



**Newmont Mining Corporation:  
Global Community Relationships Review**

**Organisational Learnings from the  
Minahasa Case Study**

**May 2008**



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***“There are lessons to be learned from our Minahasa experience, and they should be shared.”***

**Newmont Interviewee**

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## Glossary

- ANDAL *Analisis Dampak Lingkungan* (“Environmental Impact Assessment”). ANDAL refers to the environmental impact assessment document produced as part of the AMDAL process.
- AMDAL *Analisis Mengenai Dampak Lingkungan* (“Environmental Impact Assessment”). AMDAL refers to the environmental impact assessment process required prior to approval of extractive industry projects. The AMDAL is comprised of the ANDAL (EIA Document), plus an environmental management plan and an environmental monitoring plan.
- CCC community consultative committee
- CSR Centre for Social Responsibility in Mining
- CRR Community Relations Review
- EIA environmental impact assessment
- ESR environment and social responsibility
- JATAM *Jaringan Advokasi Tambang* (“Mining Advocacy Network”)
- NGO non-government organisation
- NYT New York Times
- PTNMR Newmont Minahasa Raya
- SSM small scale mining
- STP submarine tailings placement
- WALHI *Wahana Lingkungan Hidup Indonesia* (“Forum for the Environment Indonesia”), a member of the Friends of the Earth Network

# 1 Introduction

## 1.1 Background to the Minahasa case study

In its final year of operation, a gold mine located in the North Sulawesi Province of Indonesia operated by Newmont Minahasa Raya (PTNMR) became deeply embroiled in controversy over allegations of polluting the local Buyat Bay. Some local community members alleged that the operation's submarine tailings had damaged waterways and marine life and negatively impacted their health. A protracted conflict involving PTNMR, and Newmont as the parent company, various Indonesian politicians and government departments, global media, NGOs and local community groups ensued, with multiple lawsuits lodged, defended and verdicts appealed. In the process, Newmont employees were detained, and one later charged with environmental crimes. Despite a series of strong legal victories in favour of Newmont in the Indonesian courts, the company's corporate reputation was called into question on an international scale.

## 1.2 Purpose of the assessment

In 2007, Newmont initiated a global Community Relationships Review (CRR) as a result of a shareholder resolution at its Annual General Meeting in Denver. The CRR project initially focussed on five operating sites around the world. The Minahasa case study was added at the request of the independent Advisory Panel, with agreement from the Environment and Social Responsibility (ESR) Committee of the Newmont Board. Assessments at the five other Newmont operations involved in the CRR were guided by a common scope of work and methodology. The Minahasa case study differs from these cases because (a) it is in the closure monitoring rather than operational phase of its mine life, (b) it was heading towards closure when Newmont's environment and social responsibility policies and standards were put in place, and (c) there is the possibility of multiple ongoing appeals in relation to the Minahasa litigation. With these considerations in mind, a different approach was agreed between the Advisory Panel, Newmont, Study Directors of Foley Hoag LLP and the CSRM Assessment Team.

The Assessment Team was asked to prepare an internal report that reviewed lessons learned from a company perspective to help provide an initial (albeit solely organisational) view of Newmont's Minahasa experience. The intent was to enable insights gained from the experience to be integrated into the CRR summary report being prepared by the Study Directors, along with insights gained through other case studies. Reflecting the agreed scope, this report addresses the following key questions:

- What was the background context to the Minahasa case study?
- How did individuals within Newmont experience the Minahasa crisis as it developed?
- What views are held within Newmont about why events unfolded as they did and whether/how things could have been handled differently by the company?
- What key organisational learnings stem from the Minahasa crisis that Newmont has taken or should still consider taking forward?

### **1.3 The Assessment Team**

CSRM is an independent research centre located within the Sustainable Minerals Institute at The University of Queensland (UQ), Australia. CSRM was established in 2001 with funding support from UQ and the Queensland Government. Its charter is to promote socially responsible practices in the minerals industry and facilitate progress towards sustainable development objectives. CSRM had previously been engaged by the CRR Study Director to undertake a case study review of Newmont Waihi Gold operations in New Zealand, as one of the five original case study sites.

The research was undertaken with the assistance of specialist consultancy, OfforSharp, a management and stakeholder engagement consultancy specialising in the resources and infrastructure sectors within the Asia-Pacific region. Its core service areas are: stakeholder engagement, conflict resolution, sustainable development strategies and frameworks, social impact assessment and informed consensus processes.

### **1.4 Methods and sample**

Two senior members of the Assessment Team members completed a rapid desk-top review of documentary material, including web-based sources, accessible NGO documentation, media files and information posted on the Newmont Minahasa site and/or held in Newmont corporate records in order to familiarise themselves with the Minahasa case. Some interviewees provided the Assessment Team with additional information on specific aspects of the case. This information has not been directly cited, largely due to its potential to identify interviewees.

The research involved 26 individual depth interviews with key Newmont executives, current and former managers, employees and consultants who were involved in Newmont's Minahasa experience. A range of interviewees participated in the research, including corporate, regional and site-based personnel, across a range of disciplines. Approximately one-third of interviewees were Indonesian. Four women were interviewed. Thirteen interviews were undertaken by phone and another thirteen face-to-face, in Jakarta and Perth.

An initial interview list was negotiated between Newmont, the Study Director and the Assessment Team. All suggestions made by the Assessment Team, either by name or position, were considered. Some were excluded on the basis of ongoing litigation or attorney-client privilege. A few former employees declined to participate in the study, and others were either non-contactable or unavailable prior to the report delivery deadline. Several additional names were suggested during the interviews, but not all of these suggestions could be followed up due to the compressed project timeframe.

The study had approval from UQ's Ethics Committee. All interviews were undertaken on a voluntary basis, with prior informed consent. All interviews were confidential and anonymous, with all transcripts de-identified using a strict data-handling protocol developed by the Assessment Team specifically for the Minahasa case study. An interview protocol, approved in advance by Newmont and the CRR Study Directors, was used to guide the discussions. A thematic analysis of interview data was undertaken to identify common themes, as well as exceptions. The qualitative analysis

software NVivo™ was used to help test assumptions and verify conclusions. Only non-identifiable quotes have been selected for inclusion in the report<sup>1</sup>.

This report draws on the full range of interviewee perspectives and utilises 125 direct quotes across Chapters 3 to 6. Across the board, a relatively even spread of quotes was achieved, with no single perspective dominating.

## **1.5 Limitations**

The Assessment Team travelled to Jakarta for interviews with current and former employees, but did not travel to the PTNMR site, and did not consult community members or other stakeholders. The social, legal and operational sensitivities that surround this particular case resulted in a more tentative approach to external consultations than was the case for the other studies undertaken during the CRR.

The Assessment Team was all Australian. Interviewers were all senior researchers with extensive experience in a wide array of cross-cultural contexts, but some cultural nuances may have been missed. While best efforts were made to ensure a gender balance in interviews, this was not always possible. On the surface, neither of these aspects raised particular issues.

Considerable time has elapsed since the events of 2004, and although some memories are still vivid, there was some ambiguity in different accounts on certain aspects or events. It was not within the scope of the process to verify each account, but where confusion exists this is flagged in this report.

The research was commissioned at the end of March 2008 and the first draft report required mid-May 2008, representing a compressed timeframe given the complex nature of the case and the heightened sensitivities involved, particularly for those employees who were detained in Indonesia at the height of the crisis, and those who worked closely with them.

Despite the limitations above we believe the number of interviewees coupled with methodology provide confidence in the research findings presented within this report.

## **1.6 Report structure**

This report attempts to build layers of understanding about the crisis. This approach does result in some repetition as issues are overlapping and interrelated. This is unavoidable given the complex nature of the case and in order to achieve full coverage of the material and the issues.

Many interviewees identified contextual aspects that they considered important to the case, ranging from international politics to the history of specific local communities. We have attempted to introduce this background information in the next chapter. Chapter 3 then narrates the story of the Minahasa crisis as told by interviewees. It aims to reflect their understanding of events as they unfolded by presenting common as well as divergent perspectives. Then, through thematic analysis across all interviews, Chapter 4 illuminates organisational learnings in terms of interviewee perceptions of why things unfolded as they did, and what could have been done differently. Chapter 5 explores

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<sup>1</sup> Best effort has been made to provide verbatim notes. However, in some cases slight paraphrasing has been applied to improve clarity.



interviewees' thoughts on what has changed within Newmont and its approach since the crisis, and what risks and challenges remain. A brief final Chapter attempts to summarise the main themes that emerge from the study, although the nature of the material defies simple causal analysis. For the same reason, we have made no attempt to produce an Executive Summary of this report.

### **1.7 Acknowledgements**

We would like to acknowledge the efforts of Newmont executives, corporate, regional and site-based staff and the CRR Study Directors at Foley Hoag for facilitating the research process in what remains a sensitive area. Most importantly, we would like to thank those interviewed for their willingness to participate and their thoughtful comments. The events of 2004 were stressful for all of those involved, and it was often an emotional process for individuals to revisit their experiences. The fact that people were willing to engage in the research and to speak so candidly suggests a strong desire for Newmont to understand and learn from the experiences of 2004.

## 2 Brief Background Context

The following sections discuss some of the contextual factors that coalesced to influence Newmont's Minahasa experience, from broader socio-political and economic factors at the regional and national level, through to local considerations. Many interviewees identified the intersection of several of these issues as critical to the way the case developed.

### 2.1 *Demographics and regional history*

The Republic of Indonesia is a unitary state and the fourth most populous country in the world at 222 million people (DFAT 2006), with approximately 60% living on the island of Java. The island of Sulawesi, which lies east of Java and Borneo, west of the Moluccas Islands and south of the Philippines, is significantly less populated hosting around 7% of the total Indonesian population (Muhidin 2002, p.17). Sulawesi is divided into six provinces, of which the three most northerly are referred to as the Minahasa region. The PTNMR mine was located in a remote coastal area of Minahasa, 80km south from North Sulawesi's provincial capital of Manado, where PTNMR retains an office.

With a population of around 3 million, North Sulawesi is 70% Christian (Muhidin 2002, p.17), and Minahasa around 90% (Jacobsen 2002, p.36). These are notable statistics in a country that is 88% Muslim with Christians comprising only three per cent of the total Indonesian population<sup>2</sup>. Religious tension is of concern in some parts of Indonesia, including Sulawesi. Central Sulawesi for example has been plagued with religious tension between Christian and Muslim factional groups, culminating in violent exchanges between 1998 and 2001. While most Indonesian communities remain relatively tolerant of religious difference (Kray 2006, p.52), religious fundamentalism and the infiltration of groups determined to remove Western influences, including business, from the country remains a threat to Indonesia's security environment (Fund for Peace 2007).

Indonesia's culture is highly diverse, with more than 300 ethnic groups. North Sulawesi has attracted migrants from other parts of Indonesia, largely Muslim, seeking economic opportunities and to escape ethnic tensions elsewhere. Post-independence transmigration programs also encouraged re-distribution of Indonesians from Java to less populated areas (Hoey 2003), although North Sulawesi attracted significantly fewer transmigration families than other areas of Sulawesi (Muhidin 2002, p.17). Minahasa has a strong regional political consciousness, which is thought to have emerged as a result of Dutch Christianisation, standardisation of the language and a strong education system under colonial rule (Henley 1993). Minahasan communities remain some of the most literate people in Indonesia (Beyer 1996).

Access to food and water supplies are issues in many parts of Indonesia, particularly in rural areas and remote villages, as was the case in the villages around the PTNMR operations. Public access to healthcare outside the main Indonesian cities remains limited, resulting in high infant mortality rates and preventable diseases in many

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<sup>2</sup> Minahasa's high representation of Christians is largely as a result of European missionary activities throughout Dutch colonisation.

locations. Such inequities have contributed to social divisions between rural and urbanized populations (Fund for Peace 2007).

## **2.2 Indonesian political context**

Indonesia declared independence from Dutch colonial rule in 1945 and Sukarno was appointed first President of the Indonesian republic in 1949. Indonesia followed a neutralist, non-aligned foreign policy under Sukarno and domestically followed a philosophy of 'guided democracy'. After a series of attempts to unseat Sukarno (including Western intervention), due in part to Sukarno's approach to foreign investment, General Suharto assumed the Presidency in 1967. Under Suharto, Indonesia rapidly opened up to foreign investment, particularly natural resource developments. The so called *New Order* economically reformed the republic with the assistance of the World Bank and the International Monetary Fund. Suharto held power under the *New Order* regime for more than 30 years.

Suharto exerted control over Indonesian civil society through an authoritarian political structure, a corrupt judiciary and a brutal military (Banks 2002). By the mid-1990s, the Suharto regime faced a crisis in legitimacy with its state-centred orientation to development and security, and economic policies that were widely perceived to benefit foreign-linked firms (Schouten 2004). Suharto resigned shortly after the 1997-8 Asian financial crises amid widespread demonstrations and violent protests.

The post-Suharto *Reformasi* period represented a move towards a more liberal political and social environment, including a more open media and greater freedom of expression. However, *Reformasi* carried with it remnants of the Suharto regime, including politicisation of security forces, a centralised approach to power and a culture of corruption (Romano 2003). The transformation of Indonesia's military and police force from a powerful and corrupt apparatus to a civilian-controlled national security force is ongoing, with progress considered to be slow but steady (Fund for Peace 2007). Transparency International's Corruption Perception Index (2006) considered Indonesia's corruption issues to be endemic with a 2.4 corruption rating out of a possible 10<sup>3</sup>.

Political transformation through democratic reform and constitutional change has continued in recent years, including a move towards regional governance and decentralization, giving greater autonomy and powers to regional authorities. Sulawesi gained regional autonomy in 2001. Direct presidential elections were first held in Indonesia during 2004, the same year as the Minahasa crisis, which saw Susilo Bambang Yudhoyono<sup>4</sup> defeat Megawati Sukarnoputri, daughter of the former President Sukarno. Tension between national and regional governments remains today, with laws and administrative tasks often overlapping. Additionally, village cultural practices remain and often govern local decision-making (Bubandt 2005).

Patriotism and nationalism remain highly charged in Indonesia. While the majority of Indonesians remain patriotic, there are many ethnic groups that seek to achieve greater autonomy, or independence from central government, one of the main stimulants of ethnic violence. Domestic conflicts within Indonesia, for example East Timor, Aceh and

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<sup>3</sup> On a scale of 1 to 10, with 10 representing low levels of corruption.

<sup>4</sup> Yudhoyono was Minister of Mines and Energy under the Wahid government. When Megawati replaced Wahid, Yudhoyono was in cabinet as Minister for Politics and Security, before standing for the presidency. He was a military commander during the Suharto era.

Papua, have been in part exacerbated by the perception of uneven wealth distribution along religious and ethnic lines. Tensions surrounding perceived uneven distribution of wealth between majority Muslim communities and minority religions continue to amplify the perception, at the local level, of discrimination based on religious or ethnic identity.

The events of 9/11 and the Iraq war heightened the existing strong anti-Western and anti-American sentiment within Indonesia. There are strong historic and cultural reasons for the anti-Western sentiment, particularly related to Western political and economic involvement in Indonesian politics and the unpopular macro-economic policies that contributed to the 1997-98 Asian financial crisis. Polling conducted by the Pew Centre (2005) indicated that the percentage of the Indonesian population with a favourable view of the US decreased from 75% in 99/00 to just 15% in 2003<sup>5</sup>.

Liddle and Mujani (2007) have observed that new democracies, such as Indonesia, see popular media become particularly powerful and influential, carrying a moral and political weight not seen in western industrialized societies. Suharto's government had previously maintained a strong grip over media reporting. Today there is a wide range of media sources. Despite the increase in both choice and independence from the state, many commentators have questioned the quality of reporting. Some media outlets are considered sensationalist in their drive to acquire greater audience numbers (Hardono 2002, Heryanto 2001).

### **2.3 Mining in Indonesia**

In mining terms, Indonesia is highly prospective and is one of the most resource-rich countries in the world, with globally significant operations in many minerals including coal, gold and copper. Major global mining companies have been present in the country for many years.

Many large mining operations in Indonesia have been called into question on the issue of human rights, in particular issues relating to land, health and environmental impacts, their relationship with security forces and the right to development of poor and marginalised communities (Banks 2001, Wiriosudarmo 2001). PTNMR negotiated its Contract of Work and commenced operations during the 1990s. It is relevant to note that international investors, including mining companies, were condemned for being reluctant to criticise the Suharto regime's human rights performance during this period (Ballard 2002).

According to a report by Pricewaterhouse Coopers (PWC) (2007), Indonesia continues to lag behind the global trend of new investments despite increasing profits in the mining sector, and note a steady decline in exploration investment. PWC found that the key issues, as perceived by mining companies include: conflict with forestry regulations, taxation issues, regional autonomy, illegal mining and lack of coordination between government departments. PWC conclude that the current low level of exploration expenditure by large global mining companies will continue until companies are satisfied that investment conditions have improved.

It is well documented that small-scale mining (SSM), which experienced considerable growth in Indonesia in the aftermath of the Asian economic crisis, is also undertaken

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<sup>5</sup> Results for 2005 indicated a climb back to 38%.

throughout Indonesia. SSM activities in the country are largely unregulated, and there are few studies documenting environmental or human health impacts (Kambey, Farrell and Young 2001)<sup>6</sup>. There is widespread activity in North Sulawesi (Blackwood and Edinger 2007, Kambey, Farrell and Young 2001), including in the area around PTNMR. The ANDAL study undertaken for PTNMR included a section which described the history and extent of SSM activities in the area of the mine, with operations reported as far back as Dutch colonial times during the 1920s<sup>7</sup>.

In recent years, major international reviews of the global mining industry such as the *Mining, Minerals and Sustainable Development* project (IIED 2002) and the World Bank's *Extractive Industries Review* (2003) have highlighted (in addition to many other issues) the use of riverine and submarine tailings disposal methods. The EIR Final Report adopted a strong stance against these methods, calling for a ban on the disposal of mine waste into rivers and caution on the use of sea disposal (2003, p.31), although the final World Bank management response did not preclude their use. The EIR was led by Dr Emil Salim, a former Indonesian Environment Minister. Many environmental and non-government organisations became increasingly globally connected on this issue during the late 1990s. Global campaigns such as 'No Dirty Gold' included as part of their campaign, the alleged effects of STP on local communities and the environment, and Indonesian NGO groups were active in the international campaign against this practice.

## **2.4 Brief overview of Newmont's Indonesian operations**

Newmont's Minahasa Raya (PTNMR) operation is an 80% Newmont-owned<sup>8</sup> open pit gold mine located 80km south of the city of Manado in the Province of North Sulawesi, Indonesia. According to Newmont (PTNMR 2002), the company negotiated the Contract of Work in 1986, discovered the Mesel orebody in 1988, and commenced construction six years later in 1994. Mining commenced in March 1996, continued for a period of six years and ceased as planned in October 2001 when the ore body was depleted. Mineral processing from stockpiles continued until August 2004. Closure activities were largely completed in 2006, and scientific closure monitoring is now ongoing. PTNMR was one of the first large-scale operations in Indonesia to close. Land relinquishment has not yet occurred and the site is still under Newmont management control.

As will be discussed, a key focus of the litigation and media coverage was tailings disposal. The ANDAL document (PTNMR 1994) evaluated two tailings disposal options, land storage and STP, the latter of which was selected. PTNMR was the first mine in Indonesia to use the STP method. The STP system involved a three-stage detoxification circuit to target the reduction of cyanide, arsenic and mercury in the tailings slurry prior to discharge into the ocean via a pipeline 1km offshore at a depth of 82 meters (PTNMR 2002). While PTNMR did not use mercury or arsenic to process gold,

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<sup>6</sup> Kambey, Farrell and Young (2001) identified significantly raised levels of mercury in fish caught near areas of high SSM activity in the Minahasan region.

<sup>7</sup> Although the ANDAL document describes extensive SSM activity, and it is understood from other documentation that the practice remains an issue in the local area.

<sup>8</sup> The remaining 20% is owned by PT Tanjung Serapung, an Indonesian company.

they were given particular attention in the detoxification process due to their abundance in the mined ore and their potentially toxic nature (PTNMR 2002)<sup>9</sup>.

In partnership with a consortium led by Sumitomo Corporation, Newmont also operates Batu Hijau, a large copper-gold mine on the island of Sumbawa. Relative to Minahasa, Batu Hijau is approximately four times the size, in terms of tonnage and number of employees, and has a 25 year life-of-mine, compared to the short mine life at PTNMR. Newmont signed the Contract of Work for Batu Hijau in 1986, the same year as for PTNMR. Following ten years of exploration, construction commenced in 1997 culminating in production in 2000. The STP method is also used at Batu Hijau. At the time of the events described in this report, Newmont's mines were the only operations in Indonesia to employ this method of tailings disposal<sup>10</sup>. Newmont continues to explore in other parts of Indonesia.

## **2.5 Local communities<sup>11</sup> and the PTNMR operation**

Social baseline data regarding the communities surrounding the mine were based on studies undertaken by external consultants in 1990 and 1992, and largely recycled in subsequent reports. Aspects studied included historical information, population distribution and age, ethnicity, education, migration, labour, local trade, land use, occupation and income, forestry, agriculture, fisheries, unlicensed mining, housing, water, roads, religions, leadership and authority social dynamics, arts and entertainment and local organisations.

Prior to mining, the Contract of Work area included 17 small settlements grouped into three main villages: Basaan and Ratatotok (I and II), both located in the Belang Subdistrict, and the Buyat Village, located in the Kotabunan Subdistrict. According to the ANDAL, the combined population of these villages was around ten thousand people in 1992, with approximately half living in Ratatotok I and II. Ethnicity was diverse with more than six ethno-linguistic groups in Basaan Village alone. Land access rights under the Contract of Work were granted by the Provincial Government, and negotiations held with the affected communities on issues of compensation. There were a number of disputes from the commencement of mining activities relating to the amount of compensation and delays in its payment, issues which were settled in Newmont's favour in a number of District court decisions.

In terms of religion, Buyat is predominantly Muslim and the other villages predominantly Christian. Levels of education amongst the three villages were significantly below Minahasan averages, with one percent of village population graduating from senior high school, compared with 12% of the Minahasan population. There was a history of internal migration prior to PTNMR's presence, and patterns were related to local factors, largely economic. Primary occupations and sources of income of residents were farming and fishing. As mentioned, there is also a long tradition of small

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<sup>9</sup> The ANDAL documentation describes elevated levels of mercury and arsenic in marine sediments collected for baseline monitoring prior to operation.

<sup>10</sup> PT Freeport Indonesia's Grasberg mine has employed riverine tailings disposal since inception, and has also been the target of environmental campaigning over this practice.

<sup>11</sup> Information about the social and cultural aspects of the area surrounding PTNMR were sourced from descriptive data outlined in documentation provided by Newmont, including the ANDAL (1994), Mine Closure Plan (2002) and Now and Beyond SD Report (2002).

scale gold mining in the area, with significant migration associated with this activity as late as the 1980s and 1990s. Social services and infrastructure in the area were not favourable and the health of fishermen was described in the ANDAL as poorer than farmers, although detailed health baseline and impact assessments were not undertaken.

According to the 1994 EIA, Buyat village itself was originally settled in 1897. The 2002 Closure Plan states that “Buyat village consists of two areas; one inland and one directly on the beach. Buyat Beach was originally settled by immigrant fishermen.” The beach settlement, which emerged as a focal point in the subsequent controversy (and which is referred to throughout this report as Buyat Pantai), does not appear to be mentioned in the pre-mining EIA and ANDAL documents. It is understood that there was a small number of families based there prior to the operation commencing, and that this number grew steadily through the life of the mine. Prior to the crisis in 2004, several interviewees estimated that the population was around a few hundred. Interviews and other documentation reviewed as part of this research indicate that the community was not considered ‘legal’ by the local government, or other villages. Media reports indicate that the landowner had not given consent for them to occupy the land.

Company documentation indicates that the demographic composition and socio-economic profile of the villages underwent significant changes between 1991 and 2000. Sources of income became more diversified with the arrival of PTNMR, with many villagers working as employees and service providers to the operation. The mine was a significant contributor to the local economy, with a total direct and indirect contribution to the Indonesian economy during its operation in the order of US\$544 million (Now and Beyond 2002). PTNMR was the single largest employer in the area, with preference given to local villagers. Company documentation indicates that employment numbers peaked somewhere between 500 and 700, with approximately 85% from Sulawesi.

PTNMR established a Community Consultative Committee (CCC) at the commencement of mining operations, comprising village leaders and other influential figures from the local area. This group was used to help prioritise community development projects and programs. The target areas were the immediate neighbouring villages, and the focus was health, infrastructure and education. The Mine Closure Plan outlines the community development programs undertaken since operations commenced in 1996, including through a development foundation<sup>12</sup>.

Closure planning culminated in the submission of the formal Closure Plan in 2002, a document developed in conjunction with an environmental consultancy. With regards to community aspects, the document indicates that negative impacts of closure were identified through various sources, including a Participatory Rural Appraisal (PRA) process, data from local institutions, including the police, and information gathered by the PTNMR community liaison department and interaction with the operation’s CCC. However, limited detail is provided in terms of exactly how the site planned to systematically manage, monitor and address the issues raised.

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<sup>12</sup> In 2001 a dispute arose between PTNMR and the North Sulawesi provincial government over the interpretation of tax arrangements in relation to waste material being used for local construction activities. Following a series of legal proceedings involving PTNMR, provincial and national governments, the issue was resolved through the establishment of a development foundation, the Yayasan Minahasa Raya, established by PTNMR with the disputed tax funds.

## 3 The Minahasa Crisis from Interviewee Perspectives

### What views are held within Newmont about how events unfolded?

The purpose of this section is to give a sense of how the crisis was seen through the eyes of individuals within the organisation. The narrative which emerges from the interviews reflects many different perspectives, but it provides an account of events before, during and after 2004. It is a different view to that which is gained by reading material available in the public domain, although centred on the same key events. Interviewee views on underlying issues and causes are explored in the next section.

The narrative is described in several phases which are largely sequential, although a degree of overlap does occur. This section is not intended as a comprehensive history, and many details of individual interviewee accounts are omitted for the sake of brevity<sup>13</sup>. It is also important to emphasise that there are many other external perspectives on the Minahasa events, but as explained in Section 1 these fall beyond the scope of this review. Similarly, there were a number of significant reports compiled both during and after the crisis on different aspects. Reports referred to in this section were mentioned by interviewees in their narratives.

### 3.1 Local relationships before the crisis

Most of those interviewed believed that PTNMR personnel enjoyed largely positive relationships with local stakeholders before the crisis, referring to the CCC process as well as day-to-day interactions with local communities, including in Buyat Pantai, and regional governments. A few observed that the CCC was dominated by relatively powerful individuals: *"There were religious leaders, local figures, businessmen ... large landholders ... [people with] authority and respect."*

Many interviewees pointed to a general improvement in living standards for most communities living around the mine during its years of operation. However, descriptions of the operation's approach to community development activities were partial, or inconsistent. Some described micro-finance and capacity-building activities, while others described only infrastructure projects: *"... the biggest was the community hall for the village heads."* Reflecting on the situation when the crisis broke, several expressed concern at the lack of significant visible improvements achieved during operation: *"When you go to Minahasa, you see a big sign 'Donated by Newmont'. The sign is bigger than the project. The sign is there next to a broken road."*

According to many interviewees, these formal development initiatives excluded the beach community at Buyat Pantai. Several indicated that the Buyat Pantai villagers were not represented on the CCC at the insistence of other parties, including the owner of the land which they occupied, community leaders from other villages and the local government. According to one interviewee, PTNMR adopted the view held by these other stakeholders that: *"... these people were squatters, trespassing, didn't have a right to be there. Newmont bought into that view of the world."* Despite this, PTNMR community relations staff said they maintained contact with the Buyat Pantai community and did

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<sup>13</sup> There are also several issues that feature in media and other public accounts that were not discussed in any detail by interviewees, such as small scale mining, permitting issues and a leaked audit that was covered in the New York Times article.



attempt to facilitate some basic improvement projects in Buyat Pantai. One interviewee said: *"We did go in and were trespassing to put in public sanitation, but this was very basic and not maintained."* Several indicated that the company was aware of the poor living conditions of the Buyat Pantai community. One manager reflected: *"People were living in deplorable conditions, but [the issues were] not related to STP"*. However, it was a commonly held view at the time that doing more development work there *"... would have put Newmont in a position of conflict with the other communities."*

### **3.2 Early warnings**

According to several interviewees, allegations about pollution at Buyat Bay were raised even before PTNMR operations commenced: *"This issue was around ... allegation of poisoning ... in 1996 before the STP started ... fish kills which we concluded were from fish bombing."* Interviewees also observed that Indonesian NGO groups actively campaigned in the area from the start, establishing and maintaining relationships with local communities: *"NGOs lived with the community of Buyat from 1997."* According to interviewees, claims of skin rashes, sickness, and reduced fish stocks attributed to Newmont's tailings disposal in the sea were the subject of protests at the local and regional North Sulawesi level in the late 1990s and early 2000s, and were generally linked to the community at Buyat Pantai. At one of these protests, campaigners dumped fish in front of Newmont's Manado office, prompting prominent coverage in the Manado Post and other local media.

Relationships with oppositional Indonesian NGO groups were mainly antagonistic. Some described efforts made by PTNMR site-based staff to engage with them: *"We would take them on our boat to the samples and show them how it [sampling] was done ... we tried to get them to education seminars."* Apparently, little progress was made. Several others said that there was no strategy of engagement or communication. One interviewee said: *"We did a stakeholder map – but it's not in the Mine Closure Plan – we included NGOs but it was edited to only include 'legitimate' NGOs – those that support and agree with us."* Many interviewees employed the term 'enemy' when discussing the relationship, for example: *"WALHI<sup>14</sup> was our enemy. They declared a war before the mine started operating."* A few interviewees reported that better relationships were formed with local WALHI representatives, who distanced themselves from the main campaign when the issue broke in 2004.

Several international NGO groups also made PTNMR's use of the STP process a campaign issue. However, at this point the issue was still perceived by PTNMR to be largely contained to the local and regional context. Despite the sporadic but ongoing public allegations, interviewees explained that Newmont personnel were confident that the monitoring data demonstrated no issues of concern regarding the marine environment in Buyat Bay. One participant summed it up as follows: *"Newmont Indonesia ... considered them [NGOs] to be talking nonsense, and hoped that they would just go away."*

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<sup>14</sup> *Wahana Lingkungan Hidup Indonesia* ("Forum for the Environment Indonesia"), a member of the Friends of the Earth Network.

### **3.3 Preparing for closure**

Production from the mine ceased in 2001 and the operation moved into a closure phase, with the cessation of processing activities planned for 2004. A few interviewees described how closure planning had commenced relatively late: *"We only started working on the Closure Plan the year before closure."* Several commented that, while strong on environmental aspects, the plan was perceived to be lacking in terms of social considerations: *"Minahasa was a poster child<sup>15</sup> for environmental planning for closure ... but hadn't put anything into the social aspects."*

Closure planning sought to re-focus community development activities, with several interviewees commenting on a renewed emphasis on infrastructure: *"[We provided] schools, houses, a hall, road infrastructure etc., but that all started in 2002. We have been there since 1996. It was a bit late."* During this time, the Community Relations budget within operations was being reduced and staff were being laid off, while the Closure Group assumed an increasing role in this area: *"At some point Community Relations [for operations] was moved out. We were decommissioning the mine and moving people out."* Funding for activities was being co-ordinated through different channels, a fact not unnoticed by some in the community: *"Sometimes the community went to the Community Relations team, then they went to the Closure Team. Closure made a decision that had been rejected by Community Relations, so the community decided that going to the Closure Team was better."*

As previously mentioned, the Buyat Pantai community was explicitly identified in the socio-economic profile section of the 2002 Closure Plan. However, the chapter which dealt with the socio-economic impacts of closure and related plans did not specifically refer to the beach village. One interviewee reported that the scenario around renewed allegations from Buyat Pantai was raised during a risk assessment process undertaken for closure planning, but at the time the risk was not considered a high priority.

As the Batu Hijau operation became the main focus of Newmont's presence in Indonesia and the base for Newmont's senior regional managers, several interviewees described how staff numbers in the Jakarta office (including media, public relations and government relations) were substantially reduced<sup>16</sup>, partly in response to the decentralisation of government processes: *"Newmont thought that everything was focussed in Manado or Batu, and that Jakarta was not necessary."* PTNMR focused on negotiations with the provincial and local governments over the technical aspects of rehabilitating the site, decisions about asset disposal and formal release of the land back to government control.

### **3.4 The 'Perfect Storm' (early 2004)**

In early 2004, PTNMR site staff were alerted to reports of a sick baby at Buyat Pantai, with the child's condition being linked to PTNMR's tailings disposal in Buyat Bay. Interviewees described how villagers and NGO activists organised protests in Manado, leading to a meeting which included government officials, community members and

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<sup>15</sup> 'poster child' usually indicates a prominent positive example

<sup>16</sup> Interviewees provided different explanations about the reduction in size of the Newmont's Jakarta office. Some stated that the office 'closed', others described a substantial reduction. It is beyond the scope of this report to clarify the exact nature of the change in company presence in Jakarta.

company representatives: *“At that meeting, they did not ask for doctors or medicine. They asked for compensation ... for sickness and land. It was a coalition between Buyat Pantai and Ratatotok.”* Interviewees indicated that since no-one within the company believed that the illness was related to PTNMR activities, no agreement was reached: *“Newmont was afraid that if they gave a donation to Buyat Pantai, then it would be an admission of guilt, rather than a contribution to community development.”*

According to those interviewed, the mother and the sick baby were then flown to Jakarta by NGOs and a local politician, who used the baby as a central example of the sicknesses they claimed were being caused by PTNMR activities. Several suggested that internal communication now began to reach regional managers and also Newmont’s corporate office in Denver, whose response during a phone call was summarised by one person as: *“We’ve got all the data, we know there’s no problem environmentally, we’ve done everything we can do.”* Some interviewees commented that there was a view in parts of the organisation that the issue would be confined to the regional papers, but others were more pessimistic: *“I remember someone saying ‘This is really bad, the people in Denver don’t get it.’”*

On 3 July the baby died. Several villagers from Buyat Pantai subsequently lodged a complaint with police in Jakarta about alleged pollution. NGO representatives claimed in media interviews held in Jakarta that the baby had died from pollution-related disease after an Indonesian doctor announced that the baby’s death and other diseases amongst villagers were a result of mercury contamination. The Jakarta-held event, and the intense media coverage it generated, was variously described by interviewees as *“deliberate”, “well orchestrated”* and *“shocking”*. According to one interviewee: *“It had a devastating impact.”* The following day, police announced that they would investigate the allegations. The Ministry for Energy and Minerals and the Ministry for Health also announced investigations. Some interviewees thought there were higher-level political and religious forces at play that helped explain the apparent orchestration of the campaign.

### **3.5 Responding to a crisis – ‘Project Reputation’<sup>17</sup> (mid 2004)**

Interviewees described how, due to the staff reductions in Jakarta, much of the initial media contact was directed to the Manado office, which had itself been reduced in number. Staff there experienced difficulty in trying to respond to complex accusations remotely and with little information: *“When the case came in, everything [i.e. press inquiries] came from Jakarta. Newmont had no relationships there. Reporters were calling people in Manado. There was no face-to-face opportunity. The telephone is not the way to give clear explanations about complex issues.”* The fact that the focal point was Jakarta caught many by surprise: *“We never thought that they would attack us in Jakarta.”*

Senior regional management began to realise the potential ramifications of the campaign and relocated to Jakarta in order to co-ordinate the response to what was now acknowledged as a crisis. They brought in additional external resources and established a four-pronged team, structured around legal, environment, media and government

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<sup>17</sup> The interviews suggest that the term ‘Project Reputation’ came into common use in Jakarta to describe Newmont’s response to the crisis. Feedback from some internal reviewers of this report have subsequently indicated that this was not a wholly accepted term as it placed *...” a priority on Newmont’s reputation rather than on the individuals being unfairly persecuted”*.

themes. Those involved described how the team met every morning to plan the day's activities in a highly stressful and sometimes heated environment. They indicated, either directly or indirectly, that the company was largely unprepared: *"No-one was trained for this kind of crisis. It was a war room."*

Interviewees referred to the difficulties in trying to communicate with government and media in the absence of established relationships, particularly in the early stages of the crisis, whilst on the back foot trying to respond to a series of accusations from the NGO groups involved: *"The NGOs were clever. They attacked us on Sunday night, when we were off the air. Every Sunday they issued a press release, and we were in a defensive position for the rest of the week."* In key areas such as environment, permitting and community health, required information and data was not readily available internally. Some interviewees also identified a tendency at this early stage to not respond publicly: *"They were intentionally silent. There was heated discussion. Public relations suggested they be quiet because it would draw international attention, and aggression is anti-Indonesian behaviour."* The findings of the initial public investigations were mixed and confusing, but the national attention on the case remained high as the country also geared up for a national election. Newmont personnel working in Indonesia for Newmont commented on the increased tension in the community at large, with many of their family and friends believing the accusations and questioning why they worked for such an organisation: *"After the TV story my family was crying, 'You work for that company!'. They believed what they saw."*

By now Denver was focused on the crisis, and a number of personnel were sent to Jakarta over a period of time. For various reasons, and not unsurprisingly, some interventions were not received positively by those caught in the middle of the crisis. Relationships within the local management group also suffered as pre-existing differences were amplified, and some people were moved aside to make way for outsiders: *"Things went really bad when they brought in a team with no context ... the people who had been saying there was a problem were pushed aside."*

### **3.6 Escalation and the 'Firestorm' (mid-late 2004)**

Following the initial press conference, three members of the Buyat Pantai community filed a civil case against Newmont, claiming approximately \$500 million in damages. Some interviewees commented that the broader controversy created tension between and within local communities: *"The villages became terribly divided between the belief in pollution and no pollution."* Old grievances regarding land compensation issues resurfaced and became tangled with the environmental accusations. Local fishermen reported a decline in people buying fish from Buyat and Ratatatok as a result of the pollution claims.

On 8 September, the Minahasa situation went global with front page coverage by the *New York Times (NYT)*, which linked the baby's death to the Buyat Bay mercury poisoning allegations. The story attracted significant additional international attention: *"The NYT created a firestorm"*, which led to angry exchanges between Newmont personnel and the paper. The NYT defended their reporter who went on to write a series of articles based around trips to other Newmont operations around the world: *"The articles became vengeful retribution."* Many of those interviewed strongly resent the approach taken by the NYT in its reporting of events, linking the coverage to the jailing of their colleagues, and observing that subsequent studies and legal outcomes in Newmont's favour were not covered to any significant degree.

The following week, Susilio Bambang Yudhoyono won the presidential elections over incumbent Megawati Sukarnoputri.

At some point during this phase Denver invoked its formal crisis response process, although according to some it was not necessarily designed for this type of situation: *“It was OK for spills, bombings, kidnappings – but not for a reputational crisis.”* One person commented that once Denver became more actively involved, Newmont’s response became more defensive in nature: *“It escalated more when corporate became involved. The company was in a state of outrage, and responded defensively when they should have extended sympathy. The responses inflamed the crisis rather than calming it.”* Several also observed that the formal response relied mainly on legal, public relations and technical functions, with little community relations expertise involved in formulating those formal responses.

In one attempt to provide an avenue for resolution with local groups, a move which several interviewees described as generating heated internal debate, a senior corporate representative travelled to Jakarta and Minahasa with representatives from two North American NGOs. Following a series of discussions, on 21st September they held a town hall-style meeting with representatives of local communities in Manado, including a large delegation from Buyat Pantai and some of the main protagonists in the local protests. However, even though dialogue continued with the US-based NGOs for some months in an effort to commission an independent health assessment of local villagers, it proved too difficult and interviewees perceived that the process was overtaken by events: *“It fell apart after that. It shifted from a community relations focus to environment and legal.”*

On the days after the meeting in Manado, the Indonesian police detained five PTNMR employees in custody, with Newmont Indonesia’s President Director prohibited from leaving the country. People commented that the arrests provoked a renewed sense of outrage and concern within the company, especially given the conditions under which people were held: *“It was a very bad place, no mattress, nothing, very awful.”* This period saw a strengthening of the legal response and a determination to get the employees released: *“It was heartening to see Newmont really get behind its employees.”* The detainees were released after more than 30 days, soon after Susilio Bambang Yudhoyono was sworn in as President, but they remained under house arrest.

The project team in Jakarta continued to respond to the deluge of local and international media coverage, and to support the legal and government defences. A complex combination of criminal and civil legal proceedings involving government, NGOs, affected communities and Newmont developed. Amongst the other legal processes underway, Newmont launched a defamation action against a local NGO representative. This was the subject of some disagreement internally, with one interviewee describing it as a *“David and Goliath event”* and attributing it to *“a strong sense of vengeance within Newmont ... which really coloured rational strategy.”* In the ongoing legal cases, the Buyat Bay villagers withdrew their damages claim, and then the Jakarta District Court ruled that the police investigation was illegal. Judges hearing the defamation case also found in Newmont’s favour. However, Newmont Indonesia’s President Director was indicted on criminal charges of pollution in the Manado District Court, and a civil claim was launched against Newmont by the new Environment Minister. The pattern of claim and counter-claim continued.

### **3.7 A slow turnaround**

A number of globally-recognised and independent organisations including the Minimata Institute and the World Health Organisation conducted investigations into the allegations. When these reports were published, they did not reveal elevated mercury levels. Newmont used this information and additional data in its media campaign: *"We stopped being quiet and gave the media the data ... and held public meetings with them."* Participants felt that this was gradually starting to have an effect in creating more balanced coverage: *"October/November 2004 was when we started to change their attitude."* Newmont also arranged for national and international media to visit the site. *"The Wall Street Journal ran a good article. This helped to change some international attitudes."*

Later in 2005, interviewees explained how local NGO groups arranged for the voluntary relocation of the majority of the Buyat Pantai villagers to Duminanga, a distant site described by interviewees as *"very destitute – even worse than where they were"*. One interviewee estimated that two-thirds of the community moved, while one-third stayed behind and distanced themselves from the pollution claims. The move itself was graphically described by several interviewees, who were clearly disturbed by what they observed. The relocation was broadcast on national media<sup>18</sup>, showing houses being burned and documenting the exhumation of the baby's body, which was reportedly transported to the new location.

In 2005, the panel of judges hearing the civil suit brought by the Ministry of Environment ruled that the government and Newmont must conciliate under the terms of the Contract of Work. This process led to the negotiation of the *Goodwill Agreement*, announced in February 2006. Parties agreed to independent scientific environmental monitoring of the post-closure environment, as well as sustainable development programs to be undertaken in the local area. Development activities do not extend to Duminanga. Several people reflected that the Agreement was the circuit-breaker which helped progress a resolution of sorts.

According to several interviewees, at some stage the company worked with the local government to legalise the status of the remaining community at Buyat Pantai. There were also reports that several families drifted back from Duminanga, where conditions were reportedly difficult: *"I have heard that they are starving and need food. That's the irony. They have been abandoned [by the NGOs that had facilitated their relocation]."*

In April 2007, three years after the initial protests in Jakarta, Newmont Indonesia's President Director was acquitted of criminal charges. At the time of writing this report, further legal action remains a possibility.

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<sup>18</sup> The footage was also rebroadcast during Australian current affairs reporting of the case, and was reviewed by the research team as part of the desktop exercise.

## 4 Interviewee Perspectives on Organisational Learnings

### What views did the Newmont interviewees have about why events unfolded as they did?

While a number of complex external factors came into play in a short space of time during the Minahasa crisis, the majority of interviewees concluded that in retrospect the escalated nature of events was also a result of pre-existing organisational conditions and decisions rather than external factors alone. They each had different opinions about whether or not Newmont could have avoided the crisis. Some believed Newmont could have avoided it altogether, while others said it was virtually impossible to deal with the magnitude of the crisis due to the many causes and compounding factors involved. Many interviewees concluded that, in retrospect, if Newmont had been better prepared, had responded more strategically to events as they unfolded in the early part of the crisis and had enjoyed stronger relationships with key stakeholder groups, the crisis could have been better contained, if not averted in the first place.

It should be noted that the comments on organisational processes and policies reflect individual perspectives and understandings, based on discussions focussed on the Minahasa events. They are not necessarily representative of the wider Newmont organisation.

#### 4.1 Approach to relationships not strategic or proactive enough with some groups

Aggregated interview data indicates that most interviewees believed that Newmont's approach to relationships with key stakeholder groups was not strategic enough. Many said it was too late to establish relationships once the crisis was underway: *"We were trying to establish relationships when there was a problem."* Newmont found itself working to establish relationships that interviewees now believe should have already been in place and nurturing relationships that were weak. Many interviewees, mainly Indonesians and those with a long history in the country, emphasised that relationships demand particular and special attention in the Indonesian context, and that the company did not always appreciate the dynamics involved. Relationships with local communities, NGOs, media and government were frequently cited by interviewees as having contributed to the crisis. Some interviewees spoke about all of these, others focused on one or two as primary contributors.

##### 4.1.1 Buyat Pantai

The majority of interviewees pointed to Newmont's relationship with Buyat Pantai people, and in particular a sub-group within this village, as the root cause of the crisis: *"It's complicated, but still, there is a root cause ... there were a small group of people who were not happy."* Most now conclude that the decision for PTNMR not to formally engage with Buyat Pantai as a legitimate stakeholder group provided fertile ground for other groups to further their own objectives. One interviewee said: *"There was faulty stakeholder assessment and strategising [in relation to Buyat Pantai] from the beginning."* While this was a commonly expressed view, a few still believed that Newmont had limited room to manoeuvre on this issue: *"I don't feel that we disenfranchised them. The other communities did."*

While the situation in Buyat Pantai was highly complex, there was some recognition amongst interviewees that if relationships with the main villages such as Rataotok were more robust, discussions about how to build relationships with disaffected people in Buyat Pantai could have been broached. A few interviewees reported that the company overestimated village-level support for the operation, and pointed to underlying tensions and dissatisfactions that were largely overlooked throughout the life of the mine. These interviewees made several suggestions about how engagement with Buyat Pantai might have been achieved, for example through greater inclusion in the CCC, a tailored community development strategy, facilitating land tenure either at Buyat Beach or another location, or through an inclusive multi-stakeholder dialogue process. In retrospect, many believe that the company did not adequately explore opportunities with Buyat Pantai people. One interviewee said: *“After two-thirds of the community moved away [to Duminanga], Newmont helped those who stayed to secure legal rights to occupy the land – we didn’t try to do this earlier.”*

Many of those we spoke to perceived that NGOs worked with vulnerable and disaffected individuals and groups in Buyat Pantai to orchestrate a campaign against the company. Some believed that at the end of the day, NGOs were more patient than the company when it came to building relationships with disaffected groups, more willing to get to know them, live amongst them and establish relationships based on trust and mutual benefit. One commented: *“NGOs had been supporting groups of locals for a long time – they had gained their trust. Newmont didn’t.”*

#### **4.1.2 NGOs**

Many interviewees reported that, at the time of the crisis, the company had oppositional relationships with some NGOs. This applied particularly to those with radically different perspectives, with Newmont’s approach summed up by one interviewee as *“don’t talk to your opponents and delegitimise your critics.”* Another explained that *“Jatam<sup>19</sup> and WALHI became the enemy. The strategy was: we’re not going to deal with them.”* Several reported that they had tried to engage these NGOs before the crisis, but had been ostracised by others inside the organisation: *“Somehow, people talking to them [NGOs] were seen to be on the wrong side ... seen to be sleeping with the enemy ... there was incredible antagonism and suspicion.”* Another suggested that *“We needed to be proactive to counter this. They need information.”* On reflection, several interviewees suggested that third-party facilitation processes, or the development of long-term strategies of education and communication on mining and STP may have helped the situation. However, others see this engagement with these groups as an impossible goal. A few interviewees felt that even while a relationship might not have been possible, at the very least the company should have had more open channels of communication with NGOs involved in the crisis. One interviewee said: *“Mining companies have a lot of critics. If we have a relationship that does not mean that we need to work together. But, at least we should know each other.”* Several interviewees believe that there is still room for improvement in the area of Newmont’s NGO engagement strategy, particularly in relation to groups who are disengaged or opposed to mining.

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<sup>19</sup> Jaringan Advokasi Tambang (Indonesian Mining Advocacy Network Indonesia)



### 4.1.3 Media

Many interviewees explained that Newmont had few relationships with national media, particularly after the Jakarta office was reduced in size, observing that the resulting lack of media networks put them in a poor position as the crisis escalated. One interviewee said: *"The media said 'Who are you?', you never cared about us and now you come to us because you need us."* Another suggested that: *"Better communication [with the media] all along could have meant it might have turned out differently."* The difficulties in the relationship with the NYT both in Jakarta and subsequently in the US were highlighted by several individuals, with some questioning the aggressive approach adopted: *"One big mistake was how we went after the New York Times. We girded for war. We went after them."*

### 4.1.4 Government

Many interviewees pointed to problematic relationships with some government officials: *"There were some bad relationships with mid-level politicians."* Another said: *"If you dig down, if you go to the problem, we did not have a good relationship with government at the time."* Many believed that problematic relationships were exacerbated by the organisation's response to regional autonomy, which involved reducing its presence in Jakarta. Others also linked poor relationships to a lack of appreciation of the Indonesian political landscape, discussed further below.

It should also be noted that there was a change in national government mid-way through the Minahasa crisis, as described in the previous section. Several interviewees explained that this caused additional difficulties due to the need to establish relationships with completely new individuals during a time of heightened tension.

## 4.2 Dominant organisational paradigm

Interviewees pointed to several underlying causes for weak relationships, including an organisational paradigm that was seen as being dominated by a production, technical and environmental compliance orientation. While it was acknowledged that these aspects are vitally important for any mining operation, in the case of Minahasa this orientation was considered to have left little room for comprehensive consideration of local-level community relations and broader socio-political aspects.

One senior executive said: *"I was on top of what was going on operationally. I didn't know about the community ... about the Buyat Pantai group."* When describing his impression of a presentation from a visiting senior corporate executive, one locally-based interviewee reflected that *"Our goal was not about social licence, but how to produce as much gold as possible."* While the responsibility for community relations lay with the site General Manager for most of the operating period of the mine, several interviewees indicated that most of the people who occupied that position were focussed principally on operational and technical issues. One interviewee suggested that *"Management of the site didn't seem to understand what we were trying to do with the community."*

Interviewees also described the Minahasa operation as orientated towards dealing with quantitative data and facts, rather than also dealing with qualitative data including community perceptions: *"Mining companies need black and white. Engineers need to have measurable quantities."* This technical orientation resulted in a tendency to avoid addressing perceptions about technical issues. Several interviewees reiterated the quality of the environmental data they held regarding the conditions of the bay: *"We had*

*incredible data which demonstrated quality ... real quality monitoring, particularly in relation to marine life. That was extensive.*" Others observed that this technical confidence led to a lack of public response.

Some interviewees reported that the company was very focussed on compliance: "Newmont always worked according to the law. In regulation we were always doing right. In the community perspective we did not." Across the board, they had confidence in Newmont's technical ability and level of environmental compliance. There was considerable pride in the organisation's environmental track record at Minahasa. Some employees said they were initially unsure of the facts regarding pollution and health impacts, so took the time to analyse the data for themselves. One interviewee said: "I needed to study the data and make my own decision. I promised my family, if I find anything wrong, I would quit. I didn't." While the company had an environmental compliance orientation, there were few compliance imperatives in the social dimension, from either the government or the company. Thus, there was no legal or policy framework demanding attention to social aspects and no formal corporate framework to fill the gap, as Newmont's corporate systems were not yet in place. There was recognition amongst some interviewees that a compliance approach to meet ANDAL requirements left a gap when it came to community requirements.

Considering all of the interview data, it appears that Newmont may not have foreseen the potential for social aspects to become high risk because the dominant organisational paradigm was not responsive to these issues. Once problems did emerge, the response continued to be from an environmental, technical and compliance paradigm.

### **4.3 Lack of organisational systems and processes**

The dominant paradigm and the absence of regulatory and corporate imperatives in the socio-political and community sphere contributed to a situation where risks were not adequately considered, understood, resourced, managed or monitored by the organisation before and during the crisis. In other words, the interviews suggested that there were few formal plans or management systems in place for community, NGO, government relations or media engagement.

#### **4.3.1 No formal approach to assessing social and reputational risk**

There appears to have been no formal operational-level social risk assessment that might have flagged the risk of perceived health impacts related to STP – the lead issue in the crisis – despite the ongoing complaints. One interviewee said: "*The story had been bubbling for years, and it finally got traction.*" Another observed that "*It all started a long time before the crisis even occurred.*" A risk assessment might have, for example, identified health issues at Buyat Pantai and devised a strategy to improve the surrounding environment. Many interviewees recognised this risk assessment gap: "*We didn't eliminate our weak points. We need to look and focus at potential weak areas.*"

A common theme in the interviews was that the organisation had tended to behave reactively, rather than proactively. One interviewee explained: "*There was concern about different issues – [perceptions of] mercury, submarine tailings. [Once issues had escalated] we went out with the science in a big way – fact sheets etc. By then it was too reactionary ... maybe if we'd gone out before ... We should have had a consistent program to try to eliminate the NGO scare tactics.*" Another said: "*We knew in 1995 that they [NGOs] didn't like tailings in the sea. We should have prepared. We should have seen the potential. Instead, [PTNMR] environmental*

*personnel were being made redundant.*" There was overwhelming acknowledgement amongst interviewees that the organisation overlooked non-technical risks.

This is not to say that no-one foresaw the potential of the crisis. However, raising the possibility of worst case scenarios was seen as *"being alarmist"*, rather than being accepted practice in order to determine whether adequate controls were in place. Several interviewees said concerns were raised, but ignored. On the ground, they felt that corporate office was not listening. *"The guys at Denver fell back on their evidence, said 'we have no case to answer'."*

Although some interviewees reported that individuals and small groups within the organisation did their own risk assessments, there appears to have been no co-ordinated exercise that focussed on the socio-political context from a holistic or institutional perspective. Without a rigorous and multi-disciplinary risk assessment, there was no trigger for putting in place proactive strategies to address worst case scenarios: *"We just hadn't planned for something of this magnitude. We didn't have a crisis management plan."* Whether a socio-political risk assessment would have identified the confluence of factors that came into play during the crisis is unknown, but the organisation was not well positioned.

#### **4.3.2 Limited access to information during the crisis**

There was broad agreement amongst interviewees that the lack of systems meant that the organisation did not have quick access to information to refute claims on a factual basis in two key high risk areas: environment and community health.

While extensive environment data existed, and was the basis of internal confidence that there was no problem in that regard, it was apparently not easily accessible to those that needed it. *"It took us three months to just work out where all the bits of paper were. We didn't have all key correspondence in one place – people only knew bits and pieces of the puzzle."*

Another interviewee said: *"We had to compile data, evidence and documents before we could say something in the media. That took time. Information was everywhere, not together."* The situation with health data was much worse, as community health data that had been collected was inadequate. One interviewee said: *"Some of the [social] data was there in the initial environmental impact assessment. That was the baseline. We did some more work on that in 2001, but it wasn't enough for the depth of the project."*

Interviewees concluded that the company's delayed public response exacerbated the crisis. There was a strong belief that if the company had been able to provide key stakeholder groups access to information on environment and community health in the early stages of the crisis, then the situation could have been better contained. One interviewee said: *"It took us a long time to get our message out."*

#### **4.4 Approach to community relations not strategic or comprehensive enough**

Several different issues were raised in relation to the company's approach to community relations at Minahasa. Issues related to skills and capacity, continuity and ability to influence operational and company processes.

Several interviewees raised questions about the capacity and capability of some Newmont personnel who had direct or indirect responsibility for community relations and development, at various points of the operation's life. Several also shared concerns

about under-resourcing and lack of capability as a consequence of an organisational paradigm that did not sufficiently prioritise community relations and development. One interviewee said: *“The company had good intentions, but the way they did things ... there wasn't enough discipline around the way they went into communities.”*

Several of those interviewed described a situation where there were different streams of development monies flowing to the main villages, including from operational programs, a foundation, and then closure programs, with no clear overarching strategy to ensure continuity. One said: *“There was no clear agreement with the people about what we would do [in the community]. People just thought they would get money.”* Interviewees reported that the approach was somewhat disjointed and ad-hoc. Others described limited coordination between community relations and development functions, in particular during the transition between operations and closure: *“There was conflict between Community Relations and Closure. There was a different approach.”* Despite this, many felt that significant contributions had been made to the majority of the community: *“Generally, they [PTNMR] did a lot of good things for the community – they were trying.”*

Several interviewees mentioned that the mine had seen four General Managers in its short life, and observed that on top of an already ad hoc approach to community relations, this did not provide a stable base for building relationships. In relation to the change of management, one interviewee said: *“It was a bit disjointed, and none of them had previous Indonesian experience.”* The issue of cultural integration is further discussed below.

Several interviewees also reported that community relations specialists were not involved early in the project to flag potential community relations risks. One interviewee explained: *“We had no knowledgeable people on community relations during the project development phase or early in the operation. No-one considered potential conflict points within the communities.”* Another interviewee commented that if community relations specialists were involved in the decision-making about the location of the pipeline, they may not have supported a location that hosted a beach fishing community. Reflecting on the subsequent crisis, several interviewees suggested that the marginalisation of the Community Relations function within organisational decision-making processes may have contributed to the challenges that Newmont faced.

## **4.5 Challenging internal dynamics**

### **4.5.1 Ambiguity in areas of responsibility, control and liability**

There were several themes from the interview data that relate to responsibility, control and liability, including the role of the Denver office, lines of accountability within Indonesia and regionalisation of functional areas, each discussed briefly below.

Interviewees had different perspectives on the roles that the regional and corporate arms (usually referred to as the Denver office) had during the crisis. This ambiguity appeared to negatively impact the organisation's ability to respond effectively to the crisis as lines of communication and areas of responsibility were unclear.

Interviewees indicated that organisational arrangements in Indonesia further complicated lines of accountability. One interviewee said: *“The chain of command was fractured.”* Many interviewees observed that people with liability had no control. Those with day-to-day responsibility had limited access to those with functional decision-

making capability, and those with decision-making capability had limited engagement in local contexts. The Assessment Team was unable to fully understand organisational reporting arrangements, but found much inconsistency amongst interviewee explanations. Organisational arrangements were seen as causing (and continuing to cause) confusion and anxiety for some employees, particularly those working at an operational level.

Regionalisation of non-operational functions occurred in Newmont from around 2003. This meant that functional areas such as environment and community relations no longer reported directly to General Managers (GM) at the operational level. Instead, community relations and development managers reported regionally, with a dotted reporting line to the local GM. While there were issues before the restructure when GMs had sole responsibility for community relations, sometimes with limited expertise or experience in this area, many interviewees indicated that the regional restructure was also problematic for PTNMR in terms of how things worked 'on the ground' at an operational level.

#### **4.5.2 Blockages in transfer of knowledge and communication**

Based on the interviews, it would seem that the organisational structure did not support a good flow of information from sites to regional and corporate offices and from corporate offices to sites. Some interviewees, particularly those working on the ground at Minahasa, said that they knew and had tried to elevate some of the issues that later became central to the crisis, such as the company's approach to community development in Buyat Pantai. One observed: *"Our employees and community relations people, they were mates with the Buyat Pantai people ... the guys on the ground could see all this stuff but it wasn't translating into the organisation."*

Several suggested that information that had been prepared by site personnel for the closure plan had not been included in the final draft, including stakeholder maps and details about social risks of closure. One interviewee said: *"Local people [at the mine] had a hard time getting their voices heard."* One practical explanation for this was proficiency in English. Several, but not all, Indonesian interviewees reported that language was sometimes an issue when putting forward arguments in the context of an organisation where English proficiency is required: *"I know who to talk to, but it's difficult to argue. For me, it's difficult to argue in English."* Language aside, several said that no-one was listening to them when they tried to raise issues that were of concern to them. One interviewee said: *"Indonesia is a complicated situation – people up the chain need to understand the complexities of working in these situations, the people on the ground need to know how to feed that information up to senior management."* A lack of systems, in addition to an organisational structure with a high degree of ambiguity in terms of lines of responsibility for social and community relations meant some local knowledge remained 'untapped'.

#### **4.6 Issues with the overall crisis response**

Interviewees described Project Reputation in terms of day-to-day survival, rather than a strategic response, particularly as the escalation occurred. Many people observed that in the face of the Minahasa crisis, the company adopted a legalistic response, particularly after Newmont employees were jailed, without adequate exploration of alternative or complementary strategies. One interviewee said: *"In dealing with the case, Newmont chose*

*only the legal avenue. There was a non-litigation process that we could have explored ... It's good to have a legal mindset, but not everything should be settled in court. By talking, we can work to resolve some issues"* The one attempt to engage with local community groups at the height of the crisis did not appear to be integrated with the rest of the formal company response, nor was it fully supported by some site and regional management. Several interviewees observed that because the legal response dominated, the company overlooked other aspects, such as community relations. However, some indicated that the organisation orientated towards a more legalistic response because it provided the maximum level of protection for the corporation and employees who were detained and later charged.

While many interviewees believe the legal perspective dominated the crisis response, at the same time, the vast majority regarded the legal performance as *"exemplary"*. One said: *"There were brilliant people involved on the legal side. This is something that the company does very well."* However, many commented that the win-lose paradigm had repercussions for reputation and relationships. One interviewee said: *"We won in court, but we did not win people's hearts."* Another observed: *"We failed to convince and communicate with the people. We were too busy convincing the courts."*

The apparent marginalisation of community relations as a priority function within both the organisation and the crisis response team, combined with an adversarial legal response, may have prevented the organisation from initially reading to the 'sub-text' of the conflict. Several interviewees concluded that the issue was not environmental, but instead related to development opportunities, respect, and relationships. One said: *"The Buyat case was more about people not being satisfied about community development, and that led to other issues."* Such comments suggest that the organisation may have missed early opportunities to respond in a way that addressed underlying issues and built bridges. As it transpires, the *Goodwill Agreement* embodies both the environmental and humanitarian dimensions of the conflict.

## **4.7 Cultural and national sensitivities**

It is difficult to unpack issues nested within the tensions between Indonesian and Western perspectives, Indonesian nationalism, corporate and site priorities and interplays of organisational hierarchies. However, many interviewees raised issues about the challenges that Newmont faced and, many believe, continues to face in Indonesia. One commented: *"I don't think we still have a strong appreciation of some of the cultural issues that we face [in Indonesia]."*

### **4.7.1 Difficulties in building relationships in the context of Newmont's approach to corruption and bribery**

As described earlier, corruption can be an issue in Indonesian politics and government bureaucracies. Certain practices and norms within Indonesia contravene Newmont's approach to corruption and bribery. It was apparent from the interviews that Newmont's approach posed several challenges during events leading up to and during the crisis of 2004.

Several interviewees observed that if the company had paid bribes to particular third parties, the crisis would have been diffused, and employees released from detention. One interviewee said: *"I think we probably could have solved it in a day if we were willing to pay some money."* There was overwhelming pride in the company for not resorting to this

option during the crisis. One interviewee said: *“Newmont didn't pay. There is a policy of not paying bribes, no matter what. I have respect for that. It was extraordinary pressure.”*

Some interviewees indicated that the company's strong anti-bribery stance, coupled with weakened political, bureaucratic and media relationships, made it vulnerable during the crisis. A few described the complex dynamics around payment of expenses and per diems for government officials and media representatives to travel within Indonesia to sites for familiarisation and inspections. One interviewee commented: *“The government allows a per diem. The company doesn't allow it,”* and explained that this did not provide many opportunities for some government and media representatives to visit the PTNMR operation prior to the crisis. As a result, they were not familiar with the operation when questions about environmental performance and impacts on community health were raised.

None of the interviewees advocated a softening of Newmont's approach to corruption and bribery. However, some believe that the company needs to consider how it can better maintain key relationships to the fullest extent possible while maintaining its strong stance on bribery and corruption. One said: *“When you don't pay off, you need to be well networked [in the government]. We weren't. We need to study how to deal with this. We can't just rest on our conduct in the Indonesian context.”* Another interviewee said: *“We need a country-specific position on it. We need that. We discuss it, but it is a continual internal debate. In the meantime, relationships are being damaged by it.”*

#### **4.7.2 Limited Indonesian representation, particularly at the height of the crisis**

During the crisis, tensions emerged between Newmont corporate striving to protect its international reputation, and the Jakarta crisis response team and PTNMR trying to communicate locally, and influence Indonesian public opinion. Interviewees explained that the company was focussed on commissioning independent international research institutions to clear its name, whereas some in Indonesia would like to have seen independent Indonesian experts consulted. One interviewee said: *“They just reacted to the foreign media ... protecting the share price. They forgot this was Indonesia.”* However, those advocating greater involvement of Indonesian experts also found that, at the time of the crisis, the company's relationships with respected local Indonesian experts were weak. Without Indonesian third-party perspectives, many interviewees felt that the company was in a difficult position in terms of communicating to Indonesian stakeholders, in particular the media and general public: *“There was an emphasis on outside expertise. Why do we always rely so much on someone outside of the country? They look at things from a Western point of view. This doesn't translate back to the [Indonesian] people.”* Another said: *“We didn't use local consultants, only foreign consultants. [In the crisis] we couldn't get help from the local Universities. There is expertise, but we couldn't call on it.”*

Several interviewees also believed that Newmont should have had a senior Indonesian as the face and spokesperson of the company, rather than a foreigner. One said: *“We had a white man as the face of the company [during the crisis]. We should have had an Indonesian.”* Some of those who raised this issue noted that the company had started to address this issue through the appointment of one senior Indonesian executive. However, others flagged ongoing issues: *“We still have a Western approach to government relations, not an Indonesian approach. Most other Western companies have experienced, strategic Indonesians.”*

Other issues also caused offence to some Indonesians. For example, the company stated that it adheres to the highest standards in the country of origin. One interviewee said that to some Indonesians this means: *“American standards. American values. That’s what people thought. This just reinforced a nationalist perspective against Newmont.”*

### **4.7.3 Gaps in understanding of the Indonesian context**

Several interviewees believed that many decision-makers did not have adequate understanding of the Indonesian political context. The example most often cited was the decision to reduce the Jakarta office, and concentrate resources close to Batu Hijau. One interviewee said: *“Newmont’s attitude was that Jakarta was not necessary. Regional autonomy had happened, therefore it was not necessary. Actually, this was not right. The central government is still strong.”*

Many interviewees, both Indonesian nationals and expatriates with Indonesian experience, believed that the company largely perceived the government and community claims for compensation as financially opportunistic. Several interviewees explained that this attitude damaged relationships: *“In Indonesia, people don’t only want the money. People also want respect. People are greedy, sure, but people do respect relationships. This is a real problem in the company.”* Many of those we spoke to with Indonesian experience explained that if relationships are not fostered, money will never be enough.

There was also a strong sense from those with Indonesian experience that once the crisis escalated, Indonesian perspectives were dominated by a more Western, largely American perspective. This was particularly the case when the crisis escalated and corporate representatives became involved. There was a common perception amongst interviewees with Indonesian experience that the crisis was fought according to Western rules: *“I don’t think we fought it the Indonesian way.”*



## 5 Post-Crisis Changes, Remaining Risks and Opportunities

### How did interviewees perceive the changes that have occurred in Newmont since the crisis? What risks and opportunities remain?

Interviewees were encouraged to reflect on how they perceived Newmont had modified its approach since the crisis, and what risks and opportunities remained.

#### 5.1 What has changed since the Minahasa events of 2004?

##### 5.1.1 Heightened organisational awareness of community relations and development issues

Many interviewees indicated that there is a heightened awareness of the importance of community relations and development at different levels within the company, from site to corporate. One said: *“Generally speaking, there is a much stronger acceptance and understanding of community relations issues now.”* Most reported that operations increasingly recognise the need to engage specialists in community relations: *“There’s now an appreciation that you need more specialised people to engage communities, and that they need to engage people you like, and people you don’t.”*

Notwithstanding this perceived positive trend, many interviewees discussed the importance of building community relations and development skills and competencies within the company. Several interviewees highlighted that they held community relations responsibilities, but had not as yet participated in formal training in this area, and had observed this to be a common trend within the company. Some also believe that community aspects are still not accorded enough prominence in terms of organisational structure and influence in decision-making processes. *“Community Relations has been buried under the notion of sustainability, which is so technical at Newmont. It’s all about controlling performance and abiding by the law.”*

##### 5.1.2 Development and roll-out of organisation-wide social and environmental policies, systems and tools

Minahasa ceased operation prior to the development and roll-out of Newmont’s current social policy framework. Since the Minahasa events of 2004, interviewees indicated that significant progress has been made at the corporate level around policy, systems and some performance standards. Many of these are supported by generic guidelines and tools, most of which have been developed or commissioned by the corporate office. It must be noted again, however, that the Assessment Team was not in a position to identify or verify to which policy, systems and tools have been developed and integrated at the operational level<sup>20</sup>. However, many interviewees said that the company still has progress to make in terms of applying corporate expectations on the ground in Indonesia and elsewhere in the company.

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<sup>20</sup> The inclusion of Batu Hijau as one of the sites in the main CRR process allows some direct comparisons to be made.

The majority of interviewees reported that the company has formal corporate expectations in many areas of environment and community relations, and cited one or more of the following:

- stakeholder identification, mapping and analysis
- social and health impact assessment, with a further move towards integration with EIAs
- risk assessment, including social and political risk and conflict assessment
- more recently, health impact assessment
- community development needs assessment
- government relations plans
- media relations plans
- community engagement plans
- social monitoring
- evaluation of community relations and development programs
- closure plans that consider the social dimension required from the commencement of operations
- Stage Gate project planning process, with community relations input.

One interviewee explained that the company is moving towards a more integrated and cross-disciplinary approach to baseline and impact assessment and towards formalising Social Development Agreements with communities, reflecting a move away from the ad hoc approach seen at Minahasa.

### **5.1.3 Learnings from Minahasa being applied at Batu Hijau**

Batu Hijau was often cited as an example of how learnings from Minahasa had been applied in practice. Different interviewees pointed to several aspects of the Batu Hijau operation. For example:

There was some recognition about the need to plan for closure early in the mine life and consider social aspects. One interviewee said: *"We've learned to plan for closure. It's already happening at Batu, which has more than 25 years [of operating] to go."*

Several interviewees said as a result of PTNMR's problematic relationship with Buyat Pantai, Batu Hijau was more alert to the need to foster relationships with all community members – supporters and detractors. One interviewee said: *"Batu is different. We talk to people in times of peace. We try to listen more."*

Several also indicated that as a result of the underlying humanitarian and development considerations embedded in the Minahasa case, Batu Hijau is conscious of undertaking community development in a manner that does not further marginalise disaffected groups.

Interviewees also reported that the Batu Hijau operation has been working to establish relationships with independent third-party experts, many of which are Indonesian based, in the event that Newmont's own data is challenged. One said: *"Batu is more open to using local knowledge now, because of what happened at Minahasa."*

In summary, while recognising the ever-present risk that relationships can falter if not maintained, one interviewee commented that *"we are in a stronger position in terms of dealing with stakeholders and the local community"*.

## **5.2 Future challenges and opportunities**

Overall, the majority of interviewees thought Newmont had learned much from the Minahasa experience. However, many also highlighted that there were still issues that required attention: *"We have learned, but we have not learned enough."* There were a broad range of opinions and interviewees articulated different vulnerabilities and opportunities that stem from the Minahasa case. These ranged from the specific issue of land relinquishment to focusing on building and maintaining relationships, including with stakeholders who have disengaged with the company.

Several interviewees believe there is an opportunities to carefully examine reputational risks and responsibilities around the issue of land relinquishment at the site itself. One interviewee said: *"When Newmont is gone, what if somebody makes a mess of the reclamation? What if they say that's Newmont? That will make news."* Another interviewee suggested that there may be unexplored opportunities for Newmont to support initiatives to educate local villages about their relationship with the land once it reverts to government ownership. One interviewee explained: *"Are we thinking about how to make local people feel it is their forest when we go? Our reclamation area is guarded by security. What is in their minds? There is still a job to be done to talk about the future there."*

Most interviewees spoke about the ongoing need to focus on relationships in the Indonesian context, including with the media, different levels of government, and the various stakeholders involved in the Goodwill Agreement, including local communities. Many interviewees reflected on Newmont's relationship with the Buyat Pantai people who relocated to Duminanga, and the relationship this group has with the remaining Buyat Pantai families and other village groups. Several interviewees, particularly those close to the site context, tentatively discussed the idea of reconciliation with the people of Duminanga. However, they also said this was a sensitive topic of discussion not only within Newmont but also between Newmont and the Buyat Pantai people living at Duminanga and the groups that represent them. They were hopeful that some progress towards reconciliation could be made.

## 6 Final discussion

The internal reading of events described in the previous sections has been developed in hindsight and with some reflection by all those we interviewed. While there are differences of opinion on specific issues, there is also a degree of convergence in terms of a general description of the events of 2004, and some of the many causes and compounding factors involved.

Almost all of those we spoke to recognised that the origins of the crisis lie in the failure to resolve the issue of development inequity at Buyat Pantai, a situation that was allowed to continue despite awareness of oppositional NGO activity in the village and community perceptions that their health issues were related to the mine. Most people interviewed said something along the lines of: *"We should have done something earlier"* or *"We should have tried harder"*, notwithstanding that the villagers' occupation of the land was not considered to be 'legal'.

Underlying this apparently simple diagnosis, there are a number of dominant and interrelated themes which recurred throughout the discussions, and which interviewees identified as contributing to the way in which the crisis developed.

### 6.1 Recurring themes

#### 6.1.1 Organisational focus

**PTNMR's dominant production, technical and environmental compliance orientation was considered to have left little room for comprehensive consideration of local-level community relations and development aspects. This manifested itself in several aspects of the Minahasa experience.**

Closure planning, which some suggested started too late, focussed mainly on environmental matters and did not adequately incorporate community issues. Those responsible for planning community development activities during the closure implementation phase had limited data and an ad hoc base of previous activity to build on. Despite the apparently good relationships with local community leaders, many interviewees felt that community relations were not given sufficient attention during the early years of the operation. Only when closure became imminent did issues in this area come more into focus, but even then most attention was still on environmental compliance issues.

As the crisis unfolded, the company responded to the allegations of pollution and health issues from a technical, environmental and legal perspective, particularly after Newmont employees were detained. While there was no choice but to respond formally to the legal processes, the already minimal focus on underlying issues of development inequity and local relationships with key stakeholders was further diminished.

Company employees with community relations responsibilities indicated that they found it difficult to elevate community issues and concerns within the organisation. This included limited ability to raise concerns upwards in the organisational structure and horizontally from functional disciplines to more operational areas.

### **6.1.2 External relationships**

**Relationships with key external stakeholders had not been fostered or had been allowed to deteriorate as closure approached, particularly with a reduced company presence in Jakarta.**

A lack of established relationships with the government and media in Jakarta left the company exposed, a situation exacerbated by the change in government at the height of the crisis. In the absence of effective networks, the company 'felt its way' with an initially tentative response before adopting a more assertive and aggressive stance as the crisis escalated.

Several interviewees observed that the company had not sufficiently addressed some critical cross-cultural issues, for example the conflict between the implementation of its anti-corruption policy and the common Indonesian practice of paying government officials per diem expenses during site visits. The use of mainly overseas experts and the fact that there was no senior Indonesian company representative at the height of the crisis was considered to have reinforced cultural stereotypes against a background of anti-Western and anti-American sentiment within Indonesia during the time of the crisis.

The company was limited in its ability to engage constructively with its critics, particularly those in oppositional NGOs. It appears that the importance of maintaining relationships and keeping lines of communication open with all stakeholders, supportive or otherwise, was not fully appreciated.

### **6.1.3 Organisational capacity**

**The organization was seen as not having t invested in necessary capacity in a number of key areas, including crisis response, which influenced the way in which events unfolded.**

The company was evidently not prepared for a crisis of this intensity and magnitude in terms of formal risk management or crisis planning. The complex interplay between managing local relationships and issues, defending the detained employees as well as protecting the company's own reputation appears to have restricted Newmont's ability to manage the situation. The response was also hampered by an inability to assess the cause of the crisis and propose a response to deal with the full range of issues that came into play in a compressed period of time.

It seems that little attention was paid to building capacity in community relations and development competencies at Minahasa in the years preceding closure, either within the functional areas directly responsible or in management positions responsible for the overall operation.

## **6.2 Reflections on then and now**

The interviews focused principally on the events of 2004, but participants were also asked to consider whether, given all that had happened, the company was still at risk of a similar crisis occurring in the future. It was generally acknowledged that Newmont is in a stronger position today to anticipate and respond to socio-political and community relations risks and issues than it was during 2004. However, several interviewees highlighted ongoing areas of vulnerability. Others observed that the sphere of community and government relations is inherently challenging and dynamic and that

not everything that happens in that sphere can be predicted, let alone controlled. As one interviewee commented *“It's the one thing that we still don't get ... many things we do with respect to communities are not as predictable as other areas”*.

The recognition by many interviewees that ‘it could happen again’ is a timely warning against complacency and highlights the need for Newmont to ensure that there is continuous and rigorous scrutiny of its social, environmental and governance systems and operational cultures. This review has identified a range of key issues and learnings that will need to be addressed in driving this agenda forward.

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