarterly by the Mineral Policy Institute (MPI). *Mining Monitor* aims to provide detailed, referenced information to inform and support community organisations concerned about the impacts of mining projects (including oil and gas) in Australasia and the Pacific. The views expressed are not necessarily those of MPI.

Please consult the editor prior to submitting material for major stories. You may send comments and criticisms as a letter to the editor to *Mining Monitor*. Preference is for contributions via e-mail to <bobburton@ozemail.com.au>. Otherwise material may be posted to PO Box 157 O'Connor ACT 2602 Australia. Deadline for the next edition is 30 July 2002.

Mineral Policy Institute PO Box 89, Erskineville NSW 2043, Australia
Phone 61 2 9557 9019 Fax 61 2 9557 9822 Email: mpi@mpi.org.au Website: www.mpi.org.au

Patron
Bob Brown

President
Alison Gibbins

Treasurer
Geoff Lambert

Director
Geoff Evans

Research Co-ordinator
Nina Lansbury

Campaign Co-ordinator
Simon Divecha

Information Co-ordinator
Igor O'Neill

Despite the controversy, Downer saw no need to review the role of Embassy officials in the affair. 'At no stage did the Ambassador or Embassy officials request Indonesian Government authorities act other than in a peaceful manner, in accordance with Indonesian law. In this context, the Minister does not consider a Departmental review necessary', Downer informed Parliament.¹⁵

Rio Tinto – a signatory to the United Nations Global Compact promising to voluntarily uphold international human rights standards – is also embroiled in the controversy. In November 2000 Rio Tinto took over Ashton Mining in order to control all of the Argyle diamond mine.¹⁶ As a by-product of the deal Rio Tinto gained a 35% shareholding in Aurora. In February 2001 Rio Tinto appointed the Managing Director of Argyle Diamonds, Gordon Gilchrist, to Aurora's Board.¹⁷ Gilchrist remained on the board until Rio Tinto sold its shareholding in October 2001. While it was a major shareholder two of the shootings occurred – in June and August 2001 – resulting in two deaths.

Rio Tinto guidelines on dealing with human rights abuses at projects where it is not the manager state 'we should also ... make clear that Rio Tinto strongly disapproves of human rights violations of employees or local people, and press for investigation

and prosecution if credible allegations arise'.¹⁸

Mining Monitor repeatedly contacted Rio Tinto's media spokesperson, Ian Head, requesting clarification on whether whether Rio Tinto staff had contacted Australian Embassy officials, Indonesian officials or Aurora about the incidents at Mt Muro while it was a major shareholder and had been a director on the board of Aurora. Head has not responded.



Local villagers have lost valuable land to the mine operations.

Photo: JATAM

Bob Burton

¹ See Bob Burton, "Take control" Aurora tells Indonesian Governor', *Mining Monitor*, Volume 4 Number 4, November 1999, pp 1-2.

² Rory Argyle, 'Annual general meeting 2000 - address by the Chairman', www.auroragold.com.au, 4 May 2000.

³ Minister for Foreign Affairs, Alexander Downer, *Senate Hansard*, www.aph.gov.au/hansard/hanssen.htm, question number 116, 15 May 2002, p 1647.

⁴ Aurora Gold, 'Update: Mining operations – Mt Muro', Announcement to the Australian Stock Exchange, www.auroragold.com.au, 11 October 1999.

⁵ Minister for Foreign Affairs, Alexander Downer, *Senate Hansard*, www.aph.gov.au/hansard/hanssen.htm, question number 123, 15 May 2002, p 1650.

⁶ Aurora Gold, 'Update: Mining operations – Mt Muro: provincial government gives assurances on illegal mining', Announcement to the Australian Stock Exchange,

www.auroragold.com.au, 3 March 2000.

⁷ Minister for Foreign Affairs, Alexander Downer, *Senate Hansard*, www.aph.gov.au/hansard/hanssen.htm, question number 116, 15 May 2002, p 1647.

⁸ *ibid.*

⁹ Environment News Service, 'Indonesian Man Shot at Australian Gold Mine', <http://ens-news.com/ens/jan2002/2002L-01-23-01.html>, 23 January 2002.

¹⁰ Minister for Foreign Affairs, Alexander Downer, *Senate Hansard*, www.aph.gov.au/hansard/hanssen.htm, question no 117, 15 May 2002, p 1648.

¹¹ Minister for Foreign Affairs, Alexander Downer, *Senate Hansard*, www.aph.gov.au/hansard/hanssen.htm, question number 124, 15 May 2002, p 1651.

¹² Mineral Policy Institute, 'Shootings deaths at Aussie mine', *Media Release*, www.mpi.org.au, 24 January 2002; Australian Broadcasting Corporation, 'Security forces shooting at goldmine provokes protests', www.abc.net.au/asiapacific/location/asia/GoAsiaPacificLocationStories_466769.htm, 25 May 2001.

¹³ 'Mining: Brimob out after Muro shooting', Laksamana.net, 3 February, 2002. [Translation].

¹⁴ Minister for Foreign Affairs, Alexander Downer, *Senate Hansard*, www.aph.gov.au/hansard/hanssen.htm, question number 119, 15 May 2002, p 1649.

¹⁵ Minister for Foreign Affairs, Alexander Downer, *Senate Hansard*, <http://www.aph.gov.au/hansard/hanssen.htm>, question number 124, 15 May 2002, p 1651.

¹⁶ Rio Tinto, *2000 Rio Tinto Annual report and financial statements*, www.riotinto.com, p 17.

¹⁷ Aurora Gold, 'Board changes', Announcement to the Australian Stock Exchange, www.auroragold.com.au, 1 February 2001.

¹⁸ Rio Tinto, 'Human rights guidance: Guidance for managers on implementing the human rights policy in *The way we work*', www.riotinto.com, April 2001, p 9.

Obstructors should be shot, says mining executive

According to a December 2001 report by the International Crisis Group (ICG) – an international think tank funded largely by governments and foundations – Indonesian authorities have been lobbied to resort to violence to protect mining company projects. The ICG report on law enforcement and the exploitation of natural resources in Indonesia noted that some mining companies "have insisted that the government uphold their contractual rights by force if necessary, as in the Suharto era". The report noted that local government officials and police often considered this view as ignoring the underlying problems.

According to the report "an Indonesian, complained to ICG that an excessive preoccupation with human rights was deterring police from shooting at people who obstructed the operations of mining companies".¹ ICG did not identify either the individual or the company for which they worked.

¹ International Crisis Group, *Indonesia: Natural resources and law enforcement*, ICG Asia report no 29, 20 December 2001, page 19.

Embassy helps campaign to revoke protected areas

The Australian Embassy in Indonesia has backed a lobbying campaign by Australian-based mining companies – including BHP, Rio Tinto and Newcrest – to overturn Indonesian legislation banning open-cut mining in National Parks and protected forests.

In early September 2002, the Minister of Mineral Resources and Energy, Purnomo Yusgiantoro, announced the government would weaken legislation that banned open-cut mining in protected forests.¹

In June 2002, the Indonesian Director General of Geology and Mineral Resources, Wimpie S. Tjejep, and the Minister for the Environment, Nabel Makarim, revealed the government feared international legal action if it excluded mining from protected areas. "There were investment activities before the Forestry Act was effective. If shut down, investors demand and Indonesia cannot pay", he said.² Media reports linked Indonesian government fears of costly international arbitration to Australian-owned projects such as BHP-Billiton's Gag Island Nickel project, Newcrest's PT. Nusa Halmahera Mineral, and Rio Tinto/Newcrest's PT Citra Palu Mineral.³

Indonesian environmental groups argue that a ban on open cut mining was implicit under the Natural Resources Conservation Law enacted in 1990 under the Suharto military dictatorship. Following Soeharto's fall, the government re-enacted the ban in new legislation – the Forestry Law of 1999.

However, mining companies which entered into Contracts of Work

(COW's) for mining projects organised a lobbying campaign to overturn the provisions of the Forestry Law. The companies argue that COW's signed before the 1999 legislation should be allowed to proceed.

Earlier this year, the Secretary of the Australian Department of Industry, Tourism and Resources, Mark Patterson, proposed the abolition of a departmental job – based in the Embassy in Jakarta – that helped Australian mining companies lobby the Indonesian government. The proposal infuriated the mining industry which lobbied for its retention.

The regional exploration manager for Newcrest Indonesia, Tim Richards, said that those who had worked in the role had done a "terrific

"the Ambassador meets on a quarterly basis with representatives of Australian-owned mining operations in Indonesia ... to discuss issues of concern to the Australian mining industry in Indonesia".

Alexander Downer

job" helping the company deal with the problems it faced on extending its Gosowong mine into a protected forest area.⁴

According to the Minister for Foreign Affairs, Alexander Downer, "the Ambassador meets on a quarterly basis with representatives of Australian-owned mining operations

in Indonesia ... to discuss issues of concern to the Australian mining industry in Indonesia".⁵ Downer also confirmed that Embassy staff accompanied Australian mining industry executives lobbying the Department of Mining and Energy to discuss issues of concern to Australian companies.

Bob Burton

¹ A'an Suryana, "Govt allows mining to proceed in protected forests", *The Jakarta Post*, 4 September 2002, page 1.

² "Nabel Makarim Agrees with Mining in Protected Forests", *Koran Tempo*, 14 June 2002 [translation].

³ "Protected areas international arbitration threat to Indonesia", *Koran Tempo*, 3 April 2002 [translation].

⁴ Tim Dodd, "Miners attack loss of envoy", *Australian Financial Review*, <http://afr.com/premium/australia/2002/05/03/FFXPIKQIP0D.html>, 3 May 2002.

⁵ Minister for Foreign Affairs, Alexander Downer, *Senate Hansard*, www.aph.gov.au/hansard/hanssen.htm, question number 129, 15 May 2002, page 1653.

In this issue

Dayaks sue Aurora over Mt Muro mine	2
Village abandoned after cyanide spills	3-4
Code flaws leave MCA committee floundering	5-6
Widening mining's gender tunnel vision	7-8
The limits of corporate codes of conduct	9-10
Voluntary responsibility?	11

Dayaks sue Aurora over Mt Muro mine

In late July 2002 a group of 29 landowners launched a legal action against Perth-based Aurora Gold in the South Jakarta court for damage caused by the Mt Muro mine in Central Kalimantan.

The landowners' claim centres on the loss of property and earnings, from their small-scale mining operations due to PT. Indo Muro Kencana (PT-IMK) – of which Aurora was the majority shareholder since 1997.

The landowners argue that Aurora took over land used for community gold mining, indigenous lands and community gardens and that crackdowns by the security forces had resulted in human rights abuses.¹ The landowners argue that PT IMK's operations resulted in breaches of Indonesian laws.²

In May 2002 Aurora announced to the Australian Stock Exchange that it had signed a heads of agreement to sell the Mt Muro mine to Sydney-registered unlisted company Archi-

pelago Resources Limited.³ "Mt Muro has been a highly successful mine" Aurora claimed in its statement.

Under the proposed deal, after the closure and rehabilitation of the mine, Archipelago Resources would issue \$US1 million in shares on listing to Aurora and make a royalty and cash payment if it re-opened the mine. However, this deal was subject to the completion of due diligence.

"Mt Muro has been a highly successful mine"

Aurora statement to the Australian Stock Exchange

The original deal with Archipelago soon fell by the wayside with the heads of agreement being changed to give Archipelago until 31 March 2003 the exclusive option to buy the project. With Aurora's only operating

mine closed and no prospect of cash from the sale, Aurora was merged in August 2002 with another small company, Abelle.⁴

Lawyers for the Dayak landowners are optimistic that the legal action will not be affected by Aurora's merger with Abelle. The case has been lodged with the South Jakarta court, which in 2001 found the Freeport mine guilty of misleading claims over the collapse of a waste rock dump.

Bob Burton

¹ See Bob Burton, "Embassy inaction over mine killings", *Mining Monitor*, July 2002, www.mpi.org.au, pages 1-2.

² JATAM et al, *Waiting for Final Justice: Case Summary: Dayak Siang, Murung and Bakumpai Communities Versus PT. Indo Muro Kencana/Aurora Gold*, <http://www.minesandcommunities.org/Company/aurora1.htm>, 31 July 2002.

³ Aurora Gold, "Aurora announces sale of Mt Muro project", Announcement to the Australian Stock Exchange, www.auroragold.com.au, 17 May 2002.

⁴ Aurora Gold, "Joint Announcement – Abelle and Aurora Gold to merge", www.auroragold.com.au, 22 August 2002.



ISSN 1443-5284

Editor: Bob Burton

Sub-editing/proof reading: Consensus Productions

Mining Monitor is published quarterly by the Mineral Policy Institute (MPI). *Mining Monitor* aims to provide detailed, referenced information to inform and support community organisations concerned about the impacts of mining projects (including oil and gas) in Australasia and the Pacific. The views expressed are not necessarily those of MPI.

Please consult the editor prior to submitting material for major stories. You may send comments and criticisms as a letter to the editor to *Mining Monitor*. Preference is for contributions via e-mail to <bobburton@ozemail.com.au>. Otherwise material may be posted to PO Box 157 O'Connor ACT 2602 Australia. Deadline for the next edition is 30 September 2002.

Mineral Policy Institute PO Box 89, Erskineville NSW 2043, Australia
Phone 61 2 9557 9019 Fax 61 2 9557 9822 Email: mpi@mpi.org.au Website: www.mpi.org.au

Patron
Bob Brown

President
Alison Gibbins

Treasurer
Geoff Lambert

Director
Geoff Evans

Research Co-ordinator
Nina Lansbury

Campaign Co-ordinator
Simon Divecha

Information Co-ordinator
Igor O'Neill

Did Freeport funds create a military monster?

US intelligence sources believe senior Indonesian military personnel were behind a deadly ambush on teachers and their families – in which three people being killed and a further ten injured – near the Freeport mine in West Papua in late August 2002.

The Freeport mine – considered one of the world's richest copper and gold projects – is majority-owned and managed by Freeport-McMoRan with Rio Tinto holding a 15% share.

The *Sydney Morning Herald* reported that a source "close to the US Embassy in Jakarta" believes that the motive for the attack was an attempt to maintain the annual payment of \$US10 million (\$A18 million) to the military command responsible for the Indonesian province of Papua.¹ US intelligence sources are also reported as having intercepted messages between senior Indonesian military commanders revealing prior knowledge of the attack.

In a background briefing, designed to soothe investors' nerves following

anti-American demonstrations in Jakarta in 2001, Freeport praised the Indonesian military. "They are very professional and dedicated to protecting company assets and facilities as well as all residents of the area", Freeport wrote.²

"They [the military] are very professional and dedicated to protecting company assets and facilities as well as all residents of the area"

Freeport

What Freeport did not disclose however, was that the military's dedication came at a price. In a report released just after the attack, the Brussels based International Crisis Group (ICG) singled out the "predatory" behaviour of the security forces towards resource projects like

Freeport. ICG reported that Freeport had paid "tens of millions of dollars to the military, as well as provided lucrative investments in the 1990s for business allies of the Soeharto government ... Such wealth is a strong incentive for Indonesia to keep a control of Papua that has often taken the form of brutality against civilians".³

ICG states that in the aftermath of riots which damaged Freeport facilities in 1995 – widely suspected to have been peaceful protests that were turned into riots by elements of the military – Freeport was asked by the military to pay \$US100 million to fund a bigger garrison. "The company reportedly agreed to pay \$US35 million, later an annual \$US11 million. The current bill for the military's expenses is unclear. Freeport declined to answer questions from ICG on the subject", the report stated.

In ICG's view, resource companies should "as far as possible, keep the Indonesian military and police away from projects".⁴

Voluntary human rights guidelines allow funding of military

In December 2000, the US State Department and the British Foreign Office released a set of voluntary guidelines on human rights for resource companies.¹ The guidelines were negotiated and endorsed by a range of resource and human rights groups including Freeport McMoRan, Rio Tinto, Human Rights Watch and Amnesty International.

The guidelines approve of companies funding government security forces. "Companies may be required or expected to contribute to, or otherwise reimburse, the costs of protecting Company facilities and personnel borne by public security", they state. The only proviso is "companies should encourage host governments to permit making security arrangements transparent and accessible to the public, subject to any overriding safety and security concerns".

The International Crisis Group views resource companies' funding of security forces as potentially dangerous. In its report on conflict in Papua it states: "Indonesia does not fully fund the military and police budgets, with the result that both institutions earn much of their income from extortion and other crimes ... This involvement with rent-seeking and illegality is dangerous because it gives the security forces a vested financial interest in conflicts and, some would argue, a reason to keep conflicts going".²

¹ Statement by the Governments of the United States of America and the United Kingdom, "Voluntary principles on security and human rights", <http://65.214.34.30/un/gc/unweb.nsf/webprintview/volsupport.htm>, 19 December 2000.

² International Crisis Group (ICG), *Indonesia: Resources and conflict in Papua*, ICG Asia Report No 39, 13 September 2002, page 35.

Immediately after the recent attack the military commander of Papua, Major-General Mahidin Simbolon, claimed the body of a Papuan killed at the ambush site the day after the attack was proof of the involvement of the Free Papua Movement (OPM).

Co-ordinator with the Jayapura-based Institute for Human Rights Study and Advocacy (ELSHAM) in Papua, John Rumbiak, argued it was likely the military was behind the attack. Rumbiak pointed out that when Indonesian police went to the site to investigate they were fired at by military. An autopsy on the Papuan the military claimed they killed at the ambush site revealed that he had died 24 hours earlier. Finally, two witnesses reported seeing men in military uniforms with automatic weapons at the ambush site.⁵

Some reports from Papua speculate that there had been tense exchanges between Freeport's security staff and the Indonesian military ahead of the attack. Reports suggest that US intelligence reveals that there were general discussions at senior military levels about pressuring Freeport – although there was no apparent explicit discussion of killing civilians.⁶

In the aftermath of the Enron and WorldCom collapses, the US Congress passed the Corporate Fraud and Criminal Accountability Act on 26 July 2002 which required US companies to file declarations by 14 August 2002 that their financial accounts were true and accurate. Under the legislation CEOs



ELSHAM Co-ordinator, John Rumbiak.
Photo: Bob Burton.

and chief financial officers were made personally liable to penalties of up to \$US5 million and 20 years imprisonment for inaccurate filings.

The Freeport revelations raise questions about the consequences of its – and by default Rio Tinto's – financing of the military. Central to the controversy is whether, in response to the provisions of Corporate Fraud Act, Freeport cut – or threatened to cut – its funding of the military in the weeks ahead of the attack.

Mining Monitor sought comment from Freeport's media officer in Louisiana, William Collier, and Rio Tinto's media officer in Melbourne, Ian Head. Neither Freeport nor Rio Tinto responded to requests for an interview.

The revelations of the military role in the attack raise questions about the adequacy of the voluntary guidelines on human rights. The guidelines ignore the prospect of corporate-sponsored

military forces initiating human rights abuses to justify their funding.

In its human rights policy Rio Tinto declares the company "should also take steps, whether through public or private representations, to ensure that any financing, training, or equipment provided by Rio Tinto is not used to violate human rights". The policy continues that the company would "make clear that Rio Tinto strongly disapproves of human rights violations of employees or local people, and press for investigation and prosecution if credible allegations arise".⁷ Since the attacks Rio Tinto has made no public comment and refused to respond to *MM's* queries.

Bob Burton

¹ Hamish McDonald, "Kopassus accused of Freeport ambush", *Sydney Morning Herald*, 2 November 2002.

² Freeport-McMoRan Copper & Gold, "Security Facts on Indonesia, Irian Jaya (Papua) and Freeport", www.fcx.com, October 2001, page 1.

³ International Crisis Group (ICG), *Indonesia: Resources and conflict in Papua*, ICG Asia Report No 39, 13 September 2002, page 2.

⁴ *ibid*, page 5.

⁵ "Military uniforms seen at site of fatal Papua ambush: human rights worker", Agence France Press, 13 September 2002. A copy of this story is available at *Kabar Irian Digest* Volume 01: Number 517 www.kabar-irian.com, 16 September 2002.

⁶ "Australian spy agency dubs Indonesian military", *Sydney Morning Herald*, www.smh.com.au/articles/2002/11/05/1036308304083.html, 5 November 2002.

⁷ Rio Tinto, *Human Rights Guidance: Guidance for managers on implementing the human rights policy in 'The way we work'*, www.riotinto.com, April 2001, page 9.

Keep the mining industry junkets, please!

"I fear the trade will end up suffering from the new puritanism led by Fairfax in turning down junkets. If a young journalist is in danger of being seduced by visiting a mine in the middle of nowhere, they won't last a minute among the blandishments of skilled PR operators anyway".

Michael Pascoe, the Australian Channel Nine Network's finance editor bemoaning the policy of Fairfax Ltd publications of not accepting free trips to do news stories.¹

¹ Michael Pascoe, "Swimming with Sharks", *The Walkley Magazine: inside the Australian Media*, The Media Entertainment Arts Alliance, Issue 18, Spring 2002, page 14.

RIO & BHP SEEK TO REVOKE PROTECTED FORESTS

Australian and Canadian mining companies have launched a major lobbying campaign to revoke a legislative ban on mining in Indonesia's protected forests, National Parks and World Heritage areas.

In response to lobbying by companies – including Rio Tinto, BHP-Billiton and Newcrest and the Indonesian Mining Association (IMA) of which they are members – key decision makers are backing a reversal of a 1999 law that bans mining in protected forest areas.

Under the provisions of what is known as Law No 41/1999 mining is expressly prohibited in protected forests. The 1999 law superseded a 1990 law governing the management of Indonesia's forests – known as Law No 5/1990 – which prohibited activities, including mining, which would have adverse impacts on protected areas including the Great Forest Parks, National Parks and Nature Reserves.

President Habibie passed the law in 1999 when international financial institutions such as the World Bank were pressing Indonesia to strengthen the legislative provisions governing its forest management. Over the last thirty-five years almost one third of Indonesia's landmass has been deforested.

Since the introduction of the new law, the mining industry has been pressing for its revocation. In its first quarter 2001 report, BHP says it "continues to have numerous meetings with the Indonesian Department of Forestry", lobbying to change the law so that it may build an open cut nickel mine.¹

In an attempt to gain broad support for its campaign the IMA initiated a joint workshop with the World Bank and the International Monetary Fund. At the workshop held in Jakarta 8-10 October 2001, the Executive Director of the IMA, Paul Courtier urged a review of the law "since it will not be conducive to development mining investment".

On 9 October 2001, the Indonesian Minis-



A demonstration against Rio Tinto's proposed Palu gold project in the Poboya Protected forest. Photo: SPRA, Palu.

"it [protected forests law] will not be conducive to development mining investment".

*Paul Courtier
Indonesian Mining
Association*

ter of Forestry, Muhammad Prakosa, buckled to the industry pressure. "It is possible to review the law. We are open to discussing it", he told the workshop.²

Prakosa also established a special team – in co-ordination with the Ministry of Energy and Mineral Resources and the State Ministry of Environment – to review the law relating to three major projects. The three include BHP-Billiton's proposed nickel mine on Gag Island in West Papua/Irian Jaya and Rio Tinto's proposed Palu gold mine in Central Sulawesi.

The backdown by government ministers in

the face of mining industry pressure prompted a public outcry by non-government organisations. Mining in protected areas is strongly opposed by Indonesia's Mining Advocacy Network (JATAM), representing forty NGOs and community organisations throughout the country.

"JATAM is opposed to any proposal that seeks to change the function of protected forests and conservation areas that would allow mining activities. Apart from violating the concept of protected areas, these proposals if allowed to proceed have the potential to create an emerging ecological disaster in Indonesia", a JATAM spokesperson, Chalid Muhammad said.³

The Minister of Environment and the head of the Environmental Protection Agency (Bapedal), Naibel Makarim, backed the concerns on the NGOs. "Revision of the law is not our priority... We must be strict on these cases because mining operations in forest conservation areas will only destroy the forests", he said.⁴

While some government ministers have moderated their commitments after a Rio

public outcry, the mining industry is maintaining the pressure.

Igor O'Neill and Siti Maimunah

Igor O'Neill is MPI Information Coordi-

nator based in Sydney and Siti Maimunah is the Campaign Coordinator for JATAM based in Jakarta.

¹ Cited in US Embassy Indonesia, "Indonesian mining investment - not such a rosy picture", www.usembassyjakarta.org/econ/rosy.html, page 4.

² "Review of mining ban in protected forests possible: Minister" Moch. N. Kurniawan, *The Jakarta Post*, Jakarta, 11 October 2001.

³ "Mining in Protected Areas Threatens Ecological Balance", Indonesian Mining Advocacy Network (JATAM), *Press Release*, 11 October 2001.

⁴ "Forestry law no 41/1999: a discussion", www.miningindo.com, 18 October 2001.

CASE STUDIES: PROTECTED AREAS UNDER THREAT

Tinto Gold Mining in Poboya Great Forest Park, Central Sulawesi

Rio Tinto recently finished the drilling exploration phase for its planned gold mine in Taman Hutan Raya Poboya (Poboya Great Forest Park), in Palu, Central Sulawesi. Rio Tinto's mining concession area covers 500 hectares of the park.

The proposed mine is only six kilometres from densely populated parts of the city of Palau. The Poboya Great Forest Park acts as the primary water catchment area for the Palu Valley, as well as having biodiversity value.

If the gold mine proceeds, hundreds of hectares of forest with endemic fauna will be lost and the water supply for the population of Palu will be threatened. The indigenous community of Poboya opposes gold mining on their land. Rio Tinto is lobbying the Indonesian Government to reduce the size of the protected forest park to accommodate the mine.¹

BHP Mine in Gag Island Protected Forest, West Papua/Irian Jaya

BHP is currently exploring for nickel on Gag Island, a tiny island of only 56 square kilometres, situated off the western end of West Papua. The proposed mine workings will cover almost half the island.

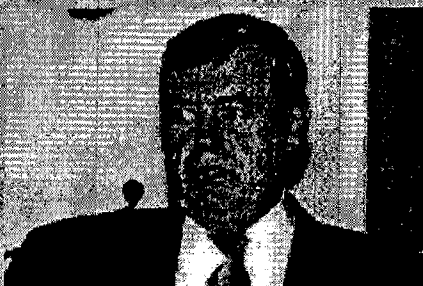
The Gag Island community is dependent on fishing, and primarily uses the forest for food production. Gag Island is classified as a Hutan Lindung, or Protected Forest. Under current Indonesian law, BHP cannot proceed with its open cut nickel mine and is lobbying to change the law.

According to NSR Environmental Consultants, BHP-Billiton favours dumping the tailings from the proposed project into the sea.²

Weda Bay Minerals in Lalobata-Aketajawe Nature Reserve, Maluku

A Canadian company, Weda Bay Minerals, is exploring on Halmahera island, North Maluku. The mining proposal covers 120,500 hectares, including Lalobata-Aketajawe Nature Reserve which has high biodiversity value. It has been proposed as a National Park by BirdLife International.

The protected area contains at least ten types of high biodiversity habitats with 213 species of birds, including many endemic parrots. In addition, the Lalobata-Aketajawe is home to the Tugutil indigenous people, who have a semi-nomadic lifestyle and rely on the forest to gather food.



Executive Vice President of Weda Bay Minerals, John Lynch. Photo: Bob Burton

Speaking at a recent conference in Melbourne the Executive Vice President of Weda Bay Minerals, John Lynch, when asked about the project overlapping with a protected forest area said "our project includes a deposit in an area of protected forest. We have liaised with the local governor who has written to the forestry department stating that he 100% supports the boundary being re-drawn to exclude our proposed mine. We are hopeful but we have to keep working through the process".

In 1998 the Melbourne-based company NSR was hired by the engineering consultancy Minorco Services (Singapore) on be-

half of Weda Bay Minerals to undertake a desk-top study on the prospects for the "in-principle environmental feasibility" of ocean disposal of tailings.⁴

Lorentz National Park, West Papua - Mining a World Heritage Site

Originally Lorentz National Park comprised of the Lorentz Natural Conservation Area, Trikora Protected Forests and surrounding waters with a total area of approximately 2,505,600 hectares. 55,600 hectares was later excised to cater for PT Freeport's mine concession area.

On 12 December 1999, UNESCO declared the park as a World Heritage Site. However, only 2,350,000 hectares of the park were designated as World Heritage Area while the remaining 150,000 hectares was transformed into an area of oil exploration, the Coroco Warm Block.

Lake Habema is located within the park and is an exploration site for PT Montaque Mimika and PT Nabire Bhakti Mining. The Freeport mine is also a major threat to the rest of the Park's conservation values. Under current plans one hundred and fourteen hectares of the Carstensz grasslands within Lorentz World Heritage area will be smothered under Freeport's tailings.

Igor O'Neill and Siti Maimunah

¹ "Penaka Pembangunan Tailing Ke Laut", Indonesian Mining Advocacy Network (JATAM), 2001.

² "Rio lobbies to revoke part of Indonesian forest park", *Mining Monitor*, Mineral Policy Institute, March 2001.

³ John Lynch, Executive Vice President Weda Bay Minerals at the Australian Journal of Mining World Nickel Congress, Melbourne, 9 November 2001.

⁴ NSR Environmental Consultants, "Mining: Deep Sea Tailing Placements (DSTP) project listing", NSR, undated, page 2.

JUDGE RULES FREEPORT STATEMENTS 'MISLEADING'

In late August 2001 the South Jakarta District court ruled that the Freeport mine – part owned by Rio Tinto – had misled the Indonesian Parliament over the causes and impact of the Lake Wanagon disaster that occurred in May 2000.¹

The legal case was brought by Indonesian Forum for Environment (WALHI) against PT Freeport Indonesia (PT-FI). The ruling has been hailed as a landmark decision. *"The verdict brings a message that every company in Indonesia is required to provide the public with correct and accurate information"*, Director of WALHI, Emmy Hafild said.

"This is the first step of public struggle for the right to information as one of the basic human rights that should be assured by law. The most important message of all the process is that public has power to bring the justice and to fight against the environmental polluters", she said.

The disaster at Wanagon lake occurred on 4 May 2000 when the waste rock dumps used by Freeport collapsed causing a tidal wave of water and waste to flood through the Wanagon valley washing four workers to their deaths. The flood narrowly missed the village of Banti, 12 kilometres downstream from the lake.

At the time Freeport blamed the 'slippage' on heavier than usual rainfall and speculated that it may have been caused by seismic activity. *"An alarm system installed by PT-FI worked properly and alerted the local residents of Banti to avoid the vicinity of the river"*, Freeport claimed.²

A later media release claimed that *"based on analysis of data produced, no threat to human health and no long-term environmental impacts have been identified as a result of the overflow event"*.³ Freeport repeated these claims at a hearing of an Indonesian parliamentary committee hearing on 28 June 2000.

Rusman ruled that Freeport had broken the



Director of WALHI, Emmy Hafild.
Photo: Bob Burton.

law on environmental management, which requires companies to provide accurate and correct information about its environmental management activities. *"The defendant did not reveal what actually occurred during the incident. In parliament they gave information that was contradictory ... It was manipulative and misleading,"* the judge, Rusmandani Ahmad, was reported as having told the court.⁴

"It was manipulative and misleading"

Judge Rusmandani Ahmad

Ahmad also found that, based on evidence from the Environmental Impact Management Agency (Bapedal), Freeport had damaged the environment. Evidence presented to the court revealed that Freeport had used Wanagon Lake to dump mine wastes which had polluted Wanagon River in June 1998, and in March 2000. Another report revealed the sediment in Wanagon Lake at the time of the incident contained toxic material.

While WALHI did not seek damages against Freeport it requested the court direct Freeport to take out newspaper advertisements in national and international mass media correcting its misleading statements. Freeport plans to appeal the ruling. *"With all due respect to the court, it will appeal the decision to the extent it concludes PT-*

FI made any misleading statements", Freeport said in a statement. *"PT-FI has provided and will always provide accurate information to the public and to the Government of Indonesia regarding all aspects of PT-FI's operations"*, 'Jim-Bob' Moffett, the Chairman and CEO of Freeport McMoRan, said in a statement.⁵

In the aftermath of the disaster Freeport was forced to limit the volume of ore mined while plans to stabilise the waste rock dump were developed. This cutback in production extended for eight months until January 2001.

Rio Tinto owns 16.6% of Freeport-McMoRan Copper & Gold and 40% of the joint venture project expanding the Freeport mine. Rio Tinto Chairman, Leigh Clifford, along with fellow Rio Tinto Director Oscar Groenveld, are directors of Freeport. In the Rio Tinto annual review Clifford lamented that the *"tragic accident"* had *"impacted performance"*.⁶

WALHI is encouraged that legal actions against major corporations can be successful. *"The fight mustn't stop here since there are other companies try to deceive and manipulate the information that is actually the public's right"*, Hafild said.

Bob Burton

¹ See Igor O'Neill, "Freeport waste dam collapse sparks outcry", *Mining Monitor*, July 2000, page 6.

² Freeport McMoRan, "Freeport-McMoRan copper and gold reports overburden stockpile incident", *Media Release*, www.fcx.com, 5 May 2000.

³ Freeport McMoRan Copper and Gold, "P.T. Freeport Indonesia agrees to temporarily limit production", *Media Release*, www.fcx.com, 24 May 2000.

⁴ "Jakarta court says Freeport misled parliament", *Reuters*, 28 August 2001.

⁵ Freeport-McMoRan, "Freeport-McMoRan Copper & Gold Inc. responds to Indonesian Court Ruling", *Media Release*, www.fcx.com, 28 August 2001.

⁶ Leigh Clifford, *Rio Tinto Annual Review 2000*, www.riotinto.com, page 6.

MILITARY CRACKS DOWN ON WEST PAPUA ACTIVISTS

The activity of advocating protection of the environment, defence of indigenous rights or better social returns from the mining industry is reasonably safe in most parts of Australia. However, in the Indonesian province of West Papua – home to the massive Freeport copper mine – advocacy for human rights, environmental protection or land rights is becoming decidedly risky.

When the supervisor of the Jayapura-based Institute for Human Rights Study and Advocacy (ELSHAM) John Rumbiak, toured Australia in September 2001 he had a sobering message for his audiences around Australia. "Since Megawati became President the human rights situation is getting worse", he said.

"With military operations launched in areas where the resistance movement of the people is believed to be going on, military zones have been created. These areas are closed to outside observers, people's freedom of movement is very much restricted, and the war against the people continues", Rumbiak said.

Elements of the military have involvement in business interests and opposition to development projects can trigger a military crackdown. "With so much power, the military also plays a major role in backing up large-scale multinational economic activities in West Papua such as mining gold and oil, and logging", he said.

It is a view shared by Amnesty International. "In Aceh and Papua, it is becoming increasingly difficult to distinguish between the current government and that of President Suharto," according to Amnesty International spokesman, Damien Spry. "Agents of the state are resorting to the same tactics of intimidating, imprisoning, torturing and killing those suspected of opposing Jakarta's rule."

International pressure on Megawati to reform the military is waning with the US enlisting support from Muslim nations, of which Indonesia is the most populous, for



Supervisor of the Jayapura-based Institute for Human Rights Study and Advocacy (ELSHAM), John Rumbiak. Photo: Bob Burton.

its retaliation against groups suspected of involvement in the recent terrorist attacks in the US in September.

"the military also plays a major role in backing up large-scale multinational economic activities in West Papua such as mining gold and oil, and logging"

John Rumbiak

In late September 2001, US President George Bush agreed to an economic support package as well as resuming military contact with Indonesia and lifting the embargo on arms sales that was imposed after the military rampage in East Timor in late 1999. Megawati is believed to have offered support for US moves against Osama bin Laden and allied groups, which have supporters in Indonesia.

It is a policy shift that alarms Amnesty International, which argues that the military is continuing to commit serious human rights violations in the provinces of Aceh and Papua (Irian Jaya) where pro-independence movements are active. "Any military assistance to Indonesia must be targeted at the core issues of institutional reform, accountability and transparency," Amnesty spokesperson Damien Spry said. "Under these circumstances, exporting arms or engaging in operational training with Indonesia would send completely the wrong message", Spry said.

Rumbiak argues that the military operates as security forces for major development projects. "The military is instrumental in intimidating people to give up their traditional rights, so that their traditional lands can be exploited by multinational companies", Rumbiak said.

PT Freeport Indonesia is a subsidiary of the biggest US gold mining company – Freeport McMoRan Copper and Gold Inc. Rio Tinto now owns 16% of the company and is heavily involved in funding the expansion of the mine. A 1995 report by the Australian Council for Overseas Aid on

FORUM: HUMAN RIGHTS

human rights violations at the mine provoked global outrage against Freeport. The findings of a subsequent investigation by the Indonesian human rights body has been largely ignored.

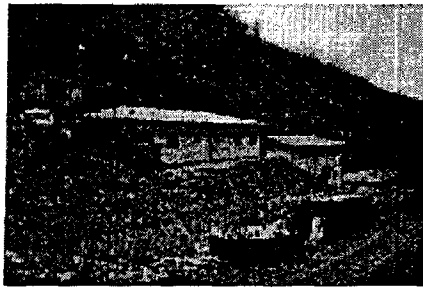
According to Rumbiak, Freeport "is one example of a multinational corporation that has been implicated in various human rights violations by security forces deployed to protect the company... The company denies any involvement in the violations, but rejects any efforts by independent parties to investigate its involvement in the human rights violations", he said.

Access to areas such as the Freeport mine is strictly controlled. Foreigners who visit West Papua have to obtain a permit from the police and their movements are monitored. In December 2000 a team travelled to the Freeport area to investigate claims of human rights abuses. No sooner had they arrived in Jayapura than the Australian and US academic members of the group were called in by the police for interrogation and deported the next day.

Rumbiak also warns that the crackdown by the military and police in West Papua is becoming broader than just against armed independence groups. The freedom of the press has been curtailed and restrictions have been placed on journalists. "Newspaper editors were summoned three weeks ago due to reporting one of our press conferences. The military are not only targeting political activists but now human rights activists and the media also", he said.

The former Dutch colony, populated by people of Melanesian descent who have mostly converted to Christianity, is growing increasingly resentful and defiant towards the Indonesian military-backed government. With some amongst the independence movement resorting to violence – including against Muslim transmigrants from other parts of Indonesia – military reaction has become more brutal.

While Rumbiak is adamant that non-violent change is the only path forward, it is a view that more militant members of the independence movement reject. Of particular concern is the growing level of arms smuggling along the border area between Papua and Papua New Guinea. "Arms trading is now going on in the area. We have investigated this... The guns and grenades distributed to the hardliners – I want



Military barracks being built in 1999 near Tembagapura, in the Freeport area.

immediate action taken to stop this", Rumbiak said. "The repression must stop – we appeal to the police forces and the hardliners amongst the independence activists to agree to a cease-fire. Bullets, arrows and spears will not reduce the problem only create more", he said.

"The military are not only targeting political activists but now human rights activists and the media also."

John Rumbiak

The crackdown is the latest step in the military reasserting its control over the province since the fall of the Suharto dictatorship. In 1999 then President Wahid also gave his blessing to and provided funding for the convening of a Papuan Congress in May 2000 bringing together 500 official delegates from all parts of the province.

The Congress passed a resolution in support of independence. In the subsequent crackdown on the independence movement, the bulk of the political leadership has been arrested and imprisoned.

In her inaugural address on 16 August 2001 Megawati apologised for human rights abuses in Aceh and Papua, promising firm action against soldiers guilty of human rights abuses. "We need a security force which is effective, highly disciplined and under government control," she said. However, she also warned that moves to independence would not be tolerated.

For its part, the Australian Government backs Indonesia's claim to control West Papua but urges restraint in dealing with the independence movement. "What we

have told them is the lesson of East Timor is that if you want West Papua to remain in Indonesia you have to win their support through a process of resolving conflict through peaceful means rather than resorting to heavy handed tactics" a spokesman for Australia's Minister for Foreign Affairs, Alexander Downer said. The Australian Government places great faith in the Indonesian Government policy of offering greater autonomy in the management of the province and returning more of the proceeds from projects such as the Freeport mine to local coffers.

It is a policy Rumbiak sees as doomed to failure. "Instead of paying serious attention to the demands of the Papuan people, they adopt a tactic of enforcing the issue of so-called 'wider autonomy', an issue which is rejected by the great majority of the Papuan people. As the idea is rejected by the people, the Indonesian security forces use this situation to commit more human rights violations and to justify these abuses", he said.

Earlier this year Rumbiak spoke at a meeting in parallel with a UN-Commission on Human Rights meeting in Switzerland. "The developed countries again seem reluctant to condemn Indonesia over the range of human rights violations that its security forces continue to commit against innocent civilians", Rumbiak said.¹

"These countries say that they support [the then] President Abdurrahman Wahid who is trying to uphold human rights and democracy in Indonesia, but they do nothing to stop the hardliners, those who resort to the rhetoric of 'nationalism' to justify their undermining of human rights and democracy in Indonesia", he said.

A leaked Indonesian military document setting out the strategy of crushing the independence movement in West Papua names Rumbiak. In early September 2001 several ELSHAM staff were called in for interrogation by police – and potentially face imprisonment – after working on an investigation into human rights abuses by the military.

Bob Burton

¹ John Rumbiak, "The ongoing human rights violations in West Papua: impunity or accountability: Underlying causes and a way forward", 11 April 2001, unpublished.



INTERNATIONAL

larised, there is a need to protect the process of World Heritage nomination and the state of conservation evaluations". Protecting the World Heritage nomination process, it argued, would be guaranteed by ensuring that the mining industry was consulted on areas that may be nominated as well as giving ICME a role in deciding the boundaries of any future nominations.

In a move likely to compromise future nominations, IUCN agreed to the proposal that once companies have an exploration licence over an area they should be allowed to develop any economic mineral deposit. "It is expected that the granting of permits would carry a reasonable assurance of the right to develop, subject to appropriate approval mechanisms based on a clear decision-making process set out in advance", the report noted.

The workshop proposed that a Working Group on World Heritage and Mining be formed – including and possibly co-chaired by ICME and IUCN – to further develop proposals for ongoing work on the issue



A taste of things to come?: mining of a World Heritage cave. Photo: Bob Burton.

of mining in and adjacent to World Heritage areas. Industry lobbyists argued that such a group should "work closely with other consultative mechanisms such as MMSD and other initiatives".

The workshop suggested that such a group could "assist the [World Heritage] Committee in any review of criteria used for assessing potential World Heritage sites" as well as "explore the interest in preparing a guidance document on World Heritage and Mining".

The workshop also proposed that the working group could "plan a workshop and other activities on Mining and World Heritage at the World Parks Congress in 2002" and that it should "investigate sources of funding for the group's program of work".

The mining industry is also keen to dilute the strong role that the IUCN has played in the protection of important natural and cultural heritage from mining and other damaging activities. "In addition to its collaboration with ICME on World Heritage and mining, IUCN should consider how best to establish linkages with the wider mining sector on a broad range of issues concerning sustainable development, working with appropriate established initiatives", the report noted.

Bob Burton

¹ "Report of the technical workshop on 'World Heritage and Mining', IUCN Headquarters, Gland, Switzerland, 21-23 September 2000.



RIO LOBBIES TO REVOKE PART OF INDONESIAN FOREST PARK

Rio Tinto is lobbying to revoke part of a protected forest reserve in Indonesia in order to allow it to develop a gold mine despite community opposition.

Poboys-Paneki Forest Park (Tahura) is a protected conservation reserve near to the city of Palu in central Sulawesi, which is being traditionally managed by local communities. The park is a crucial catchment for Palu's drinking water.

The gold project, officially named 'The Palu Prospect' is being developed by PT Citra Palu Minerals, a 90% owned subsidiary of Rio Tinto Indonesia. It is in the exploration phase, with at least 14 drill holes having been made. The Rio Tinto project manager Mr Mubardjo told *Mining Monitor (MM)* that mining exploration activity, including drilling, has occurred within the Tahura after it was declared a protected area.¹

Mubardjo confirmed that Rio Tinto is in



Rio drill hole in Tahura Forest Park.

negotiation with the local government to shift the boundary of the park to facilitate mining the estimated resource of 18 million tons of ore. Mubardjo does not see any problem with Rio Tinto conducting mining activity in protected areas, including national parks, "as long as government regulations are observed".

The proposed mine would displace traditional owners, depriving them of land, forest and other natural resources. The project has prompted a strong written declaration of opposition by the Poboys community, and is opposed by four local and national NGOs. Rio Tinto's project manager dismisses community opposition. "Greenies are protesting but that always happens, greenies are protesting all over the world", he told *MM*.

While Rio Tinto has backedpedalled on the Jabiluka uranium project due to community opposition it is less concerned about opposition to its push to revoke Tahura Forest Park in Indonesia.

Igor O'Neill and Llywela Smith

¹ Interview with Mr. Mubardjo exploration geologist, Rio Tinto Palu Project, 28 March 2001.



MONITOR.

Monitoring the mining industry in Australasia and the Pacific

RIO TINTO REPORTS CONCEAL KELIAN SCANDAL

For over eighteen months Rio Tinto has failed to directly disclose, either through its reports to shareholders or voluntary environmental and social reports, that allegations of serious human rights abuses against staff at its 90 per cent owned Indonesian subsidiary, Kelian Equatorial Mining (PT KEM), were being investigated.

As a result of negotiations with community leaders, PT KEM agreed in January 1999 to an independent investigation into allegations that staff had sexually harassed and raped women and perpetrated other human rights abuses. The report, completed in February this year after a nine-month investigation, supported claims of a number of cases of sexual abuse over a ten-year period to 1997. It also investigated claims that two mine opponents had died in mysterious circumstances at the hands of security forces.

The head of the inquiry, Mr Benjamin Mangkoedilaga, told the *Australian Financial Review* in June 2000 that employees who reported sexual abuse were threatened with dismissal while others were given money or promise of a job at the mine in return for sex.¹

In its *Statement of Business Principles* Rio Tinto states it is "committed, both in principle and in practice, to the maximum level of transparency consistent with normal commercial confidentiality".² However, at no point has the investigation or its findings been referred to in any of the subsequent quarterly or annual reports produced directly by Rio Tinto. Rio Tinto's voluntary 1999 *Social and Environmental Report*, which was finalised in February 2000, devoted only three short paragraphs to human rights without making any reference to the Kelian investigation.

Rio Tinto's report was audited by the US based auditing company, Arthur D Little, which verified the results of the report based on a sampling of information provided by the company. A sample of information, it said, "is sufficient in our judgement to support virtually all of the statements made".³ Arthur D Little did not respond to inquiries from *Mining Monitor* (MM).

"The outcome of that report will be privy to the parties involved"

John Vale
PT KEM

Only in PT KEM's unaudited Social and Environment Report, released in May this year, is there a passing reference to "alleged human rights abuses", which it downplays by stating "many of which derive from the exploration and early development period of the mine".⁴ PT KEM President Director, John Vale, told MM the report was produced before the inquiry was finalised. Vale is uncertain what will be disclosed in future reports. "The outcome of that report will be privy to the parties involved", he told MM.

While Rio Tinto released its half-yearly report for 2000 to shareholders in August, two months after the PT KEM report was released, it avoids any mention of the findings from the human rights investigation. Instead it referred only to the disruption to production as a result of a series of blockades by local people.⁵

Rio Tinto did not respond to requests from MM for comment on the lack of disclosure.

The failure by Rio Tinto to fully disclose the investigation raises doubts about the value of voluntary social and environmental reports, even when audited, produced by companies as part of their obligations under the Minerals Council of Australia's Code of Environmental Management.

Bob Burton

¹ Tim Dodd, "Rio Tinto miners face sex claims in Borneo", *Australian Financial Review*, 30 June 2000, page 1 & 42.

² Rio Tinto, *The way we work: our statement of business practice*, www.riotinto.com, January 1998, page 3.

³ Rio Tinto, *1999 Social and Environment report*, www.riotinto.com, page 27.

⁴ PT Kelian Equatorial Mining, *Social and Environment Report*, www.keliangold.com/news/03052000-7.htm, 3 May 2000.

⁵ Rio Tinto, *2000 half year report*, www.riotinto.com, January 2000, page 8.

IN THIS ISSUE

Aust eyes on Tibet prospects	3
Long arm of law may get longer for companies	4
No bark, no bite from corporate watchdogs	5-6
A beginner's guide to mineral exploration	7-8
A plea from a Porgera landowner	9
Shell ads backfire on WWF	10



MONITOR.

Monitoring the mining industry in Australasia and the Pacific

BHP INVESTIGATES OCEAN DUMPING FOR NICKEL MINE

While BHP's proclaims that "*prevention is better than cure*", the company is pressing ahead with investigations into dumping in the ocean wastes from the proposed Gag Island nickel project, 150 kilometres west of Irian Jaya in Indonesia.

In 1996 BHP hired Natural Systems Research (NSR), a Melbourne-based environmental consultancy, to advise it on the Gag Island project. NSR has previously worked for BHP on its ill-fated attempt to defeat legal action by PNG landowners affected by tailings disposal from the Ok Tedi mine.

Gag Island is a small island, approximately 10 square kilometres and home to 450 people who are mostly reliant on fisheries and food gardens. BHP Manager of Environmental and Community Affairs, Ian Wood, told *MM* the southern two-thirds of the island is mineralised with nickel while the northern end is used for food gardens by the local population.

A conventional tailings dam, Wood said, is one option for the northern section of the island but would affect the food gardens. An alternative option is a temporary tailings dam in the north and then backfilling the pits. The third option is ocean disposal, which avoids impacts on the gardening areas and the costs of backfilling.

While BHP's Managing Director, Paul Anderson, has ruled out any new projects dumping tailings into rivers, the company is prepared to consider projects that discharge tailings into the ocean.

Meanwhile, Ben Woodhouse, the Chief Executive Officer of Sydney-based PR consultancy Ecos Corporation, told the Minerals Council of Australia the industry would be



Ben Woodhouse. Photo: Bob Burton.

forced to provide answers on where it stood on issues like ocean disposal of mine wastes. "*You will need to make some very tough decisions on issues such as riverine and deep sea disposal of tailings, and cyanide use. And I know you're debating these and making progress on some of these. I would encourage you not to slow down*", Woodhouse said in June 2000.¹

"You will need to make some very tough decisions on issues such as riverine and deep sea disposal of tailings"

*Ben Woodhouse
Ecos Corporation*

In order to proceed with a feasibility study on the \$2.4 billion Gag Island nickel project, BHP announced it is hoping to team up with the second biggest nickel producer, Canadian-based Falconbridge. Falconbridge has tentatively confirmed it is at an advanced stage of negotiations to buy a 37.5% interest in the project for

\$US75 million, leaving BHP with an equivalent stake in the project.²

NSR is recommending BHP proceed with "*deep sea tailings placement*" (DSTP) of mine wastes. According to NSR "*the preferred options—processing on Gag with DSTP—are under intensive investigation*".³

"*Environmental management proposals for the mining component of the project will be based on the standard requirements placed on existing nickel operations by the New Caledonian authorities and the results of an NSR case study of the PT Aneka Tambang mine at nearby Gebe Island*", NSR wrote.

Bob Burton

¹ Ben Woodhouse, "The Code-in perspective", www.minerals.org.au, 7 June 2000.

² "Falconbridge confirms tentative agreement on Gag Island nickel project", Canada News Wire, 12 July 2000.

³ NSR, *Mining in High Rainfall Tropical environments: Project Listing*, www.nserv.com.au, 15 November 1999, page 9.

IN THIS ISSUE

Change or industry 'in jeopardy', says Rio head	3
Global Mining Initiative hits early hurdles	4
Report damns oil giants, while Australia trains regime	5
Freeport sued over audit	6
NSR backs ocean dumping	8
It's time for 'uncivil' society to act	9-10

FREEPORT SUED OVER AUDIT

At a preliminary hearing of a legal action by the Indonesian Forum for the Environment WALHI (Friends of the Earth Indonesia) against PT Freeport Indonesia, the court was asked to direct the company to run a major advertising campaign correcting information about the Lake Wanagon accident on 5 May at the Freeport mine in West Papua (see *MM* July 2000).

WALHI's legal representatives told Judge Lalu the company breached the 1997 Law on Environmental Management, which requires companies to provide accurate information on their environmental management practices. WALHI told the court that Freeport's claims that their early warning system worked and that the accident was caused by high rainfall were inaccurate and had to be corrected.¹

WALHI lawyers told the court that villagers only escaped the flood caused by the accident by the sound of the oncoming water, not the early warning system. "The early warning system only sounded around 30 minutes after the flood had reached the village," the lawyers told the court.²

WALHI criticised Freeport for issuing a media release which implied that the Wanagon accident had been the result of natural causes. Rio Tinto, a major shareholder in PT Freeport Indonesia, sought to downplay the accident. Rio Tinto Chairman, Sir Robert Wilson, told the company's annual general meeting in London the accident could not have been anticipated.³

"An environmental report by Freeport had said that Wanagon Lake was prone to accidents. This did not stop the defendant from dumping huge amounts of overburden in the lake. Therefore, the defendant knowingly and deliberately increased the risk of accidents," WALHI's lawyer said. A Freeport consultant's report attributed a 1998 waste rock dump collapse to the rate of dumping not to rainfall effects, they said.

WALHI's lawsuit also alleges that the environmental audit report prepared by US consulting firm Montgomery Watson (MW) for PT Freeport, released in late December 1999, was not properly conducted.



The Wanagon disaster narrowly missed Banti village. Photo: WALHI

The MW audit report defends the dumping of tailings in the local river and supports Freeport's lobbying campaign to gain exemptions from Indonesia's new environmental standards. The report claimed the Environmental Management System (EMS) used by PTFI "to be exemplary and a showcase for the mining industry".

"The contract should be respected because it is in the interests of Indonesia..."

**Henry Kissinger
Freeport Director**

MW states, however, the audit was only a technical review and "did not include social, cultural or economic impacts".⁴ MW claims that PTFI "is in material compliance with current Indonesian government environmental laws and regulations".

However, the report backs attempts by PT Freeport to gain exemptions from current legislation for nitrogen dioxide emission standards for Freeport's diesel power plant and the tailings from being classified as hazardous waste under what is known as the B3 regulations. MW claims exempting the tailings "is very important to the PTFI operations and believes that, for technical and environmental reasons, the exemption should be granted".⁵

MW defend the dumping of tailings into the river system as "the best alternative when considering important geotechnical, topographic, climatologic, seismic and water quality criteria". It is, it claims,

"the best technology for tailings management given the conditions at the site".

The release of the report in December 1999, complete with full page newspaper advertisements, stirred controversy. State Minister for Environment, Sonny Keraf complained that the audit report had "irregularities" that the company had not explained adequately to him and suggested the audit should be re-done.⁶

Others argued the contract with Freeport should be cancelled or renegotiated. This prospect prompted a lobbying blitz by Freeport. Former US Secretary of State and Director of PT Freeport's parent company, Henry Kissinger, flew in to lobby the Indonesian President, Abdurrahman Wahid, to honour the contract. "The contract should be respected because it is in the interests of Indonesia since you want investment from all over the world", Kissinger told journalists.⁷

Releasing the MW report, Freeport announced in its media release that the MW "audit team was accompanied by ... two representatives of the World Wildlife Fund, who participated in the audit site visit as formal observers".⁸ WWF has not yet commented on the report.

The hearing was adjourned until September 13, when Freeport's lawyers will submit its responses to WALHI's action.

Bob Burton

¹ "Walhi demands Freeport apologize for misleading info", *The Jakarta Post*, 22 August 2000.

² *ibid*

³ Louise Robson, "Rio Tinto announces probe into Irian Jaya accident", *AAP*, 10 May 2000.

⁴ Montgomery Watson Indonesia, *1999 External Environmental Audit PT Freeport Indonesia Operations, Executive Summary*, PT Freeport Indonesia, December 1999, www.fcx.com, page 2.

⁵ *Ibid*, page 26.

⁶ "Amdal on Freeport examined", *The Jakarta Post*, 11 February 2000, page 2.

⁷ "Kissinger calls on RI to honour Freeport deal", *The Jakarta Post*, 29 February 2000, page 1.

⁸ Freeport McMoRan, "Freeport McMoRan copper and gold announces results of independent environmental audit: *Audit Finds PTFI Environmental Management System 'Exemplary and a Showcase for the Mining Industry'*", Media Release, www.fcx.com, 22 December 1999.



WEST PAPUA

FREEPORT WASTE DAM COLLAPSE SPARKS OUTCRY

The once beautiful Lake Wanagon, formed by the action of a unique tropical glacier, lies high in the mountains of West Papua in Indonesia.

For the indigenous people, the Amungme, the lake is sacred. For the massive Freeport gold and copper mine, the lake is not sacred but simply the site for dumping its waste rock. It is estimated that 3 billion tonnes of highly acidic waste rock, laden with heavy metals, will be dumped in the lake by the time the mine closes in 2041.¹

The Australian/British company, Rio Tinto, and US company Freeport McMoran are joint owners of the Grasberg copper and gold deposit, known simply as "Freeport mine". Waste rock is not the only problem with the mine. The water from Lake Wanagon flows into the Ajkwa River in which the mine also dumps 230,000 tonnes of tailings daily, with plans to increase to 300,000 tonnes daily.²

At 9pm on Thursday 4 May 2000, seven Freeport contractors were working on the side of Lake Wanagon. Nine other workers were camped on the bank of Wanagon River, not far below the lake. At approximately 9:30pm, the dam containing Freeport's waste dump collapsed. A huge whirlpool of escaping waste at the south end of the lake sucked four of the seven lakeside workers to their deaths. Hearing the collapse, the nine working below the dam ran for their lives, narrowly escaping death as their camp was hit by a torrent of waste rushing down the mountain.

A short while later, several huge waves of waste swept down the Wanagon River and through the sleeping Banti Village, accompanied by a terrifying roaring noise. Livestock pens and the village graveyard were swept away. Food gardens were swamped and soil along the riverbank stripped away. The flood reached almost 50 metres high, just stopping short of washing out the bridge. Villagers rushed to safety in their hillside church. Miraculously, no-one was killed at Banti.



Inspecting the damage to gardens and riverbanks at Banti village. Photo: Walhi.

Half an hour after the waves of waste passed through, the early warning system installed by Freeport at Banti Village sounded. Five and a half hours later Freeport's Safety Department staff arrived at the village, despite this being the third waste rock collapse in the last two years. The first occurred in June 1998 and the

*"...we had a release of
some low ph water and
some possible metal
suspended solids"*

Steve Drake,
Mine Manager Grasberg

second only weeks previously, in March 2000. According to local villagers in all three incidents, the early warning alarm installed by Freeport did not perform its function to alert villagers of danger.

When questioned on the Australian *60 Minutes* television program, the Manager of the Grasberg mine, Steve Drake, disputed the Indonesian government's description of the waste involved as toxic. "I wouldn't say toxic materials, we had a release of some low ph water and some possible metal suspended solids", Drake told *60 Minutes*.³

The day after the accident 600 indigenous Amungme people from Banti, Tsinga, and Arwanop blockaded the Freeport access

road, preventing workers' buses from passing. One hundred elite green beret army personnel threatened the community at gunpoint, but failed to shift them until they met personally with Freeport's General Manager, Hermani Soeprapto, and made their grievances known.⁴ Indonesia's key national environment NGO, WALHI, has announced that it will sue PT Freeport Indonesia for violating environmental laws and regulations.⁵

The Indonesian government reacted swiftly to the disaster, issuing an order on 12 May for Freeport to stop dumping waste into Lake Wanagon. Freeport was also ordered to cut production at the mine, later announcing it had complied by reducing daily ore throughput by 30,000 tons to 200,000. International sharemarkets reacted unfavourably, dumping Freeport McMoran shares, which have dropped approximately 50 per cent since early 2000.

While Freeport enjoyed good relations with the ousted Suharto government it is finding democratic Indonesia more difficult. Environment Minister, Sonny Keraf, announced that after an investigation, the cabinet had determined that Freeport must submit a comprehensive new plan and obtain government approval before opening a replacement dump for the waste rock.

Keraf is also demanding that Freeport clean up the pollution caused by the wave of waste and compensate losses suffered by residents of Banti.

Igor O'Neill

¹ George Mealey, *Freeport McMoran Copper & Gold*, New Orleans, 1996.

² *Financial Times*, 17 March 1998.

³ '60 Minutes', Australia's Channel 9, 4 June 2000.

⁴ Hidayati, Nur, personal comment. 2000.

⁵ WALHI, Media release, www.walhi.or.id/pers/english.htm, 18 May 2000.

NEWCREST LOANS HELICOPTER TO INDONESIAN MILITARY

Australian gold company, Newcrest Mining, has defended its decision to loan a helicopter under contract to a Indonesian subsidiary to the notorious Indonesian armed forces (TNI).

The Gosowong project lies within a Contract of Work (COW) licence area held by PT Nusa Halmahera Minerals (PTNHM), in which Newcrest holds a 82.5 percent interest. The first gold from the mine was poured 25 July 1999. However, only three weeks later the mine was shut down for five days after conflict in the local villages. The mine was re-opened, but Newcrest warned, "the situation remains unresolved".¹

Just prior to Christmas, intense fighting broke out once more across the North Maluku province. Newcrest warned investors that there had "been a number of clashes between villages in the region of the mine".²

While Newcrest says it has a "high level of support that it continues to receive for the project", not all local people are supporters. One Muslim group claimed to have seen a helicopter leased by PTNHM carrying arms and personnel for use by Christian gangs. Mohommad Yusuf Ely, a retired naval officer and Islamic preacher said "those Australians think they can send in Interfet to do as they wish, just like they did in East Timor. They can't. We Jihad forces will stop them ... we will not let them take our gold".³

On December 31, a group of Muslims hijacked one of the helicopters leased to the Newcrest subsidiary. At the same time a group of hundreds of protesters vandalised one of the company's offices in the Ternate district.

The Indonesian news agency, Antara, carried a story that claimed that a helicopter leased to Newcrest had been ferrying Indonesian military and supplying ammunition to those provoking the conflict. Fol-



Newcrest CEO, Gordon Galt.

lowing the Antara story, Newcrest's Chief Executive Officer, Gordon Galt, issued a statement to the Australian Stock Exchange confirming that "Indonesian Army and other government personnel have used a helicopter leased to PTNHM".

Newcrest claimed that "PTNHM is not involved in the unrest in any way" and that it had remained neutral in the conflict, and it said this had "been acknowledged by all parties".

"... well that's what
[peacekeeping missions]
they said it was for"

Peter Bird
Newcrest

Newcrest's Investor Relations Manager, Peter Bird, told *Mining Monitor (MM)* that it used its helicopter to ferry bullion from the mine to the port. It was possible, he suggested, that it might have flown over towns and people seen the armed guards. "Perhaps people had confused the guards with the movement of troops", he said.

However, Bird told *MM* that he had "no idea" exactly who in the military requisi-

tioned the helicopter. Asked who in Newcrest could say, Bird told *MM* that "the answer is that it is a security matter ... Our response would be it's their (TNI's) business. They can do what they want to".

"The issue is, if they make a decision that they need some equipment ... it's a little different from here - you can't just go down the road and hire a truck or hire a chopper for the local airport", he explained.

"I don't know the exact machinations of that particular situation," he told *MM*. However, challenged as to how he knew that the military who used the helicopter were only involved in "peacekeeping missions", Bird told *MM* "well that's what they said they wanted it for".

The helicopters, Bird insisted, were to allow military officials to get a "bird's eye view of what is taking place ... again that's not our business as to what they do", he said.

Bird insists that there is no reason why Newcrest would get involved in supporting one side in the violence or helping the military if they thought they were involved in other than peacekeeping activities. "Why would we, a relatively small Australian listed company, play that game? We would pull out, we wouldn't be involved, we wouldn't be in the country".

Amidst the widespread violence in the province, the Army mounted a major security operation involving more than 2000 military personnel, including mass evacuations of refugees from North Maluka.

At first Bird told *MM* that he was uncertain how often the helicopters had been provided to the TNI. Later he insisted it had been for only one day. However, the Newcrest statement to the Stock Exchange stated the helicopter had been used on a "number of occasions".⁴ After media cov-

continued page 6

INDONESIA

NEWCREST LOANS HELICOPTER TO TNI

erage of the issue, Newcrest defended its decision to MM on the grounds that "it would be different if we owned the helicopters".

The Australian Government has encouraged the Indonesian Government to defend Newcrest's mine. In a meeting with the Indonesian armed forces chief, Admiral Widodo, and the Minister for Mines and Energy, General Bambang, the Australian Ambassador, John McCarthy, stressed the "importance of protection for the mining company".⁵

While Newcrest is confident that the role of the military was peaceful, others are less convinced. Tamrin Amal Tomogola, a sociologist at the University of Indonesia and a member of the reconciliation team established in the province, blames the military for the pre-Christmas violence.

Tamrin points to the proximity of the violence to the summons of former Coordinating Minister for Political Affairs and Security, General Wiranto, to appear before the inquiry into human rights violations in East Timor. "It is suspicious that when Wiranto was summoned on December 24, unrest erupted on December 26 in three different areas of Ambon, Ternate and Halmahera all at once", he told the *Jakarta Post*.⁶

"The Army needs to maintain its territo-

rial grip", Tamrin said. "Every time Soeharto and the Army are troubled riots erupt. There is an obvious correlation between the two ... They twist a national dispute into a local conflict and tell the people they are sectarian matters ... Because of the riots, they can justify sending more troops ... the more troops the more reason to upgrade an area's military status".

"They twist a national dispute into a local conflict and tell the people they are sectarian matters"

Tamrin Tomogola
University of Indonesia

Concern about the potential bias of TNI troops extended to the head of TNI, Admiral Widodo, who cautioned troops dispatched to Maluku that "all TNI and police personnel who are assigned to handle riots here must be able to act professionally and impartially".⁷

Newcrest is confident that the military have not done anything more than "peace-keeping activities". Responding to MM queries about statements of Maluku leaders that TNI had been destabilising the province, as reported in the *Jakarta Post*, Bird insisted "we haven't heard of that". After the New Year violence Wiranto told a meeting of community leaders and gov-

ernment officials in Maluku that the situation had calmed thanks to the presence of security personnel.⁸

While Newcrest says it has "introduced specific reporting and control mechanisms to manage significant risks", there is little evidence it has considered how to handle requests from the military. MM asked what Newcrest's policy was in terms of managing the risk of the use of their leased helicopter being used for other than peace-keeping activities. "We do have one ... I can't tell you what we have got in place specifically for there", Bird said.

MM requested a copy of a map Bird used to illustrate where the mine, lease area and the violence had occurred. While Newcrest says it "recognises the importance of communicating openly and clearly with all stakeholders", Bird refused. "It's confidential", he said.

Bob Burton.

¹ Newcrest, Quarterly Report, 30 September 1999, <http://www.newcrest.com.au>.

² Newcrest, Quarterly report, <http://www.newcrest.com.au>.

³ Damon Frith, "Newcrest burned in Indonesian war", *The Australian*, 13 January 2000.

⁴ G Galt, "Gosowong mine status report", ASX company announcement, 6 January 2000.

⁵ Lindsay Murdoch, "Australian in danger zone as fights rage", *Sydney Morning Herald*, 11 January 2000.

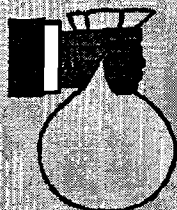
⁶ "Army responsible for Maluku riots", *The Jakarta Post*, 8th February 2000, page 2.

⁷ "Soldiers told to remain impartial in troubled Maluku", *Jakarta Post*, 11 January 2000, page 1.

⁸ "Calm returns to Maluku, claims government", *The Jakarta Post*, 14 January 2000, page 1.



POLITICAL DONATIONS



Australia's mining sector remains one of the biggest donors to political parties in Australia with more than two-thirds of the donations being contributed to conservative political parties.

Electoral funding disclosure returns for the financial year 1998-99, released for public viewing in early February, reveal the largest donors as being gas company Santos, Western Mining Corporation (WMC), Wesfarmers and the developer of the Jabiluka uranium mine North, all of which heavily backed the Liberal and National parties. A number of other companies such as

Australian Gas Light, and Boral hedged their bets by also donating a slightly reduced amount to the Labor Party.

Major mining contracting companies, MacMahon and Theiss, have also joined the ranks of political donors.

WMC donated \$20,000 to the ALP in South Australia, \$165,000 to the Liberals and \$35,000 to the National Party in Western Australia. Oil and gas producer Santos contributed \$30,000 to the ALP and \$260,000 to the Liberal Party. North donated \$40,000 to the Liberal Party, \$20,000 to the Labor Party and \$20,000 to the National Party.



MONITOR.

Monitoring the mining industry in Australasia and the Pacific

'TAKE CONTROL' AURORA TELLS INDONESIAN GOVERNOR

Perth-based mining company Aurora Gold has lobbied Indonesian government authorities to "take control of illegal mining and of unrepresentative groups" after disaffected landowners blockaded access to the Mt Muro gold mine.¹

According to Chalid Muhammad, Coordinator of the Jakarta-based Mining Advocacy Network (JATAM), Aurora has also hired 23 men from the village of Konut to act as security personnel. Aurora Company Secretary, Michael Boud, says that to describe them as a "security force would be highly misleading". Their role "is more in the nature of casual caretakers".²

Disenchantment with the Mt Muro gold mine reached a flashpoint in late September 1999. Opposition to the mine stems from the dispossession of several thousand villagers, including small-scale miners, when the mine was being developed and from the environmental impacts of the mine.

In 1987 the US company which held exploration rights to the area threatened to withdraw from its mining agreement unless the government acted against the small-scale miners. In 1988 security forces moved into the area and arrested dozens of miners and destroyed hundreds of their mining operations. Raids by security forces have continued in the years since.

Aurora took over the Mt Muro site and started production in 1994. Today it holds exploration rights over 480 sq. km. Aurora Gold's major shareholders are Ashton Mining (30%), Westpac Custodian Nominees (12%), National Nominees (11%) and Chase Manhattan Nominees (9%).

In 1996, Aurora distributed an Indonesian



*Local people displaced for the establishment of the mine remain dissatisfied.
Photo: JATAM.*

language memo about what it refers to as "illegal miners".

"If steps are not taken against illegal miners it will be considered as a sign of weakness and the problem will get worse."

Aurora Gold memo

"Impress upon the Department of Mining and Energy and the police (Mobile Brigade) that there is a need to take steps to restore security and order in the Mahanyan district", the memo stated. Aurora sought tough measures. "Arrest the financial backers from Banjarmasin".

"If steps are not taken against illegal miners it will be considered as a sign of weak-

ness and the problem will get worse", the memo continued.³

Frustrated by their inability to resolve the issues with the company locally, landowner representatives visited Australia in February 1998, hosted by Community Aid Abroad (CAA).

At a meeting in Perth between Aurora, landowners and CAA, an agreement was reached "on a process for identifying, verifying and resolving" the concerns about the Mt Muro mine. In particular the rights of small-scale miners and compensation for land taken for the mine had been discussed in the four-hour meeting.⁴ However, the promised negotiations were slow to eventuate.

Before discussions started, the Managing Director of Aurora bemoaned the lack of law enforcement in the post-Sueharto era against what he termed 'illegal miners'.

continued page 2.

IN THIS ISSUE

Code review ducks human rights	3-4
Global mining group proposal gathers steam	5
North's 'ethical' meeting	6
Did the mining industry learn from Bougainville?	7-10
Is the code anti-social?	11
Tailings	12-14

INDONESIA

Burston complained that "there is little done to discourage or prosecute offenders ... there currently appears to be some reticence, perhaps on account of the continuing uncertainty, in maintaining the levels of law and order which had been experienced previously".⁵

Finally negotiations occurred eighteen months later on 30 August 1999. However, when Aurora took the view that it would not consider claims for compensation from the small-scale miners evicted between 1987 and 1992, the talks broke down.

Frustrated by years of promises and little action, hundreds of community members blockaded several of the Aurora mining pits in late September. Aurora issued a statement saying that it would employ 150 people from fifteen affected villages in the area but that the blockades were preventing them from fulfilling this promise.

Local people reject the jobs offer as a 'divide and conquer' tactic. "The representative negotiators refused the company's offer because the company kept avoiding dealing and discussing the whole issue", the Jakarta-based Mining Advocacy Network co-ordinator, Chalid Muhammad said. "According to the representative negotiators, the job offer was merely an attempt on the company's part to deviate from the substantial issues", he said.

In late September 1999 the controversy over the mine grew. Burston defended Aurora's actions when concerns were raised about the role of the military in dealing with opponents of the mine. "We have a few army people and police that do patrols of the area and are charged with law



Mt Muro gold mine. Photo: JATAM.

and order by the government", he said. "That's all we have on site, the army aren't really involved in that side at all and those things [military harassment of local people] just don't happen now", he said.⁶

Aurora proclaimed that it "has overcome the difficulties caused by illegal miners and land rights activities ...".

In early October, the acting Governor of Central Kalimantan and representatives of the Department of Mines visited the mine. In a media release after the visit, the Director of Aurora's Indonesian subsidiary, John Vernon, said that he had "called on the authorities to take control of illegal mining and of unrepresentative groups".⁷

Aurora dismissed the opposition and blockade of its mine. The access road to one mining pit, it said "was blockaded in late September by an unrepresentative group of the community agitated by a lo-

cal non-government organisation".⁸

By mid-October Aurora proclaimed that it "has overcome the difficulties caused by illegal miners and land rights activities at its Mt Muro Gold Mine in Indonesia".⁹ While the blockades may have been lifted, opposition remains with Aurora now facing the prospect of legal action.

Aurora is having problems elsewhere too. The Toka Tindung project, which Aurora has been exploring, was placed on a care and maintenance basis "due to the social and political climate in the province". Aurora also has a 50% interest in the Morobe gold exploration project in Papua New Guinea.

Bob Burton

1 Aurora Gold, 'Update: mining operations - Mt Muro', Announcement to the Australian Stock Exchange, 11 October 1999.

2 Aurora Gold, letter to Mineral Policy Institute, 24 September 1999.

3 Aurora Gold, "Penambangan Tanpa Ijin (Peti)", September 1996. (Translation from Indonesian by Community Aid Abroad).

4 Aurora Gold, 'Constructive outcome to talks on Indonesian mine', Media Release, 24 February 1998.

5 Doug Wilkinson, 'Aurora Gold faces political uncertainty in Indonesia', *The Miner*, August 1999, page 12.

6 'Aurora under fire in WA Parliament from Greens MP', AAP, 22 September 1999.

7 Aurora Gold, 'Update: mining operations - Mt Muro', Announcement to the Australian Stock Exchange, 11 October 1999.

8 Aurora Gold, 'Aurora overcomes Indonesian difficulties with strong quarter', Media Release, 19 October 1999.

9 *ibid.*



MINING MONITOR

EDITOR: Bob Burton

Mining Monitor is published quarterly by the Mineral Policy Institute (MPI). *Mining Monitor* is aimed at providing detailed, referenced information to inform and support community organisations concerned about the impacts of mining projects (including oil and gas) in Australasia and the Pacific.

The views expressed are not necessarily those of the Mineral Policy Institute.

Please consult the editor prior to submitting material for major stories. You may send your

suggestions, criticisms and praise relating to *Mining Monitor* as a letter to the editor.

Strong preference is for written contributions via e-mail to <bburton@hydra.org.au>. Second preference is for material to be posted to PO Box 157 O'Connor ACT 2602 Australia. Deadline for next edition is 30 January 2000.

Mineral Policy Institute
Post Office Box 21
Bondi Junction NSW 2022
Australia

Phone 02 9387 5540
Fax 02 9386 1497

Email: mpi@mpi.hydra.org.au
<http://www.hydra.org.au/mpi/>

PATRON
Bob Brown

TREASURER
Geoff Lambert

STAFF
DIRECTOR
Geoff Evans

RESEARCH
CO-ORDINATOR
Nina Lansbury

CAMPAIGN
CO-ORDINATOR
Simon Divecha

PRESIDENT
Paul Chatterton

ADMINISTRATOR
Darryl Toohey

INFORMATION
CO-ORDINATOR
Igor O'Neill



MONITOR.

Monitoring the mining industry in Australasia and the Pacific

ICME AGAINST INDONESIA'S NEW ENV. STANDARDS

The International Council on Mining and the Environment (ICME) is lobbying the Indonesian government to overturn new water pollution standards signed into law earlier this year by President Habibie.

In May 1999 new regulations were introduced to set standards that were to apply to discharges to the environment from mining operations. The Chairman of ICME and Managing Director of Western Mining Corporation (WMC), Mr Hugh Morgan, told a Minerals Council of Australia (MCA) conference the regulations were "drawn up in consultation with the Indonesian Mining Association".¹

Morgan said the regulations "were regarded as combining standards that were internationally acceptable as well as being appropriate for the Indonesian circumstances".

"When the regulations had been signed by President Habibie," Morgan told the MCA conference, "the industry discovered, to its horror, that the critical numbers for the levels of permitted concentrations of various metals and other waste constituents had all been altered".

Morgan claimed the new standards were so low that levels "for key elements were below background values, and impossible to meet, anywhere in the world." He fears "it will be virtually impossible to change those numbers back to their agreed value". Morgan said that the responsible Minister "was deeply embarrassed by what had happened" and "asked for a letter from ICME detailing the numbers which apply in overseas jurisdictions".

Australian-based members of ICME are BHP Minerals, Pasminco, Placer Dome



Emmy Hafid. Photo: Bob Burton

Asia-Pacific, Rio Tinto and WMC.

Emmy Hafid, the Director of Indonesian environment and human rights group WALHI, said that under the new regula-

"We never never get involved in saying what a standard should be".

Gary Nash

tions "all mining wastes have been considered as toxic waste unless it can be proven not to be". Hafid said "the current law is not perfect", but that the standards adopt a preventative approach. "What the mining companies are asking right now is to have the US EPA standards applied which take the approach that mining waste is not a toxic waste unless you can prove that it is so. In Indonesia it is the other way around", she said.²

ICME Secretary-General, Gary Nash, said that it had written to the Indonesian Minister and suggested ICME could assist with a workshop to review the standards by

bringing in 'experts'. The experts, Nash suggested, could "sit down and say 'here are the type of factors that one should take into account, here's what can be measured, here's what can't be measured, here is what is reasonably achievable'".³

Nash says that to date there has been no official response from the Indonesian Minister but "my informal network is that they may be interested in having some form of workshop".

While ICME is keen to change the standards they refuse to be drawn on what they would consider appropriate standards. "We never never get involved in saying what a standard should be ... I can tell you - a numbers game we won't touch" Nash told *Mining Monitor*.

Bob Burton

¹ Hugh Morgan, WMC Ltd, 'A sustainable minerals industry - a new era', Speech to the Minerals Council of Australia, 2 June 1999.

² Interview with Bob Burton, 11 September 1999

³ Interview with Bob Burton, 14 September 1999.

IN THIS ISSUE

IUCN softens parks policy	3
BHP offloads Ok Tedi problems	4-5
Govt seals green law rewrite	6
Is gold making fools of us?	7-10
Will BHP cut and run?	11
Tailings	12-14
Resources	15

LANDOWNERS TOUR LEADS COMPANIES TO TALK

A three-week tour to Australia of representatives from Indonesian landowners' groups adversely affected by Australian mining companies has succeeded in forcing Australian mining companies to enter discussions to resolve outstanding conflicts with local communities.

The tour, sponsored by Community Aid Abroad (CAA), featured representatives from landowner groups in Kalimantan affected by Rio Tinto's Kelian gold mine and the Perth-based Aurora Gold's Indo Muro gold mine. The tour coincided with the release of a report published by CAA *Undermined: the impact of Australian mining companies in developing countries* (see "Resources" section for details).

In one protest three indigenous Dayaks performed a traditional dance in costume before eating a meal outside the home of Rio Tinto executive, Leigh Clifford, in the wealthy Melbourne suburb of Toorak. Leonard Simanjuntak told assembled media that "we are here trying to meet the Rio Tinto owners to have an equal negotiation with them because this has been very frustrating. We want to talk to people with decision-making power".¹

Landowner representatives spoke at a series of public meetings in Brisbane, Sydney, Melbourne and Perth about the impacts of Australian mining companies on their land and lives.

Mining in Indonesia

The framework legislation covering mining in Indonesia, the Basic Mining Act of 1967, provides little regulatory control of environmental impacts, while more recent legislation is primarily concerned with companies paying funds for reclamation into a central fund.

Environmental management is developed through the Analisis Mengenai Dampak Lingkungan (AMDAL) which requires each project to be assessed. While



Breakfast protest. Photo Jeff Atkinson.

companies are guaranteed fixed timetables for decision making by the Department and appeal provisions against decisions the public is excluded. WALHI says "there are two important obstacles causing AMDAL to be ineffectual. The first is the weak role of the public in the AMDAL process, and the second is the weakness with which the AMDAL are applied".²

Rio Tinto's Kelian gold mine

The Kelian mine, located in tropical rainforest in east Kalimantan, was developed in the 1970's and 1980's by CRA (now Rio Tinto). Rio Tinto owns 90% of the Indonesian-based company PT Kelian Equatorial Mining (PT-KEM). (Rio Tinto also has a 50% interest in the Kaltim Prima coal mine on Kalimantan.)

Prior to large scale open cut mining, which commenced in 1992, the area had long been mined by approximately 2,000 small-scale miners. In 1980 the village of Loa Tepu was informed that it would have to move as it was in the middle of the area required for mining. In 1990 areas used by small-scale miners were sealed off by paramilitary police. Evicted miners were told that they would receive \$A130-650 in compensation but for many it was never

paid.

In 1990, 440 families were displaced from their homes for the construction of the mine and processing plant while 50 kilometres away 24 families lost their land for port construction.

According to CAA, for most it meant a dramatic drop in income and living standard and a loss of economic activity. For those who lived along the Kelian River, restrictions on small-scale mining to marginal areas has resulted in a substantial drop in income. For its part PT-KEM has told those concerned with disputes over compensation assessments from the government "(the claimant) should take his claim to the District Court. PT-KEM can only pay compensation where there is a legal entitlement".³

Lacking resources and faith in the legal system, residents launched demonstrations in December 1992 at the mine gate. The government compensation assessors returned to the area and rejected 600 of the 800 claims for compensation, while 198 were approved in 1994 and 1995 at an average of over \$A1,000 each. Despite this many local residents remain angry about their inability to get a fair hearing.

Kelian has also created major environmental problems. In April 1992, 600 empty drums, which had contained chemicals, were washed into the Kelian River. People who retrieved them experienced skin irritations. Since the commencement of the mine villagers have complained about the poor water quality and the elimination of fish. PT-KEM has installed pipelines at three villages to bring in clean water. Rio Tinto claims the pollution of the river has been caused by alluvial miners.

PT-KEM has admitted that it has a problem with acid mine drainage (AMD) associated with the oxidising of sulphide bearing rock. The AMD has resulted in

FORUM: MINING IN INDONESIA

LANDOWNERS TOUR LEADS TO TALKS

the mobilisation of manganese from the rock. Rio Tinto claims that "there is evidence that the manganese is converted to an insoluble form in the river and monitoring to date indicates no impact on aquatic life".⁴ Rio Tinto also acknowledges that the suspended solids in the water discharged from the Kelian mine increased from 1600 tonnes in 1995 to 4,700 tonnes in 1996.

Rio Tinto responded to a draft copy of the CAA report, stating that "the days of arid debate over the basic approach to take towards local communities should be long gone. It is now very clear that responsible mining companies and aid organisations have much in common from a community development point of view ... Rio Tinto believe that it would be far more productive to spend time with Community Aid abroad developing possible project proposals towards such ends, rather than responding once more to the same set of unchanged allegations we responded to early last year when they were raised prior to our Annual General Meetings".⁵

Cusack also wrote in *The Age* that "no one pretends that community relations at the Kelian mine are perfect. But neither are they controversial nor unproductive and we are serious about improvement".⁶ In response to the tour Rio Tinto have agreed to a meeting in Jakarta with representatives of groups concerned about the mine's impact.

Aurora's Indo Muro mine

When Ashton Mining decided in 1993 to concentrate on diamond mining it spun off its gold operations to Aurora Gold, which it still holds a 30% interest in.

Aurora's major existing operation is its 90% stake in PT Indo Muro Kencana (PT-IMK), which operates the Indo Muro gold and silver mine, which commenced in late 1994. The mine development followed intensive exploration by a series of other companies in the 1980's. Traditionally the area has been mined by small-scale miners.

When the Indo Muro site was owned by US interests in 1987, small-scale miners



The landowners tour received extensive media coverage. Photo Jeff Atkinson.

were warned to leave the PT-IMK area. The US company threatened to withdraw from its contract unless the government acted against the small-scale miners in the area.

In 1988 security forces moved into the area and arrested dozens of miners and destroyed hundreds of their mining operations. Of the 51 arrested at this time 28 were found guilty and sentenced to 3 to 6 months goal. Appeals to the central government to gain alternative small-scale mining areas failed. In the years that followed raids by security forces have continued.

Just prior to the commencement of the mine local people complained about changes in water quality causing mass deaths of marine life in the river, which they attributed to the mine. An investigation by the local Governor told WAHLI that the pollution did not necessarily originate from the mine. However Aurora write to CAA stating that, while tests were inconclusive, "it is thought this might be attributable to acidic run-off from certain road fills and rock cuttings under a recently constructed haul road. Additional works were immediately commenced to further reduce the possibility of potentially acidic run off from any source reaching the river".⁷ Complaints about the water quality have continued after the commencement of the mine operation.

Compensation was paid for land, houses, crops and fruit trees appropriated for the mining operation, but has been criticised

by CAA as being low. Local people also complained about the disturbance of ancestral graves and large trees and about the building of a tower by the company on a nearby sacred mountain, Mount Kembang. Despite representatives of the local communities campaigning for the mine to be either closed down or cleaned up little has occurred.

When the tour of Australia publicised, Aurora showed no willingness to change its position. However as the tour and publicity continued Aurora entered into a written agreement with CAA and the landowner representatives to enter into discussions to dealing with the issues of the local community.

Bob Burton

1 Indonesians protests outside mining boss's home', AAP, 29 January 1998.

2 Arimbi Heroepoetri, "Gagalnja AMDAL", *Tanah Air, Wahana Lingkungan Hidup Indonesia*, April cited in Jeff Atkinson, *Undermined: the impact of Australian mining companies in developing countries*, Community Aid Abroad, January 1998, page 11.

3 Michael Noakes, letter from President Director of PT-KEM to R. P. Indrosoeanto M.H. of Usaha Pejuang Republic Indonesia, 24 September 1992 cited in Jeff Atkinson *ibid*, page 23.

4 Rio Tinto, *Health, Safety and Environment Report 1996*, Rio Tinto, 1997, page 19.

5 Barry Cusack, letter to CAA, 20 January 1998, page 1.

6 Barry Cusack, "Ambush, rather than co-operation", *The Age*, 28 January 1998.

7 Michael Boud, Aurora Gold company secretary to Andrew Hewitt, Community Aid Abroad, 4 August 1995 cited in Jeff Atkinson, "Undermined: the impact of Australian mining companies in developing countries", Community Aid Abroad, January 1998, page 33.



