

INDONESIA:
RESOURCES AND CONFLICT IN PAPUA

13 September 2002



ICG Asia Report N°39
Jakarta/Brussels

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INDONESIA: RESOURCES AND CONFLICT IN PAPUA

EXECUTIVE SUMMARY AND RECOMMENDATIONS

The struggle over land and natural resource rights is a key aspect of the conflict in Papua, formerly known as Irian Jaya, that pits the Indonesian state against an independence movement supported by most of the indigenous population. It is thought to have cost many thousands of lives since the 1960s, mostly Papuan civilians killed by the security forces. Among the most recent victims were three employees of the giant mining company, PT Freeport Indonesia, killed in a well-planned attack on 31 August 2002.

The conflict is characterised by sporadic violent clashes between security forces and scattered guerrillas of the Free Papua Movement (OPM) and by the largely peaceful independence campaign of the Presidium of the Papuan Council, an umbrella group regarded, in a society of great ethnic and linguistic diversity, as the most influential voice of indigenous aspirations. Its starting point is the view that Indonesia's 1969 annexation was not legitimate in the eyes of most Papuans.

The murder of Presidium chairman Theys Eluay by Indonesian soldiers in November 2001 has sparked fears within Papua of an impending crackdown on the independence movement, though another theory rests on alleged rivalry between retired generals over logging. There are fears that the presence of Laskar Jihad, a radical Islamic organisation with a history of communal violence, could exacerbate deep tensions between indigenous Papuans and the many Indonesian settlers. It seems likely that the conflict could escalate, especially if the military adopts the hardline approach it takes in Aceh.

Indonesia has attempted to end the conflict by offering special autonomy to Papua, as in Aceh. The original draft of the law, created by members of Papua's educated elite, was watered down in Jakarta

to produce a document short of the aspirations of even the most conciliatory Papuans. It does offer some potentially important concessions, notably returning more natural resource wealth to the province and giving a greater (but limited) role to Papuan adat (customary law). However, implementation has been left to an inefficient, sometimes corrupt bureaucracy, and most Papuans appear to reject it on principle. The success of special autonomy is, therefore, open to question.

Injustices in the management of natural resources under Indonesian rule have contributed significantly to the conflict. The state has often given concessions to resource companies in disregard of the customary rights of indigenous Papuan communities, while troops and police guarding these concessions have frequently committed murders and other human rights abuses against civilians. Provisions in the special autonomy law require resource companies to pay greater heed to adat claims to land ownership, but they do not apply retroactively to the many companies already in Papua.

Indonesian security forces have a financial interest in resource extraction in Papua, through direct involvement in logging and other activities and protection fees paid by resource companies. Numerous serving and retired officers, senior state officials and others close to government are thought to have logging concessions or other business interests. Alongside the substantial tax and royalties accrued by the state, these interests are a powerful reason for the Indonesian state and its agencies to keep control of Papua.

The resource industry with the widest geographical impact in Papua is the logging industry, whose concessions cover nearly a third of the province. ICG research in Papua, notably the western Sorong

region, suggests widespread abuses by logging companies which exploit and deceive local people, pay little or no heed to environmental sustainability and rely on the military and police to intimidate villagers who protest.

It seems that many Papuans are not opposed to logging or other resource extraction in itself, but resent the way that they are often treated by companies. These tensions, fused with the independence struggle, have led to bloodshed in some places.

As in other parts of Indonesia, autonomy has led to a shift within the logging industry. Jakarta's dominance over logging concessions has been challenged since 1998 by local timber elites who use new regulations to issue many small-scale licenses, ostensibly to benefit local people but usually to the profit of timber companies from Indonesia or other Asian countries. The members of these elites can include civil servants, military and police officers and Papuan community leaders. There has also been an upsurge in illegal logging in western Papua, apparently organised or facilitated by these same local elites.

The other resource industry covered by this report is mining. The Freeport copper and gold mine is the most controversial foreign mining operation in Indonesia, largely because of historical entanglement with Soeharto-era elites and military. The mine has long been accused of dispossessing locals and colluding in human rights abuses by its military guards. It has made increasing efforts since the 1990s to win legitimacy with a Papuan community swelled by immigrants drawn to the mine. These include much development spending but have themselves caused social disruption. Relations remain problematic between the company, its guards and an ethnically diverse community.

A new investment in natural gas, Tangguh LNG, is an attempt to extract natural resources without the conflicts associated with Freeport and the logging industry. The driving force, the multinational BP, has made significant efforts to win local support. This is highly complex because of the numerous, sometimes clashing interests involved, which include the company, the Indonesian state and its oil company, Pertamina, local and regional government, local communities, non-governmental organisations and security forces.

It is too early to say if BP will succeed, or even to define success. The project is seen as a test for a more humane approach to resource extraction. A significant risk is that security forces will try to involve themselves closely in Tangguh LNG, creating potential for human rights abuses and criminality that have afflicted other resource projects.

Should it succeed, BP's approach will be a step forward. Nonetheless, the violent conflict seems likely to continue for some time. The onus should be on resource companies, Indonesian and foreign, to demonstrate that their presence will not make a bad situation worse. Promises of community development will not compensate if locals do not feel they have meaningful influence over companies, if inevitable social and environmental disruption is not well-managed and if the security forces role cannot be curtailed.

Special autonomy offers provincial government opportunity to create better oversight of resource companies, for example through independent commissions to vet investments and investigate complaints. The regulatory and licensing regime for logging should be overhauled to make it more just and sustainable, possibly including a commercial logging ban until reform has taken place. But the generally poor record of resource investment in Papua will not improve until two interlinked and very difficult issues are tackled: the needs to give meaningful autonomy and a greater sense of justice to indigenous Papuans, and to tackle the behaviour and finances of the Indonesian security forces.

RECOMMENDATIONS

To Indonesian government authorities:

1. To the greatest extent possible, security disturbances in Papua should be treated as a law enforcement problem to be handled by police, not military, and without excessive physical force.
2. In response to the security problems posed by Lasker Jihad, Papua's governor should:
 - (a) take the lead in drawing up a security plan for Fakfak, Sorong and Manokwari districts and other areas where it is present;

- (b) work with district officials and religious leaders to monitor it;
 - (c) respond immediately to communal incitement by any medium;
 - (d) order the arrest of anyone carrying unauthorised weapons; and
 - (e) caution district and subdistrict officials against giving permission to Laskar Jihad to initiate its activities in their areas.
3. The provincial government should work with the appropriate central government agencies to set up a commission, recruited from influential and credible people, to receive and investigate complaints of human rights violations practised or colluded in by resource companies. Evidence that a company has knowingly engaged or colluded in such violations should be grounds for revoking its operating license.
 4. The provincial government should work with the relevant national agencies and foreign donors to restrict and gradually end the role of military-linked businesses and contracting companies in the extraction of natural resources, because it will be easier to address security issues if they are delinked from economic interests.
 5. The provincial government should consider issuing a regulation to halt commercial logging until a forestry policy can be prepared that gives a meaningful role to customary (adat) bodies, emphasises sustainability, and includes a review of licensing mechanisms that genuinely involves local communities, not only well-placed individuals.
 6. The provincial government should set up a board to assess all proposals for investment and ensure that they are socially and environmentally responsible and include meaningful prior consultation with affected communities. The board should include representatives of civil society, chosen by the widest possible consultation, as well as non-Papuan experts, have power to recommend against a particular investment, and have its findings published in local media.

7. The national government and the Indonesian navy should rigorously enforce the log export ban and continue efforts to detain cargo ships that export timber from Papua. Local and international NGOs should support donor assistance for this effort.

To foreign governments and donor agencies:

8. Donor governments should make clear their concern about the lack of independence of the bodies investigating the murder of Theys Eluay and urge immediate creation of a more credible and experienced team with full access to military officers based in Jakarta and Papua and any other potentially relevant witnesses or sources of information, including the files and personnel of the Hanurata and Djajanti companies.
9. Donor governments should allocate funds for more frequent embassy visits to Papua and stress to Indonesian counterparts that criminal behaviour by security forces, including involvement in illegal resource extraction and/or tolerance for groups inciting communal violence, could erode international support for Indonesian rule over Papua.
10. Donor agencies should offer help to civil society groups in different parts of Papua to network with each other and monitor resource extraction, especially logging.

To resource companies:

11. Consider carefully whether a given investment is likely to exacerbate the conflict and negate its benefits for Papuans. In such cases, the investment should be postponed.
12. As far as possible, keep the Indonesian military and police away from projects.
13. Consultations with local communities well in advance of construction or operations, allowing time to build trust and recognising that government officials, NGOs and Indonesian business partners do not necessarily speak for local people.
14. Ensure that community relations staff with local knowledge are integrated into the project from the start, work closely with technical and commercial staff and

have similar status. Companies should be aware of the risk that relations with local people could be damaged by cultural misunderstandings or prejudice of company staff or agents.

15. Avoid promises to local communities that cannot be promptly met.

Jakarta/Brussels, 13 September 2002

INDONESIA: RESOURCES AND CONFLICT IN PAPUA

I. INTRODUCTION

The struggle for rights over land and natural resources is a key aspect of the conflict in Papua, formerly known as Irian Jaya.¹ The conflict pits the Indonesian state against an independence movement supported by most of the indigenous population of the province, which has been ruled by Indonesia since 1962. The state has granted concessions to Indonesian and foreign resource companies on land which Papuans regard as theirs, creating a deep sense of injustice and leading, in many cases, to conflict and repression by the security forces. This sense of injustice is exacerbated by the damaging effects of extraction on the natural environment on which most Papuans depend for a living.

Papuan grievances over land and resources feed into a wider sense of dispossession that fosters support for independence. The relationship is not always clear-cut, however, and resource extraction is only one aspect of the conflict. There are places where support for independence seems closely linked to the practices of resource companies and their guards from the military and the police: for example, around the Freeport copper and gold mine in southern Papua. But strong anti-Indonesian feeling has also been created by military brutality in areas where resource extraction has been light. There are areas where people are said to be aggrieved at losing their forests and fisheries, and also talk avidly about independence, but do not necessarily directly link the two.

The demand of Papuans for “freedom” (merdeka) is ambiguous. It can mean an independent state. This is the meaning championed by the leaders of the

major political organisations and which steers Indonesia’s response to the conflict. But it can also imply liberation from injustice, an interpretation whose overtones are theological as well as political.² All accounts agree that support for merdeka is almost universal among indigenous Papuans who make up just over half the population (the other half consists of settlers from other parts of Indonesia).³ This view was expressed to ICG by Papuans from the educated urban elite, by villagers and by foreign observers who have spent time in the province.⁴

Indonesia ran the former Dutch colony from 1962 under a UN mandate and then took it over in 1969 in controversial circumstances.⁵ As in Aceh, Jakarta opposes self-determination. Foreign governments support Indonesian rule, though this stance could come under growing domestic pressure in some countries if there is no sustained improvement in the governance of Papua and the behaviour of the security forces.⁶

Papua’s natural resources are of great value to the Indonesian state, military and business elite. The foremost example is the Freeport copper and gold

¹ For an overview of the conflict, see ICG Asia Report N° 23, *Indonesia: Ending Repression in Irian Jaya*, 20 September 2001.

² ICG e-mail discussion with Brigham Golden, a U.S. anthropologist who has worked in Papua, and ICG interviews in Papua in April and May 2002.

³ Population estimate made to ICG by provincial governor Jacobus Solossa.

⁴ In April and May 2002, ICG interviewed Presidium leaders and supporters, NGO and church activists, civil servants, businesspeople and villagers in Papua, as well as observers familiar with the province. This report more strongly reflects the views of more-educated Papuans in coastal towns than those of lowland villagers, or highland people in general.

⁵ In a ballot known as the Act of Free Choice but directed in practice by the Indonesians, 1,025 Papuan leaders voted to join Indonesia. One of the UN officials involved has since described it as “whitewash” which “trampled” on the rights of the Papuans. See “Indonesia’s Papua Referendum Was A Farce: Ex-UN Officials”, Associated Press, 22 November 2001.

⁶ ICG interview in Jakarta, May 2002.

mine, which has paid more than U.S.\$1.8 billion in taxes and revenues to the state since 1992 and tens of millions of dollars to the military, as well as provided lucrative investments in the 1990s for business allies of the Soeharto government.⁷ Such wealth is a strong incentive for Indonesia to keep a control of Papua that has often taken the form of brutality against civilians.

Repression is less intense than in the 1960s, 1970s and early 1980s, when thousands of civilians are thought to have been killed by the military.⁸ But murder, torture, forced detentions and other abuses are still common, and there are sporadic armed clashes between the security forces and pro-independence guerrillas. Attacks on the security forces often lead to harsh retaliation against civilians. There have also been cases of Papuans killing Indonesian settlers and of the military and police fighting each other.⁹

Attacks on foreigners have been rare, but the OPM has been responsible for several incidents of kidnapping. Two Americans were killed, together with an Indonesian, in an ambush staged in broad daylight on the main Timika-Tembagapura highway on 31 August 2002. While the gunmen were Papuan, it was unclear as this report went to press who was responsible. The two parties most often mentioned in the Indonesian press, the Indonesian army special forces (Kopassus) and the OPM, each denied responsibility and blamed the other.¹⁰

Indonesia is hoping that the conflict in Papua, like that in Aceh, will be resolved following the adoption by the Indonesian parliament in November 2001 of a law granting the province special autonomy (otonomi khusus). Special autonomy, seen by the

government as an alternative to independence, means a devolution of power which goes beyond the regional autonomy (otonomi daerah) granted to other parts of Indonesia in 1999. The origins of the special autonomy law for Papua lie in a draft written by members of its educated elite. Some key points were watered down in Jakarta, but the law acknowledges Papuan grievances and strengthens the legal status of indigenous customary law (hukum adat), whose claims over land and resources have often been ignored in the past.

Implementation will be an uphill struggle. Papuans generally reject otonomi as the opposite of merdeka, though some leaders plan to use it to improve Papuan welfare while continuing to campaign for self-determination. The few Papuans who do favour the law tend to see it more as a stepping stone towards independence than an alternative.

The law will be administered by the cumbersome and non-transparent state bureaucracy, which has a minimal presence in Papua's rugged hinterland. Geography is also an obstacle. Papua is more than three times larger than the island of Java, Indonesia's most populous region, but its population is forty times smaller, and its terrain is mostly mountain, dense forest and swamp. There are more Papuan officials in the local bureaucracy than previously, though many seem to have been absorbed into the existing culture of patronage, corruption and poor management. Thus, much of the extra money channelled through special autonomy could fail to reach Papuans outside the bureaucracy. There is also a risk that rivalries over money could create tensions between Papuan communities.

The behaviour of the security forces is the most serious concern. Many Papuans fear the killing of independence leader Theys Eluay in November 2001 and the presence of non-Papuan militias like Laskar Jihad – a radical Islamic group based in Yogyakarta, Central Java, that has been accused of inciting communal violence – are part of a military strategy to foment unrest in order to justify a crackdown on dissent. Whether or not such a strategy exists, the security forces can be a source of conflict because of cultural insensitivity toward Papuan civilians, a tendency to aggressive behaviour, and a predatory role in the local economy. The competition between military and police for control of logging and other businesses such as the smuggling of endangered animals and birds could lead to violence. Pro-independence guerrillas say they are preparing for a

⁷ The first figure comes from Freeport and the second from non-Freeport sources.

⁸ Robin Osborne, *Indonesia's Secret War: The Guerrilla Struggle in Irian Jaya* (Sydney, 1985).

⁹ On Papuans killing settlers, "Ending Repression in Irian Jaya", pp. 5-8. A clash between the police and military in Serui District in August 2001 reportedly killed two soldiers and wounded two soldiers and two policemen. Such clashes are fairly common in Indonesia.

¹⁰ A week after the attack, in which nine others travelling in the five-vehicle convoy were wounded, Indonesian intelligence officials suggested that Titus Murib, a deputy commander of the OPM's Region III, was responsible. But while Murib had been involved in an earlier kidnapping incident, few people interviewed by ICG believed he or his men were capable by themselves of the planning and logistics necessary to carry out the attack.

new round of fighting, though they are heavily outgunned by the security forces. Local conflicts between Papuans and settlers are also possible.

This report looks at the political context of natural resource extraction, focusing on events since the publication of ICG's last report on Papua in September 2001.¹¹ It examines three examples of the overlap between resource industries and violent conflict: logging, the Freeport copper and gold mine and the plans of BP, the resource multinational, to extract natural gas while minimizing the risk of conflict. Although resource extraction is only one cause of conflict, these examples suggest that better behaviour by companies would alleviate a major source of Papuan grievances and remove some potential flashpoints. Given the volatile nature of the region and the possibility that violent conflict and repression will continue for some time, it may prove wiser for companies to postpone investment until Papua is more stable.

II. THE POLITICAL CONTEXT

A. THE KILLING OF THEYS ELUAY

The fall of Soeharto led to a period of openness in Papua and a flourishing of pro-independence sentiment which saw the creation in mid-2000 of the Papuan Council (Dewan Papua) with the Presidium as its executive. Openness gave way to repression by the security forces, including lethal force against independence supporters and the arrest of five Papuan leaders in November 2000. The five, freed in March 2001, included Theys Eluay, a one-time supporter of Indonesia who had become chairman of the Presidium.¹²

The Presidium lost some momentum during 2001. Its leaders were harassed by the state and failed to build a strong grassroots organisation, while a gap opened between Papuan hopes of rapid independence and the reality of continuing Indonesian rule. The Satgas Papua, a paramilitary group originally formed to protect the Presidium, had an estimated 20,000 members in mid-2000 but by 2002 was largely moribund.¹³ All accounts suggest that support for merdeka remains very strong, however. As noted, merdeka is commonly though not exclusively understood to mean separation from Indonesia, and the special autonomy law seems to have had little impact so far on Papuan views.

The most important event in the last year was the assassination of Theys Eluay on 11 November 2001. Theys was a former legislator and, despite his status as an independence leader, had been on familiar terms with the military. He was invited to a reception at the local base of Kopassus, a special forces unit with a long history of covert operations against dissidents. While returning home that night, his car was forced off the road. Theys was suffocated to death, and his body dumped at another location. His driver fled to the Kopassus base and his fate is unknown, with some reports suggesting he fled the country and others that he was killed. Two other Presidium members, Willy Mandowen and Thaha Alhamid, were also invited to the reception but did not attend.

¹¹ ICG Report, *Ending Repression in Irian Jaya*, op. cit.

¹² Ibid.

¹³ ICG interview with an observer of Papuan affairs, April 2002.

The investigation into the killing has been controversial from the start. It was conducted at first by the local police before the military and the National Commission for Human Rights (Komnas HAM) became involved. Religious leaders, colleagues of Theys and other Papuan activists complained about the involvement of the military, fearing that the truth would be covered up. With suspicions focusing on the military, the government agreed in December 2001 to form an independent team to investigate. It emerged in January 2002 that the local police investigation was blocked because the police lacked the authority to question military suspects. On 15 January, provincial police chief General Made Mangku Pastika announced that Kopassus may have been involved.

The independent team, known by its Indonesian initials KPN and announced in Jakarta at the end of January 2002, was recruited from Komnas HAM, Papuan religious leaders and activists and, controversially, the military and police. There were calls from Papuan NGOs and the churches for the team to be disbanded and for a truly independent body to be formed with international involvement. Two of its Papuan members resigned.

The team started work at the end of February, though another Papuan member was to claim later that in three months it spent only five days in Papua.¹⁴

An investigation parallel to KPN's was conducted by the military police, which arrested three Kopassus officers as suspects in April. These included a colonel, a major and a captain, and another six lower-ranking personnel have since been charged. The KPN reported to President Megawati on 29 April 2002, stating the involvement of Kopassus but not making clear who ultimately ordered the killing and why. The team judged that the murder did not fit the legal definition of a serious human rights abuse, although it is regarded as such by many people in Papua.¹⁵ In May a

Kopassus soldier fired at a Papuan witness in the case, Yaret Imoy, in a failed attempt to kill him.¹⁶

There were protests in Papua, including from the provincial governor, that the KPN had not revealed the full truth. The Papuan members of the team also announced that the Kopassus members had been "ordered and paid" to commit the murder. The military, having reluctantly admitted that its members were suspects, now says they were operating outside the chain of command. For their part, the military police announced that the motive for the killing was "not political".¹⁷

In July, a Kopassus officer, Lt. Colonel Hartomo, a suspect in the killing, acknowledged after months of silence that one of his subordinates was in the car with Theys, questioning him about his views on integration and independence, at the time he died "of a heart attack".¹⁸

The nine suspects are to be tried by a military court in Java. It could be seen as positive that they are even in court, given the numerous past atrocities by the security forces in Papua and elsewhere that have never been prosecuted. However, the ultimate source of the order to kill Theys may never be revealed. The trial is likely to deepen the suspicion in Papua that the state is plotting to kill independence leaders.

Three theories have been suggested to explain the killing. The first, that it was prompted by internal rivalries within the Presidium, seems to have lost credibility with the arrest of the Kopassus suspects. A second and more plausible theory is that Theys had been involved in a struggle between two retired generals for control of a logging concession and was killed on the orders of one of them. Intelligence chief Hendropriyono, a former general, denied involvement after his name was hinted at in the Indonesian press.¹⁹ It is known that Theys worked with timber companies in his capacity as a tribal leader. His car and hotel bills in Jayapura were paid by the Djajanti Group, an Indonesian resource company that, like its competitors, is close to the

¹⁴ Phil Erari, interviewed in *Tempo* magazine, 18-24 June 2002 edition.

¹⁵ According to Law 26 of November 2000, civilians or military personnel accused of a serious human rights abuse should be tried before a special human rights court rather than a district court, a court-martial, or a court with both military and civilians known as a *koneksitas* court. The definition of a "serious human rights abuse" generally tracks the Rome Statute of the International Criminal Court,

meaning that an offence must be tantamount to crimes against humanity for it to reach a human rights court.

¹⁶ *Jakarta Post*, 14 May 2002.

¹⁷ *Jakarta Post*, 25 June 2002.

¹⁸ "Officer suggests Theys died of shock", *Laksamana.net*, 30 July 2002 and "Soldier directly involved in the death of Papuan independence leader arrested: military", *Associated Press*, 30 July 2002.

¹⁹ *Republika*, 27 April 2002.

military. It is also reported that Kopassus uses a site in Jayapura owned by Hanurata, another logging company, as a base.²⁰ No hard evidence supports this theory, however, and it is seen by other Papuan leaders as an attempt to distract attention from political motive behind the killing.²¹

The most popular theory in Papua is that Theys was assassinated to send a warning to other leaders or to provoke unrest that would justify a bigger military role. Such a plan could conceivably come from the military itself or influential members of Indonesia's political elite. Papuan figures and Indonesian human rights activists who support this theory often cite a leaked state document from 2000 that outlines a "Papuan political conspiracy", although this document does not advocate assassination as such.²²

Presidium and religious leaders urged calm in the wake of the killing. The police showed relative restraint, and there was no serious unrest other than a brief riot in Theys' home town of Sentani, near Jayapura. Anger against Indonesia is very strong, however. There are voices at the grassroots level calling for a violent response, although the Presidium is opposed to violent protest – a stance supported by many Papuans. Although it is not clear how strong the support for Theys was outside his home region, his killing seems to be reinforcing the already powerful perception of many Papuans that the state is determined to crush their aspirations by whatever means it can.²³

B. THE PRESIDIUM AND THE OPM

The killing of Theys re-ignited Papuan support for the Presidium, which remains the most broad-based and credible political institution in a diverse society made up of more than 250 distinct language groups. It does not have the unquestioning support of all Papuans, however, and some groups regard it as too conciliatory towards Indonesia.

The gap between Papuan aspirations and the difficulty of attaining them is an ongoing problem for the Presidium. Its leaders tend to be more open to compromise than the mass of supporters, who have experienced the sharp edge of Indonesian repression and want independence as soon as possible.²⁴ The latter often live in rural areas, sometimes very remote, and have little information about the wider context of the conflict.

The Presidium hopes to negotiate with Indonesia on a three-stage solution. The first stage would be a commitment to non-violence by all parties, with a third party as a monitor. The second stage would be the upholding of law and prosecution of human rights abusers. The third stage would be to re-open the discussion about Papua's incorporation into Indonesia in the 1960s and would bring in the United States and the Netherlands as countries that played a part in the original handover.²⁵

The first stage of this scheme might be attainable, at least on paper, though third-party involvement would probably be opposed by Indonesia. The second stage is likely to run up against the near-impunity of the security forces, and the third stage is, from Indonesia's point of view, out of the question. The Presidium also plans to lobby the Pacific island states, European countries, and the U.S. to press the United Nations to re-examine the Act of Free Choice by which Papua joined Indonesia in 1969.²⁶

No foreign country supports self-determination for Papua, and this currently seems unlikely to change, though diplomats from some Western states suggest their governments could come under growing domestic pressure if the governance of Papua and the record of the security forces does not improve.²⁷ Given their support for Indonesian sovereignty, Western governments hope that special autonomy will reduce the conflict. If not, that support could become more problematic.

The Presidium is short of funds for campaigning, and this has forced it into controversial alliances.

²⁰ "Squeezed by the logging business", *Tempo* (English version), 2-8 April 2002.

²¹ ICG interviews with Papuan leaders and observers in the province.

²² See Interior Ministry document 578/ND/Kesbang/d IV/VI/2000 of 9 June, 2000, which is often cited in Papua as evidence of an official plot to destroy the independence movement. Its language seems too ambiguous to be a "smoking gun", however.

²³ ICG interviews in Papua, April 2002.

²⁴ ICG Report, *Ending Repression in Irian Jaya*, op. cit.

²⁵ ICG interview with Presidium member Willy Mandowen, April 2002.

²⁶ ICG interviews with Presidium members Tom Beanal and Willy Mandowen, April 2002. Beanal's first name is also spelt Thom.

²⁷ ICG interviews in Jakarta in April and May 2002.

One source of funds is Yorrys Raweyai, a former enforcer for the Soeharto family, who has re-emerged as a Papuan nationalist.²⁸ Yorrys is viewed with suspicion by some Papuan activists because of his links with the Jakarta elite and the military, but is regarded by others as a useful ally.

Another source of funds is Freeport.²⁹ The company pays a salary and travel expenses to Tom Beanal, who has sat on its board of commissioners since 2000 as part of a settlement between Freeport and the Amungme ethnic group, of whom Beanal is a leader. Beanal says he combines Freeport business with campaigning. The company has also paid travel expenses for Presidium supporters and is said to have provided funds for the Papuan Congress in 2000, as well as later events.³⁰ BP also contributed to this congress.

The Presidium feels that Freeport, like all companies that profit from Papua, has an obligation to support the cause of its people. There is also a view within the Presidium that Freeport could be persuaded to use its considerable lobbying power to encourage Jakarta to negotiate with the Papuans. The logic is that Freeport and the Presidium have a shared interest in non-violence, the former for business reasons and the latter to protect the Papuan people from further suffering.³¹

Such a strategy might prove risky for the Presidium itself, however. Freeport is closely entwined with interests in the Indonesian elite, including the military, which have no interest in helping Papua and its natural wealth move closer to independence.³² It also seems reasonable to speculate that Freeport will not want to be too close to the Presidium because this would be seen in Jakarta as interference in Indonesia's affairs. Freeport declined to comment to ICG on its relations with the Presidium.

²⁸ Until Soeharto's resignation, Yorrys was best known as chairman of Pemuda Pancasila, a government youth organisation used by the ruling party, Golkar, to intimidate the opposition during election campaigns, often through the use of force.

²⁹ Throughout this report "Freeport" refers to Freeport Indonesia, which operates the mine in Papua, and not to its parent company Freeport McMoRan Copper & Gold unless otherwise stated.

³⁰ ICG does not have data on the value of Freeport's contributions to the Presidium.

³¹ ICG interview in Papua, April 2002.

³² See Section V below.

Another force in Papuan politics is the Free Papua Movement (OPM), a small guerrilla movement in existence since the 1960s. The OPM is internally fragmented and some members, or people who describe themselves as members, are said to have links with the military. In recent years the guerrillas have been relatively quiet, hampered among other things by shortages of guns, though there have been occasional raids on Indonesian forces and kidnappings of Indonesians or foreigners. For decades the OPM was the embodiment of Papuan resistance, and some of its leaders seem suspicious of the Presidium's claim to speak for all Papuans, though the Presidium regards the OPM as one component of the Papuan Congress. Indonesia does not see the OPM, which has some support among the small Papuan diaspora outside Indonesia, as a major threat.³³

OPM leaders now talk about a renewed offensive in 2002 and say they have accumulated 400 guns across the border in Papua New Guinea.³⁴ The guerrillas have made such claims in the past, and one foreign source suggested to ICG that they had closer to 100 weapons. There are as many as 8,000 Indonesian troops and nearly 9,000 police in Papua, so it is unlikely that OPM raids on their own would have much strategic impact. They could well trigger a military response leading to civilian deaths, however.³⁵

The impact of the 31 August 2002 killing of Freeport employees is unclear. A Kopassus unit was reportedly redeployed from Jayapura to the Timika area almost immediately, together with army infantry battalion 515 from East Java. The dispatch of the latter was explained as necessary to help the police, who had official responsibility for the investigation.³⁶ Nevertheless, the Indonesian army's assertion that the perpetrators were OPM was resulting in intensive operations to track them down. This in turn was causing concern among Papuan officials. "If the security forces go chasing the perpetrators of this attack, let's hope no innocent

³³ Bambang Yudhoyono, Indonesia's chief security minister, told a seminar in Jakarta that Papua was "a political problem, not a security problem."

³⁴ ICG interview in April 2002 with Australian journalist John Martinkus, who had just interviewed OPM members.

³⁵ The number of troops has been variously put by foreign sources at 3,000 to 4,000, at 5,000, and up to 8,000. Papuan sources suggest much higher figures.

³⁶ "Teror Kilometer 62-63", *Gatra*, 14 September 2002, p.46

people fall victim”, Papua’s governor, Jakobus Solossa, told the press. “We’ve had enough victims of arbitrary killings already”.³⁷

C. SPECIAL AUTONOMY

The special autonomy law, Jakarta’s attempt to alleviate Papuan grievances, was enacted on 21 November 2001. Papuans were not asked if they wanted the law and most would probably have rejected it, but some of the educated elite see it as a way to advance Papuan aspirations within the limits of the politically possible. There is a polarisation between this minority, who see special autonomy as a step towards independence, and the majority who reject it out of hand. Very few Papuans appear to accept special autonomy as an alternative to independence.³⁸

The law notes that the government has “not fully fulfilled” demands for justice by the Papuans, attained prosperity, upheld the law or shown respect for human rights. There is an explicit link between natural resources and conflict in the statement that “the management and exploitation of natural resources in the province of Papua have not yet been carried out optimally to raise living standards, resulting in an imbalance between (Papua) and other regions and a neglect of the basic rights of indigenous people.”

The remedies offered by the law include some powers of self-government, a larger share of the income from natural resources extracted in Papua, a stronger recognition of customary law, and the creation of institutions to voice Papuan aspirations. The provisions are more far-reaching than the regional autonomy laws applied since the start of 2001 to all other regions except Aceh, which also has a special autonomy law.

The law was based on a draft that emerged from discussions among local government officials, academics, legislators, NGOs and church figures. During these discussions there was vocal opposition

from people who rejected the idea that special autonomy could be an alternative to independence, even temporarily. The draft was watered down in Jakarta in ways that reveal the gap between Papuan and Indonesian perceptions. Clauses that stress the distinctness of Papuan culture and history and the poor treatment of its people by Indonesia have been toned down, and Papua’s place within the unitary state is emphasised.

A clause in the draft giving the governor and provincial parliament a say in the use of security forces has become a right of consultation for the governor alone. A demand for a separate police force has also been downgraded. These points in the draft were important because they represented an attempt to give indigenous Papuans some control over security rather than leaving it solely in the hands of the Indonesian forces, whose behaviour can sometimes resemble that of an army of occupation.

Papuan activists have long demanded a re-examination of the controversial Act of Free Choice by which Indonesia justified its absorption of Papua. The original draft had called for the creation of a commission to “rectify” the historical record – in other words, to question the legitimacy of the Indonesian takeover. The law turns this into a truth and reconciliation commission whose tasks are defined by the President of Indonesia and intended to reinforce national unity. Calls for a Papuan human rights commission have similarly been downgraded to the creation of a branch of the National Commission on Human Rights (Komnas HAM), which has been accused recently of tilting towards the military rather than towards the victims of human rights abuses.

Some major changes concern the rights of indigenous communities. The law creates a new institution to uphold Papuan interests, the Majelis Rakyat Papua (Papuan People’s Council, MRP). The MRP is to be composed of one-third community leaders, one-third religious leaders and one-third women. Its role is to speak out for indigenous interests and give advice on certain aspects of local government.

The Papuan draft conceived of the MRP as an upper house of parliament, with the existing provincial legislature as the lower house. The final law presents it as a largely advisory body whose composition and role are set by local regulations, but with guidelines and funding set by Jakarta. The

³⁷ “Timika Berdarah Lagi,” *Forum Keadilan*, N°22, 15 September 2002, p.91.

³⁸ This section draws on ICG interviews in Papua and “Special Autonomy in Papua: its Process and Final Contents”, Secretariat of Justice and Peace, Diocese of Jayapura, December 2001. See also ICG Report, *Ending Repression in Irian Jaya*, op cit.

members are elected but have to be approved by the Interior Minister in Jakarta. There is also a proviso that the MRP must uphold Indonesian unity and the state ideology, Pancasila. These provisions are presumably intended to stop it becoming too powerful a voice for Papuan aspirations.

Papuan activists are hoping to make the MRP the keystone of a system of parallel government based on adat, or local custom. NGOs want a requirement that all candidates for the MRP must have the written approval of their local adat leaders. Governor Solossa says this is unlikely in the MRP's first five-year term, when the criteria for candidates will be set by a government regulation "based on Papuan input". The institution may be reshaped by Papuans in later years, he says.³⁹ The regulation may be issued by August 2002, which means that the MRP is unlikely to take office until the end of 2002 if not later. In other words, activists who want the MRP to become the voice of the wider Papuan population may be disappointed, at least in the short term.

The aspect of special autonomy with the most immediate impact is the extra money. Papua will receive 80 per cent of state income from mining, forestry and fishing in the province and 70 per cent from oil and gas, with the latter falling to 50 per cent after 25 years. There is also an extra "special autonomy allocation" for 20 years, equal to 2 per cent of the General Allocation Fund (Dana Alokasi Umum), a mechanism by which the government redistributes income to provinces. The law emphasises the need to spend these funds on health, education, and infrastructure.

Governor Solossa estimates that provincial income in 2002 will increase threefold to around 2.5 trillion rupiah (U.S.\$277 million) from 800 billion rupiah (U.S.\$63 million) the year before. This total consists of 1.38 trillion rupiah from the "special autonomy allocation", another 400 billion rupiah from Jakarta under existing laws, and local revenues of 770 billion rupiah. The latter include 150 billion rupiah from the proceeds of the Freeport mine and another 80-90 billion rupiah from forestry fees and taxes.⁴⁰ There are question marks over these figures. The governor does not know how much income is

produced by oilfields near Sorong and says much of Papua's timber exports are not reported. The money is paid to the province via Jakarta. In Aceh, which has a similar arrangement, officials are already complaining that Jakarta is handing over less money than it should.⁴¹

As in Aceh, the handling of the extra money by Papua's provincial government has come under heavy criticism. Some legislators and activists complain the bulk of the budget is allocated to the running costs of the administration itself, including large sums for vaguely-defined purposes which, it is feared, could be misspent or embezzled.⁴² There is also a tug of war between the province and its constituent districts (kabupaten) for control of the money, with district officials and legislators demanding a larger share of the money and, in one case, threatening to form breakaway provinces if they are not given it.

In theory Papua has already been divided into three provinces by a 1999 law but this was never implemented because of objections from the provincial legislature. The special autonomy law stipulates that any division of Papua must be approved by the legislature and the MRP.

The special autonomy law puts an emphasis on the empowerment of indigenous Papuans. Since the fall of Soeharto there has already been a drive towards "Papuanisation" of the civil service. The governor says about 40 per cent of civil servants in the province are now Papuans, rising to 70 per cent in the top posts.⁴³ There are only 1,300 Papuans in the police, out of 8,700 personnel, but the provincial police chief is aiming for equal numbers of Papuans and non-Papuans over the next five years. In some cases this means loosening the recruitment criteria on physical size and education.⁴⁴

There is a complaint, supported by almost daily reports of official misbehaviour in the local press, that Papuan officials are as prone to corruption and high-handedness as their non-Papuan predecessors. The economy is still dominated by non-Papuans from various ethnic groups, who tend to be favoured for state contracts even by Papuan officials. Almost

³⁹ ICG interview with Solossa in April 2002.

⁴⁰ It was reported in the *Far Eastern Economic Review*, 20 December 2001 issue, that state revenue from Freeport would not be covered by the special autonomy law. ICG has not confirmed this report.

⁴¹ *Jakarta Post*, 23 May 2002.

⁴² ICG interviews in Papua, April 2002.

⁴³ ICG interview with Governor Solossa, April 2002.

⁴⁴ ICG interview with police General Made Mangku Pastika in April 2002.

all shops and small businesses are run by non-Papuans from various ethnic groups. In the major towns the only visible areas of Papuan economic activity are the markets, where indigenous traders are still a minority.

D. RISKS OF FURTHER CONFLICT.

Throughout 2001 and the first half of 2002, outbreaks of violence in Papua were sporadic, but the situation could worsen. Guerrillas killed four soldiers and lost one of their own men in a clash in February 2001 sparked by a dispute over guns.⁴⁵ At least one person was reported killed at Ilaga in the central highlands in September 2001 after guerrillas and local people occupied an airfield.⁴⁶ There have been frequent reports of murders, kidnappings and torture, often committed by the security forces but sometimes by Papuans.⁴⁷ There have also been occasional and mostly peaceful pro-independence demonstrations in various parts of the province.

The military and police are active in the province and sometimes arrest supporters (or perceived supporters) of independence. An example is Benny Wenda, secretary-general of the Dewan Musyawarah Masyarakat Koteka,⁴⁸ who was arrested on 8 June 2002. Activists interpret this and other incidents, including the death of Theys, as signs that the military is running a covert operation to silence Papuan opposition. The mood is tense and conditions for more violence exist, especially if the military succeeds in persuading the government that force is the best way to contain the independence movement. The recent history of Aceh is a worrying example of the military undermining attempts by civilian politicians to find a negotiated solution.⁴⁹ Although the Papua conflict now takes the form of

scattered and localised violence, broader trouble and military repression are not out of the question.

There is always the risk that peaceful Papuan protests could be met with force by the state. The aftermath of the Theys killing suggests this risk may be controllable to a certain extent. The Presidium and the churches urged Papuans not to respond with violence while the police have showed relative restraint, though it is not clear whether this will endure. As noted, there is also a risk that OPM raids could provoke reprisals. Local conflicts can emerge out of struggles over natural resources, an issue discussed below. The risk that creates most anxiety in Papua, however, is communal conflict.

E. COMMUNAL CONFLICT AND LASKAR JIHAD

The demographic balance has changed dramatically since the Indonesian takeover. The indigenous people, ethnic Melanesians, are mostly Protestant, Catholic or animist by religion, though there are small communities of Papuan Muslims in some coastal areas. There has been an influx of settlers under Indonesian rule, encouraged by official programs or arriving of their own accord to seek a living. Many are ethnic Malay Muslims, often Javanese or Bugis, though some are from Maluku, a Malay-Melanesian region with Christian and Muslim inhabitants.

This population shift has raised fears amongst ethnic Papuans that they are being swamped in their own land, and among Christians that they are being targeted for Islamisation. There are wide economic and cultural gaps between settlers and Papuans, though the groups are not monolithic. There are differences between Papuans from the highlands and the coasts or islands, and among different settler communities, as well as between Protestants and Catholics. The result is a volatile social mix that is marked by pervasive racism and can, in times of tension, can give rise to violent communalism. Many Papuan activists fear that the security forces may foment these sentiments in an effort to undermine the independence movement.⁵⁰

There is a tendency among settlers, including non-Papuan civil servants, to stereotype Papuans as primitive, ill-mannered and violent. Papuans resent

⁴⁵ *Jakarta Post*, 5 February 2001. The guerrillas later returned the guns to the military, in an echo of the Wasior case (see section IV of this report).

⁴⁶ *Jakarta Post*, 1 October 2001.

⁴⁷ A statement by six religious figures in Papua released in October 2001 noted a number of violent incidents including the mass violence around Wasior in June 2001 (discussed below), a kidnapping by armed men near Jayapura in June, a gunbattle between troops and police in Serui in August, the finding of the body of OPM leader Willem Onde and one other man near Merauke in September, and attacks by guerrillas on soldiers and surveyors in September.

⁴⁸ DEMMAK, or People's Penis Gourd Council.

⁴⁹ ICG Indonesia Briefing, *Indonesia: A Slim Chance for Peace in Aceh*, 27 March 2002.

⁵⁰ ICG interviews in Papua

this condescension and the economic dominance of immigrants. Unofficial migrants continue to arrive, causing concern among some Papuans, who see migration, along with other imported phenomena like sexually-transmitted diseases, as part of a military-backed effort to destabilise Papua.⁵¹

Some Papuans say they want the settlers to leave, though Tom Beanal of the Presidium suggests that long-resident settlers could stay in an independent state. It is this context, combined with the actions of the security forces which can produce violence like that in Wamena in the central highlands in October 2000, when clashes between Papuans and police led to Papuan attacks on settlers. Some 30 people died.⁵² Skirmishes like these, though relatively rare, give weight to fears among Papuans and settlers that a similar conflict could break out again.

Communal tensions could well be exacerbated by the arrival of Laskar Jihad, a radical Islamic paramilitary organisation whose members have fought against Christians in Maluku and Central Sulawesi. Laskar Jihad has an agenda of religious sectarianism, flavoured with Indonesian nationalism, and it usually defines its role in conflict areas as protecting Muslims against "Christian separatists". It is assumed to get money, weapons and other support from serving or retired military leaders and politicians in Jakarta who either agree with its ideology or see it as a useful ally. It is hard to imagine Laskar Jihad could operate freely in Papua without the tolerance of senior officers. This does not necessarily mean the military as an institution supports it. The distinction is academic, however, if the military cannot control its own members. As of September 2002, fears that Laskar Jihad would rapidly expand its presence in Papua appeared to be easing.

The picture is less clear for another paramilitary group, the Barisan Merah Putih, which was originally created as a counterweight to the Satgas Papua. Documents circulating in Papua include a list of alleged members in the highland region of Wamena, signed by a local military officer, and there have been unconfirmed reports that Laskar Jihad and Barisan Merah Putih are training in parts of the highlands. Unlike Laskar Jihad, which has its own ideology and mission, there is little reason to

think that Barisan Merah Putih is more than a proxy of the state. There are also rumours about a Laskar Kristen or Protestant militia, though ICG has seen no supporting evidence.

Laskar Jihad combines fighting and preaching. It typically moves into an area, wins the backing of local officials or religious leaders, and starts recruiting members until it is strong enough to assert itself in defiance of the local authorities. The organisation has a strong influence in parts of Maluku and Central Sulawesi, though its power is now being challenged by the government.

Laskar Jihad members have been reported in Papua for two years or more, though they only started to attract widespread concern in late 2001. The group was first reported in Fakfak, a coastal town with a community of ethnic Papuan Muslims. Its parent organisation, Forum Komunikasi Ahlus Sunna Wal Jamaah, has since opened an office in Sorong, an oil and logging town on Papua's western tip visited by its leader, Ja'far Umar Thalib, at the end of 2001. Laskar Jihad has been sighted in other towns including Manokwari, Biak, Nabire, Jayapura and Arso. Its numbers are unreliably estimated from a few hundred to several thousand. By its own account it has only seven members in Papua, with many more supporters, and plans to open more branches.⁵³

The Laskar Jihad presence in towns like Sorong is causing concern. The population there is split between Papuans and immigrants, including several thousand refugees from both sides of the war in Maluku.⁵⁴ There have only been minor brawls between Papuans and immigrants, but there are fears that the presence of Laskar Jihad could lead to sectarian conflict. This risk may also exist in Fakfak and Manokwari, which, like Sorong, are towns that the resource multinational BP plans to use as rear bases for its Tangguh LNG natural gas project, discussed below.

A member of Laskar Jihad in Sorong told ICG the organisation was in Papua purely for dakwa, or

⁵¹ ICG interviews with Tom Beanal and Timika-based activist Yosefa Alomang.

⁵² ICG Report, *Ending Repression in Irian Jaya*, op cit, p. 7

⁵³ ICG interview with Laskar Jihad members in Sorong in May 2002. Asked about the relationship between Laskar Jihad and Forum Komunikasi Ahlus Sunna wal Jamaah, one said they were "the same".

⁵⁴ The Sorong region had 250,000 inhabitants in 1997, according to official figures. A local activist told ICG there were about 100,000 people in the town itself.

proselytising for Islam. Later in the same interview, he said Laskar Jihad would fight “Christian separatists” if the government asked for its help or failed to defend local Muslims. He shared the view, common among settlers, that Papuans need to be ruled because they are too backward to govern themselves.

Papuan sources say Laskar Jihad runs paramilitary training for Muslims, mostly in areas populated by settlers. In Sorong there are said to be several locations in transmigration settlements and a camp in a remote coastal area. The training takes place at night and consists of martial arts and spiritual exercises. This kind of training is practiced by many mass organisations in Indonesia and in itself does not prove sinister intent. There are also reports of training with homemade weapons and unconfirmed reports about modern firearms. Laskar Jihad says it is not training Muslims but other groups might be. Papuans say it has been handing out inflammatory leaflets and videos about the Maluku conflict.⁵⁵ Given the high level of inter-communal suspicion, it might not be difficult for Laskar Jihad to recruit Muslim residents by playing on their fears of Papuan Christians.

There are also questions about the arrival in Sorong early in 2002 of a group of men from Pakistan, estimated to be as many as nine strong, to preach to local Muslims. Some Papuan sources linked them to a local businessman allegedly close to Laskar Jihad and said they are providing military training, but others said they were from Jemaah Tabligh, a non-political religious organisation based in South Asia whose members have been coming to Indonesia for years. ICG has seen proof the men are in Papua but not why they are there. The U.S. government is known to have shown concern about their presence.

Laskar Jihad’s ultimate aims are unclear. Papuans interviewed by ICG assume that the military plans to direct it against the independence movement. This would allow the military to strike at its enemies while presenting the conflict as a struggle among the civilian population, with itself as a third-party peacekeeper. This interpretation cannot be ruled out because a similar tactic was used by the military in

East Timor in 1999. It is also possible that Laskar Jihad is pursuing its own Islamising agenda but defers to military and police officers in return for freedom of action. Regardless of the truth, the presence in Papua of an organisation with a sectarian message and a history of violence could fuel tensions to the point that conflict erupts in areas where Christian and Muslim communities live side by side.

The stance of state agencies on Laskar Jihad is unclear, and the religion of individual officials is not necessarily a useful guide. The military commander in Papua, General Mahidin Simbolon, is a Christian with a history of involvement with militias in East Timor. The Hindu provincial police chief, General Made Mangku Pastika, insists there is no proof of Laskar Jihad being in Papua.⁵⁶ He has taken steps aimed at the organisation, however, including police checks of identity cards. Governor Solossa wants it to leave Papua, as do the Presidium and church groups. The local branch of the Majlis Ulama Indonesia, a state-sponsored Islamic council, has said that there is no need for Laskar Jihad to be in Papua because Muslims are not in danger from Christians.

The government is trying to rein in Laskar Jihad, which opposes the recent peace accords in Maluku and Central Sulawesi. Thalib himself was arrested in May 2002 after giving an inflammatory sermon in Ambon. He still receives the public support of some Muslim leaders, notably Vice-President Hamzah Haz. The focus of Laskar Jihad continues to be Ambon, but its presence in Papua will raise fears of conflict until the authorities show that they are willing and able to contain it.

⁵⁵ This account is based on ICG research in Papua during May 2002. Australian journalist John Martinkus visited one training site near Sorong and said people in black armbands were practising martial arts and training with various weapons, including home-made guns.

⁵⁶ ICG interview with Pastika, April 2002.

III. ADAT, NATURAL RESOURCES AND CONFLICT

As the previous sections make clear, the extraction of natural resources in Papua takes place against a background of violent conflict. More than that, the right to control natural resources is itself one of the major contested issues. At the heart of this is the concept of adat, a term of Arabic origin usually translated as “custom” or “tradition”. It is used throughout Indonesia to describe indigenous belief systems with religious, socially normative and legal elements. Each of the more than 250 language groups in Papua has its own adat, though there are common features. Papuans regard all Papuan territory as belonging to one adat group or another.⁵⁷

After the Indonesian takeover of Papua, the Soeharto regime tried to suppress adat beliefs as “backward” and a threat to state control. These policies helped to trigger an uprising in the central highlands in the late 1970s which was crushed at a cost of possibly thousands of Papuan lives.⁵⁸ The memory of this event continues to fuel resentment. Selected elements of Papuan adat, like the wearing of penis gourds by men in the highlands (which the state tried to stop in the 1970s), are now presented as tourist attractions.

In many adat systems there is a spiritual bond between people and their land, which can be used by outsiders but not sold. In state law, by contrast, land and resources belong to the state. In Papua, state law has often been upheld at gunpoint. Many Papuans do not seem opposed in principle to investors using their land as long as they are paid fair compensation and treated with respect.⁵⁹ In practice, however, the history of resource exploitation has been fraught with conflict.

Investors argued in the past that they had no direct responsibility towards the Papuans because this was the duty of the Indonesian state, with which they had signed their contracts. Given the poor record of the state in Papua, this argument is problematic. Investors are starting to accept that they must deal more fairly with adat land rights, though Papuan activists complain that many prefer to buy off local

people as cheaply as possible rather than build a fair relationship.⁶⁰ At the same time, companies may find they are expected to provide public services that would normally come from the state.

The special autonomy law reinforces the role of adat. Investors are obliged to acknowledge and respect the rights of the local adat community and must involve it in any negotiations with the local government. At the same time, all existing contracts and licenses in Papua remain valid unless an Indonesian court considers that they are illegal or violate the “living rights of the people” (*hak hidup masyarakat*).

The provincial government must “acknowledge, respect, protect, empower and develop” the rights of adat communities, which include communal rights to land and resources (*hak ulayat*) and individual rights. The law says *hak ulayat* can become defunct if it is not actively exercised and cannot be applied to land which was legally acquired in the past by a third party. This provision is presumably intended to protect resource companies and transmigrant settlements already in Papua. It could cause problems, since the clash between Papuan and Indonesian views of legality is at the root of the conflict. The law states that land cannot be sold to third parties without consultation among all the local people concerned. The government is obliged to act as a mediator in any disputes.

There will also be adat courts with the right to try civil and criminal cases within the community. These cannot impose prison sentences or exile. If one party disagrees with the verdict, the case can be taken over by the state courts. For criminal cases, the state courts have to approve the verdict of the adat court or take over the case themselves. A limitation of this clause from a Papuan point of view is that the conflict is not caused by disputes among Papuans but by those between Papuans and outsiders, including resource companies, and these will not be covered by adat courts. The duality between state law and adat already exists. In Timika, the region of the Freeport mine, the police sometimes resolve cases through adat and sometimes through state law. A complaint is that Papuans with money or influence are allowed to follow the more lenient adat route

⁵⁷ ICG discussion with an Indonesian researcher in Papua, April 2002.

⁵⁸ Osborne, *Indonesia's Secret War*, op. cit.

⁵⁹ ICG interviews in Papua, April-May 2002.

⁶⁰ ICG interviews with Papuan NGOs in Jayapura and Timika, April 2002.

while poorer people have to go through the harsher state court system.⁶¹

A. ADAT AND POLITICS

Adat shows signs of evolving into a political ideology as Papuans contrast an idealised past with the often harsh realities of Indonesian rule. Communities are more assertive of their rights, and the influence of adat councils and leaders is growing, though some are seen by their own people as mere tools of the state or of personal interests. This process is not unique to Papua: it has been spurred across Indonesia by the weakening of the centralised state since Soeharto's fall from power in 1998 and, more recently, by far-reaching decentralisation laws that were passed in 1999 and enacted in 2001.

Indigenous communities in Indonesia that were often marginalized under Soeharto are increasingly framing claims to power, resources or status in terms of adat. In Papua, the revival of adat could empower indigenous Papuans who feel marginalized within their own land by Indonesian rule and the influx of settlers since the 1960s.⁶² But adat rules and norms, which tend to be dynamic and evolving, are not a panacea. They can also be used to justify vested private interests or chauvinism towards women, other language groups or non-Papuans.

There is considerable overlap between the Presidium and adat leaders. Tom Beanal, for example, is the chairman-in-waiting of the Presidium and an adat leader of the Amungme people around Timika. Not all adat leaders and councils follow the Presidium without question, however. Beanal says the more vocal adat leaders will campaign for self-determination while the "moderates" work to improve Papuan welfare via the MRP.⁶³

Adat is likely to be a growing influence on the relationship between resource companies and the state on the one hand and Papuans on the other. A statement by adat leaders in February 2002 declares that: "Earth, sea and air and all their natural wealth are the property of the adat people of Papua (and

cannot be sold to any party", though these resources may be sustainably exploited by investors "in the interest of the political aspirations of the Papuan people".⁶⁴ The next sections of this report examine two examples of the overlap between resource extraction and conflict – the logging industry and the Freeport mine – as well as a new natural gas project which hopes to avoid this linkage.

⁶¹ ICG interview with Alberth Bolang of the Legal Aid Institute in Timika in April 2002.

⁶² The term "indigenous" is problematic in an archipelago populated since prehistory by successive waves of immigrants from other places. It is used here for convenience.

⁶³ ICG interview with Beanal, April 2002.

⁶⁴ Statement dated 28 February 2002 and given to ICG by the Papuan Presidium.

IV. LOGGING

Although mining (and specifically the Freeport mine) have attracted much critical attention in Indonesia and abroad, the resource industry with the widest geographical impact in Papua is logging. As in other forested regions, the Soeharto regime parcelled out Papua's forests through various licenses, notably the hak pengusahaan hutan (HPH).⁶⁵ The beneficiaries were mostly business cronies, the military or senior officials and their families. The adat rights of local communities were usually ignored and Papuans fobbed off with promises or small payments. Protests were violently suppressed.

Although forestry officials say there were some economic benefits for Papuans, such as jobs with timber companies, almost all the people interviewed by ICG saw logging as unfair exploitation by outsiders.⁶⁶ Many were not opposed to logging in itself, but rather to the unfair practices of timber companies. The most prominent exception was Tom Beanal of the Presidium, who argues that Papua can earn all the money it needs from "one or two" mining projects and therefore should ban logging.⁶⁷ The issue of destructive logging has been given increasing prominence across Indonesia, partly as a result of pressure from foreign lenders and donors, though forestry reformers are struggling in the face of vested timber interests often backed by corrupt officials and security personnel.⁶⁸

About half of Papua, 22 million hectares, is classed as "production forest", as opposed to conservation areas. Forestry concessions cover 13 million hectares.⁶⁹ Activists say there is a thriving trade in logs with other Asian countries despite a ban on log exports imposed across Indonesia in October 2001. Much of this vast timber estate is not being logged, however. Fourteen out of the 54 HPH concessions in Papua were inactive in August 2001, according to

the industry itself, because there were fewer valuable trees than their owners had thought or because of compensation issues with local people.⁷⁰ Alongside the HPH, and sometimes in competition, are many small-scale licenses issued by local officials since 1998.

Much of Papua is roadless and covered by forest, swamp, or mountain. Observation from the air suggests that loggers are working inwards from the coast or major rivers.⁷¹ More forests will be opened up by new roads, which are often paid for by allowing the construction company to fell and sell timber. The military is building a major road from Jayapura on the north coast to Wamena in the central highlands.⁷² Two military priorities overlap in this project. Wamena, a centre of anti-Indonesian sentiment, is difficult to reach overland, and the military is a player in the timber industry. The growth of roads has not been rapid, however. The Jayapura-Wamena route has been planned since 1979, according to one report, and is still far from complete.⁷³

The loggers seem interested in specific trees, notably merbau (intsia bijuga), a valuable hardwood which has been logged out in many parts of Southeast Asia. Although there is less clear-cutting of entire forests than in Sumatra and Kalimantan, there has been some recent clearance for settlements and oil-palm plantations. The pressure on Papuan forests will grow as other parts of Indonesia are logged out and overseas demand for timber grows, notably from China. Timber companies that used to work in Kalimantan are already reported to be in the Bird's Head peninsula of western Papua.⁷⁴

The timber industry in Papua is dominated by the Soeharto-era elite. The biggest player is the Djajanti Group, whose shareholders includes Soeharto's cousin, Sudwikatmono, and former officials and military. Another major company, Barito Pacific Timber, is run by Soeharto's former ally, Prayogo Pangestu. Both conglomerates are heavily indebted to the state after the financial crisis of 1997-98 but

⁶⁵ The HPH lets companies fell trees within a concession area, under certain conditions. Another common license, the IPK, permits them to clear forest land for other uses like plantations.

⁶⁶ Written answers by Papua's provincial forestry service and ICG interviews in Papua, April-May 2002.

⁶⁷ ICG interview with Beanal, April 2002.

⁶⁸ See ICG Asia Report N°29, *Indonesia: Natural Resources and Law Enforcement*, 20 December 2001.

⁶⁹ Written answers by Papua's provincial forestry department. The land area of Papua is just under 43 million hectares.

⁷⁰ *Kompas*, 8 August 2001. The number of HPH concessions in Papua is now officially 53.

⁷¹ This observation is based on commercial flights by ICG between Jayapura, Timika, Biak and Sorong and by light aircraft from Timika to the Bintuni Bay area.

⁷² ICG interview with police General Pastika, April 2002.

⁷³ *Antara*, 2 July 2002

⁷⁴ ICG interviews with activists in Papua.

remain politically well-connected.⁷⁵ A smaller company, Hanurata, is controlled by the Soeharto family.⁷⁶ Retired generals, Jakarta politicians and business tycoons are also thought to hold timber concessions.

There has been an internal shift in logging politics in Papua, like the rest of Indonesia, since Soeharto's fall. The monopoly of the Jakarta elite is being challenged by new regional elites. In the western region around Sorong, for example, forests are being logged by businesspeople working with the bupati (district head) of Sorong and officers in the security forces. Some of these are Indonesian, and some are said to be Malaysians. The local regional military command (Korem) is alleged to run a sawmill on an island off Sorong, but ICG has not confirmed this.⁷⁷

The Sorong region embodies the wider problems of the timber industry in Papua. Long exploited by licensed companies, the region is also targeted by illegal loggers who disembark at remote spots on the coast or outlying islands, fell valuable trees and sail away undetected. These islands, known as Raja Empat, form a conservation area with one of the highest levels of marine biodiversity in the world. Their coral reefs, already vulnerable to unsustainable fishing, are now being damaged by logging waste and silt.

Local adat leaders complained in September 2001 that foreign logging bosses were using a co-operative run by the wives of civil servants in Sorong as a front. The police seized some cargo ships but let them go after a few days, with their timber still on board. Since Indonesia passed a log export ban in October 2001, the navy has seized five timber ships off Sorong. One escaped and the fate of the other four depends on the weak and often corrupt Indonesian justice system.⁷⁸

There has been some law enforcement. The local police recently seized 15 bulldozers being used for logging, and at least one official in the local forestry department has been replaced because of his role in illegal activity. It is not clear how much impact such efforts have had, and the local activists interviewed by ICG were generally pessimistic. It was reported in July 2002 that Governor Solossa, under pressure from logging companies, had given permission for the export of merbau logs. This decision contradicts the log export ban imposed by Jakarta in October 2001, and the reformist Forestry Minister, Mohammed Prakosa, has asked the governor to rescind it.⁷⁹ Papua is only one of numerous Indonesian regions where local officials have made decisions on resource use that contradict national policy, or even the law.

The bupati of Sorong, John Piet Wanane, is suspected of falsely claiming that local people had consented to a number of logging licenses which he had issued, and some of these licenses were later cancelled by Solossa.⁸⁰ Nevertheless, Wanane was re-elected early in 2002 by a local parliament in which his Golkar party has a one-vote majority. An irony for reformers is that Wanane is an indigenous Papuan Christian, the beneficiary of the trend towards Papuanisation of local government. Coincidentally, he also licensed the parent organisation of Laskar Jihad to open an office in Sorong.

Indonesia has attempted to give local people more control over their natural resources through the creation of People's Co-operatives (Kopermas) and licenses known as IHPHH, which give communities the right to exploit a hundred hectares of forest. Activists say that in Papua, as in other regions, these mechanisms are often abused by loggers and their allies in the state, who use compliant village leaders as a rubber-stamp.⁸¹

The timber industry around Sorong, and probably in other parts of Papua, is said to work as follows. Timber companies invite village leaders to hotels in

⁷⁵ See ICG Asia Report N°15, *Bad Debt: the Politics of Financial Reform in Indonesia*, 13 March 2001.

⁷⁶ David W. Brown: "Addicted to Rent: Corporate and Spatial Distribution of Forest Resources in Indonesia: Implications for Forest Sustainability and Government Policy"; Indonesia-UK Tropical Forest Management Program, 7 September 1999.

⁷⁷ ICG interviews in Sorong in May 2002. The local military commander declined to be interviewed.

⁷⁸ Email communication from Environmental Investigation Agency, 2 May 2002.

⁷⁹ *Antara*, July 2002. For comparable cases in Kalimantan, see ICG Asia Report N°29, *Indonesia: Natural Resources and Law Enforcement*, 20 December 2001.

⁸⁰ ICG has a copy of a summons sent to Wanane by the police, dated 12 December 2001.

⁸¹ ICG interviews in Jayapura and Sorong. A group of Papuan NGOs is currently planning a study of the impact of Kopermas on logging practices.

town where they are plied with alcohol and prostitutes and invited to sign away their adat rights over forests. The companies agree to compensate the villagers, though the payments can be as low as Rp 15,000 (U.S.\$1.6) for a cubic metre of timber that can be resold in Indonesia for 1-2 million rupiah (U.S.\$110 to U.S.\$220) and much more overseas. They often promise to build houses, roads, churches or other infrastructure but rarely keep these promises.

Local people may favour logging because of the money and other promised benefits, but disputes with companies are common. The methods of the loggers are wasteful of timber and destructive of the forest habitat. They pay little attention to concession boundaries, sacred forests or woodland reserved for hunting and gathering. The compensation is often less than villagers expect, either because of fraud or because payments to middlemen have been deducted. There are accounts from other regions of Papua in the early 1990s of villagers being used as forced labour on logging camps, though ICG did not hear such reports during a recent visit to the province.

If local people are angry enough, they blockade the logging camps. The companies often call in troops or Brimob riot police to intimidate the villagers by beating them or shooting in the air. Military and police posts are frequently sited on logging concessions, and villagers who make trouble are accused of being separatist guerrillas. ICG was told by villagers that the Djajanti Group had used Brimob to intimidate local people at a logging concession of more than 100,000 hectares around the village of Tofoi in the western Bintuni Bay region.⁸² Such intimidation is rarely lethal but it scares local people into silence. Some accounts suggest companies are starting to take more account of local people, but others say intimidation is continuing as before.

The link between Papuan grievances against logging companies and support for independence is not always clear-cut. An activist in Sorong told ICG that villagers talk avidly about independence but link it to a general sense of injustice under Indonesian rule than their specific problems with companies. In a village in Bintuni Bay, however, protests against the Djajanti Group did briefly blend into calls for merdeka.⁸³ The Wasior conflict, which broke out in

2001, is an example of the way in which the timber industry and the wider conflict can become bloodily entwined.

A. LOGGING AND CONFLICT AT WASIOR

Wasior lies on the neck of land that joins the Bird's Head peninsula to the rest of Papua. Against a background of local protests against a logging company, three company staff were murdered on 31 March 2001 by an armed Papuan band. Brimob riot police were sent to track down the killers and protect other logging companies, causing many villagers to flee in fear. On 3 May, the Brimob attacked civilians who may have been on their way home from a celebration. Six are reported to have died, either shot by the police or drowned.⁸⁴

The violent behaviour of Brimob further increased tensions. On 13 June 2001, a group of armed men attacked a police post, killing five Brimob members and a civilian. The attackers seized five rifles, a Bren machine gun and ammunition. Their identity, like many details in this case, remain unclear. The police say they were local people led by OPM guerrillas who had been extorting money from the timber companies. Another view is that they were Papuans employed by local military units that were competing with Brimob for control of the timber industry. It is known that some groups within the OPM, or claiming to be OPM, work with the military. It is also quite common for business rivalries between the military and police to spill over into violence.

There is a theory that the violence was engineered as a warning to BP's Tangguh LNG gas project to co-operate with the military. The attack coincided with a visit to Tangguh LNG by the British ambassador to Indonesia, Richard Gozney. If this theory is accurate, it is not clear why Wasior should have been selected as a target because it is 160 kilometres east of Tangguh on the far side of a mountain range, with poor road access.

After the raid, Brimob descended on nearby villages and took brutal and indiscriminate revenge on civilians. According to ELSHAM, a local NGO, twelve Papuans were killed and another 26 are missing, though some of the latter may be alive. The

⁸² ICG interviews with villagers from Tofoi, April 2002.

⁸³ ICG interview with villager from Tofoi, April 2002

⁸⁴ Information provided to ICG by Amnesty International, whose staff visited the area.

police also destroyed houses and arrested more than 150 people, according to local NGOs. Sixteen of the latter have been convicted so far of various offences in trials that Amnesty International believes were unfair and followed torture or ill-treatment.⁸⁵ A group of human rights and church workers were barred from the area, while a second group was intimidated by Brimob firing shots into the air and was unable to carry out its work.⁸⁶

The stolen Bren machine gun and two rifles were eventually returned but the people holding the other three rifles refused to give them up. A standoff continued between the armed group and a combined force of police and soldiers. The provincial police chief, General Made Mangku Pastika, says he reduced Brimob around Wasior and started negotiations through local priests for the return of the guns, offering legal immunity. Pastika has taken this pragmatic approach in other cases where confrontation would have led to more violence. If the killers of the police were in fact military allies, this might also help to explain why he chose to negotiate rather than risk a fight.

The armed group reportedly moved out of the forest in early 2002 into the village of Ambuni and clashed on one occasion with the police.⁸⁷ In April 2002 the police threatened another raid to retrieve the guns but met protests from legislators and activists who feared more civilian deaths. The raid seems to be on hold.

Pastika blames the Wasior violence on the “erroneous approach” of placing Brimob posts at logging camps, which created local resentments when the police sided with the loggers. He says the Brimob have now been withdrawn from such posts, though ICG observations suggest some detachments have only been scaled down.⁸⁸ Given the economic involvement of the police and military with the timber companies and their propensity for violent confrontation with each other and with local people, there is a risk of further conflicts.

V. FREEPORT

A. A TROUBLED HISTORY

The Freeport copper and gold mine has long been one of the most controversial natural resource projects in Indonesia. The controversy stems from its close links to the military and the Soeharto-era elite and its extremely problematic relationship with Papuans, which has only recently shown signs of improvement.

Freeport was motivated by attitudes common in the global mining industry at the time, did not create all the problems surrounding the mine and has made an effort since the mid-1990s to put its troubled history behind it. The company has paid more than a billion U.S. dollars in taxes and royalties to Indonesia and created a local economy that supports thousands of people. Nonetheless, the history of the mine remains for many observers a case study of how not to deal with local people and the security forces.

Freeport Sulphur, later Freeport McMoRan, a U.S. company, began exploring in southern Papua in 1960. It signed a production contract with Indonesia in 1966, three years before the establishment of Indonesian sovereignty over Papua. Soeharto and his military-backed regime badly needed foreign capital, and Freeport was given great latitude in drawing up the terms of its own investment. The mine is operated by a subsidiary, Freeport Indonesia, which is controlled by Freeport McMoRan.⁸⁹

Only a few hundred people were living in the region at the time, according to Freeport. The area round the mine was used by the Amungme people for hunting and spiritual purposes, though there was a village on what would later become the company town of Tembagapura.⁹⁰ The local people cannot be said to have given informed consent, since they could not have understood the massive impact the mine would have on their region. One account says they did not find out until 1995 that, according to

⁸⁵ Information provided by Amnesty International.

⁸⁶ Ibid.

⁸⁷ “Wasior Kembali Memanas, Saling Tembak di Desa Ambuni”, Tim Advokasi untuk Wasior, 6 April 2002.

⁸⁸ In the village of Tofoi in Bintuni Bay, for example, ICG in April 2002 visited a Djajanti Group sawmill with a Brimob post large enough to house dozens of policemen but now occupied by only twelve.

⁸⁹ All references to Freeport in this report are to the Indonesian subsidiary unless otherwise stated.

⁹⁰ Letter from George A. Mealey of Freeport to Lori Udall of the Environmental Defence Fund (U.S.), dated 4 March 1991 and available from the archive of www.indopubs.org

state records, they had ceded a million hectares of land for development.⁹¹

As mining of the Ertzberg deposit began in the early 1970s, tensions grew with local people. The Amungme expected, in line with local beliefs, that Freeport would share with them its wealth of material goods, ranging from helicopters to raincoats. There were resentments among people who felt their land had been wrongfully taken, and Freeport tended to use skilled workers from outside the area, meaning few jobs for locals.

Freeport justified its activities by its contract and Indonesian law. There were no safeguards on treatment of the environment or the local people, and the spiritual importance of the area to the Amungme was not appreciated. There have been allegations of people being forced to move their homes, though Freeport says it never supported forced relocation. The law only recognised adat rights over land under cultivation, so large areas used for hunting or left fallow were not considered for compensation. Where compensation was paid, the amount was fixed by state officials.

After local protests, Freeport agreed in 1974 to build schools, clinics, houses and other buildings. The largest of these measured 20 feet by 30 feet.⁹² In return, the local people undertook to stay out of the mine site, the company town of Tembagapura, its airfield at Timika and port at Amamapare. In 1975, Australian geologist Robert Mitton described Freeport's view of local people as, "If we ignore them, perhaps they'll go away".⁹³ The opposite happened. The prospect of work attracted so many migrants from other places that the population in the area has grown to an estimated 90,000.⁹⁴

There had been scattered resistance to Indonesian rule in Papua, and reprisals by the military, since the 1960s. In June 1977, a foreign pilot witnessed Indonesian aircraft strafing villages near Timika. Villagers and OPM guerrillas cut a pipeline from the mine, damaged a power line and set fire to an

oil tank. Indonesian troops retaliated by killing or mutilating large numbers of people.⁹⁵ Military brutality became an ongoing problem.

In 1988 the Grasberg mountain, next to the existing mine, was found to contain huge mineral deposits. Grasberg transformed Freeport into one of the biggest producers of copper and gold in the world and increased Papua's importance to Indonesia. Criticism began to mount of the company's environmental practices, specifically the damaging impact of mine waste on the rivers and the people who lived by them. After a rebellion closed the Bougainville copper mine in neighbouring Papua New Guinea, Freeport officials stepped up social programs and became more ready to admit past mistakes.⁹⁶

The wealth created by Freeport drew the attention of Soeharto's inner circle, and the relationship between the company and the regime began to tilt in favour of the latter. During the 1990s Freeport sold shares in the mine and other assets, ranging from a power plant to housing and catering services, to business allies of Soeharto. These sales usually required the company to guarantee large profits to the buyers and even to underwrite the loans by which they were paid. Allegations of corruption remain unproven, and Freeport insists these were legitimate transactions. They were undoubtedly expensive for the parent company, which guaranteed an estimated U.S.\$673 million in loans to Soeharto-linked interests between 1991 and 1997.⁹⁷ In March 2002, Freeport McMoRan Copper & Gold spent U.S.\$253.4 million to repay one such loan after the borrower defaulted. By doing so, it reacquired the shares in Freeport Indonesia that the loan had been used to buy.⁹⁸

By the early 1990s, Jakarta's lack of interest in Papuan welfare had obliged Freeport to become in many respects a de-facto local government. The

⁹¹ Abigail Abrash; "The Amungme, Kamoro and Freeport: How indigenous Papuans have resisted the world's largest copper and gold mine"; *Cultural Survival Quarterly*, Volume 25 N°1, January 2001.

⁹² Agreement between Freeport Indonesia and the Amungme people, dated 8 January 1974.

⁹³ Osborne, *Indonesia's Secret War*, op cit, p. 120.

⁹⁴ "Issues and Answers; Military and Security", on Freeport's website. www.fcx.com.

⁹⁵ Osborne, *Indonesia's Secret War*, op. cit., p. 69.

⁹⁶ George A. Mealey, then president of Freeport McMoRan Copper & Gold, wrote to U.S. environmentalist Lori Udall in March 1991 that "There are things that perhaps could have been done, or done differently. But we were never malevolent or uncaring". This view does not seem to be shared by many Papuans.

⁹⁷ Peter Waldman: "Hand in Glove: How Suharto's Circle, Mining Firm, did so well together"; *Wall Street Journal*, 29 September 1998.

⁹⁸ Freeport McMoRan Copper & Gold Inc, 2001 Annual Report, p. 24.

company says it has spent U.S.\$180 million since 1990 on social programs including roads, housing, health facilities, vocational training and an anti-malaria campaign. Local critics maintain that some of these benefits, like the roads, met the company's own needs.⁹⁹ Timika also had a Sheraton hotel to cater to Freeport and its visitors. This growth was not planned or matched by an expansion in the capacity of local government. Local people compared the affluent lifestyle of foreign company staff with their own poverty and sense of dispossession.¹⁰⁰

An upsurge in violence around Timika began in October 1994 with the shooting of a Papuan Freeport employee by gunmen who may have been either guerrillas or soldiers. Freeport asked for help, and the army sent reinforcements. By May 1995, as many as 37 Papuans had been murdered by troops or disappeared. A report by the Catholic Church found evidence of executions, torture and other abuses by the army. Similar allegations were made by the Australian Council for Overseas Aid.¹⁰¹ The killings drew international attention to Freeport's closeness to the military.

Freeport expressed regret for the actions of individual soldiers and noted that the Catholic Church and the state-sponsored National Commission on Human Rights (Komnas HAM) "found no evidence of wrongdoing" by the company or its security guards, who were accused of taking part in some abuses.¹⁰² A member of Komnas HAM said later it did not investigate Freeport's role in detail.¹⁰³ The commission did call for security

arrangements to be made more transparent and said Freeport had a "moral duty" to meet local aspirations.

The company then started negotiating a ten-year development program for local people. As this was being finalised, riots broke out in March 1996. Company facilities were vandalised, and at least four people died. There is a credible suspicion that peaceful protests organised by NGOs against Freeport were hijacked by the military, which turned them into riots in order to extort money from the company.¹⁰⁴ Freeport was asked to pay U.S.\$100 million towards a bigger garrison. The company reportedly agreed to pay U.S.\$35 million, later an annual U.S.\$11 million.¹⁰⁵ The current bill for the military's expenses is unclear. Freeport declined to answer questions from ICG on the subject.

The ten-year program was funded by a donation of one per cent of Freeport's annual revenues, which was roughly equal to its existing spending at that time.¹⁰⁶ The start of the One Percent Fund was shrouded in controversy, with many local people saying the money was not enough, and some accusing the company and military of playing divide and rule. LEMASA, an organisation set up to represent the Amungme, rejected the deal. Its leader, Tom Beanal, brought a U.S.\$6 billion suit against Freeport in its home U.S. state of Louisiana. The suit, accusing the company of taking sacred land, polluting water and being party to military abuses, was eventually dismissed by the court as was a similar suit by another Amungme activist, Yosepha Alomang.¹⁰⁷

The fall of Soeharto in 1998 opened Freeport to attack from Indonesian reformers, environmental activists and politicians seeking to revise the terms of its contract with the state. Some of this pressure has been principled and some opportunistic. Freeport was able to rely on strong support from the U.S. government, whose officials in Jakarta are often outspoken in its defence. Freeport McMoRan has long been well-connected within the U.S.

⁹⁹ ICG interviews in Timika, April 2002.

¹⁰⁰ Bruce Marsh, former vice-president for environmental affairs at Freeport Indonesia, interviewed in *Van Zorge Report*, 1 May 2001.

¹⁰¹ The Catholic Church and Indonesia's National Commission on Human Rights (Komnas HAM) reported sixteen deaths and four disappearances. The Australian Council for Overseas Aid (ACFOA) reported 37 deaths or disappearances, including 22 civilians and fifteen rebels. The missing men, relatives of a rebel leader, have not returned. See "Report of the Catholic Church" at

www.moles.org/ProjectUnderground/motherlode/freeport/catholic.html; "Laporan Tim Timika I dan Tim Timika II mengenai enam kasus pelanggaran HAM di daerah Timika Irian Jaya", Komnas HAM 1995 and "Trouble At Freeport", ACFOA, April 1995.

¹⁰² "Issues and Answers", on Freeport's website, www.fcx.com. ICG accessed this page in early 2002 but as of July 2002, it appeared to be no longer accessible.

¹⁰³ *Kompas*, 2 October 1995.

¹⁰⁴ ICG interview in May 2002.

¹⁰⁵ Lesley McCulloch; "Trifungsi: The Role of the Indonesian Military in Business", available on

www.bicc.de/budget/events/milbus/confpapers/mcculloch.pdf.
¹⁰⁶ "Working towards sustainable development", Freeport McMoRan Copper & Gold Inc, 2001 Economic, Social and Environmental Report, p. 10.

¹⁰⁷ Freeport news release, 23 March 2000.

political establishment, and its board members include Henry Kissinger and J. Stapleton Roy, the U.S. ambassador in Indonesia from 1995 to 1999.¹⁰⁸ The desire to protect the Freeport mine continues to shape U.S. policy concerns in Papua.

Since 1996 a major theme has been division of the Freeport money among local people. Disbursement was accompanied by a rise in local tensions. Clashes between the Amungme and Dani ethnic groups claimed eleven lives in the first half of 1997, according to LEMASA.¹⁰⁹ A clash with troops near Timika in August 1997 led to at least five Papuan deaths and several wounded soldiers.¹¹⁰ The mechanism for managing the One Percent Fund collapsed soon after its creation, partly because of corruption and mismanagement by local officials.¹¹¹ Beanal and others say that local people did not have the capacity to manage the money wisely, and the result was an increase in social problems like alcoholism. The money did create some positive benefits, like free hospital care in Timika.¹¹²

After the failure of the first structure for managing the money, a new one was created in 1998 to split benefits among the seven major Papuan ethnic groups around Timika. This is now being revised to give the dominant voice to the Amungme and the Kamoro, the original inhabitants of the region. There are concerns that this may cause tensions with the other five ethnic groups who do not want to lose influence over the fund. According to Freeport, donations totalling U.S.\$92 million had been paid into the fund by the company and its partner in the mine, the multinational Rio Tinto, by 2001.¹¹³ The fund is used for a variety of development projects, which Freeport presents as evidence of its goodwill. Local people regard the One Percent Fund as compensation for the damage done by the mine, not as a gift, and see the projects as belonging to them.

B. FREEPORT NOW

In 2000 and 2001 Freeport signed agreements with the Amungme and Kamoro covering a range of economic and social projects. Freeport has agreed to put U.S.\$500,000 a year, backdated to 1996, into a trust fund for the two ethnic groups, some of which will be used to buy shares in the company. Tom Beanal became a commissioner, or board director, of Freeport Indonesia. This caused some dissent within the Amungme. Beanal admits he has little knowledge of how the company actually works, which makes it difficult to allay residual concerns amongst the Amungme that Freeport is not being open with them. The Amungme seem to have been more effective than the Kamoro in advancing their interests, although Beanal is now as concerned with wider Papuan as with local issues and sees Freeport as a source of funds for the Presidium. If the interests of the Amungme do not fit with those of Papuans as a whole, he says, the former will have to give way.¹¹⁴

Although mutual suspicions remain, there is now greater openness to dialogue between Freeport and local Papuans.¹¹⁵ Nonetheless, Freeport's history of disregarding local concerns has created such bitterness that the company gets little credit in Timika even for the positive things it does. Many local people still feel they have received little compensation for disruption of their lives by the mine. Freeport sometimes handles issues in a way that seems tardy or high-handed.¹¹⁶ The honesty of some of its statements has also been questioned by critics: the Indonesian environmental NGO Walhi accused the company of misleading the public over a spill from a waste storage area that killed four people in May 2000, and won its case in an Indonesian court.¹¹⁷ At the same time, local expectations of Freeport appear open-ended, and some of the criticism would more fairly be directed at the state.

¹⁰⁸ Freeport McMoRan Copper & Gold Inc, 2001 Annual Report, p. 19.

¹⁰⁹ Speech by Tom Beanal at Loyola University, New Orleans, 28 April 1997.

¹¹⁰ "Five dead after incidents in Indonesia's Irian", Reuters, 22 August 1997.

¹¹¹ "Global Activists have a new target: Freeport", *Far Eastern Economic Review*, 4 December 1997

¹¹² "Cash culture fails to appease", *Australian Financial Review*, 18 December 2000.

¹¹³ "Working Towards Sustainable Development", op cit.

¹¹⁴ ICG interview with Beanal, April 2002.

¹¹⁵ ICG interviews in Timika. ICG has little information on other ethnic groups in the area.

¹¹⁶ Alberth Bolang of LBH Timika, a legal aid body, showed ICG documents relating to a case where Freeport appeared to have acknowledged the impact of pollution on two riverside villages, then announced unilaterally later that this pollution was unproven.

¹¹⁷ See Walhi's website, www.walhi.or.id. Freeport has appealed against the verdict.

Freeport's efforts to placate Papuans may have taught local people that the best way to wring concessions is through confrontation. The result is that local people, NGOs and the security forces have an incentive to suggest that the situation is more unstable than it really is.¹¹⁸ ICG interviews in Timika suggested the danger of widespread conflict is probably low at the moment, though there are risks stemming from the presence of the security forces, rivalries between Papuan communities and between Papuans and the large settler population. There have also been brawls between settlers. Freeport declined to comment to ICG on issues it describes as "political".

At the moment, the behaviour of the security forces seems relatively restrained compared to the late 1990s, when there were frequent reports of killings and other human rights abuses. The company instigated a new human rights policy in 1999, instructing its staff to report violations. It appointed Gabrielle McDonald, an American judge and former head of the international criminal tribunal for former Yugoslavia, as an adviser on human rights. McDonald also sits on the board of Freeport McMoRan. Freeport has sought to distance itself in public from the Indonesian military, though the latter still gets funds, equipment and facilities from the company, and the relationship between the two can be described as symbiotic.

But as the killings of the teachers near Timika in August 2002 underline, the situation is not peaceful. There were two unexplained murders in early 2001, and the OPM maintains there have been armed clashes and killings, unreported by other sources, in remoter parts of the vast forest that surrounds the mine and its hinterland.¹¹⁹ Seven men were arrested by troops on Freeport land in October 2001 and accused, on weak evidence, of being separatist guerrillas. They were given minimal sentences.¹²⁰ In December 2001, two Freeport employees were reportedly shot and wounded by unknown gunmen near the company town of Tembagapura.¹²¹ There

have also been cases of extortion of local people by troops.¹²²

Critics say Freeport still tends to see local people primarily as a security threat.¹²³ This impression is reinforced by the spatial separation of Freeport's company towns from local settlements and the use of fences and the security forces to protect its sprawling concession area. The heavy security presence around Freeport's facilities evidently does not mean that the company is safe from attack. There is a potential threat from OPM guerrillas in the Timika area, who see Freeport as their enemy, although as discussed earlier, it is not clear whether guerrillas were responsible for the latest attack. The guerrilla threat, the seriousness of which is difficult to quantify, is a response to the resentment created by the company's own past behaviour in the past. The presence of several thousand security personnel can itself cause problems for the company, ranging from organised crime to petty theft of its property by soldiers and policemen.¹²⁴

The ambush in August 2002 was in fact the second attack on company staff in four months. On 25 May 2002 about twenty men broke into Freeport buildings at the company town of Kuala Kencana at night and tried, unsuccessfully, to kill a security guard and set fire to an office.¹²⁵ They were reportedly armed with an automatic weapon, pistols and other weapons. Troops and police arrived but the intruders escaped. It is not clear who they were. The obvious suspects would be members or proxies of the security forces, whether acting under orders or on their own initiative, or OPM guerrillas. It is not yet clear whether the two attacks are linked.

Freeport is likely to be in Papua for some time to come. It operates the Grasberg mine under a contract with the government which does not run out until 2021, with an option to extend another twenty years. The company has rights to explore some 2.3 million acres of land outside its current area of operations, which it hopes could contain more mineral deposits, and it has been looking at

¹¹⁸ This view was put to ICG by U.S. anthropologist Brigham Golden. Several Papuans agreed with it in ICG interviews, including the governor and Tom Beanal.

¹¹⁹ ICG interview in April 2002 with journalist John Martinkus, who met OPM leaders shortly before.

¹²⁰ ICG interview with Alberth Bolang of LBH Timika, who represented the men in court.

¹²¹ *Kompas*, 21 December 2001.

¹²² ICG interview with Alberth Bolang of LBH Timika in April 2002.

¹²³ ICG interviews in April and May 2002.

¹²⁴ *Ibid.*

¹²⁵ Report on www.kabar-irian.com on 25 May 2002 and other sources. Freeport confirmed to ICG that there was a break-in but said no one was hurt, and nothing was damaged.

other areas of Papua.¹²⁶ There were rumours in the late 1990s that other mining companies were considering a takeover of Freeport, though there have been no recent indications in this direction.

It is difficult to predict how Freeport's relations with local people will develop. There is now some recognition of local grievances and a mechanism for meeting them, though Papuan feelings still run high, and the situation is further complicated by the potential for tensions between Papuan communities vying for benefits from the mine. Freeport is still entangled with the Indonesian military and elite interests in Jakarta on one side and the independence movement on the other. When ICG carried out interviews in Timika in April and May 2002, the general sentiment was that the risk of violent conflict over the mine might be lower than in the mid-1990s. However, the recent killings and the sending of more soldiers to the area suggest that that risk remains high and is unlikely to disappear.

VI. TANGGUH LNG

A new natural gas project, Tangguh LNG, will test whether resource companies can operate in Papua without generating conflict. It is run by BP, the multinational resource company, under a production-sharing contract with Indonesia's state-owned oil company, Pertamina. It will extract gas from Berau-Bintuni Bay in western Papua, mostly from offshore fields, and pipe it to an onshore plant to be liquefied and loaded onto tankers for export. The sponsors' hopes to sign a U.S.\$3 billion contract to supply gas to Guangdong Province, China were dashed in August 2002 when an Australian consortium won the bid, but BP was offered a "consolation prize" of a smaller contract to supply Fujian Province.

Tangguh LNG will take up about 3,000 hectares of land, a small area compared to a mine like Freeport or a large-scale logging operation. However, its economic, social and political impact will be significant. BP plans to invest U.S.\$2 billion, which could create revenues of U.S.\$32 billion between 2006, when exports are due to begin, and 2030. It is estimated that the central government will earn nearly U.S.\$9 billion from the project during this period, with some U.S.\$3.6 billion going to Papua. The exact division between the various levels of government will not become clear until secondary legislation is passed to interpret the special autonomy law. The money will not start to flow until after the project has recovered its investment costs, which will be 2010 at the earliest. At its peak in 2018, Tangguh could be contributing nearly 1 per cent of Indonesia's total income.¹²⁷

The project will have a profound impact on the farmers and fishermen who live around the bay, as well as on the economy and society of its hinterland, which includes the towns of Sorong, Manokwari and Fakfak. This impact will be partly positive, in the form of jobs, community development programs and revenues, and partly negative in the form of social dislocation and possible conflict. There are also possible negative impacts on the environment, such as the risk of pollution of local fishing grounds by the project itself or visiting tanker ships. Such

¹²⁶ Freeport McMoRan Copper & Gold, Annual Report 2001, p. 3.

¹²⁷ BP estimates. The exact figures will depend on a number of variables, notably gas prices.

risks are beyond the scope of this report but, if not well-managed, they could lead to social tensions.¹²⁸

BP, the driving force behind Tangguh LNG, hopes to prove it can make profits in Papua without the problems associated with other resource companies. It has had extensive discussions with local people, partly because of new state regulations that require greater consultation, and hired a small army of consultants to analyse the social, environmental and human rights impacts of the project. Pertamina seems to have played little role so far in the community aspects, leaving them to BP.

Bintuni Bay is not virgin territory for commercial resource extraction. There was some oil drilling during Dutch colonial times, and logging, fishing and plantations took root from the 1980s. The mangrove forests that fringe the bay were illegally logged by a joint venture of Japan's Marubeni Group in the late 1980s.¹²⁹ The Djajanti Group has timber, plantations and fishing operations close to Tangguh LNG and, as noted earlier, has used police to enforce its land claims in the area. There is little infrastructure around the bay, and local government is light. The local people are not as isolated as those around Timika when Freeport first arrived in the 1960s, but there is still a wide gap between their knowledge and expectations and those of BP.

BP is credited with good intentions by many, though not all, of the various parties to the project. There are few visible signs at the moment that the project is actively rejected by significant numbers of the people who will be most directly affected. People appear attracted to the jobs, infrastructure and other potential benefits, though there are apprehensions about the impact on their lives and the natural environment. There is also a suspicion that BP will not live up to its promises.

Since BP is promoting Tangguh LNG as an example of responsible development, it could suffer significant damage to its reputation if there are major social problems around the site. Avoiding these is a complicated process because of the diverse and

sometimes clashing interests involved. BP's various departments have their own views and priorities, and it is said by some observers to be dominated by engineers and other technical specialists who do not always understand the nuances of community relations.¹³⁰

The local people, far from being homogenous, come from seven suku (language groups), each subdivided into clans and including Protestants, Catholics and Muslims. Views may vary between these groups and among their members. The Papuan NGOs, who tend to come from outside Bintuni Bay, have views that range from cautious acceptance to opposition. Also involved are district and provincial officials, the Jakarta government and Pertamina, the latter of which has a poor record on community issues but seems to be leaving the task to BP. Most problematically, there are the military and police.

Tangguh LNG exists largely on paper, so it is premature to say how serious the risks are. It is possible to examine these, however, and note the steps BP and other parties are taking to minimise them. If there is no significant conflict around the project in the next few years, it could indeed become a model for others. If there is, then the question will arise as to whether any major resource project can be justified in Papua at the moment.

A. RELATIONS WITH LOCAL PEOPLE

There is likely to be contention between Tangguh LNG and local people over a wide range of issues, both fundamental and peripheral. This is not due to any malevolence on the part of BP but stems from the juxtaposition of a multinational company, with its massive resources and corporate culture, with poor and isolated rural communities that have a completely different worldview. These issues will need to be managed in a way that does not give rise to conflict. Although the balance of resources and political influence heavily favours BP and Pertamina, it should not be assumed that local people are entirely powerless. Whether aware or not, they do have the limited capacity to injure BP's reputation by withholding their goodwill.¹³¹

¹²⁸ ICG visited the project site and nearby villages for two days, accompanied by a BP consultant. ICG interviewed BP staff in Papua and Jakarta and met NGOs and local people from Bintuni at a public hearing in Jayapura. The latter discussions were not in the presence of BP staff.

¹²⁹ "Marubeni apologises for mangrove logging operation", Kyodo news agency, 26 October 1990.

¹³⁰ Comments to ICG by various people familiar with the project.

¹³¹ Villagers do not seem afraid to exercise such authority as they have. ICG and a BP consultant were asked to leave a

A cluster of problems dates from the late 1990s when the project was run by the American oil company Arco, which BP has since taken over. Local people agreed to let the project use their land, which entailed moving nearly 600 people from the village of Tanah Merah to make way for the plant. There are complaints from some villagers and experts hired by BP that the compensation agreed with Arco is too low, and it is now being renegotiated. The company is seeking a way of paying the money to villagers who own land without creating jealousies among those who do not. Although the villagers have not withdrawn their consent to the move, they will have to share hunting and fishing rights in their new location with the village of Saengga, which may mean that some end up leaving their new houses to move elsewhere.

There are complaints from local people about a fire that destroyed sago trees and a food crop and about a mysterious spate of infant deaths in the village of Weriagar, both blamed on exploration activity by Arco. BP says that the babies died of measles but commissioned a local NGO to investigate. Other reports say the NGO has run out of funds, and local people are refusing to exhume the bodies for re-examination. BP says there is no proof that Arco caused the fire, and the baby issue may be linked to the disappointment of villagers that the plant and its attendant benefits will be sited on the opposite side of the bay.

BP's idea of proving good faith is to hold extensive consultations. Villagers want to be consulted but seem to measure good faith more in terms of concrete results. The company has no reason to cheat the villagers since the amount of money involved is a small fraction of the project's cost, but its timetable is set by commercial and technical imperatives that are not shared by local people. For example, people in Tanah Merah complain they are still waiting for new houses promised in 1999.

With such different cultures, there is potential for misunderstanding and suspicion. BP, the local government and villagers in Saengga had been planning to sign an agreement in mid-2002 when tensions flared, partly over land compensation and partly over status issues. Between 30 and 100 villagers turned up at the project site on 15 May

2002 and staged a peaceful sit-in before eventually agreeing to leave. This matter was soon resolved, and in early August 2002 the formal agreement with Saengga was officially signed by representatives of all three parties.

Land rights are likely to remain a thorny issue. BP is planning to pay the villagers in recognition of its use of their land with a mixture of cash and community programs. The company says this is not simply an issue of working out the appropriate level of compensation, but also the way in which it is distributed. There is a risk that compensation could create jealousies between people who own land affected by the project and people who do not.¹³² Another risk is that a massive influx of cash into communities with little experience of handling it could be socially disruptive, as the payments by Freeport have been in Timika.

The history of resource projects in Indonesia suggests that land issues are rarely resolved definitively because local expectations grow during the life of a project, and local people do not believe that land can be permanently transferred to outsiders. It is conceivable that some local people may decide in a few years that agreements are no longer valid and must be renegotiated.

To win local support, BP intends to offer community development not only to the seven villages directly affected but to people all around Bintuni Bay. The project has budgeted U.S.\$30,000 per year to pay for state-mandated development plans in each of the directly affected villages. This is about three times what they now receive from the state.¹³³ BP says Papuan NGOs objected to some aspects of these plans, and the company agreed to revise them. There are also plans for an "adat heritage fund". This would recognise a general relationship between adat and natural resources, though not a specific claim on the gas. The form of this fund has not yet been decided. BP sees this fund as a gesture of goodwill towards local communities, not an obligation. It is wary of running community programs itself, for fear of creating dependency on the company.

Local people are being trained in carpentry, catering and other skills that could be used by the project, which has offered one job to every family in directly-affected villages and aims to have an 80 per

consultation between BP and the community at Saengga village in April 2002 because they had not asked the villagers in writing for permission to attend.

¹³² ICG interview with BP staff in May 2002.

¹³³ Ibid.

cent Papuan workforce by 2026. Some villagers also want shares in the project. BP argues that it is only a contractor to Pertamina, not the owner, and they should take this up with the government.

The local communities are due to meet in a *musyawarah adat*, or customary gathering, and BP is hoping they will jointly create a mechanism for dealing with the company. BP is in the tricky position not only of facilitating negotiations to which it is itself a party, but also of having to encourage the creation of institutions to represent the other party. The company has to become involved, but not so much that it is accused of dominating the process. There is no easy way around the dilemma because this kind of negotiation has not taken place before in Bintuni Bay, and there are no pre-existing mechanisms. NGOs and local government play a mediating role but their views and interests are not necessarily identical to those of the villagers. The local government, for example, may be prepared to offer benefits to villagers that the company deems excessive, or is unable to provide.

If one community receives a benefit, others also ask for it. The company has to strike a balance between its own ideas of fairness and those of the local communities. New houses are an example. BP first offered them to the people of Tanah Merah to replace houses that would be destroyed to make way for the plant. Villagers from Saengga, who were providing land for the new Tanah Merah site, demanded new houses, too, and BP gave in. People who come from Saengga but no longer live there are also asking for houses, as are people from other villages. This kind of issue can be further complicated if different departments of the company give mixed messages to the villagers.

An unhappy precedent for relations between local people and resource companies is Djajanti, which is creating oil palm plantations on a tract of land just south of the Tangguh LNG site and has timber and fishing facilities along the coast. Tofoi, one of the seven directly-affected villages, also has a Djajanti sawmill with its own post of Brimob riot police. As noted, Djajanti has powerful connections to the security forces and the Soeharto family and has shown little respect in the past for the law or *adat*. The company may be softening its stance a little, under duress. ICG was told by an observer in April 2002 that the company had paid some compensation for incursions on local fishing rights in the preceding months, and the people of Tanah Merah

were given an electric generator after they seized one of its trawlers, according to a village leader.¹³⁴

Djajanti has no direct contact with BP but there are concerns about turf issues between its fishing boats and the offshore gas platforms. If any disputes do arise, then Djajanti's links to the military could be a cause for concern. A positive aspect of BP's presence is that it may draw more attention to companies like Djajanti, which have been able to operate in Papua largely unhindered by concerns about human rights or the environment.

B. WIDER IMPACTS

During the construction of the plant, the workforce will rise to a peak of at least 5,000. There are worries that workers could quarrel with local people and attract crime or riotous behaviour. BP is keen to avoid this, not only for the sake of operational efficiency and its reputation but also because of the risk that unrest would give the Indonesian military and police a justification to base their men at the project.

BP's solution is to fence the workers in on the site and use Sorong, Fakfak and Manokwari as centres for supplies, administration and other ancillary aspects of the project. Construction workers may be paid in one of the three regional centres and obliged to go back there once work is over, rather than stay in Bintuni Bay. BP aims by such means to spread the positive and negative impacts thinly over a wide area rather than allowing them to pile up around the project site.

Many resource projects in Indonesia have attracted migrants from other regions. In Papua the most striking and troubling example is Timika. BP would be heavily criticised if similar social problems and potential for unrest were created in Bintuni Bay. The Tangguh LNG site may be protected from immigration by its remote location, reachable only by boat or aircraft, but in the end it may be up to local people rather than BP to signal that they do not want large numbers of immigrants. There is a risk that BP's strategy could be disrupted by factors beyond its control, such as the presence of the potentially hostile Laskar Jihad in Sorong, Manokwari and Fakfak.

¹³⁴ ICG interview in April 2002.

C. THE SECURITY FORCES

A major risk of conflict stems from the Indonesian security forces. The experience of Freeport and the logging industry shows that the presence of soldiers or police can turn a local dispute or a criminal matter into violence. BP is keen to avoid being compared to Freeport and is also motivated by heavy criticism over its record in Colombia, where it was accused in the late 1990s of funding military units implicated in human rights abuses. BP has denied the accusations, but it is clear that they have influenced its thinking on security in Papua.

There are about 200 soldiers and police stationed at four points around Bintuni Bay, the closest about an hour by speedboat from the project. The OPM has not been active in the area for decades. Policemen told ICG there had been some incidents of the Papuan independence flag being raised in past years but their biggest task was dealing with rowdy drunks. There is, nonetheless, a possibility that the military or police will insist on exercising the right to protect national assets by stationing men at Tangguh LNG, as they do at Freeport. Should the project be declared a vital national asset, this right becomes a legal obligation. Given the poor human rights record of the security forces and their association with organised crime in much of Indonesia, this would be cause for concern.

Local people are adamantly opposed to a military presence. BP is concerned but does not want to be seen as anti-military. It is working to persuade Pertamina, the government and military and police leaders to have security personnel kept in Sorong, Manokwari and Fakfak rather than at the project site. It hopes to create a security framework by negotiation with local people, civil society groups, local officials and the security forces. The stance of Pertamina is important because the state oil company has been close to the military leadership in the past, and it is possible that the latter, if it wished to put pressure on BP over security arrangements, might do so via Pertamina.

The company plans to recruit security guards among local people, trained by a private firm and armed with non-lethal weapons. The idea is that if BP and the local community can solve their own problems, there will be no need for troops or police. Incidents like the peaceful occupation of the camp in May 2002 could be a challenge to this approach. BP has signalled to the villagers in Saengga that if they use

the threat of violence to make their case, rather than negotiating, the threats from the community could be exploited by outsiders as a pretext to involving the security forces

The community security approach seems the best way forward. The difficulty in practice is that the military and police are rent-seeking institutions, which fund much of their budget, and their members' private incomes, from payments by business. If they feel short of funds or left out of the wealth of Tangguh LNG, they may seek a pretext to station men at the project, which would put them in a stronger position to extract money.

Guerrilla activity or social unrest, whether spontaneous or provoked by the security forces themselves, could supply such a pretext. One idea for dealing with this is to use revenues from the state's share of the project, though not from BP, to pay for facilities and equipment in return for an agreement that the security forces will be based elsewhere. Even with this approach, there is still risk that the latter's demands will become open-ended.

VII. CONCLUSION

The outlook for Papua. The conflict in Papua is unlikely to subside until indigenous Papuans feel that they are more in control of their own destinies, and there is a sense that Indonesia truly recognises and takes responsibility for the injustices of the past. This requires a genuine effort to shift the pattern of Indonesian rule in Papua away from reliance on force. The trial of the alleged killers of Theys Eluay will be one small indication as to whether the current government in Jakarta is willing or able to do so. Unfortunately, it seems possible that the trial will fail to establish who ordered the killing and why.

The implementation of special autonomy will test whether disaffected Papuans can be won over to Indonesian rule, or the conflict will continue. The omens do not look good. The law does not meet the aspirations even of the minority of Papuans willing to consider some form of autonomy. Many more are said to reject the law outright in favour of “merdeka”, a term commonly (though not exclusively) understood to mean separation from Indonesia.

Implementation will be hampered by a flawed and often corrupt bureaucracy, working in a remote and rugged territory with a diverse population, in the presence of military and police units whose interests are often at odds with those of indigenous Papuans. Another complicating factor is the presence of large numbers of settlers, whose tensions with Papuans could spark further conflict. This settler population and its rights need to be factored into thinking about the future of Papua. There is also a need to address racist attitudes towards Papuans among many Indonesians, which echo the racism suffered by Indonesians under colonial rule. It is encouraging that some officials, notably within the police, seem to understand the need for a less confrontational and more inclusive policy towards Papuans, but much more will be needed.

The extra funding provided by special autonomy could conceivably have some positive impact on the living standards of Papuans, though there is a risk that it will be abused or misspent. The provisions on adat, though more restricted than activists would have liked, may open the way for Papuans to have more control over their own affairs, at least at the village level. Adat is not a panacea, however, given the potentially rival interests of different adat

communities and the possibility that chauvinism or vested interests could wrap themselves in the banner of tradition. There is already evidence that companies can undermine adat as a force for responsible resource management by co-opting community leaders, just as the state has sought to control its political aspects. Thus any debate on the role of adat needs to look at governance within adat communities, not just their relationships with outsiders.

The conflict may continue for some time and the violence could worsen, particularly if the military attempts to smash the independence movement as it is trying to do in Aceh. The international community should continue to press Indonesia to avoid force, which will not address the causes of independence sentiment in these regions. Indonesia needs to be aware that some states could face growing domestic pressure to revise their support for Indonesian sovereignty over Papua if there is no sustained improvement in governance and the behaviour of security forces.

In the wake of events in East Timor in 1999, Papuan fears about the use of militia proxies by the security forces should be taken seriously. If it becomes clear that the security forces are fomenting communal violence, or that unacceptable levels of force are being used against Papuan dissent, the international community must make clear to Indonesia that this is intolerable and will incur meaningful sanctions. Even if no such link emerges, governments should still press Indonesia to curb organisations with a history of violence, like Laskar Jihad.

Resource extraction. Resource extraction has earned a bad name in Papua because companies have often worked with the state and the security forces to safeguard their profits, while paying insufficient heed to Papuan customary rights and sometimes operating in the context of serious human rights violations. The result has been to exacerbate the conflict in affected areas. Companies are feeling pressure to deal more fairly with local people, though some still rely on the old methods of bribery and coercion, and it is too early to say that the unhealthy link between resource extraction and military repression has been broken.

Western resource multinationals, despite their controversial track records, are at least accessible to pressure for change via shareholder meetings, NGO campaigns and the press. The same is less true of

Indonesian and other Asian resource companies, whose activities in Papua also need close scrutiny. This is particularly true of the logging industry, whose destructive effects do not seem to be offset by significant or lasting benefits for forest-dwelling people.

Carefully-focused foreign aid could play a useful part in helping the Department of Forestry to monitor forest use more effectively in Papua and promote a crackdown on ships which illegally load cargoes of logs from the province. It could also help Papuan NGOs which work on forestry issues to share information more effectively and to do their own monitoring. For its part, the provincial government should consider banning commercial logging for long enough to create a reformed forestry policy that gives a meaningful role to local communities and puts a greater emphasis on sustainability.

The devastation of forests in Sumatra and Kalimantan, with the resulting social damage, is a warning of what could happen if the province does not grasp this nettle.

There is little consensus on what a fair deal between a resource company and local people should look like or where the line should be drawn between the duties of a company and those of the state. In a contested land with stark inequalities of wealth and power, such a consensus seems unlikely to emerge soon. Companies must expect to negotiate constantly, on shifting criteria, with local people, state officials and other interested parties. At projects where it is easy for migrants to settle, the makeup of the local community could change dramatically over time, creating new issues.

Tensions between resource companies and local people exist in many parts of Indonesia but do not always lead to conflict. The situation in Papua is more acute than other areas, except Aceh, because Indonesian rule is not legitimate in the eyes of many indigenous people and seems to rest more on force than consent. The special autonomy law offers some hope that Papuans may gradually start to feel more of the benefits of resource extraction though, as noted, the obstacles are significant and rapid change unlikely.

The argument in favour of resource investments, from a Papuan point of view, is that they may bring local benefits in the form of money, jobs and

infrastructure. The argument against is that any resource project, even under enlightened management, risks becoming part of the conflict, whether directly because of the presence of troops and police or indirectly because its value exacerbates the struggle or draws it into new parts of the province.

This risk is hard to quantify and will vary according to a project's nature and location. Companies may be able to mitigate it by good community policies and skilful diplomacy, as BP is now trying to do with Tangguh LNG. Even so, the major risks may prove to be largely beyond a company's control. These are the predatory behaviour of the security forces, the unsettled state of Papuan society and the unresolved political conflict.

The provincial government needs to consider the creation of institutions, in partnership with the relevant agencies of the central government and perhaps of foreign donors to deal with the social impacts of investment. A board could be created, staffed by Papuan civil society figures and non-Papuan technical specialists as well as provincial officials, to vet the social and environmental impacts of resource investments and recommend to the governor whether they should be approved. The remit of the board could be tied to the provisions of the special autonomy law on indigenous rights vis-a-vis investors, and it should have the power to recommend against a particular investment if its negative impacts are likely to outweigh the positive, from a Papuan perspective.

A commission could also be created to investigate claims that resource companies, whether Indonesian or foreign, have knowingly engaged or colluded in human rights abuses. There would need to be a provision for sanctions, including the withdrawal of permission for a guilty company to operate in Papua. The recruitment for either of these institutions would need to be transparent and drawn from a wide spectrum of Papuan civil society and officialdom, to minimise the risk of corruption or partiality.

The potential costs and benefits of resource investment in a region like Papua are spread among so many stakeholders that it is not always easy to say with objectivity whether a given investment will be, on balance, good or bad. But the troubled recent history of the province suggests a need for caution. Resource companies, and the governments that back their activities, need to consider whether it is wise

or ethical to invest in Papua until there are signs that the conflict is moving towards resolution.

Tangguh LNG may become a benchmark in this respect, even if its specific lessons are not transferrable to other industries or regions. BP should be given credit for trying to do the right thing. If it succeeds in building a good relationship with local people and minimising disruption and conflict, this would be an encouraging sign for the future, though even the definition of success is likely to be contested between BP and its critics.

Once the plant is up and running, BP's priority will be to keep it open in order to profit from its investment and fulfil its contracts. Should a serious conflict arise and the security forces commit human rights abuses near the plant, the company will have to decide which it values more highly: its legitimacy in the eyes of local people, and therefore its international reputation, or its continued operation of the plant.

For companies determined to invest in Papua, there are lessons from past experience. They need to be careful not to raise the expectations of local people by promising benefits that cannot be rapidly delivered. Agreements which the company sees as final and binding may be seen by local people as open to renegotiation. It is probably more important to encourage the emergence of an ongoing discussion with local people, on a basis of mutual respect, than to aim for a one-off settlement.

A second lesson is that companies should start consultations with affected local communities well before breaking ground, to give time for building trust and gaining a working knowledge of local culture. State officials, NGOs and Indonesian business partners may be important stakeholders but do not necessarily speak for local communities, who may themselves have a wide array of views.

The community relations team needs to be integral to the project from the start, not seen as a luxury, to be called in only when problems arise, nor simply as a mechanism for doling out benefits. There is a need for staff with local knowledge who are equal in status with technical and commercial staff and work closely with them. Good community relations can be undermined by the unheeding imposition of technical or commercial timescales, by cultural misunderstandings or by

racism towards Papuans on the part of individual staff, whether foreign or Indonesian.

The Security Forces. Perhaps the most difficult problem facing companies that want to invest in Papua is how to deal with the security forces. They are probably the single greatest threat to the conflict-free running of a project, and their role needs to be kept to a minimum, but they cannot be excluded altogether given their political power in Papua and Jakarta.

Companies need to persuade the military and police to keep a low profile around projects, but this is not easy. Any attempt to pay them, by supplying equipment or money for example, could backfire if soldiers or police are later involved in human rights abuses, and a company that pays once may end up paying many times. This situation is unlikely to change unless the security forces, notably the army, are brought firmly under civilian control and the rule of law.

Indonesia does not fully fund the military and police budgets, with the result that both institutions earn much of their income from extortion and other crimes, including illegal logging and mining. This involvement with rent-seeking and illegality is dangerous because it gives the security forces a vested financial interest in conflicts and, some would argue, a reason to keep conflicts going. It is destructive of the environment and the social fabric in regions like Papua and increases the risk of further conflict. It ensures that the security forces have sources of funding not supervised by the elected government and may foment corruption within the ranks.

Indonesia could regularise the relationship between security personnel and resource projects as a step towards full on-budget funding. For example, a percentage of the state's natural resource income could be allocated to military and police budgets in return for firm and verifiable undertakings that the latter discipline their members and do not engage in illegal activities in resource-rich areas. By this method, they would not lose financially for upholding the law.

Such a scheme would not be easy to monitor, and there would be problems in differentiating between genuine operational needs and the private financial interests of security personnel. It is probably not wise to suggest such a step in the absence of wider

reforms of the civil-military relationship. Nonetheless, recent history shows that simply asking the security forces to behave responsibly does not work where they have no material incentive to do so, and where the legal system and civilian oversight is too weak to force them.

Jakarta/Brussels, 13 September 2002

APPENDIX A

MAP OF INDONESIA



APPENDIX B

ABOUT THE INTERNATIONAL CRISIS GROUP

The International Crisis Group (ICG) is a private, multinational organisation, with over 80 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

ICG's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, ICG produces regular analytical reports containing practical recommendations targeted at key international decision-takers.

ICG's reports and briefing papers are distributed widely by email and printed copy to officials in foreign ministries and international organisations and made generally available at the same time via the organisation's Internet site, www.crisisweb.org. ICG works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

The ICG Board – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring ICG reports and recommendations to the attention of senior policy-makers around the world. ICG is chaired by former Finnish President Martti Ahtisaari; and its President and Chief Executive since January 2000 has been former Australian Foreign Minister Gareth Evans.

ICG's international headquarters are in Brussels, with advocacy offices in Washington DC, New York and Paris and a media liaison office in

London. The organisation currently operates eleven field offices with analysts working in nearly 30 crisis-affected countries and territories across four continents.

In *Africa*, those locations include Burundi, Rwanda, the Democratic Republic of Congo, Sierra Leone-Liberia-Guinea, Somalia, Sudan and Zimbabwe; in *Asia*, Indonesia, Myanmar, Kyrgyzstan, Tajikistan, Uzbekistan, Pakistan, Afghanistan and Kashmir; in *Europe*, Albania, Bosnia, Kosovo, Macedonia, Montenegro and Serbia; in the *Middle East*, the whole region from North Africa to Iran; and in *Latin America*, Colombia.

ICG raises funds from governments, charitable foundations, companies and individual donors. The following governments currently provide funding: Australia, Austria, Canada, Denmark, Finland, France, Germany, Ireland, Luxembourg, The Netherlands, Norway, Sweden, Switzerland, the Republic of China (Taiwan), Turkey and the United Kingdom.

Foundation and private sector donors include The Atlantic Philanthropies, Carnegie Corporation of New York, Ford Foundation, Bill & Melinda Gates Foundation, William & Flora Hewlett Foundation, The Henry Luce Foundation, Inc., John D. & Catherine T. MacArthur Foundation, The John Merck Fund, Charles Stewart Mott Foundation, Open Society Institute, Ploughshares Fund, The Ruben & Elisabeth Rausing Trust and Sasakawa Peace Foundation.

September 2002

APPENDIX C

ICG REPORTS AND BRIEFING PAPERS*

AFRICA

ALGERIA**

The Algerian Crisis: Not Over Yet, Africa Report N°24, 20 October 2000 (also available in French)

The Civil Concord: A Peace Initiative Wasted, Africa Report N°31, 9 July 2001 (also available in French)

Algeria's Economy: A Vicious Circle of Oil and Violence, Africa Report N°36, 26 October 2001 (also available in French)

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