SPEARS OF DEVELOPMENT?
COMPARATIVE IMPACTS OF THE FREEPORT
MINE, IRIAN JAYA

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Summary

This thesis studies the impacts of one of the most significant development projects in the history of New Order Indonesia; the gold, copper and silver mine currently being operated by PT Freeport Indonesia (Freeport) in the highlands of Irian Jaya, the nation’s easternmost province. The mine’s significance stems from its huge profitability, both for Freeport and for the Indonesian government, and the fact that it is located on land inhabited for thousands of years by two indigenous tribes, the Amungme and Komoro. The inevitable conflicts arising from the mine’s location are largely rooted in Indonesian laws and policy. The conflicts bring into focus the tense relationship that has developed between the ethnically distinct inhabitants of Irian Jaya, and the Indonesian state, which incorporated their land into Indonesia in 1963.

For this reason, this thesis will argue that the impacts of the Freeport mine has depended largely on the dynamics of a three-way relationship between Freeport, the Indonesian government, and the indigenous peoples. It attempts to analyse the impacts of Freeport’s operations at different levels within a historically- and country-specific framework. To achieve this, a brief history of Freeport in Indonesia is presented, followed by a description of the current and historical relationship between Irian Jaya, its indigenous peoples, and the Indonesian nation-state. These preliminary studies form the basis of a comparative analysis of Freeport’s impacts in Irian Jaya and Indonesia.
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Glossary and Abbreviations

ABRI - *Angkata Bersenjata Republik Indonesia*: Armed Forces of Indonesia

COW - Contract of Work

*Kabupaten* - region/regency

Komnas HAM - *Komisi Nasional Hak Asasi Manusia*: Indonesian Commission on Human Rights

OPM - *Organisasi Papua Merdeka*: Free Papua Movement

PT-FI - PT (Perusahaan Terbatas) Freeport Indonesia: Freeport Indonesia Pty Ltd

*Rapelita* - *Rencana Pembagunan Lima Tahun*: Five Year Development Plan

Rps - Rupiah
CHAPTER 1 - Introduction

This thesis analyses the impacts of one of the largest and most profitable open-cut mineral mines in the world, incidentally located on tribal lands in one of the most isolated areas on earth. The convergence of these two extremes has inevitably brought substantial controversy, in terms of the mine’s environmental, economic and socio-cultural impacts. These impacts, however, are steeped in dynamics very specific to their context. That is, the impacts of the mine are largely determined by the current and historic relationships between the various groups involved.

Any in-depth analysis of the impacts of such foreign mining operations will therefore inevitably give rise to an array of varying questions and discourses. Coming from an academic and personal background coloured with an interest in Indonesian language and history, corporate expansion, and environmental issues, I was naturally drawn to the case of Freeport in Indonesia. The mine’s substantial impacts on such a beautiful and largely untouched ecology, coupled with the all-too-common displacement of indigenous peoples forcibly incorporated into a nation-state, seemed to give me adequate fodder for an impending Honours thesis.

Of course, gathering primary sources brought me to the obvious conclusion that there was much more at play than an irreconcilable dichotomy between two static groups, namely the mining corporation and the people whose land was subjected to the mining. What struck me about much of the literature concerning the wider impacts of foreign mining investment in the Asia-Pacific region, was that it was largely predestined by the assumption that the impacts will be the same at any given point in time. This thesis does not profess to rectify or offer any major solutions to the apparent shortcomings of such studies, but rather attempts to fill the gaps left by analyses with a much broader focus. By presenting the study of Freeport’s impacts within a framework specific to the country and area in which the company is operating, the thesis attempts to present one example of how a foreign mining operation can affect its host country and society in a variety of complex and decisive ways.
James “Jim-Bob” Moffett, Chief Executive Officer (CEO) of the US corporation whose subsidiary is operating the mine in Irian Jaya, was once quoted in an interview as saying: “We are thrusting a spear of economic development into the heartland of Irian Jaya” (Bryce & Brackett, 1996). The choice of such aggressive, almost sexual words seems to invoke images of the company adopting the role of an ersatz colonial power; Irian Jaya and its inhabitants being passive and untamed, in need of ‘developing’ and ‘civilising’. Of course, the situation is not that simple, but Moffett’s remarks bring into question the nature of ‘development’ - economic and otherwise - in an Indonesian province whose indigenous inhabitants are vastly different from most of the Indonesians throughout the rest of the archipelago.

The case of Freeport in Irian Jaya is one brimming with ostensibly incompatible opposites. As one journalist (McBeth, 1994e, 48) put it, the differences highlighted go much further than the choice between cotton underpants and the traditional penis gourds favoured by many of the indigenous men in the company’s project area. In 1996, a symbolic meeting of these two extremes occurred, when an angry throng of tribal members demanded to see CEO Moffett, flying in that day from the United States. Moffett was initially smuggled into the luxury Sheraton Hotel built by Freeport in the midst of the second largest rainforest after the Amazon, but later agreed to meet with a delegation.

Under military escort, forty tribal elders were allowed into the hotel to meet with Moffett, also bringing with them the local Catholic priest. In his room, Moffett was in the company of a number of Indonesian army generals, including Brig.-Gen. Prabowo Subianto, President Suharto’s son-in-law and head of the elite Kopassus troops. Also in attendance was the Chief of the provincial legislative body. Moffett, from the deep South bible belt of New Orleans, opened the meeting with a bible quote. He said his left cheek had been slapped, so he was now proffering his right cheek. He likened the situation in the area to that of a boil; it had now burst, and blood had come out. He tearfully said he would treat the injury and was ready to work with the people and completely change the structure of the mine. One of the tribal elders, Mama Yosepha,
responded in her Amungme language, and left no doubt as to where some of the indigenous people stood:

"My son Moffett, in the past I put you inside my noken [a woven bag used by women to carry babies and food], I took you with me wherever I went, but did not realise that you suck my blood until it is all drained and I remain only bones without flesh. Now, I pick you out of my noken and will throw you far away" (Roberts, J., 1996a).

The meeting later concluded with Moffett agreeing to deliberate on a number of demands made by the delegation, of which only several have since been fulfilled. Above all, the meeting was a striking metaphor for the intrinsic difficulties that have arisen in attempts to reconcile differences between the groups involved. These difficulties have often been further complicated by the legal and political dynamics between the groups.

In a sense, this thesis is an investigation into the nature of national and local/indigenous development, and how a foreign multinational giant can precipitate this development. With the history and characteristics of these national and indigenous entities clearly bearing on the process, a number of questions arise. What are the forces that decide just what form this 'development' will take? Who are the beneficiaries of this ‘development’, and with the notion of ‘development’ clearly open to interpretation, what are the relationships between those groups who hold such vastly different conceptions of it?

A brief literature review is offered in Chapter Two, to demonstrate the ways in which these issues can be approached, followed by a short history of Freeport in Irian Jaya and the company’s relationship to the New Order state. Chapter Three studies the current and historical relationship between Irian Jaya and the Indonesian nation-state, while Chapter Four uses these preceding chapters as a reference point to examine the various impacts of Freeport’s mining operations. The final chapter offers possible conclusions, and propose a number of prospects and recommendations.
CHAPTER 2 - Freeport and Foreign Investment in Mining

Foreign Mining Operations in the Asia-Pacific Region

Most of the literature analysing the impacts of foreign mining operations in the Asia-Pacific region - or of mining development in general - generally takes one of two approaches. Firstly, and most commonly, many writers portray a dichotomy between the foreign mining company and the host country's national government. Understandably, such studies have concentrated predominantly on such issues as the economic and developmental impacts of the mining operations at a national level. Less common is the literature that methodically studies the impact of mining development - foreign or domestic - on the local populations who are most visibly affected by their physical proximity to the mining operations. Ciaran O'Faircheallaigh's *Mining and Development* (1984) is useful for studying general higher-level issues, looking predominantly at the various factors which determine the character of host country-foreign investor relations. Using case examples from Australia, Ireland, Papua New Guinea and Zambia, O'Faircheallaigh attempts to study the manner in which these countries' varying economic, social, political and historical circumstances affect the foreign investment process. In this respect, although the study focuses mainly on the impacts of foreign mining investment at a national level, it makes the important step of highlighting the crucial role the host country's economic and political policies have on exactly how and in what form these impacts will take.

*Mining for Development in the Third World: Multinational Corporations, State Enterprises and the International Economy* (Sideri & Johns, 1980) is similar, but is essentially a macroeconomic study of the relationship between Third World state apparatus and the international economy. Concentrating largely on various state mining enterprises, the essays argue that the importance of the relationship between
the role of the state sector in development processes and the international economic system is most clearly displayed in the mining sector. Similarly, Michael Howard's *Mining, Politics, and Development in the South Pacific* (1991) offers a good overview of mining and its impacts on national political issues in the region, looking predominantly at the role of state intervention in the industry. In particular, Howard analyses the role national elites can play in the host government's relationship with the mining company, and how this role can influence how the mining wealth will contribute to national development. Both books analyse the economic and developmental impacts of the mining industry at a national level.

On the other hand, there is an abundance of literature that describes the local or environmental impacts of mining operations regions, but much of it is purely descriptive or anecdotal, and fails to offer a wider perspective or comparative framework. Many of these studies can be found in journals with an environmental or regional focus, and in the case of Irian Jaya, on internet conferences such as *reg.westpapua* and *west-irian-newslist*.

Many of these local studies have the drawback of portraying local or indigenous peoples as passive victims of change, with the agents of change and oppression being solely the mining companies. This use of the term 'impact' can be problematic, as it does not reflect the complex historical processes involved in the construction and operation of the mines, involving political forces at several levels, from international down to local, as well as both accommodation and resistance by the original landowners. The mining operations are also not the only factor involved in the current social, cultural and ecological struggles of these people, which are subject to constant change by both domestic and international forces (Banens, 1996, 25).

These two methods of analysing the affects of mining operations are both useful and important for their own reasons, but they appear to be somewhat insufficient in
themselves. Considering the possible outcomes from foreign investment in mining and their likely interconnection, a more holistic approach is needed. Most obviously lacking in the studies concentrating solely on a mining company's operations on local or indigenous peoples, is a clear comparative framework within which it can be viewed. Even though the social, cultural and environmental impacts of mining operations may be similar in a wide range of countries, the socio-political and economic connections within each country will greatly influence just how and to what extent these impacts will occur. For a more complete view of the impact of mining operations at a local level, we must also consider the impact of government policies, whether they be concerning foreign investment, local development programs or the treatment of indigenous peoples.

Similarly, many of the studies which analyse the impact of foreign mining operations solely at a national level in terms of investor-host country relations, seem to ignore other equally important factors. Once again, studying the relationship between a foreign mining company and the host country's government or state apparatus is useful and important, but this ignores the complex structures and relationships within the host country which can influence how the national government will relate to the foreign investor. This is especially true of mining, and as Howitt (in Howitt et al., 1996, v) points out, control of resources of all kinds - land, water, minerals, timber, tourist sites, inland and offshore fisheries, cultural knowledge, education and language - is fundamental in shaping the power relationships between indigenous peoples and the nation state which claim their territories. No national government - no matter how isolated or authoritarian - can be completely impervious to the constant challenge of social change occurring among the populace in different regions; as the tendrils of a dominant national and world system reach further into the lives of indigenous and minority groups, their relationship with government and international apparatus will only get closer.
Several writers are aware of the value of placing such studies within a specific country context, without ignoring the various multi-level dynamics at play. Kathryn Robinson's *Stepchildren of Progress* (1986) is a definitive study of the political economy of development in the Indonesian mining town Soroako, in Sulawesi, with the nickel producer PT Inco acting as the main agent of change. Robinson's study is essentially an analysis of proletarianisation and capitalist expansion in the periphery. At the same time, she acknowledges that neither the course of events nor the process of change engendered by the mining company can be fully understood by an exclusive focus on the local area, nor by a study of the local population and the multinational corporation as institutional actors. Instead, Robinson draws upon the perspective offered by world systems theory, dependency theory and class analysis, to place the changes in Soroako into a much broader and all-encompassing context.

The studies presented in John Connell's and Richard Howitt's *Mining and Indigenous Peoples in Australasia* (1991) tackle fundamental issues of land rights, economic change, environmental degradation, and compensation, but they also graphically portray the interconnectedness of government, mining companies and indigenous groups. In particular, the book highlights the difficulty - or near impossibility - of successfully linking indigenous groups' development goals with those of the mining corporations or national governments in the region. Following the success of this collection of essays, Howitt et al. published a similar book with a wider scope, *Resources, Nations and Indigenous Peoples* (1996), which once again argues that the dynamics of these issues are much more complex than the simple black and white terms often used in their discussion. Together these essays show how power struggles between nation states and their constituent peoples are most often played out through natural resource sovereignty and development. Without ignoring external dynamics such as the international economy or political system, the essays show how such disputes are "constructing a new discourse of geopolitics, identity and sovereignty within rather than between nation states" (2).
It is with the spirit of analysis employed in these last three studies that I will now proceed. Instead of arguing for dichotomous relationships between the foreign mining companies and the various affected groups, this study will attempt to analyse the impacts of one foreign mining corporation's operations within the framework of a three-fold relationship between Freeport, the Government of Indonesia, and the indigenous groups most directly affected by Freeport's mining. Obviously there are a number of impacts which will be particular to one group or level, but to get a clearer picture of the dynamics of Freeport's importance, influence and impacts in Indonesia, it is important to always bear in mind the interactions between the various interest groups. This study will generally adopt a case study approach, but will also use this case study as a means of viewing much broader dynamics, such as the relationship between the Indonesian state and some of its minority constituent peoples.

For the purposes of this study, political, economic, social and historical factors particular to Indonesia will guide the analysis. The possible impacts of foreign mining operations in any or all developing countries are outside the scope of this study, but the analysis of one case study will be used as an example. That is, the study will analyse the affects of a foreign mining operation at different levels, within a context specific to Indonesia. The analysis will not be steeped in development theory, and will not attempt to place the case of Freeport in Indonesia in any international contexts such as the movement of multinational corporations (MNCs) or centre-periphery relations. International factors will be considered if they influence Freeport's operations in Indonesia.
Background

In 1936 a young Dutch petroleum geologist named Jean Jacques Dozy was part of a colonial expedition planning to climb the peaks of the Carstenz Pyramid, the highest peak within the cordillera along the island of New Guinea, then part of the Netherlands East Indies. Like the expedition attempted before theirs in 1913, Dozy failed to reach any of the snow-capped peaks, but he returned with a report of a 140 metre-high outcrop of jet black copper ore, the so-called Ertbsberg ("ore mountain"). Because of World War 2 and its aftermath Dozy's report went unnoticed until 1959 when an official of the Oost Borneo Maatschappij (East Borneo Company) stumbled across it during a literature search for nickel in Irian Jaya. He did not afford a great deal of significance to the report, but still took the routine precaution of applying for an exploration concession. A few weeks later the same official showed some excerpts from Dozy's report to Forbes Wilson, manager of mineral exploration for US company Freeport Sulphur Co., who was a great deal more excited. Convinced of the Ertbsberg's commercial potential, in 1960 Wilson and several others launched a trek through the formidable jungle of Irian Jaya's highlands to sample the ore (Van Leeuwen, 1993, 151).

Results of the expedition surpassed all expectations, with the Ertbsberg proving to be the world's largest known above-ground outcrop of copper ore. Wilson suggested his company should carry out further studies immediately, but Freeport Sulphur's management were reluctant at the time to take any unculated risks in investment, especially as the company was still reeling from the state expropriation of their lucrative mining facilities in Cuba (Pease, n.d.).

However, the inception of President Suharto's anticommunist and pro-foreign investment government by 1968, guaranteed Freeport much safer investment. Skyrocketing copper prices, plus the advance of helicopter technology in the 1960s,
also made the project economically viable (IWGIA, 1992, 13). Construction of an open pit mine (named "Gunung Biji", the Indonesian term for Ertsberg) began in 1970 and production started in late 1972. At the inauguration of the project, President Suharto named Freeport's employee town Tembagapura ('Copper Town'), and renamed the province of West Irian as Irian Jaya ('Victorious Irian'). The renaming of West Irian could be interpreted as further official consolidation of the province as an integral part of the Indonesian nation-state, as opposed to the western part of a separate land mass. Today the mere mention of the term West Papua often elicits accusations of subversion. Intentionally or not, the simultaneous inauguration of the Freeport project represented the start of a relationship in which the company would play a major role in further incorporating the province into the nation-state.

The construction of the mine and relevant infrastructure in such rough and underdeveloped terrain is widely regarded as an engineering masterpiece. Several more orebodies were discovered in the surrounding area which became the focus of further exploration or production, and in 1988 - just 2.2 kilometres north west of Gunung Biji - Freeport employees discovered a huge copper reserve with large traces of gold; the so-called Grasberg ("grass mountain"), also named by Dozy in the 1930s. Within two years production commenced at Grasberg, and it is here that Freeport (now Freeport McMoran Copper and Gold Inc.) continues to mine today through its 81 per cent-owned Indonesian subsidiary PT Freeport Indonesia. Grasberg is currently one of the world's largest open-cut copper mines and contains the largest proven gold reserve in the world of over 72 million ounces (1992 figure). The original Ertsberg copper mountain is now nothing more than a large hole in the ground half-filled with water, 250 metres deep and 350 metres in diameter (IWGIA, 1992, 14). Run through an underground tunnel, the water is used to generate hydroelectric power (McBeth, 1994d, 52).
Currently Freeport Indonesia produces about 1.67 million tonnes of mineral concentrate per year, containing over 514,000 tonnes of copper and 1.7 million ounces of gold, worth about US$1.6 billion and US$1.7 billion respectively. The company is among Indonesia's biggest taxpayers and investors, and is the nation's largest non-oil or gas exporter. Freeport is also one of Indonesia's largest private employers who, by their own account, directly employ 16,000 people, while another 75,000 have received jobs indirectly as a result of the company's presence (Freeport Indonesia, n.d.a).

**Freeport and Indonesia's New Order**

The most comprehensive studies of the relationship between foreign multinational corporations (MNCs) and host countries makes reference to the stated goals of each party. Especially for the host country, any benefits that arise from this relationship cannot be determined without placing them in the context of the host country's goals. Thus, MNC-host country relationships are very specific, and cannot be subjected to too many generalisations. In the case of New Order Indonesia, the manner in which Suharto's government has approached and reacted to foreign direct investment has been very much a product of the country's post-1965 political and economic climate. The national economy left by President Sukarno's regime was a shambles. In the midst of triple-digit inflation, Sukarno was more concerned with letting politics take command, and instead of addressing the country’s economic problems, spoke of the need to continue the revolution that brought independence (Vatikiotis, 1993, 3). The establishment of effective central authority throughout the archipelago remained largely elusive, and the twenty-one regional rebellions that had flared up since Independence were indicative of the fairly poor level of national integration (Drake, 1989, 225).

Led by Suharto, the New Order regime immediately set out to rebuild the nation's ailing economy. The stated national goals of economic growth, stability and equity
were supposed to be mutually supportive, with stability and equity designated as the inevitable outcomes of sustained economic growth. This rationale closely followed the assumptions of modernisation theory, which states that economic growth is the precursor of social, political and cultural change. The government thus pointed out the apparent necessity of national economic growth both as a means in itself, and as a pathway to other national goals. In short, Suharto's government defined itself as a developmental regime, and used economic growth as a basis for legitimacy. Nation-building and economic development were considered to be one and the same thing, and the rebuilding of the nation's economy became an imperative. Confronted with such an unhealthy domestic economy - runaway inflation, a negative growth rate, no foreign reserves to speak of, and a national debt of US$2 billion (Vatikiotis, 1993, 33) - Indonesia had little choice but to look overseas, and attracting foreign investment and aid was the most obvious remedy. This conviction that foreign investment was an essential ingredient for jump-starting the national economy was also accompanied by a sense of great urgency. This emphasis on a fast-growing economy was compatible with the new aid philosophy at the time, which stated that the greater and the faster, the more effective (Palmer, 1978, 100).

Hence, under the influence of US-trained technocrats (Vatikiotis, 1993, 40), Indonesia adopted an almost open-door policy to foreign investment, offering a range of incentives to attract investment. There was also, of course, the political inducements for investors offered by a regime which had destroyed potentially divisive radical political forces - in particular the Indonesian Communist Party (PKI) - as well as organised labour. The 1967 Foreign Investment Law was hastily put together to lay down the guiding principles of investment into Indonesia. Basically, the Law stated that it was intended that the economic potential of Indonesia should be developed by Indonesians, but that development was to be accelerated by foreign investment which should be channelled into projects which national capital could not undertake for reasons of lack of expertise or capital. The Law provided for a variety of combinations
of domestic and foreign enterprise, including joint ventures, contractual arrangements and management contracts. Foreign investment was given a 30-year protection from Indonesian acquisition and then compensation for acquisition, and tax holidays could be awarded for between two and six years. Exemptions were also given for various initial import duties, sales taxes, and stamp duty. Foreign managerial and technical personnel could be used where qualified Indonesians were not yet available, and profits could be remitted, but transfers in the form of capital repatriation could not (Palmer, 1978, 101). In addition, the new government signed Investment Guarantee Treaties with the United States and several European countries (guaranteeing investment against appropriation) at about the same time the Foreign Investment Law was promulgated (Hill, 1988, 28). In short, the first few years of the New Order regime was largely characterised by a quest for foreign capital. With little bureaucratic experience in regulating foreign investment, the new government was also charting relatively unknown territory. Nevertheless, Suharto saw few other options for promoting sustained economic development.

Indonesia's abundant natural resources were seen as key players in this economic development strategy. For example, the upward surge of oil prices in the 1970s meant that one of Indonesia's traditional commodities suddenly became a major impetus for the installation of much neglected services and infrastructure (Vatikiotis, 1993, 34-5). Although the presence of valuable minerals in the Indonesian archipelago had been known for a considerable time, mining since Independence had yet to contribute any significant amount to the domestic economy, partly because of Sukarno's predisposition for politics and ideology, and his nationalistic policies which failed to attract much foreign interest. Any foreign companies that were permitted were required to work in production sharing arrangements with the Indonesian government; such economic nationalism was to carry on into New Order policy as well. Ever since the promulgation of the 1967 Foreign Investment Law and its adjacent Mining Law of 1967, all foreign interests wishing to undertake mineral production in Indonesia must
work under the auspices of a Contract of Work (COW). Underlying these laws is the stipulation that foreign enterprises can only be contractors to a state agency or company and may not own either the land or, by right, the product of the mining enterprises. Indeed, the Indonesian Constitution of 1945 states that all natural resources throughout the archipelago are owned and managed by the State for the welfare of the people.

Freeport Sulphur was the first company to invest in Indonesia under the new Foreign Investment Law, after Wilson and his expedition team had already proven the viability of copper and gold extraction at the Ertsberg. The Contract of Work was signed on April 4, 1967, just four months after the enactment of the Foreign Investment Law. The mining area granted by the COW measured 100 square kilometres in the Jayawijaya mountain range, with the Ertsberg as its centre (IWGIA, 1992, 14). Freeport's COW has since been referred to as a 1st Generation COW, as all subsequent COWs that have been signed with foreign companies have featured different terms of contract. Each generation since Freeport's contract in 1967 have generally been less generous for the foreign company than the previous one. Considering the new government's desire to attract foreign investment as quickly as possible, Freeport's first COW was heavily in Freeport's favour, and was Indonesia's only 1st Generation COW. The terms of the 30-year contract stated that Freeport acted as the sole contractor for the Ministry of Mines in the contract area and would have sole control and management on all matters. The company was exempted from income tax for the first 36 months of its operations. Thereafter tax was 35 per cent of profits for the following 84 months and 41.75 per cent thereafter. Freeport was exempted from land rent, royalties, and import duties on capital goods for the project. Indefinite loss could be carried forward, and foreign exchange could be transferred in the original currency introduced by the company, namely US dollars (Carr, 1988, 148). In addition, the 1st Generation COW included the agreement that the number of Indonesian employees would reach 75 per cent of the total after eight years (Gutman, 1974, 104).
Freeport's 1st generation COW was renegotiated in 1976 when Freeport relinquished some of its exemptions in return for an extension on its contract area. It has since undergone further changes - being most recently renewed in 1991 for another thirty years with two ten year extension options (Freeport Indonesia, n.d.b, 4), and an additional 2.5 million hectares being added to the concession area (Walsh, 1995) - but the government's initial eagerness and inexperience in negotiating foreign investment is obvious, as some officials later admitted. In 1971 the Chairman of the National Investment Co-ordinating Board (Badan Koordinasi Penanaman Modal, or BKPM) Moh. Sadeli - who later became the Minister for Mines - revealed:

"When we started out attracting foreign investment in 1967 everything and everyone was welcome. We did not dare refuse; we did not even dare to ask for bonafidity of credentials. We needed a list of names and dollar figures of intended investments, to give credence to our drive....[Freeport] virtually wrote its own ticket. Since we had no conception about a mining contract we accepted the draft written by the company as basis for negotiation and only common sense and the desire to bag the first contract were our guidelines" (Palmer, 1978, 160).

However, Forbes Wilson, the Freeport Sulphur employee who first confirmed the richness of the Ertsberg ore mountain, asserts that initially the Ministry of Mines had announced a series of tax demands so onerous that financing the project would have been impossible, and it was only after hard negotiation that Freeport was able to receive any substantial financial concessions. By his account, the final COW was by no means a giveaway to the company (Wilson, 1981, 160). Nevertheless, despite a massive initial capital investment of over US$140 million by 1972 - approximately 60 per cent of which was spent on infrastructures alone - Freeport was operating profitably within a few years of beginning operations (Hoed, 1993, 753), a clear testament to the huge profitability of the mine.
CHAPTER 3 - Irian Jaya in the Nation State

Of all the provinces in the Indonesian archipelago, it is Irian Jaya that most clearly demonstrates the national government's policies toward sub-national level administration in the Outer Islands. Since Independence, but especially since the inception of the New Order, Indonesia's political, administrative and economic structures have been characterised by strong centralisation. Provincial and regional (kabupaten) levels of government are seldom encouraged to be more responsive to local publics and clienteles, and perhaps even less encouraged to be more upwardly critical on their behalf. Instead, vertical linkages within the large bureaucracy are such that central policy-makers are enabled to plug into what could be called large 'local implementing nets'. Thus, lower-level administrations are not so much a forum for the expression and implementation of local needs and aspirations, but are instead more of an extension of the almost omnipresent national government.

Such a strong top-down approach has meant that most major development programs are formulated by officials in Jakarta, without much attention being paid to local needs or situations. It has become common for talk about 'development' in Indonesia to mean talk about government programs and projects. In short, the face of development has become the face of the central government. Lukas Hendrata (1983, 23/4) points out that, intentionally or not, the Indonesian system for evaluating officials is largely based on their success in implementing government projects, and not their ability to mobilise the potential of the whole community to improve their standard of living. This is contrary to New Order rhetoric, which proclaims the village (desa) as "the pillar of public participation in all facets of government, development and society" (Warren, 1990, 1), and policy statements on rural development frequently emphasise popular participation and local self-reliance. In many cases, sub-national governments (provincial or kabupaten) may have a comparatively high degree of
autonomy in the actual implementation of development programs, but this does not apply to program formulation and, quite often, funding. Instead, central government intervention in rural development policy is pervasive, and leaves little room for involvement by local government or interest groups.

The New Order government, particularly during the 1970s, has also heralded a fiscal dependence by sub-national levels of government on Jakarta. Indeed, a World Bank study in 1988 found that "own-source" revenue in Indonesia covered a lower proportion of total sub-national expenditure than in any other developing country for which data were available (Booth, 1989, 11). An important part of both routine and development expenditure by the central government are the regional subsidies. Routine regional subsidies cover wages, salaries and other running expenses of the provincial and sub-provincial levels of government, while regional development subsidies comprise the Inpres (Instruksi Presiden - Presidential Instruction) programs, which began during the New Order's first five-year development plan (Repelita) as development subsidies to particular levels of lower-level government. In the mid-1980s Inpres grants also became specifically sectoral to include the development of such projects as schools, health clinics, roads, reafforestation and drinking water. While these sectoral Inpres grants have been particularly successful in the provision of services and infrastructure to local communities, they are still largely determined by the central government's directive approach to local government. In reference to this funding, the English word "drop" has been Indonesianised to become mendrop and didrop to have the meaning of material assistance which comes from above. The term seems to connote inevitability or passive receptivity (Usman, 1990, 9).

The problems associated with this style of administration are exacerbated in Irian Jaya by the province's demographic characteristics. Irian Jaya is Indonesia's largest province, but with a population of 1.6 million, embraces only about one per cent of the national population (Sigit, 1993, 745). Because of the huge costs associated with
development in the province's rugged terrain, until quite recently (and partly thanks to Freeport) much of the interior of Irian Jaya has remained untouched by major infrastructure such as roads, schools and health clinics. As a result, the New Order government's policy towards Irian Jaya and Eastern Indonesia has generally been one of rapid development and an eagerness to integrate this largely underdeveloped region into Indonesia's national polity as quickly as possible. Such an approach is nothing less than a call for the transformation of ethnically distinct tribal populations into ethnic minorities within a nation, the goal being to institute "progressive" change on government terms. One such attempt is the policy of attempting to settle nomadic tribes and shifting cultivators, or suku terasing ('isolated ethnic groups'), into sedentary villages.

Integration policies usually anticipate the eventual loss of ethnic distinctions and in practise often merge imperceptibly into assimilation policies (Bodley, 1978, 197). A report from the Dutch Ministry of Foreign Affairs notes that the government is trying to promote the rapid change of the Irianese from a self-sufficient population into homines economici, or 'economic man' (Kaisi, 1997). Another striking example of state views of ethnicity is an exhibition at the Indonesia Museum, an initiative of President Suharto's wife. The exhibition shows the nation as an elite Javanese wedding with ethnic minorities represented as differentially dressed guests; the image suggests that minority groups in Indonesia are "invited" into the nation as long as they bow to Javanese standards (Tsing, 1993, 24).

The effort to integrate Irian Jaya into the Indonesian nation state has proven to be difficult for the government, given the history of Irian Jaya's relationship with Jakarta and the rest of Indonesia. During Dutch colonialism, what is now modern Indonesia was part of the Dutch East Indies, which included Irian Jaya (then known as Dutch or

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1The term Eastern Indonesia usually refers to the provinces of Irian Jaya, East and West Nusatenggara, Maluku and East Timor.
West New Guinea). The territory became an issue between the Netherlands and Indonesia very soon after the proclamation of independence of the Indonesian Republic by Sukarno and Mohammad Hatta on August 17, 1945. However, it was a relatively minor issue until the end of 1949, when the Netherlands reluctantly surrendered its control over the Dutch East Indies to the new independent Indonesian state, but refused to include West New Guinea in the transfer. The territory was kept under sovereignty throughout the 1950s and early 1960s (Lijphart, 1966, 3/11).

It was widely assumed that the Dutch wanted to retain control of West New Guinea because of its natural resources, as its economic potential had already been established. When Allied troops landed in the territory in April 1944, they were accompanied by geological teams to evaluate pre-war discoveries and conduct explorations; the results were startling (Budiardjo & Soei Liong, 1988, 8). Under Dutch control crude oil was the most important export from West New Guinea, but this production was never important in terms of total world production (Lijphart, 1966, 49/50), and the cost of trying to bring the territory into the modern world far outstripped any economic benefit (Osborne, 1985, 19).

The Dutch eventually lost interest in the territory, and threw their efforts into a plan for eventual self-government and the creation of a Papuan state by 1970. But Indonesia's Sukarno government vigorously pursued its territorial claim to the territory, claiming it had been part of the former Dutch East Indies, and that Holland's belated concern for Papuan self-determination was a colonial ploy to encircle Indonesia. The late 1950s saw an escalation in Indonesia's anti-Dutch campaign, which led to the takeover by trade unions and the armed forces of most Dutch companies in the country in 1957. By early 1960, political parties and mass organisations in Indonesia were being mobilised for a campaign "to liberate West Irian" and the armed forces began to use military means by dropping paracommandos in various parts of the territory (Budiardjo & Soei Liong, 1988, 9).
Anxious to prevent armed confrontation, and increasingly uneasy about being on bad terms with the populist and anti-capitalist Sukarno, the United Nations and the United States government persuaded Holland to capitulate. On 1st October 1962 the territory's administration was transferred to an interim UN Temporary Executive Authority (UNTEA), and on 1st May 1963 Dutch New Guinea was to become Indonesian West Irian (Osborne, 1985, 30). One article of the agreement signed at the headquarters of the United Nations stated that an "act of self-determination" had to be completed before the end of 1969 (Haznam, 1968, 2), requiring the Indonesian government to give the Irianese population a chance to vote on their integration.

Several years later the newly-appointed President Suharto continued his predecessor's quest for West Irian's integration into the Indonesian nation state, and for the first time during the whole dispute over sovereignty of the territory brought the Papuans themselves into the debate. On Indonesian independence day, 17th August 1968, Suharto announced that the promised plebiscite would be held the following year. However, the commander of the main military force involved in the 'liberation' of West Irian emphasised that the so-called "Act of Free Choice" would not mean that "we shall sacrifice the population ... that we shall abandon the fruits of our struggle for the liberation of West Irian, for which many sacrifices were made. It does not mean that we shall abandon the principle of a united Republic of Indonesia" (cited in Osborne, 1985, 38).

The Indonesian government made it clear that a one person-one vote plebiscite would be impossible in West Irian considering the isolation of much of its population, but still rejected the idea of this system being used in the more urban areas. In the end, the whole population of 700,000 people was to be represented by 1025 hand-picked community leaders in various parts of the territory, who were to vote on the incorporation of West Irian into Indonesia under the supervision of United Nations officials. The chosen voters were reportedly threatened by the military into casting a
'yes' vote, and were often held under close watch for several days before voting (Osborne, 1985, 42/8). No alternative views were allowed to be expressed, and some Irianese have since referred to the referendum as the 'Act Free of Choice' (Jouwe, 1995, 18).

Such a farcical and undemocratic transfer to Indonesian control gives Irian Jaya something in common with East Timor, in that both territories were incorporated into the republic after independence and in controversial circumstances (East Timor was invaded by Indonesian troops in 1975). The Jakarta government has since made a concerted effort in its budgetary outlays to promote development in these two provinces. Indeed, Hill and Weidemann (1989, 22) believe it is no exaggeration to say that the entire economies of many provinces - particularly the poorer ones in Eastern Indonesia - were driven by rapidly expanding expenditures by, or grants from, the central government. For example, by the late 1980s, the government sector accounted for one-fifth of East Timor's GDP and a much higher share indirectly.

In the early 1970s central government expenditure in Irian Jaya was high compared with other relatively sparsely populated Outer Islands provinces, and mainly directed to the provision of high salaries for civil servants, government administrative costs, and a range of subsidies for goods and services, most notably rice and fuel. By the mid-1980s, expenditure in the 'development' budget and transmigration had risen to account for a much larger share of total budgetary outlay in the province (Manning & Rumbiak, 1989, 82). The contribution of Impres development funds to Irian Jaya ballooned from Rps 155.2 billion in the 1984-89 five-year plan, to a massive Rps 652 billion in the following plan. In 1995, normal budget allocations, Impres funding and foreign aid to the province totalled Rps 670.8 billion (McBeth, 1994a, 51).

This commitment to the rapid development of Irian Jaya has its beginnings in Repelita I, which together with the United Nations administered Fundwi (Funds for the
Development of Irian Jaya) program, marked the beginning of a major program of development in Irian Jaya in 1969. As elsewhere in Indonesia at the time, extension of infrastructure and communications were the main focus of this early development effort, aiming to stimulate private economic activities in agriculture and associated sectors. Poor communications and low levels of education in Irian Jaya were characteristics shared by other areas in Eastern Indonesia, but Irian Jaya's demography meant that the extension of government administration and services was particularly scarce. The physical constraints of the province's environment meant that even contact between indigenous tribes had remained minimal. Since the end of the oil boom in the 1970s, Jakarta has also had even less capital to invest in nation-wide economic development, than during the years of windfall profits from oil exports. The older dichotomy between Java and the Outer Islands has now become one between the wealthier regions in the nation's west (mainly Java, Bali and Sumatra, but including parts of Kalimantan), and the poorer, less developed provinces of the east (Hill & Mackie, 1994, 1).

Within Irian Jaya itself, most economic activity in the last few decades has been concentrated in the north coast district (kabupaten), particularly the capital Jayapura, and Sorong, which account for a large share of the urban population but only about 40 per cent of the total population of the province. Over half of the provincial value of manufacturing, construction, transport, and trade was recorded in Jayapura and Sorong, and around 70 per cent of these sectors and government administration in the north coast kabupaten in 1984 (Manning & Rumbiak, 1989, 81). The implications of these discrepancies are obvious. The populations of other kabupaten in Irian Jaya, and particularly those in the central highlands, have been the least likely to benefit from government- or privately-initiated economic development. Not only are they losing out as a result of a strongly Jakarta-centred economic and administrative structure, but their isolation within Irian Jaya has also widened the divide. Most notably, it is these same people who are most directly affected by Freeport's operations.
The need for a development strategy that targets the Irianese was the main focus of a comprehensive regional planning proposal for Irian Jaya completed under the UN Development Programme (UNDP) in 1988. The report made sweeping criticisms of Jakarta's overly-centralised, macroeconomic approach to development. Citing this approach as a "fundamental error", the report also acknowledged that a regional strategy which takes local conditions into account "is sometimes at variance with the very idea of national development and the thinking of those at the national level." Unfortunately, government officials argued the recommendations were too costly and "unrealistic in the Indonesian context", and the report was all but ignored (cited in Vatikiotis, 1989, 32). Such a response highlights the central government's reluctance to attempt to match national development efforts and goals with those of traditional Irianese cultures.

In 1990 the government declared a policy to speed up the development of Eastern Indonesia, with particular emphasis on economic development in the region. Most commonly called the IBT (Indonesia Bagian Timur - Eastern Part of Indonesia) policy, the first step in its implementation was to promote investment. The Department of Mines and energy responded to the IBT policy by issuing a new generation of Contract of Work designed for the region, and especially Irian Jaya. The new 5th Generation or Frontier COW\(^2\) provided further tax incentives and other provisions relating to exploration in the remote areas of Eastern Indonesia (Wiriosudarmo, 1993, 69). The radical NGO SKEPHI - the Indonesian Network for Forest Conservation in Indonesia - argues the IBT Policy is nothing but another New Order attempt at systematic destruction, as its main vehicle is extractive industry with no attempt at policy restructuring, especially at the macro level (Setiakawan, 1990, 3).

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\(^2\)This term 'Frontier' is used by the government. It is interesting to note the connotations the name holds, namely that the area in question is uninhabited and must be "opened up", such as America's West.
Discontent with Jakarta's style of governance and rule in Irian Jaya is hard to measure, but clearly evident. Thousands of Irianese have fled the province to refugee camps just over the border in Papua New Guinea (PNG), with somewhere between 2,000 and 11,000 fleeing by foot or outrigger canoe in the wake of a harsh military crackdown on dissent in 1984 (Gietzelt, 1989, 214; Smith, 1988, 3). Both the Indonesian and the PNG government have played down the problem by referring to them as "traditional border crossers" (Vatikiotis, 1989, 32). Evidence of continued activity by the Free Papua Movement (OPM), which seeks independence for Irian Jaya, is also hard to come by, but the government is sporadically reminded of the group's ongoing aspirations. In 1996 Irian Jaya became the focus of international attention when a number of Europeans and Indonesians were taken hostage by OPM guerrillas (McBeth, 1996b, 28). Because of its substantial foreign ownership and strong backing from the Indonesian government, OPM members and their sympathisers obviously view the Freeport mine as playing a major role in what they call the 'Indonesianisation of West Papua'. In October 1995 one OPM commander told *Time* magazine that the OPM was planning to abduct expatriate Freeport workers and kill at least one in protest against the company's supposed collaboration with the government in a crackdown against the OPM. The commander asserted responsibility for the killing would rest with the Indonesian government (Smith, 1996, 36).

These feelings of discontent are fuelled by a forced acculturation process which has aimed at incorporating the Melanesian Irianese population into an Indonesian cultural ethos. To do this the government has used such mediums as government-controlled media, the education system, economic development, and especially transmigration from other heavily populated provinces. This process of Indonesianisation is predicated on the assumption that inculcation of the Indonesian world view through contact with what are considered 'more advanced' and 'civilised' Javanese, will

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3Population density in Irian Jaya is only 3 people/sq.km, compared to 813 people/sq.km in Java and Madura (Sigit, 1993, 745).
strengthen national unity. Ultimately, the government hopes that through these processes and those of 'modernisation', ethnic consciousness will dwindle in favour of identification with the Indonesian state. However, it seems that many Irianese are reacting to these processes by further developing a sense of their own racial and cultural distinctiveness and asserting their rights to self-determination (Gietzelt, 1989, 201/2).

One early example of this attempt at Irianese acculturation was Operasi Koteka (Operation Koteka - koteka are the penis gourds worn by men in many Irianese tribes). The goals of the program are explained in the original plan of operations:

"We herewith resolve firmly to carry out a civilizing programme among the inland communities of West Irian. We aim to elevate with due urgency the standard of civilization, the social, economic and political conditions of the inland of West Irian, as a starting point for further development."

"The plan....is directed toward elevating living standards and know-how among people in the inland areas (who now stand at the threshold of their development), so that they may become an integral part of Indonesian society and thereby realize the just and prosperous social conditions of life, physical as well as mental, embodied in the Pancasila and the Constitution of 1945" (cited in Naylor, 1973, 149 - my emphases).

The initiative for this program was taken by Brig. Gen. Acub Zainal (Army Commander in Irian Jaya), with one stated goal of the program being to establish strong territorial defence, especially in the interior (Naylor, 1973, 150). The Pancasila (or Pancasila) are the five official basic principles of the Republic of Indonesia: the belief in one God Almighty, humanity that is just and civilised, the unity of Indonesia, democracy guided by the wisdom of representative deliberation, and social justice for all Indonesians.

The concept of Pancasila was originally formulated by Indonesia’s “Old Order” President Sukarno, but the New Order has since enshrined it as the ideological pillar of the regime. Indeed, Suharto’s government has relied on Pancasila and Indonesia’s
1945 Constitution as its primary sources of legitimacy, stressing that the communist-inspired coup attempt of September 30, 1965, and Sukarno's subsequent demise, were a direct result of the "deviations" in their implementation under Sukarno. In 1967 Suharto expressed Pancasila as an all-encompassing philosophy of life, unique to Indonesia and personified by the government of the New Order (Ramage, 1995, 24-26).

The above quote is indicative of the hegemonic potential of Pancasila, by which the integration and conformity of disparate groups in Indonesia is pursued through forced adherence to the "spirit" of Pancasila. Suharto's government has, at times, rigorously pursued this objective, and in 1985 codified into national law the requirement that all social, religious and political organisations must adopt Pancasila as their sole ideological and philosophical base (asas tunggal) (Ramage, 1995, 3). The Irianese therefore not only have their traditional identity suppressed through forced political citizenship, but through any formal organisation, are inextricably linked to the so-called "spirit" of the Indonesian nation-state. Schwarz (1994, 292) interprets what Suharto has called his "Pancasila democracy" as a "communitarian form of government in which decisions are made by consensus in a nation conceived of as a family."

The Irianese most directly affected by Freeport's operations are the Amungme tribe of the Irian Jaya highlands - whose traditional lands have become the site of the company's main mining operations - and the lowlands Komoro, whose land is now occupied by Freeport's shipping port at Amamapare. 'Amungme' consists of two words: 'Amung' which means 'the first' or 'genuine', and 'Me' which means 'people', so that 'Amungme' can be given the etymological meaning of 'the first people' or 'the genuine people' (Menembu, 1995, 23). There are some general similarities amongst
the many different cultures of Irian Jaya⁴, but a number of particular characteristics in
the traditional Amungme culture bring them into conflict with Freeport.

In the mid-1980s the entire Amungme tribe numbered about 12,000 (Setiakawan, 1990, 51). They are egalitarian and the community makes decisions not based on the
opinion of one or two people, but based on collective consensus after discussion. They
have an extensive knowledge of the surrounding flora and fauna, and are taught from
a young age to respect the land and property of other people. They are careful not to
dump human waste in the rivers or hunting forests, out of common-sense respect for
other villages who use them also. Although most are Catholic or Protestant as a result
of contact with Dutch missionaries in the late 1800s and early 1900s (Bachtiar, 1994,
56), many of the old beliefs, called 'Hai', still endure (Menembu, 1989, 23). Suparlan
(1994, 176) points out that the cultures of the people of Irian Jaya are 'loose', in that
elements of various outside cultures are often selected and made a part of their own,
without any attempt to carefully integrate them with existing elements of their culture
into a unified whole. The result is widespread cultural improvisation.

The most significant aspect of the Amungme culture is their attachment to land. Their
belief system teaches them how to interact with nature, and the land, mountains, rivers
and valleys represent their spiritual mother's body which provides them with all they
need. Land is crucial for the construction of the Amungme identity, with the identity
of an Amungme known by where he or she comes from (Menembu, 1995, 24). In this
sense, land serves a deeply unifying purpose for the Amungme, both as a spiritual and
physical reference point.

This is problematic for the Amungme, as the Indonesian government does not yet
recognise non-titled claims to land ownership. The Amungme have lived on their land
for thousands of years (Rumbiak, 1996, 19), but do not hold any formal proof of this

⁴For a general description of the cultures of Irian Jaya, see Suparlan (1994).
ownership which would give it modern legal recognition. Rights in land, water and air are regulated by the Basic Agrarian Law, and are determined according to the use to be made of them. The Agrarian Law was a 1960 initiative by which the government attempted to distribute land fairly amongst the newly-independent nation. The Law incorporates the Dutch colonial legacy of absolute private ownership, as well as recognising various forms of traditional (adat) ownership, as long as it "does not hamper the national and state needs" (Article 5). Article 2, paragraph 4 states that "the right to own traditionally can be represented by the regional authorities and hukum adat [traditional law] of the community as long as it is in line with national needs and government regulations" (cited in Setiakawan, 1991, 6). Guinness (1994, 273) argues that adat is frequently characterised by the government as a stagnant tradition to be modernised or transformed to allow development to take place. One notable exception to the Agrarian Law regulations is that none of the rights granted entitle the holder to minerals contained in the land or water. Mining rights (hak kuasa pertambangan) are a separate category of agrarian rights not regulated by the Basic Agrarian Law (Anderson et al., 1976, 59-60).

The tribes of Irian Jaya have always informally recognised various forms of land ownership, and because life in small groups means that all interaction is based on personal relations, formal political organisation is superficial (Suparlan, 1994, 178). The regularity of this problem is seen in that all 100 complaints received by the Jayapura-based Legal Aid Foundation in 1993 centred on the conflict between traditional land rights and state law (McBeth, 1994a, 51). In any case, all natural resources below the ground are constitutionally the property of the Indonesian state. Unfortunately, this means that companies which intend to acquire land for their operations may in fact do so legally, but often without consultation with, or adequate compensation for, the land's traditional owners. In Freeport's case, company representatives have been quick to point out to critics that the mining operation has
met all legal requirements with regard to land rights, which has been publicly acknowledged by Irian Jaya's governor (Egan, 1995).
CHAPTER 4 - Freeport's Impacts

National and Governmental Impacts

Suharto's New Order government has introduced legislation favourable to the mining industry, and particularly to foreign investment in mining. Nevertheless, foreign investors in the industry have not always found it easy to negotiate Contracts of Work favourable to them. Many have found that the Indonesian bureaucracy had been briefed to retain value in Indonesia by way of special taxes, infrastructure development and employment of Indonesian labour and supplies (Carr, 1988, 154).

This concept of retained value - the share of a given export income which accrues to the host country government - features largely in the literature concerning foreign investor-host government relations. State and national private enterprises have multiplied under the New Order, giving the state a greater rate of return, but the nature of mining and the mining industry means that some degree of foreign involvement in Indonesia has been inevitable. As many mineral deposits are located in more remote and inaccessible areas, investments are usually technology-intensive, and of high capital risk. Especially in the first decade or so of the New Order, the domestic mining industry lacked the expertise and capital needed for major mineral development. Therefore, most mineral development projects in Indonesia - as in most developing countries - have been under foreign-based control, particularly those from the developed nations (Gandataruna, 1993, 15). The New Order government has understandably sought to maximise retained value.

The government is confident of Freeport's positive contribution to economic development in Indonesia, and asserts the company's role is testament to the success of the COW system. In 1992 the Director General of Mines stated:
"...Freeport Indonesia Incorporated stands out as an example of how a
dedicated and strong multinational company can play a substantial role in
various aspects of national and regional development. It has been so successful,
while the rest of the pack are lagging behind, that our faith and hope in the
COW system hinges upon its continuing excellent performance" (Gandataruna,
1993, 22).

The most obvious financial benefit for the Indonesian government is the substantial
taxes paid by Freeport. The company pays many different types of taxes, including
corporate tax, withholding tax on dividends and interest, royalties, land rent, import
duties, luxury tax, excise tax and local taxes. In addition, Freeport employees and
contractor employees pay personal income tax, and affiliated companies and
contractors pay corporate income taxes. By their own reports, Freeport paid a total of
US$445 million in taxes to the Indonesian government from 1991 to 1995 alone
(Freeport Indonesia, n.d.a). The company has consistently been one of the largest
corporate tax payers in the country, with taxes and royalties from the mine providing
the Suharto government with about US$250 million every year (Bryce & Brackett,
1996). In 1992 and 1994 Freeport was awarded the prestigious ‘Primaniyarta’ Award
for being the country’s largest non-oil or gas exporter (Freeport Indonesia, n.d.b, 4).

The national government’s ownership interest in Freeport has also assured the regime
substantial profits from the mine. PT-FI is currently 81.28 per cent-owned by Freeport
McMoRan and its major partner RTZ/CRA, an amalgamation of two large British and
Australian mining companies. 9.36 per cent is owned by the Indonesian regime itself
and 9.36 per cent by PT Indocopper Investama. However, the latter is also owned 49.5
per cent by Freeport, with the remainder in the hands of PT Nusantara Ampera Bakti
(PT Nusamba). Nusamba is 80 per cent-controlled by Suharto’s son and the remaining
10 per cent by “Bob” Hasan, a close friend and ally of Suharto’s. This means the
effective interest of Freeport McMoRan in PT-FI is 85.9 per cent while the Suharto
‘oligarchy’ controls the remainder (Partizans, 1997).
The provincial government of Irian Jaya has also become indirectly reliant on Freeport's operations. Major projects such as mining are dealt with by the central government and its respective sectoral ministries, but what Irian Jaya receives from Jakarta is similar to what Freeport Indonesia pays the central government in corporate tax. Jayapura, the provincial capital, also receives about 80 per cent of the US$15 million the company forks out in annual royalties (McBeth, 1994b, 55), which is then divided into allocations for Irian Jaya's kabupaten (Setiakawan, 1990, 72).

Previous estimates put Freeport's contribution to Irian Jaya's Gross Domestic Product as high as 50 per cent (Cultural Survival, n.d.; Roberts, G., 1996, 25), and in September 1997 the industry and trade office in Irian Jaya's capital Jayapura announced that Freeport's contribution to the province's exports had reached 88.08 per cent of total value (New Guinea Working Group, 1997). Chris Ballard (1997) argues the provincial government sees Freeport as the jewel in its crown, and points to a number of public statements made to that effect. At the same time, the provincial government seems to be in contest with Jakarta over the proportion of royalties received in Jayapura.

Other benefits for the central and provincial governments include the linkages and infrastructural development facilitated by Freeport, although the possibilities for forward linkages into Indonesian industries seem insubstantial. Most new foreign investment after the introduction of the 1967 Foreign Investment Law provided new opportunities for Indonesian sectors. Much of the new investment resulted in the setting up of local offices, exploration programs, payment for various local services and fees paid to government departments, and required a proliferation of banks to receive foreign payments and encourage the growth of a service industry for foreign investors, particularly in Jakarta (Carr, 1988, 117). However, most of the literature concerning this early investment or that of Freeport gives little or no indication of any significant economic infrastructure being set up because of the company. Instead there
is an impression that the government's initial eagerness for capital overshadowed any concern for significant forward linkages.

This may also have been a result of the essentially 'enclave' nature of foreign mining operations in developing countries, which are usually self-sufficient in technology and often expertise. The pattern of sales and purchases in such operations are usually integrated into the international corporate economy of affiliated or associated companies, rather than the domestic economy in which they operate. The minerals produced by Freeport in Indonesia are for foreign markets, as there is little demand for these products in Indonesia's domestic market. Therefore, even though much of the ore concentrate is processed in Freeport's various mills near the Grasberg complex, there is little incentive for Indonesian state or private companies to process or buy the minerals themselves.

One Freeport venture that may in fact produce some spill-off benefits for Indonesian industry is Indonesia’s first copper smelter and refinery currently being built in Gresik, East Java, which is expected to start operations in the second half of 1998. Construction and operation is the responsibility of PT Smelting Company, 25 per cent-owned by PT Freeport Indonesia. The smelter will convert and refine the copper concentrate produced by Freeport in Irian Jaya, to produce 99.9 per cent pure copper metal (known as copper cathode) to meet Indonesia’s domestic demand for copper and provide copper cathodes for export. Freeport McMoRan (n.d.a) assert advantages to Indonesia include:

- provision for 100 per cent of the copper cathode requirement of Indonesia, making the country self-sufficient in the product;

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5Mother company Freeport McMoRan Copper and Gold holds long-term contracts with Swiss and German firms, and a number of Japanese companies (Freeport McMoRan, 1996b, 40).
6Current ownership also includes Mitsubishi Materials Corporation (60.5%), Mitsubishi Corporation (9.5%) and Nippon Mining & Metals Co. (5%) (Freeport McMoRan, n.d.).
increase in value added for the copper concentrate produced in Irian Jaya;

- the transfer of copper smelting technology skills to Indonesia;

- access to a source of domestic sulphur in the form of sulphuric acid, thereby reducing sulphur imports;

- creation of 2000 construction jobs and 700 direct and over 3000 indirect permanent jobs after start up;

- significant amounts of byproduct gold and silver available for export;

- increase in tax revenues to the government of Indonesia (Freeport McMoRan, n.d.a).

The venture is perhaps the only significant step taken by Freeport to integrate itself more into the domestic economy, but it remains to be seen whether its existence will open any major avenues for two-way exchange between the company and Indonesian industry. The current pattern of exchange involving mere monetary or service provision seems likely to continue.

An opportunity for further forward linkages will be lost soon when Freeport finishes constructing a new steam-generated electricity plant at Amamapare. Coal will be imported from Australia to generate power, and there are also fears the electricity produced cannot be used by the local population, as it will have an American frequency standard of 65 Hertz, while Indonesia's standard is only 50 Hertz (Australian Embassy of Indonesia, 1997, 1). This is indicative of Freeport's overriding profit motive, in which the interests of the host-country's population and government are vetoed by the desire to cut risks and costs, and increase profit margins. This motive was again highlighted recently when Freeport's contracted supply company moved to employ non-unionised labour at the Cairns port in Australia, through which much of the mine's supplies flow7 (Marris & Meade, 1997, 2).

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7 The supply company, International Purveyors Inc. (IPI), is a separate legal entity from Freeport, but Freeport is IPI's only client and, according to a Freeport spokesman, "exists essentially to supply Freeport" (AWPA, 1997).
Some opportunities have opened for other companies as Freeport embarks on a number of partnerships to facilitate the "privatisation" of many of the services and assets not directly related to Freeport's core focus of mining and exploration. An Indonesian corporation has purchased and is now managing a major part of the operation's infrastructure assets, including retail centres, housing and other facilities. An Indonesian joint venture has also purchased assets associated with air transportation. Two Indonesian companies also now take care of Freeport's human resources and automobile repairs (Trihusodo et al., 1996, 22). Freeport argues that this privatisation program has resulted in a much greater diversity of business in Irian Jaya, and has transformed the once-isolated "company community" area into a thriving, open business and industrial region (Boyer, n.d.).

The Indonesian government is convinced of the mining industry's capability of opening up remote areas, and is particularly satisfied with Freeport's capacity to do so. As McBeth (1994e, 50) points out, Freeport is on the cutting edge of Irian Jaya's future development - and possibly the anchor for Jakarta's big push to bring Eastern Indonesia out of the cold. Just as American airbases - and the need for major roads to serve them - opened up Thailand's underdeveloped northeast during the Vietnam War, so to does Freeport perform a similar function in Irian Jaya's interior. In 1992 there were only six mining projects operating in the whole of Eastern Indonesia, compared with a total of more than 60 in Western Indonesia (Sigit, 1993, 745)8. The 5th Generation or Frontier COW, in conjunction with the IBT (Eastern Part of Indonesia) policy, could be seen as an effort to attract mining operations similar to Freeport's which can further develop the region. Considering the Indonesian government's desire and relative inability to successfully develop and expand government services into

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8This source refers to Eastern Indonesia as consisting of the provinces of Irian Jaya, East and West Nusatenggara, and Maluku.
much of the region, one wonders whether this capacity for mining companies to open up Eastern Indonesia is a windfall gain from the mining revenue, or vice versa.

When the Director General of Mines outlined the status and goals of the Indonesian mining industry for the 1990s, he curiously (and perhaps not coincidentally) used the same analogy employed by Freeport CEO “Jim-Bob” Moffett:

“...mining project[s] should be a spearhead for the development of other sectors of [the] economy in the regions, one of the most important of which is the provision of infrastructure to the area...which the government and the local community can...use” (Gandataruna, 1993, 30).

The infrastructure constructed by Freeport for its operations have been the most successful in opening up and developing previously inaccessible parts of Irian Jaya. The 104 km road from the coast to the mining area situated at 3,600 metres above sea level is said to be particularly impressive. There is also the seaport at Amamapare and airport at Timika which receives regular flights of goods and personnel from Cairns in Australia. Freeport’s presence has also encouraged the further development of pre-existing infrastructure. When the company commenced operation there was only a very small population in the Timika area. Timika has now grown into a township of approximately 20,000 people, and the local economy has received such a boost that three banks have opened branches there (Hoed, 1993, 755). Recent discoveries of new orebodies elsewhere in Freeport’s COW area will no doubt require a network of other access routes in a province with few government roads.

With a reliable flow of funds coming from Freeport, the central and provincial government of Irian Jaya have been able to increase spending on public works significantly, to a level of more than Rps 205 billion in 1994-5. But at Rps 400 million a kilometre, road building does not come cheap through the formidable terrain. One of

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9Freeport had initially wanted to use an airstrip in the Ilaga Valley as their base, but the fundamental Protestant mission who controlled it feared the effects of outsiders, and refused permission (Mitton, 1983, 35).
the most advanced projects has been the highway linking Jayapura with the rapidly growing Central Highlands tourist destination of Wamena (McBeth, 1994a, 51).

The government is also relying on Freeport's support to help provide services usually the responsibility of government. The Integrated Timika Development Plan (ITD) is one such example through which Freeport, the government, and representatives from local people, companies and agencies, organise and provide services for those living in the Timika area. The ITD Plan, coupled with other specific programs set up by Freeport, has resulted in programs covering public health and malaria control, education, job skill training programs and community development.

This, plus the relative absence of effective government administration in Freeport's COW area, has resulted in the company reluctantly taking on somewhat of a civil administration role. Freeport believes it is not the responsibility of a private investor to adopt such a role, but asserts that the company has responded to the vacuum of civil administration in the area through its programs. In this isolated area, there is also a large military presence, which supposedly serves the role the police would in a more developed area (Egan, 1995). Freeport's executive vice-president Paul Murphy calls this:

"...a Wild West boomtown situation. All you have is Freeport and the army. What is needed is a lot more attention from civil authorities. It's not our role to be all things to all people. We ought to be paying for it, but we shouldn't be running it ourselves" (McBeth, 1996a, 27).

Recently three new kabupaten have been created - Paniai, Ilaga and Timika - which in fact owe their existence to the complexities introduced by Freeport's presence. Timika is Freeport's upgraded operational area, created in October 1996. The head of a kabupaten, or bupati, has been appointed by the governor of Irian Jaya and taken up residence, followed by a larger kabupaten bureaucracy (Freeport McMoRan, 1996b, 15). One consequence of this is that the responsibility for administration, education
and health care, previously carried out largely by Freeport and the military, has come into the hands of the local government which now has primary responsibility for the implementation of the Integrated Timika Development Plan. This will inevitably assist the Indonesian government in its ongoing quest to bring Irian Jaya and its isolated populations further into the nation state, and will give Freeport the chance to focus solely on its mining operations.

**Local Impacts**

Despite all the negative press Freeport receives over the adverse impacts of their operations in Irian Jaya, there are members of the local population and indigenous tribes in the mine area who are grateful for what they see as positive changes instigated by the company (for example, see Richards, 1996, 10; *Inside Indonesia*, 1996, 21). The Amungme tribal leader Tom Beanal, who had supported the Freeport mine when it opened in 1972, says: “We do not object to the extraction of natural resources. But please respect out culture” (cited in TAPOL, 1997a). As early as 1969, one OPM representative in an interview spoke of the possibility of an independent West Papua using its mineral resources to help build its economy (Zable, 1978, 28). Pieter Yan Magal, another Amungme member who has worked in Freeport’s community development programs, asserts the Amungme understand the goodwill expressed by Freeport in its efforts to recognise the land’s traditional owners. Instead, he believes the root of the problem lies in Indonesia’s land laws, which do not recognise tribal (*adat*) law and its jurisdiction over land ownership (Richards, 1996, 10).^10*

Freeport’s presence has brought a number of opportunities previously unattainable by the Irianese. Of course, there has rarely been a case in which the local and indigenous

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^10^Walsh (1994, 5) believes instead that indigenous Irianese culture is recognised *de facto* through Indonesian tourism policies.
population in the mine area have been able to simply accept or adopt the opportunities provided by Freeport, and subsequently reap the benefits. It is the implementation and interpretation of these opportunities which has brought significant problems.

The Freeport mine currently provides jobs for 16,000 to 17,000 people (Freeport Indonesia, n.d.a; Sumbogo et al., 1996, 28). Of these, only about 11 to 15 per cent are filled by Irianese (Freeport McMoRan, 1996b, 16; Roberts, G., 1996, 25); this can be attributed to the generally low work skills and education standards experienced by much of the local population. Relative to the scale of the operations, both local and total employment were larger in the construction stage of the Ertsberg facilities than they have been during production at Ertsberg and Grasberg. At the height of the Ertsberg construction activity, about 850 foreign workers (mainly from the US, Korea and the Philippines) and 1200 Indonesians were employed. Several hundred local villagers were employed in unskilled jobs and paid around US$0.10 per hour, ‘in kind’ at the request of the government. Only forty workers from neighbouring villages were employed at the end of the Ertsberg construction, and of these only four held more highly paid semi-permanent positions (Garnaut & Manning, 1974, 74; Osborne, 1985, 119).

Freeport’s original Contract of Work stated that Indonesians had to form 75 per cent of the work force eight years after the start of production (Gutman, 1974, 104), but the Indonesian government does not distinguish between the Irianese and people from other islands. Nevertheless, Freeport has shown a modest dedication to providing employment specifically for the local Irianese population. The company has created the Office of Irianese Employment and Development as a counselling and employment advocacy office for the local people. This office oversees the PT-FI Basic Skills Development Centre (which provides training and employment), the PT-FI Work Skills Development Centre (providing more advanced and technical skills training) and the PT-FI Bridge Program (for high school graduates who are already
employed by Freeport). Freeport says these programs support the company’s goal of doubling local employment in the next five years and doubling that number again in ten years. Freeport McMoRan’s 1996 annual report also claims PT-FI is committed to at least doubling the number of Irianese at the supervisory and managerial levels of the company (Freeport McMoRan, 1996b, 16). In addition to these programs, Freeport has also set up a Business Incubator Program to help develop local Irianese entrepreneurs (Freeport Indonesia, n.d.a).

The above programs seem to denote a genuine commitment by Freeport to employment opportunities for the local people around the mine area. This may in fact be the case, but these opportunities must be seen in their local context. Firstly, the term ‘Irianese’ may in fact refer to any citizen of the province, so there exists no explicit guarantee of employment for the Amungme or Komoro. Company rhetoric has usually been consistent with that of the national government, in that it rarely officially recognises the distinctiveness of indigenous groups within the nation-state. The low-skilled positions local people have obtained with Freeport are also presumably devoid of any significant decision-making power. Even the managerial positions which Freeport intends to fill with twice as many Irianese in the next ten years may in fact be positions involving the management of small and comparatively unimportant aspects of the mine’s operations. The notable absence of any members of the Amungme or Komoro tribes in positions of significant power demonstrates their lack of access to direct avenues of change. Apart from the aforementioned solitary instance in which Freeport “Jim-Bob” Moffett was pressured into meeting directly with indigenous representatives (see Roberts, J., 1996a), there has generally been few opportunities for genuine and lasting dialogue between Freeport and tribal groups with which they can influence company decision-making. Instead, their alienation has meant they have become largely powerless in the management of their own traditional lands.
Pieter Yan Magal, the Amungme member previously employed in Freeport’s community development programs, believes the company clearly doubts the abilities of the Amungme, and considers them “not to be real human beings, but creatures in the process of becoming human.” He also argues that as people with positions of responsibility in Freeport have access to facilities such as housing and vehicles, these positions are not given to the Amungme out of fear they will use the facilities to help and communicate with the OPM (Inside Indonesia, 1996, 20).

Being the largest and most high-profile project in Irian Jaya, the Freeport mine has inevitably become a magnet for job-seekers from around the province. One Freeport community development coordinator has also pointed to the attraction of “the status of a hard hat and green rubber boots” (cited in McBeth, 1994c, 31). Whereas in the late-1960s Freeport’s concession area was only inhabited by several hundred members of the Amungme and Komoro tribes (Richards, 1996, 12), now hundreds more tribespeople have moved into the area, most from the Dani, Ekari and Moni tribes. This, in turn, has created tension among some of the tribe members, especially over who should receive Freeport jobs and services. The situation has also rekindled pre-existing conflict between the Dani and the less-warlike Amungme. Tension between these two tribes dates back to 1900 when the Amungme moved to what is now Tembagapura from areas farther north to escape intimidation by the Dani (McBeth, 1996c, 61).

The local employment benefits of Freeport’s presence extends modestly to local linkages in the form of small goods provision to the mine. After the Ertsberg mine went on-line, fresh vegetables were either flown from the eastern states of Australia via Darwin, or shipped from Singapore, despite the highlands being capable of producing high-quality fruit and vegetables. Eventually, Freeport began to buy fresh food from within Irian Jaya, specifically from the Balim region, but this practise stopped in 1974 when the company reverted to shipping in vegetables from Sumatra,
via Singapore middlemen (Mitton, 1983, 232). In 1982, George Aditijondro (1982, 53) also reported that most Freeport employees living at Freeport’s employee town Tembagapura were importing most of their luxury goods, and sending much of their earnings back home outside Irian Jaya and Indonesia. In an attempt to integrate itself into the local economy, today Freeport is said to buy more than 160 tons of vegetables from the local farmers and more than 20 tons of fish from the local fisherman every month (Hoed, 1993, 755).

However, the intrusion of Western commodities such as cigarettes and alcohol has reputedly led to a breakdown of indigenous cultural values in the area. Ondawame (1997) points to a considerable number of students in the area who drop out of school, leading to an increase in the incidence of “social crimes” and alcohol problems among local youths. These problems have been exploited by local traders who import cheap alcohol, pornography and prostitution. There have even been reports of HIV/AIDS in Timika among 50 - 60 sex workers who have come from Java and Sulawesi. In this isolated area of a country with little HIV/AIDS education, a spread of the virus seems likely.

A number of other major mining operations approved by the Ministry of Mines have been required to undertake community development measures. Presumably because of the government’s initial eagerness to attract foreign investment, no such provisions were made in Freeport’s Contract of Work. Instead, Freeport McMoRan says the COW system means that the contractor “assumes obligations” to limit environmental harm and to promote local economic and social development (Freeport McMoRan, 1996b, 16).

\footnote{For example, see Robinson (1986) and Samosir & Susanto (1993) for discussions of PT Inco’s community development requirements.}
Freeport has assumed some of these obligations, setting up numerous community development programs and providing services to the local population. The high school in Timika has a boarding house for a possible 118 boarders, set up especially for the Amungme people. A number of health clinics built by Freeport provide free primary medical services to all who live in the area, with almost 60 per cent of patients coming from the local community (*Inside Indonesia*, 1996, 21). Combined efforts to control malaria in the region have been undertaken by Freeport, the Department of Health, the University of Indonesia, medical research units of the US Navy, and *kabupaten* and community services. The result is that the incidence of malaria has dropped from 68 per cent to 2 - 8 per cent (Ondawame, 1997). According to Freeport, the company’s expenditure on education, medical treatment, vocational job development and other economic development initiatives for the local people, now totals more than US$14 million per year (Bryce & Brackett, 1996).

Freeport’s contribution to these areas appear to be generous and motivated by altruism (although keeping good relations does, of course, make good business sense). Nevertheless, the company has been accused of telling the local and indigenous people what they want, rather than asking them, and of only providing band-aid solutions to problems needing long-term commitments. Asmara Nababan, a parliamentarian and member of Komnas HAM, the Indonesian Commission on Human Rights (*Komisi Nasional Hak Asasi Manusia*) argues that regardless of the impressive lists compiled by Freeport on what they have done for the welfare of the local people, the local population “...hardly feel the benefits because the facilities are provided without their asking the people what they actually need” (cited in Ismartono, 1996). The problem is put succinctly by an unnamed senior Western diplomat: “You can provide the opportunities for them to make up their minds, but when you talk about options, you’re already influencing them” (cited in McBeth, 1994c, 31).
An example of Freeport’s unwillingness to enter into lasting dialogue with the people most directly impacted by the mine is the initiative sometimes referred to by the company as the “Agreement for Additional Recognition” (Freeport McMoRan, 1996b, 16), or more commonly as the 1% Trust Fund. Through the program, first proposed in 1996, one per cent of Freeport’s annual gross earnings is paid to seven local foundations that it helped establish. The foundations are the Amungkal Foundation (Amung-kal: “Amung-speech”), LEMASKO (Lembaga Musyawarah Adat Suku Komoro), and foundations for the Ekari, Dani, Moni, Damal and Nguda peoples. Previously Freeport recognised the locally-initiated Amungme Tribal Council (LEMASA - Lembaga Musyawarah Adat Suku Amungme) as the legitimate representative foundation for the highland tribes, but the establishment of these alternative organisations has resulted in the division of, and conflicts among, the local communities (Miller, 1997). Representatives of LEMASA and LEAMOA (Nerek Naisorei Adat Moni Amungme) rejected the offer, and demanded that “all exploration and mining operations by PT-FI and its partners or any other mining company in our lands must be based on the consent of LEAMOA...and...LEMASA” (LEMASA & LEAMOA, 1996). The proposal is indicative of the company’s corporate approach to social problems, in which the best solution is seen as throwing large sums of money in the general direction of symptoms, while ignoring the more fundamental underlying causes, such as the huge ideological and conceptual gap that exists between the two groups.

Most recently, in September 1997, a number of ministers from the three main churches in the Mimika kabupaten publicly rejected the launching and release of the second stage of the 1% Trust Fund, which commenced on 14th August 1997. The ministers argued the Fund disregards and neglects the Amungme and Komoro peoples, those clans with the greatest rights to compensation from Freeport. They called for a halt to the disbursement of the Fund, and warned that its continuation would further social conflicts (Onawame et al., 1997).
The interim results of an independent social audit commissioned by Freeport and carried out by the international consulting company Labat-Anderson, Inc., remarked on the company managements’ tendency to be primarily reactive instead of responsive, resulting in the rapid implementation of ill-conceived projects simply to meet deadlines. A corporate “can do” attitude has also resulted in an emphasis on infrastructure rather than responsiveness to the people’s social, institutional and community development needs. The report makes the important step of recognising the vast differences in cultures and perceptions between the indigenous people and modern corporation. In particular:

“Standard corporate operating procedures and management philosophy - e.g., materialism, individual property rights, formal written law, hierarchical, non-consensual decision making - result in different perspectives, conflict of messages, misunderstandings, and lack of reciprocity with respect to the indigenous peoples” (Freeport McMoRan, n.d.b).

The Labat-Anderson report is strong in rhetoric and generalisations, and weak in workable solutions, but makes some important and precise observations concerning the relationship between Freeport and the indigenous peoples. Many of the recommendations made are necessarily of a general nature, as they require fundamental changes in outlook and perception. Although the report states that Freeport is already in the process of implementing some of the recommendations, it is the fundamental problems such as the divergence between corporate and indigenous culture that will be the hardest to overcome. It is also these problems that are most urgently in need of resolve. Robert Motton (1983, 230) blames Freeport’s overriding profit motive, combined with the Indonesian government’s centralist policy, for the resulting “classic situation of colonial exploitation.”

The first and most persistent problem associated with Freeport's impacts on local communities has been land appropriation. The Amungme and Komoro peoples are not
recognised by the Indonesian government as legal owners of the land in Freeport's Contract of Work area, and the minerals being extracted from the land are constitutionally the property of the state. Freeport's COW also never required the company to compensate the Amungme or Komoro for appropriation of their land. Initial drilling activity conducted in 1965 at Ertsberg represented the first serious incursion by Freeport on the Amungme, who protested by placing wooden crosses and hex sticks around the drilling sites in a Christian/animist response to the intrusion (Banens, 1996, 26; Wilson, 1981, 168).

Freeport argues it has already paid the Amungme community for the right to use the land, through the so-called 'January Agreement' of 1974 (Richards, 1996, 13). The agreement, signed by Freeport, the government and Amungme community leaders stated the Amungme were not permitted to enter without permission the Ertsberg mining area, the region of Tegogma near the mine, the Tembagapura mining town, the Timika Pad 11 airport, and Amamapare on the southern coast. In return, Freeport would construct a health clinic, community housing, a market and shops, and provide job opportunities and government offices. However, the community leaders who signed the agreement did not realise that their sacred Ertsberg would be reduced to a large hole, or that they would be forbidden free use of their traditional routes to other villages (Menembu, 1995, 24).

The leaders also thought the housing to be provided was to be traditional Amungme thatched huts. Instead, the company provided the displaced Amungme with 50 unpainted clapboard tin-roof shacks resembling more a shantytown than their villages. This might have been satisfactory had Freeport not erected pristine prefabricated apartments across the valley from them in the mining town of Tembagapura for much wealthier expatriates and Indonesians from other islands employed by the company.
(Shari, 1996), highlighting the cultural and economic displacement experienced by the Amungme.\footnote{In 1980 the president of Freeport Indonesia estimated the cost of setting up a house for an Indonesian employee at Tembagapura at US$40,000 (Jufri, 1980, 39).}

Such problems are part of a wider phenomenon of the alienation of the Irianese from their land, particularly through the transmigration program. With overcrowding common in much of Indonesia's western islands, and low population density in Irian Jaya, the government sees the province as much-needed elbow room. Since the transmigration program began in the early 1970s, more than 43,300 families, or 173,430 people, have been resettled in Irian Jaya, usually close to existing urban centres and mostly in areas where they can cultivate rice (McBeth, 1994a, 50). They have brought with them new cultures, and new diseases previously unknown to the Irianese. These intrusions, coupled with the growing domination of the Javanese and Sulawesi in the local economy, have become a significant cause of discontent among many of the local people (Ismartono, 1996). The size and importance afforded the transmigration program by the government is seen in that the central government pledged Rps 199 billion (US$93 million) to the program in 1995, second only to public works spending (McBeth, 1994a, 50). In the late-1980s the World Bank estimated that migration would account for 55 per cent of Irian Jaya's population by the year 2000 (Gietzelt, 1989, 207).

An estimated 3,000 to 5,000 Amungme have been displaced from Freeport's concession area since 1972 (Roberts, G., 1996, 24), and since 1967 the Amungme and Komoro people have lost at least 10,000 ha of their customary land (ACFOA, 1995). The most common solution offered by Freeport and the government to this displacement has been to resettle the communities further away from the mine area. The initial terms of contract between Freeport and the government describes the issue of resettlement as such:
"FII [Freeport Indonesia Inc.] has the right to organise the resettlement of native inhabitants in the area of the project, and will compensate fairly housing damaged or destroyed by FII in connection with activities laid out by this agreement. On the request of FII, the Department of Mining will take legitimate action to obtain land for the project. In future the Department of Mining together with FII will arrange...the resettlement of native people in the area" (cited in Setiakawan, 1990, 52).

At the beginning of 1978, Freeport resettled 350 Amungme families living in the vicinity of the Ertsberg mine and Tembagapura, to a location 65 kilometres away near Timika (Budiardjo & Soei Liong, 1988, 35). This was not the first time a significant number of Amungme had moved from their traditional lands; large groups of Amungme settlers had moved further away from their villages on their own accord in 1961 and 1962 (Ballard, 1996, 28/29).

Efforts to resettle Amungme communities around Timika encountered numerous difficulties. In one instance, the hotter climate and inadequate housing prompted many of the families to return to Tembagapura after only a day, who were subsequently brought back by jeep. The Amungme are mainly garden cultivators by tradition, but were now living in a location where they had to rely on scarce supplies of sago and poor fishing grounds, and the two hectares of land allocated to each family was of low soil fertility (TEMPO, 1980, 24). The settlers were also particularly susceptible to malaria, a disease much more common in the lowlands than in their much cooler highlands. In mid-1980, an epidemic swept through the resettlement killing 216 children, more than twenty per cent of the infant population (Budiardjo & Soei Liong, 1988, 36).

These resettlement efforts happened in the wake of a major retaliation against Freeport believed to be instigated by the OPM. Following a number of local uprisings at Ilaga and Akimuga near Tembagapura, Akimuga was attacked by ABRI bombers on July 22nd 1977, killing an estimated 30 people. The next day the OPM attacked a number
of Freeport facilities and blew up the pipeline carrying copper slurry from the mine to the Amamapare port (Ballard, 1996, 32/33). Freeport sustained a loss of several million dollars, and the Indonesian military responded by ground and air attacks on Akimuga (Budiardjo & Soei Liong, 1988, 35). One source reported that the Indonesian military deployed members of another Irianese tribe, the Asmat, exploiting supposed animist-Christian differences (Parsons, 1978, 30). In 1977 alone an estimated 900 people were killed by ABRI forces in reprisals and searches for the “terrorists” (Project Underground, 1997).

**Freeport's Environmental Practises**

Freeport has been subject to much international criticism over its environmental practises in Irian Jaya, although the long-term environmental costs of major mining operations are difficult to assess. Nevertheless, the very nature of open-cut mining means that some extent of damage to the natural environment is inevitable, and the size and extent of Freeport's mining operations seems to imply the environmental impact will be significant. Jackson (1982, 106) remarks that the record of the copper mining industry is “not a good one in environmental matters”, and the ecological risks posed by copper mining projects have tended to increase as the grades of ore have decreased and the tonnage of mined ore increased.

The value and fragility of the environment in which Freeport is operating is seen in that the Lorentz Strict Nature Reserve was formally gazetted by the government in 1978. This was after the Ertsberg mine came on-line, and the reserved 2,150,000 ha of land included the entire Freeport operation: mine, towns, roads, airport and port facility. The size of the reserve was subsequently reduced to 1,483,000 ha, with recommendations that the reserve status be changed to a National Park (Petocz, 1989, 98).
With this new border, the mining facility, Tembagapura mining town, the roads and the most populated parts of the area were excluded from the National Park area, but 45 per cent of the Freeport mining area was still inside the National Park. The Lorentz National Park has been proposed as a World Heritage Site, testament to the richness of its biodiversity. The area represents a large variety of ecosystems, including tropical, sub-tropical, continental and Arctic (Setiakawan, 1990, 75), and contains one of the world’s few equatorial glaciers. Freeport’s concession includes about 20 per cent of the actual ice field, as well as Mount Jaya, Southeast Asia’s highest peak at 4,884 metres (Petocz, 1989, 58).

Of particular concern to critics is the disposal of Freeport’s milling waste, or tailings. Even though the content of gold, copper and silver in Grasberg is high, up to 95 per cent of the material left after the separation process at the mill is unwanted residue. These tailings behave in much the same way as natural sediments, and Freeport’s solution to this waste disposal has always been to dump the tailings into the Agawagon River. Fed by 50 waterfalls spilling out of the surrounding escarpment, the Agawagon becomes the Otomono and then finally the Ajikwa on its downhill course to the sea (McBeth, 1994d, 52). Each day, the mine empties almost 120,000 tonnes of tailings into the Ajikwa system, a quantity 50 per cent higher than the tailings output from BHP’s controversial Ok Tedi mine in neighbouring Papua New Guinea. Freeport’s tailings discharges have jumped by 300 per cent since the Grasberg mine went on-line in 1990 (Roberts, G., 1996, 26), and by its own estimates the company dumped about 40 million tons of tailings in 1996 alone (Bryce, 1996).

There is also the waste rock, or overburden (rock that does not contain recoverable material), which is currently being dumped over the west side of the Grasberg open pit into the upper Wanagon Valley. Thus far, the mine is believed to have generated more than 420 million tons of waste rock (Bryce & Brackett, 1996). Due to the steep slope of the dump site and high rainfall (an estimated 4,000 to 6,000 mm/year), a significant
proportion of the waste is believed to be washed down southwards to the Agawagon River and Lake Wanagon, where it mixes with the mine's tailings downstream. There have already been reports of acid rock drainage (ARD), caused by the oxidation of sulphide ore minerals and subsequent generation of sulphuric acid (Project Underground, 1996a).

Because of its similarity to natural sedimentation, Freeport contends their tailings disposal practises are merely "speeding up geological time", but there is evidence of severe environmental damage. The resulting siltation has caused an exaggerated braiding of the river system, which in turn has led to its changing course and 'sheeting' over into the neighbouring Minajerwi River (McBeth, 1994d, 53). According to a 1994 Freeport study, the Minajerwi contained levels of copper exceeding United States standards for aquatic life (Roberts, J., 1996a). The tailings have drowned and killed about 40 sq. km of riverine rainforest, and Freeport estimates that 133 sq. km of rainforest will be destroyed by the end of this century as a result of its activities (Roberts, G., 1996, 26).

Environmentalists have long claimed the tailings are toxic, but Freeport strongly denies the existence of toxic substances in the discharge, such as arsenic, mercury or lead. Executives claim the lime and alcohol used in the milling process become so diluted in the river's abrupt drop into the lowlands that there is no threat to marine life. Cursory observations of the river have seemed to support their assertion (McBeth, 1994d, 53). But many have claimed the river pollution has disrupted the indigenous communities who depend on the Ajikwa for their livelihood. A doctor working at the community medical centre in Timika observed gum discolouration among the local people, but he was transferred before being able to perform further studies (Inside Indonesia, 1990, 21). Tom Beanal, an Amungme leader, claims the sago forests which have served as their primary food source have become dry, and the animals they had hunted have disappeared, making it harder to find food (Project Underground, 1996b).
Earlier this year, the *Jakarta Post* reported that people living along the Ajikwa had been warned against drinking the water. The provincial administration's environmental promotion bureau stated that, contrary to Freeport's claims, studies showed the river had actually been contaminated by the company's tailings disposal (Clark, 1997).

Claims of environmental degradation have not all fallen on deaf ears in Jakarta. At a workshop in Irian Jaya recently, Indonesia's Minister of Environment, Sarwono Kusumaatmaja, said that Freeport had been careless in its mining operations, noting in particular the need for the company to improve its tailings management system (Miller, 1997). The clearest indication of government dissatisfaction with Freeport's environmental performance came in 1995, when President Suharto, at the opening of Freeport's company town Kuala Kencana, bluntly warned the company to lift its environmental game and to win more support from the locals (Garrett, 1995).

However, any analysis of Freeport's environmental management in Irian Jaya must also take into account Indonesia's laws and regulations on the environment. Most notably, when Freeport's Ertsberg mine went on-line in 1972, Indonesia still had no environmental regulations (*Inside Indonesia*, 1990, 21). The Indonesian government and industry have since introduced better waste management and pollution control practises. In 1989, for example, a Clean River Program (*Program Kali Bersih - PROKASIH*) was established by the Minister for the Environment to clean waterways from the toxic effects of Indonesian modernisation and industrialisation, after it was recognised that over 20 rivers in 8 provinces were severely effected by urban and industrial wastes (AIDAB, 1994, 23-24). Significantly, however, the Ajikwa was not included in the program, apparently because Freeport's remoteness from Jakarta's bureaucracy protects it from being adequately monitored (*Inside Indonesia*, 1990, 22).
Freeport's environmental credibility took another dive in 1995 when the Overseas Private Investment Corporation (OPIC), a United States quasi-government body, cancelled Freeport's US$130 million political risk insurance on environmental grounds. OPIC charged that Freeport had breached its contract on two grounds. One, the company had exceeded the level of ore production agreed to when OPIC first provided cover in 1974; and two, Freeport's activities had caused "substantial adverse environmental impacts." The cancellation not only signified a symbolic withdrawal of support from the American government, but also ran contrary to Freeport's continual assertions that its environmental impacts were insignificant; Freeport McMoRan's CEO "Jim-Bob" Moffett had been quoted as saying that Freeport's tailings discharge was no more polluting than "me pissing in the Arafura Sea." Former US Secretary of State Dr Henry Kissinger - now on Freeport McMoRan's board of directors - personally intervened for Freeport with US President Clinton, as did President Suharto during a visit to New York, but to no avail. The Indonesian Environment Minister discharged any responsibility for the fallout, arguing: "I told Freeport a long time ago to do its environmental auditing. If they had done it then, the result would not have been this bad" (IRIP News Service, 1995, 21-22).

Freeport denounced the decision, arguing it had no basis in law. The company announced it would go into arbitration over the dispute, and hired former Central Intelligence Agency (CIA) director James Woolsey as its legal representative. Freeport also bought three full-page ads in The New York Times at a cost of nearly US$200,000, blaming the cancellation of its insurance on "foreign interests" that were spreading "false or misleading accusations" about the company (Bryce & Brackett, 1996). To appease the criticism, Freeport voluntarily commissioned two companies to carry out environmental and social audits of Freeport Indonesia's operations. For the environmental audit, they commissioned the Australian arm of Dames and Moore, an American environmental consultant agency, with the audit being carried out under the
direction of former Australian Minister for the Environment, Ross Kelly (MIGA, 1995). Among other conclusions reached in the audit, Dames and Moore concluded:

- that Freeport's operations have significant impacts on the environment;
- Freeport had been slow to meet its environmental responsibilities, adopting a reactive rather than a proactive response;
- the most visible and significant impact on the environment is and will continue to be tailings disposal, and considering the circumstances, Freeport has adopted the most suitable option;
- the tailings are unsightly but non-toxic;
- there has not been a significant risk to, or loss of biodiversity, but there should be a greater commitment to scientific study of the fauna and flora;
- the Puncak Jaya glaciers are retreating dramatically and are predicted to disappear completely within 100 years, but their retreat is consistent with the effects of global warming and is not related to Freeport's activities;
- in all material aspects Freeport is complying with Government of Indonesia regulations (Freeport McMoRan, 1996a).

The audit touched on some of the more obvious problems, such as tailings disposal, but was nowhere near the damning allegations levelled at the company by environmentalists and other critics.

Freeport subsequently promised to implement a number of the recommendations of the Dames and Moore audit, and in April 1996 OPIC reinstated its insurance at least until the end of the year. In turn, the company also agreed to create a US$100 million trust fund for the remediation of the site after the mine shuts down (Bryce, 1996). Sources close to OPIC have suggested ulterior motives for the agency's decision to back-track on the withdrawal: OPIC was spending between US$100,000 and
US$200,000 per month on attorney's fees, and Freeport was threatening to use its lobbyists to fight OPIC funding in US Congress\(^{13}\) (Bryce & Brackett, 1996).

The audit results and the independence of Dames and Moore from Freeport have also been questioned. Steven Feld (in Garrett, 1995) points out that Freeport have a long-standing relationship with Dames and Moore, and have provided them with a lot of money and contracts, calling into question the independent nature of the audit. Furthermore, the audit was not an evaluation of Freeport's environmental impacts per se, but to a large extent was just a checklist of whether the company complies with various Indonesian laws. To date, the only version of the audit available for public comment has been a 42-page Executive Summary, with little reference to important production and analytical data.

Freeport holds another insurance policy with the Multilateral Investment Guarantee Agency (MIGA), an insurance arm of the World Bank. The US$50 million contract protecting Freeport against war and breach of contract was signed in January 1990 in conjunction with Freeport expansions. In a statement released after the OPIC cancellation, MIGA asserts their policy is more rigorous than that of other insurers. At the same time, MIGA was careful to point out that its contract to guarantee "...may be terminated by the Agency, inter alia, if the guarantee holder does not comply with the legislation of the host country" (MIGA, 1995). There is no mention of the policy holder's requirement to adhere to any international or US environmental standards. MIGA refused to meet calls for the cancellation of its own policy and, as with the Dames and Moore audit, the above statement calls into question the accountability and finality of reports on Freeport's environmental practices.

\(^{13}\)At the same time, the funding of OPIC with taxpayers money was also being questioned by a broad coalition which included such ostensibly opposing groups as the conservative Competitive Enterprise Institute, and Friends of the Earth (Bryce, 1997b).
In May 1997, another study of Freeport’s tailings discharge into the Ajikwa River system was undertaken by a team consisting of Sucofindo\textsuperscript{14}, the Department of Mines and Energy, Freeport, and the Jakarta-based Centre for the Management of Environmental Impacts (Pusat Sarana Pengendalian Dampak Lingkunan - Pusardepal). Interestingly, each party produced different results for the four water samples taken. Freeport reported a quicksilver (mercury) content of 0.0003 milligrams per litre, while Pusarpedal found 0.001 milligrams per litre. On the other hand, Sucofindo reported findings of 0.004 milligrams per litre, above the maximum allowable content of 0.001 milligrams set by the government; anything over this content is considered unfit for human consumption. The Sucofindo findings were sent to the regional government, but for unknown reasons, two months later an “improved” (perbaikan) report was submitted, this time claiming the mercury content was in fact 0.001 milligrams per litre (Baskoro & Kholifan, 1997, 68). This narrowly put Freeport on the right side of the law, but will no doubt keep the company on its toes. If, in fact, the Sucofindo results were correct, one can assume Freeport is actively involved in the cover-up of potentially damaging findings.

Minewatch, a watchdog organisation committed to monitoring the effects of major mining operations around the world, have joined with several other NGOs in releasing a critique of the Dames and Moore audit by a leading European geologist. The geologist has direct experience in the region of the Freeport mine, and is an acknowledged expert on the impacts of copper mining. According to this expert:

- the Dames and Moore report is “quite superficial” and hedged about with qualifying phrases which “can justify almost any mode of production”;
- the impacts of the huge amounts of rock waste from the mine have not been properly calculated;

\textsuperscript{14}PT Sucofindo is a state-owned enterprise, providing surveys, inspection and superintendent services.
• the highly toxic effects of copper in the marine environment have been virtually ignored;
• the site used for the disposal of the wastes and the construction of levees to contain further tailings are inadequate;
• the dangers of acid rock drainage (ARD) are not properly addressed, yet these constitute a "chemical reactor" which will be extremely difficult to control;
• the mine's mode of production is a "fossil of the 1960s" because the company has not improved its environmental practises in line with those insisted on in 'developed' countries (Project Underground, 1996a).

The isolation of the mine makes it difficult for independent observers to fully examine its environmental impacts, and Freeport employees rigidly control access to its concession area. The International Work Group for Indigenous Affairs (IWGIA) (1992, 16-17) believes this lack of objective research data can be overcome by applying the findings from two copper and gold mines in neighbouring Papua New Guinea to Freeport's case. All three mines operate in similar environments and their production processes are virtually the same. One, the Ok Tedi mine, is located in the same mountain range as the Grasberg mine just across the border in the upper reaches of the Fly River. The other is the infamous Panguna mine on the island of Bougainville, closed for several years now after conflicts involving the traditional landowners and the Bougainville Liberation Army (BLA), a separatist group fighting on the same terms as the OPM in Irian Jaya. Using data from these two mines, IWGIA applied the findings to Freeport's case in Irian Jaya to determine the probable long-term environmental impacts of the mine. The results are summarised in the table below:
Estimated Environmental Impacts of Freeport’s Operations

<table>
<thead>
<tr>
<th>Impact</th>
<th>Severity</th>
<th>Space horizon</th>
<th>Time horizon</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Destruction of ecosystem at mine site</td>
<td>Destruction of rare ecosystem, impact on nearby nature reserve</td>
<td>5 sq/km</td>
<td>&gt;100 years</td>
</tr>
<tr>
<td>b. Leachate from mine site</td>
<td>?</td>
<td>5 sq/km</td>
<td>15 - ? years</td>
</tr>
<tr>
<td>c. Air pollution</td>
<td>?</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>d. Tailings deposits on floodplains</td>
<td>Destruction of agricultural land. Vegetation and groundwater are poisonous</td>
<td>35 sq/km</td>
<td>35 years</td>
</tr>
<tr>
<td>e. River water pollution</td>
<td>Upstream river is poisonous for fish and humans</td>
<td>20 - 40 km river reach</td>
<td>15 - ? years</td>
</tr>
<tr>
<td>f. Contamination of estuary and delta</td>
<td>Contamination of vast area. Negative effects on important food chain</td>
<td>100 sq/km</td>
<td>&gt; 100 years</td>
</tr>
<tr>
<td>g. Contamination of sea</td>
<td>?</td>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>

(Source: IWGIA, 1992, 17).

Militarisation and Human Rights

Freeport's Irian Jaya mine is one of 13 projects in Indonesia considered to be of vital national significance, which must be protected for the good of the nation. Hence, the Armed Forces have employed a security approach in dealing with the company's concession area (Waluyo & Waluyo, 1996, 29). The result is a significant military presence in the area, and in Irian Jaya in general. Under its contract, Freeport is also obliged to provide logistical support for Indonesian government personnel, which includes granting ABRI access to its infrastructure (Richards, 1996, 12).

There are many indications of this connection. ABRI personnel are often seen using Freeport vehicles and chartered helicopters. ABRI vehicles are serviced, and their petrol tanks filled, at Freeport depots, and a weekly convoy of Freeport semitrailers transporting explosives to the mine is accompanied by military escorts. Freeport also built an ABRI base in the mountains above Tembagapura, where people travelling to and from the town have to register. Freeport executives insist the military pays for any
company goods and services it receives (Roberts, G., 1996, 26), and that they draw the line at carrying armed troops (McBeth, 1996a, 28).

The permanent presence of the army in Irian Jaya is a cause of unease and mistrust for many Irianese, and contributes to the increasingly obvious manifestation of it as an actor in the province. For example, the army have recently taken part in talks about the funds allocated by Freeport for the Integrated Timika Development Plan. ABRI obviously has a strong interest in the region because of border security and the OPM. In the border area with PNG there are some fifty villages selected by the army to be developed with priority - an attempt at creating stability at the border and to prevent illegal border crossings, particularly by OPM members (Kaisi, 1997). Of concern to many are reports that members of Detachment 81, the elite anti-terrorist unit from Indonesia’s special forces regiment Kopassus (under the command of President Suharto’s son-in-law) have been deployed in Irian Jaya (McBeth, 1996b, 28). Freeport’s relationship with ABRI has meant the company has been implicated in many human rights abuses reportedly carried out by the military in Freeport’s concession area. In recent years, a number of reports alleging human rights abuses around the mine area once again made Freeport the subject of international attention.

In April 1995 the Australian Council for Overseas Aid (ACFOA) released a report prepared in Irian Jaya on the actions taken by ABRI personnel in their search for OPM activists. Starting in June 1994 in Bella village and moving to Tsinga, the OPM undertook a series of West Papuan flag raisings, an action punishable by law in Indonesia. The local OPM leader Kelly Kwalik, an Amungme leader and former teacher, said the flag was raised to mark West Papua’s independence day (July 1st), and to protest Freeport’s expropriation and exploitation of West Papuan lands and sacred sites (IRIP News Service, 1995, 17).

According to the report (based on accounts taken from local people):
• OPM/ABRI clashes occurred in the Tsinga Valley from July to December resulting in the killing of about 10 civilians;
• 200-500 people (115 families) fled into the bush to escape the OPM/ABRI clashes and stayed for 6 months without receiving any outside assistance;
• The villages of Tsinga and Hoea were subjected to searches by ABRI. ABRI burned down houses, destroyed gardens and looted a church in Tsinga;
• Six relatives of the OPM leader, Kelly Kwalik, were tortured in Timika and have since disappeared, believed executed;
• ABRI established new check-points, especially in Timika, to monitor indigenous people;
• ABRI and Freeport security engaged in acts of intimidation, extracted forced confessions, shot 3 civilians, "disappeared" 5 Dani villagers, and arrested and tortured 13 people after an OPM flag-raising in Tembagapura on Christmas Day;
• The uprising in Tsinga and the Christmas Day demonstration in Tembagapura resulted in at least 37 people killed and/or disappeared, of whom 22 were civilians and 15 were rebels (Walsh, 1995).

In addition to the allegations, ACFOA made the following recommendations:

1. That the UN Special Rapporteur on Extrajudicial, Summary or Arbitrary Executions visit Irian Jaya to investigate the allegations and the situation in the Freeport area with a view to reporting to the UN Human Rights Commission;

2. That this report be referred to the UN Working Group on Indigenous Populations for its consideration and action;

3. That the Indonesian Commission for Human Rights visit the area to conduct a comprehensive investigation of the allegations and the general situation of local communities, and that its report be released publicly;

4. That the Australian Government take up the concerns raised by this report with the Government of Indonesia and urge Indonesia to cooperate with the recommendations above, and that the Australian government specifically make
enquiries about (1) the killing of civilians by ABRI, (2) the situation of the 200-500 Irianese who reportedly surrendered to the Indonesian military, (3) the reported plan of the Indonesian government to relocate a further 2000 people from the Tembagapura area to the lowlands, and (4) Freeport Indonesia's relations with the local community and the exercise of its environmental and social responsibilities;

5. That Australia legislate in favour of a 'social clause' for Australia-based business activity in Indonesia and promotes the case for such a clause in APEC (Asia and Pacific Economic Cooperation) and WTO (World Trade Organisation) forums (Walsh, 1995).

It seems the report elicited no official response from the United Nations, but the Australian Department of Foreign Affairs took action, following the extensive publicity the report received in Australia. Foreign Minister Gareth Evans instructed his ambassador to Jakarta, Alan Taylor, to visit Freeport whilst on a routine visit to Irian Jaya and check on the allegations. The Ambassador's report, subsequently leaked, generally confirmed the ACFOA report, and blamed military "hostility" towards the locals for much of the unrest. The Ambassador's team also found "little evidence of deep-seated commitment among indigenous Irianese to the idea of 'Indonesia'" (IRIP News Service, 1995, 17).

The second major report was by the Catholic Bishop of Jayapura, Herman Munninghoff - whose diocese takes in the Freeport area - which alleged cases of torture carried out by Indonesian troops and conducted in Freeport containers, the army commander's mess, the police station, and the Freeport security post. According to Bishop Munninghoff:

"Surveillance is so tight in the [Freeport] area that it causes fear and tension among the civilian population. Surveillance is conducted in churches, during prayer meetings, in villages and towns, and in the streets where passersby are monitored. Surveillance is conducted by training guns on people and threatening everybody who is deemed to defy the army/security units....it has been like this for years" (cited in Roberts, J., 1996b).
At Freeport’s request, Munninghof released statements clarifying that he believed Freeport had no direct involvement in the alleged abuses (Garrett, 1995), but critics were quick to point out that the abuses were carried out on Freeport property, and the company’s responsibility was far from absolved. The Indonesian Commission on Human Rights (Komnas HAM) subsequently carried out the third investigation, in response to Munninghoff’s allegations. Komnas HAM generally confirmed the report, and made four recommendations: (1) that action be taken against the military responsible; (2) that compensation be given; (3) that the local government, the military and Freeport clarify their relationship and lines of responsibility; and (4) that the ‘security approach’ and practise of ‘stigmatising’ people (as OPM members or sympathisers) be reviewed. The Commission also reminded Freeport that, as a major economic enterprise in the region, it has a responsibility to provide environmental, social, cultural and economic best practise (IRIP News Service, 1995, 18).

The indefinite and general nature of Komnas HAM's allegations and recommendations implied a significant lack of willingness to openly implicate Freeport in the killings and abuses. The 1995 ACFOA report appears to be one of the only widely publicised or high-profile set of allegations that has specifically implicated Freeport Indonesia employees (the Jakarta-based NGO ELSAM, a human rights advocacy organisation, also alleges that three women from the local Dani tribe were raped by three Freeport security personnel (Bryce, 1997a)). Nevertheless, many critics believe the entire company has a responsibility to prevent human rights abuses occurring within its COW area. In response to the Komnas HAM report, five leading Indonesian NGOs\(^{15}\) reminded the Commission that the Munninghoff report stated that some abuses occurred on Freeport property using Freeport facilities. “This fact”, the NGOs argue, “implies that PT Freeport was cognisant of these events and allowed its

\(^{15}\)The NGOs were ELSAM, LPPS (Lembaga Penelitian dan Pembangunan Sosial: Institute for Social Research and Development), INFID (International NGO Forum for Indonesian Development), LBH (Lembaga Bantuan Hukum: Legal Aid Institute) and WALHI (Wahana Lingkungan Hidup Indonesia: Indonesian Environment Institute).
business facilities to be used for acts against human rights” (cited in IRIP News Service, 1995, 18). In a letter to the company, a dozen overseas environmental groups, including the Environmental Defence Fund, Sierra Club, Friends of the Earth, and the International Rivers Network, said “Freeport shares a moral responsibility...since the military is protecting Freeport operations” (Bryce & Brackett, 1996).

Considering Freeport’s contractual relationship with the military, it seems impossible to prove any explicit connection between the company and the abuses occurring within its COW area, short of implicating Freeport employees. Freeport directors have always denied the company were responsible for any involvement or acquiescence in these abuses, and have asserted the company always complies with any official investigations. Statements from directors in Freeport Indonesia and parent company Freeport McMoRan usually express abhorrence at any of the abuses (for example, see Freeport McMoRan, 1996b, 17; Richards, 1996, 12).

However, Steven Feld (in Bryce & Brackett, 1996) believes the strong military presence in Freeport’s COW area could actually be deemed favourable by the company: “Military rule works great for corporations. They know who is in charge... who they have to please and...who they can count on to take care of business.” Feld makes a valid point in that it is doubtful whether Freeport would be able to operate in its relative security and safety without ABRI’s protection. The demonstrations and attacks that have flared up periodically might have developed into large-scale uprisings with devastating effects for the mine’s operations if it were not for the significant military presence. Freeport executives need only think of Bougainville to remind themselves of their reliance on Indonesian military intervention. Indeed, Freeport McMoRan’s 1996 annual report states, rather ambiguously, that the company believes a “strong, but just and compassionate, law enforcement presence is necessary in Irian Jaya just as in every other area in the world” (Freeport McMoRan, 1996b, 17).
Despite their reliance on the military, Freeport would do well to keep its distance from ABRI abuses in the mine area, in lieu of comments made by ABRI personnel and the public relations disasters initiated by the abuses. Asked several years ago about allegations of torture and other mistreatment in the area, the then military commander of Irian Jaya, Major-General I Ketut Wiridhana, told an Indonesian weekly magazine: “If you slap your own kid for a good reason, do you call that torture?” (cited in McBeth, 1995, 31). On the killing of innocent people, an ABRI representative has argued that “the OPM itself depends on the people, and as bullets have no eyes the death of ordinary people is unavoidable” (cited in Ondawame, 1997). Both comments are indicative of ABRI’s patronising attitude toward, and apparent disregard for, the basic human rights of the Irianese. They also highlight the strong correlation between the local impacts of Freeport’s operations, and the uneasy relationship between ABRI and the local population, undoubtedly complicated by the OPM movement in the region.

The atmosphere of repression in much of Irian Jaya means it is difficult to gauge the extent to which the OPM enjoys the support of the indigenous Irianese population. Few will openly profess their support for the movement, or any desire for independence from Indonesia, but one can assume that there is at least some in-principle support for the OPM cause, especially among those impacted by Freeport and its relationship with the Indonesian state. There will also be a large number of Irianese in favour of continuing Indonesian control, in particular the local elites who have profited from integration. OPM spokespersons have always asserted the majority of Irianese support their cause, and an estimate in 1986 stated that 80 per cent of Irianese would vote against integration if given a genuine plebiscite (Osborne, 1986, 63). Seventeen years earlier in 1969, one OPM representative optimistically put the figure at 99 per cent (Zable, 1978, 24). The 1986 study cites an OPM leader as saying that 2000 OPM guerillas were stationed at that time around the Freeport mine site and Enarotali, Paniai Lakes (Osborne, 1986, 63).
Indigenous responses

Freeport has been the focus of local and indigenous protest and resistance in Irian Jaya ever since it commenced drilling in 1967 (see Ballard, 1996, 30-44). This resistance has ranged from solitary protests by small numbers, to larger uprisings and organised attacks on Freeport facilities, often instigated by the OPM. Because of ABRI’s constant presence, the resistance has often resulted in injury and death. Thus, a constant cycle of local dissatisfaction and protest, followed by military crackdown and abuses has been set in motion.

The role of NGOs in Irian Jaya has been crucial in representing the interests of the indigenous Irianese. Without formal representation, the Irianese have been denied any substantial or meaningful access to Freeport or the Indonesian state. It is only through the representation of NGOs - who have been able to work within the institutional framework insisted on by Freeport and the government - that the indigenous people have been able to gain greater legal and political acceptance. Non-Irianese NGOs such as the environmental watchdog WALHI have also helped bring the indigenous peoples' plight to the attention of those outside Irian Jaya, and have given their struggle both a national and international focus. But while NGOs have given the indigenous Irianese more formal recognition, they are far from playing a major role in Freeport and governmental decision-making processes. In a statement revealing Freeport’s unofficial line on NGOs and other critics, company CEO “Jim-Bob” Moffett asserted Freeport was fighting back in what he described as “a new Cold War” between the company and its detractors (McBeth, 1996a, 26).

WALHI recorded some ten protests from 1972 to 1996 by the Irianese against Freeport, mostly regarding displacement, land disputes and environmental damage (Ismartono, 1996). Some of the larger and more widely publicised protests include a
riot in March 1996 during which several thousand local villagers caused US$15 million damage to Freeport equipment. In this case, the impetus for the rioting was the death of a villager struck by a Freeport vehicle (Bryce & Brackett, 1996). Eyewitness accounts mention that the riots appeared highly organised, rather than spontaneous. ABRI believes the riots may have been organised by NGOs, while other accounts implicate the OPM (Sumbogo et al., 1996, 27).

Such actions are only an example of the physical protests taken out against the company. Dissatisfaction with Freeport has been expressed through other means also. In May 1995 WALHI sued the Indonesian Ministry of Mines and Energy, arguing it had approved Freeport's environmental management scheme without the requisite consultation. The suit was overruled in October of the same year (Ballard, 1996, 40-42).

In April 1996, Tom Beanal, an Amungme tribal leader and head of LEMASA, filed a US$6 billion class action lawsuit against Freeport McMoRan in the company's US home town of New Orleans, charging environmental and human rights abuses. He has since been joined by at least 1700 co-plaintiffs (Clark, 1997). The court initially dismissed the case on the grounds that no definitive international environmental law could apply to a private corporation operating outside its home country. In a one-page press release Freeport announced the ruling confirmed the lawsuit had no basis in law, but Beanal and his co-plaintiffs and supporters also claimed a victory. The judge ruled that Beanal did in fact have standing to bring tort claims against Freeport in US courts (by which damages can be sought for private injury to person or property), while asking Beanal to make his charges clearer and more specific.

Given the recent ruling by the Federal Court in California over another US company's gas pipe operations in Burma, a victory for Beanal is not unlikely. In that case the judge found Unocal potentially liable if it can be shown to be "accepting the benefits
of and approving” human rights abuses by the military (TAPOL, 1997b). The second part of the Beanal vs Freeport court case is currently proceeding.
CHAPTER 5 - Conclusions

Ever since Freeport started to mine the wealth of mineral resources in Irian Jaya, the company has been instrumental in shaping both the New Order's administration of the province, and the lives of its indigenous inhabitants. Freeport's presence has not only increased the Irianese peoples' integration into the Indonesian state, but it has also heralded the arrival of the 20th century to an area largely isolated from the rest of the world for hundreds of years. If Dutch missionaries started this process, Freeport Indonesia is certainly finishing it on a vastly different scale and with massive social consequences the missionaries could never have imagined. The Amungme and Komoro tribes have been forced to quickly re-adapt their cultures and lifestyles to 20th century realities such as state laws and corporate expansion. This is not to say that the indigenous people have merely been helpless victims of change. Cultures and identities are dynamic and changing processes, and - thanks to the forces of 'globalisation' and the New Order's ongoing quest for national integration - the intrusion of the 20th century into their lives was inevitable. Connell & Howitt (1991, 3) put it this way:

"They are far from passive victims of domination but, without exception, they are active participants in development processes. Vested interests may actively seek their marginalization from decisionmaking about resource development of tribal homelands, but they have, invariably, pursued a degree of autonomy in shaping local development".

As noted earlier, many members of the Amungme and Komoro tribes are not objecting explicitly to the incidence of mining on their tribal lands. Instead, many are instead asking for an active role in the decision-making processes of the projects and developments that affect their lives so profoundly. Major resource extraction can in fact prove to be a beneficial process for the people whose land is subject to the development, as long as they are given the authority and ability to negotiate some direct benefits from the development. In Indonesia, however, the marginalisation of
indigenous peoples in national development processes, coupled with a strong emphasis on administrative and economic centralisation, has resulted in the loss of these peoples' right to such negotiation.

Prospects and Recommendations

The immense size of the gold, copper and silver reserves currently being mined at the Grasberg complex means that Freeport can expect to be a major presence in the province for at least another twenty years (McBeth, 1994e, 49). Freeport's proven reserves rose in 1997 to 3.1 billion tons of ore following the discovery of 1.1 billion tons of ore by company geologists, including 31.8 million ounces of gold (TAPOL, 1997c). Under its second Contract of Work, Freeport must reduce the amount of new territory currently under exploration by around half (approximately one million hectares) before the end of this century. This is bound to mean even more aggressive prospecting and drilling than before, with efforts concentrated outside the Grasberg project zone (Partizans, 1997). Further exploration activities are being undertaken by Freeport Indonesia and another Freeport McMoRan subsidiary, PT IRJA Eastern Minerals Corporation (Eastern Mining) in the eastern part of the province (Freeport McMoRan, 1996b, 6). Additionally, Irian Jaya is the focus of other mining companies' exploration activities, concentrated predominantly in the central and eastern parts of the province. The map in Appendix A shows the Contract of Work areas in Irian Jaya (including those currently being used for exploration only) as of 1993.

This continuing expansion of mining operations in Irian Jaya will inevitably lead to similar conflicts between other indigenous communities and mining companies, including Freeport. At this stage, it seems Freeport is intent on continuing its expansion in the province without consultation or negotiation with the people whose traditional lands will be subject to the intrusion. In March 1997 the Komoro
community of Koperapoca were told they would have to move to make way for a 130 square kilometre deposition zone involving the damming of two rivers, Freeport's latest solution to its waste disposal problem. A possible expansion involving a second mine would also impinge on the territory of the Moni people of eastern Irian Jaya. As long ago as 1994 the Moni wrote to Freeport McMoRan expressing their concerns about exploratory activity on their ancestral lands, and asked Freeport to acknowledge the local inhabitants as the rightful owners of the resources within and under their lands near Bilogai. In part response, Freeport moved to include the Moni in the aforementioned 1% Trust Fund (Project Underground, 1997).

Government priority will most likely continue to be given to Freeport, resulting from the substantial economic benefits Jakarta and Jayapura receive from the mine, and from the conviction that Freeport's presence can continue to play a large part in the economic and industrial development of one of Indonesia's most isolated provinces. As Banens (1996, 82) points out, aside from the financial equity held by the Indonesian government, the mine also represents a strong political investment for the Suharto regime. Freeport is a potent symbol of the economic and political goals of the New Order government and of the Indonesian presence in Irian Jaya. The authority of the Indonesian state in the province is further consolidated physically by the security and military presence in the area.

On the point of human rights abuses (and their consequent damage to state and company credibility), it is on the onus of ABRI and the national government to review their 'security approach' to the mine and, above all, to disentangle the expression of dissatisfaction with Freeport from OPM expressions of separatism. Freeport can also acknowledge that respect for local civil and political rights is necessary for the continuing profitability of its operations, and discontinue its apparent acquiescence in military abuses. In the near future, the company will perhaps further their attempts to wash their hands clean of such abuses, when Freeport finishes building a new military
barracks for ABRI in the area; although no mention is made to their contractual relationship with ABRI, a Freeport spokesperson recently stated that after the barracks were completed next year, Freeport would no longer supply ABRI with support of any kind (AWPA, 1997). Of course, this by no means implies the military will decrease its presence in the area, or that abuses will stop.

The OPM presence in the region and the military’s strongly-expressed desire to crush the group, has made the problems between Freeport and the indigenous Irianese infinitely more complex. The OPM has too easily been used by Freeport and the government as a scapegoat for dealing with indigenous dissatisfaction with the company. By accusing local critics of being OPM sympathisers, the government and military in particular can simply brush off other genuine environmental and socio-cultural grievances. There is also a likelihood that the OPM have politicised these grievances for their own purposes, by automatically linking anti-Freeport sentiments with those of separatism. This entanglement of two separate agendas will inevitably bring further tension and confusion, and all sides must attempt to separate them.

Tensions arising from Freeport’s presence in Irian Jaya will also continue in the absence of any opportunities for sustained dialogue between the interested parties. This must be part of a continuing process of consultation, rather than the mere application of reactive and short-sighted programs. There must also be a clearly stated distinction between the roles and expectations of each party. In particular, the official and implied roles of Freeport and the national and regional governments must be properly defined. This process has already started, with the partial devolution of responsibility for community and infrastructural development to regional and sub-regional administration, plus the creation of the three new kabupaten. However, the most significant improvement the national government could instigate - namely, the recognition of the indigenous peoples’ land rights in Irian Jaya - is extremely unlikely,
given the probable consequences to state legitimacy, and the possible subsequent difficulty in negotiating major resource development.

As noted, this problem is also rooted in profoundly different relationships with the land. This is characteristic of many conflicts over traditional lands around the world, in which there exists an inherent difficulty in reconciling conflicting approaches to land use; commodification by governments and companies on the one hand, and indigenous peoples’ physical, cultural and spiritual dependence on the land, on the other. This indigenous relationship with the land also necessitates the coupling of any environmental impacts of the Freeport mine with its social impacts. That is, any significant forced alteration to the ecological characteristics of the indigenous peoples’ traditional lands will inevitably affect their social and/or cultural structures as well. For this reason, any compensation offer to the indigenous peoples for negative environmental impacts which is based solely on scientific analyses, is inadequate. Just what form any compensation should take is uncertain, but at the very least it should be based on prior consultation with the Amungme and Komoro tribes. The 1% Trust Fund is one current attempt to provide compensation, but because it has not stemmed from genuine dialogue with the tribes most affected by Freeport’s operations, its distribution is bringing more social division than economic benefits.

The future of Freeport’s environmental practises is uncertain. Current and probable future expansion in operations will only hasten the need for adequate tailings and waste rock disposal. The numerous and visible claims of damage to Irian Jaya’s rich biodiversity as a result of Freeport’s mining operation are undoubtedly worth urgent action, in the absence of significant and accountable scientific study. The mine’s profitability presumably means Freeport can afford the very best in technology and infrastructure, and sustaining the area’s environmental quality, with its subsequent social stability, surely makes good business sense. However, Freeport’s current overriding motives are profit and competitiveness, and as noted, the very nature of
large-scale open-cut mining means environmental impacts are potentially large also. If this is the case, sound environmental practise will rely on adequate government or independent regulation and monitoring. Unfortunately, the mine’s isolation and ABRI’s security approach means effective independent monitoring is unlikely at this time. This is a situation from which all parties can benefit, and in the best interests of all concerned, a genuine and significant dedication to environmental protection by both Freeport and the Indonesian state is the most primary necessity.

Conclusion

Freeport Indonesia’s mining operations in Irian Jaya are typical of the contradictions highlighted in foreign mining operations in many other so-called ‘developing’ countries around the world. Mining’s injection of capital and infrastructural resources into previously neglected areas may give some people better access to the benefits of national economic development, but as noted earlier, there have been no circumstances where the indigenous groups’ development goals have been successfully linked to those of the mining corporations. Instead, the increased marginalisation and disempowerment of local indigenous peoples as a consequence of mining developments have illustrated the difficulty of matching development outcomes to local aspirations, and has focussed on the frequency with which goals are in conflict (Connell & Howitt, 1991, 1).

The Freeport case highlights the disempowerment of Irian Jaya’s indigenous peoples by the Indonesian state. Since Dutch colonialism the province’s indigenous tribes have been largely removed from official decision-making and development planning. Ostensibly assimilationist policies adopted by the Sukarno and Suharto regimes have largely resulted in an official perception of the indigenous Irianese as, above all, Indonesian citizens with no distinct needs or characteristics; priorities concerning their
welfare, culture and land have been vetoed by the higher priority given to Indonesia’s national economic development agenda.

In this respect, the impacts of Freeport’s operations in Irian Jaya highlight some of the political processes at play in a country run by a self-proclaimed ‘developmental’ regime. Any study of the impacts of mining operations in circumstances such as Freeport’s, can therefore reveal much about the circumstances themselves. In this case, analysing the impacts of Freeport’s operations on the indigenous Papuans of Irian Jaya, exposes the nature of their disempowerment by the Indonesian nation-state. Without their incorporation into the decision-making processes of both Freeport and the Indonesian government, this trend will inevitably continue.
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