

Criticism circles Indonesian mine

La. firm is accused of damaging the environment, rights violations

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Accusations of human rights violations and environmental negligence at its huge Grasberg mine in Papua, Indonesia, have dogged Freeport-McMoRan Copper & Gold Inc. for decades.

Papuan residents and the military forces that patrol the mountainous area around the mine have clashed, sometimes violently.

But officials at Freeport, a company that got its start in the early 1900s in the sulfur-mining business, say that allegations of corporate misdealings with the Indonesian government and military are untrue, and that the company has tried to improve the lives of Papuans by providing education, job-training and health care programs.

"I think that we're very capable on the topic (dealing with human rights concerns) and have very strong policies, and if there are any issues like that in any operations in the new company, I think we're well-equipped to deal with it," said Bill Collier, vice president of communications for New Orleans-based Freeport.

The company on Sunday announced a bid to acquire Phoenix-based Phelps Dodge Corp. for \$25.9 billion. It reported half of the revenue of Phelps Dodge over the past 12 months, and its need to grow and diversify was a driving force in the proposed deal.

Freeport reported a profit of \$934.6 million on revenue of \$4.2 billion for fiscal 2005, the latest figures available.

Freeport as it is known today was formed in 1981 by the merger of Freeport Minerals Co., formerly Freeport Sulphur Co., and McMoRan Oil & Gas Co. McMoRan was founded in 1969 as a gas and petroleum exploring company.

Today, Freeport's Indonesia operations account for a hefty portion of the company's overall revenues.

The company has had a presence in the Papua province since the 1960s, when it began developing its Grasberg mine. Until the company began operating there, the local tribes had not had any contact with outsiders, and cultural differences may be at the root of much of the tension between the locals and the mine operators.

Over the years, tension between the Papuan tribes and the military have increased, with critics pointing to Freeport's relationship with the Indonesian government and military.

Watchdog groups such as Human Rights Watch and Interfaith Center on Corporate Responsibility have accused the company of paying large sums of money to the military to squelch citizen uprisings.

The *New York Times* reported last December that Freeport paid almost \$20 million to Indonesian police and military personnel from 1998 to 2004.

Freeport notes that the Indonesian government identifies the mine as a vital national resource that requires special security measures to maintain a safe work environment for its workers.

In 2004, the company commissioned the International Center for Corporate Responsibility to conduct an independent audit of its Grasberg mining operations, taking what many industry experts said was an unprecedented step toward openness about its mine.

The non-profit organization, based at the City University of New York, interviewed employees at the mine and members of the community to see if it was holding up to the social, employment and human rights policy it put into place in the late 1990s.

The report, published unedited in October 2005, identified areas in which the company could improve.

"Bottom line, I think after being in business for such a long time, the company has indeed become very sensitive to the human rights issue," said S. Prakash Sethi, president of the International Center for Corporate Accountability.

The organization works with multinational businesses on improving worker standards and performs independent audits of corporations' overseas operations under the agreement that their findings will not be edited or withheld from the public by the companies.

Sethi noted that the audit did not include any complaints about the company's security department from community members or employees.

The fact that company decided on its own to bring in an outside organization to review its on-site operations represented its willingness to improve the situation, said Carol Raulston, senior vice president of communications for the National Mining Association in Washington, D.C.

"Various companies look at their environmental program or some aspects of their operation, but this to me was a very thorough review not only of how they were conducting their operation now but also their past activities," Raulston said.

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