

Mining in Indonesia - Firms Wary Despite Hoax

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Newcrest Mine: Toguraci gold mine in North Maluku Occupied

Multinational mining companies remain wary of developing new projects in Indonesia because of security fears, even though a recent series of terror threats against Canadian nickel mining firm Inco's subsidiary in South Sulawesi province turned out to be a hoax.

"There are large parts of the world [where] we as an industry can no longer go, such as Indonesia," Robert Friedland, chairman of Canada's Ivanhoe Mines, was quoted as saying Thursday (10/6/04) by Reuters.

"It is very difficult for anyone in our industry to go explore in Indonesia and a number of other countries because it is so politically risky," he said, adding that any part of the Islamic world is "well-nigh impossible to develop".

Jay Taylor, chief executive of gold mining giant Placer Dome, also said he was unwilling to launch projects in areas deemed unsafe. "Terrorism is one thing and there are other countries where kidnapping is an industry and I won't put people in those kind of countries either," he was quoted as saying.

Most of the troubles facing mining companies in Indonesia revolve around illegal mining, excessive bureaucratic red tape, security concerns and legal uncertainties.

The risk of possible terror attacks against mining firms was highlighted last month when expatriate staff of PT International Nickel Indonesia (PT Inco) received threats they would be killed by Islamic radicals.

But last week it transpired the threats were apparently a hoax, perpetrated by a Catholic dentist who worked for the company and was worried he would lose his job to a Westerner.

The threats had been taken very seriously, resulting in the evacuation of most of the mine's expatriate staff and their families. The threats also prompted new security warnings from the Australian and Canadian governments, while Indonesian authorities deployed a joint taskforce of 230 soldiers and paramilitary police to guard the Inco mine near Soroako town.

Police said Friday (11/6/04) the dentist had sent hundreds of cellular phone text messages and anonymous letters to scare expatriates away from the mine because he feared he would be replaced by a foreigner.

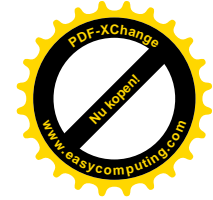
South Sulawesi Police spokesman Colonel Andi Nurman Tahir said the man had threatened to bomb the mine and kill Western workers.

"He's not linked to any Muslim militants. He was just scared that his job would be taken over by an expatriate as part of a program to upgrade hospital services [at the mine] to international standards," Tahir was quoted as saying by the Associated Press.

The dentist was arrested Thursday and taken to South Sulawesi Police headquarters in Makassar city for questioning.

PT International Nickel Indonesia has said the firm's more than 50 expatriate employees who had been evacuated would soon return.

Although the terror threats against Inco have been deemed unrelated to Islamic extremists,



mining companies are being urged to remain vigilant against possible terror attacks.

The Wall Street Journal and Far Eastern Economic Review, citing evidence gathered by Western security agencies, last week reported that operatives of regional terrorism network Jemaah Islamiyah had infiltrated Indonesia to assassinate Western diplomats and business executives, including officials of multinational mining and energy firms.

Newcrest Mine Occupied

Australia's Newcrest Mining has reportedly been hit by another protest at its Toguraci gold mine in North Maluku province.

The Republika daily reported Tuesday (8/6/04) that locals had occupied the mine to demand that Newcrest's subsidiary PT Nusa Halmahera Minerals (NHM) pay them compensation for damage to the environment and then leave the area.

The protesters also called for a meeting with the mine's owners because they felt NHM's management could not be trusted to pass on their demands.

Erwin Usman of the Indonesian Forum for the Environment (Walhi) was quoted by the BBC as saying about 300 people had been camping at the site since May 21.

"They come from various religions, both Muslims and Christians. Apart from that they also come from different ethnic groups, from amongst the Kao and Malifut," he said.

Last October NHM had to suspend operations because of the presence of about 200 illegal miners at the site.

The Forestry Ministry in February said the company would not be given permission to operate the mine because it is located in a protected forest. But since then NHM has received the green light from the government to continue mining.

In January, Mobile Brigade (Brimob) police on the company's payroll shot dead a land rights protester at the mine. Many other protesters were beaten and arrested. Since the shooting, locals critical of Newcrest have been subjected to police harassment and detention without trial, according to environmentalists.

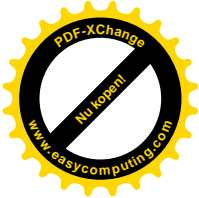
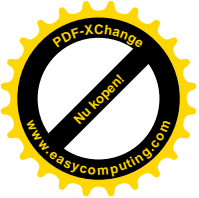
Only one Brimob officer has been brought to justice over the January violence. Inspector Badaruddin was on May 19 sentenced by a local court to seven months in prison with a year on probation. But locals claim he is now free.

Newmont Unfazed by Protest

PT Newmont Nusa Tenggara (NNT) says operations are continuing normally at its Batu Hijau gold and copper mine on Sumbawa island despite an "illegal" demonstration by some of its staff.

"The illegal demo concerning the issue of overtime calculation and involving about 200 employees of a total of 4,200 employees is continuing. This action is peaceful and has not affected operations," NNT general manager Phil Brumit said in a press statement Friday (11/6/04).

The protest was prompted by employees' confusion over payment for overtime under new work rules that came into effect on January 1. Workers had apparently thought they were being shortchanged under a system of working four days of 12 hour shifts followed by four



paid days of rest.

Brumit said employees were being paid in accordance with a directive from local manpower authorities. "Additionally, in accordance with a management commitment a significant discretionary payment was made to non-staff employees whose re- calculations resulted in an adjustment of less than Rp6 million," he said.

"We have contacted the employees and requested that they return to work and pursue resolution in accordance with law and regulation, to this time they have not complied with that request. We hope that we will be able to resolve this issue quickly," he added.