



EAST TIMOR UPDATE

number 49 - March/April 1997

• Published by the East Timor Alert Network, PO Box 562, Stn. P, Toronto M5S 2T1

Corporate complicity campaign

It isn't just Bre-X that's involved in Indonesia. There are hundreds of Canadian companies with a total of \$9 billion invested in Indonesia.

Among them:

- Bata Shoes (Toronto), which has two factories in Indonesia and outlets in occupied East Timor and is one of the most-recognized brand names in Indonesia.

- Inco Ltd. (Toronto), the largest Canadian investor, with \$2.3 billion tied up in a nickel mine on the island of Sulawesi. (Inco also recently gained operational control of the Diamond Fields discovery on unceded native land in Labrador). Inco plays stand-in for the Indonesian military government in imposing its will on the local people, who call themselves the "stepchildren of progress" — displaced from their agricultural lands to make way for a mine, smelter and housing for new migrants who hold all but the most menial jobs.

- Indochina Goldfields (Vancouver), one of Robert Friedland's stable of companies with mining ventures in Indonesia, China and Burma (a joint venture with the SLORC dictatorship).

- SNC-Lavalin (Montreal), an engineering giant that conducts "feasibility studies" for transmigration projects, timber exploitation and other suspect projects.

- H.A. Simons (Vancouver), which is present in East Kalimantan with a pulp and paper operation in the middle of the rain forest.

- Bombardier Inc. (Montreal), a leading donor to the Liberal party that is engaged in efforts to sell military aircraft equipment to the Indonesian armed forces.

- Atomic Energy of Canada Ltd. (Ottawa), a crown corporation desperately flogging Candu nuclear reactors (as used by India to build its first nuclear bomb) to an Indonesian consortium that wants to put the Candus on earthquake-prone Java. And, hundreds of others.

The East Timor Alert Network will shortly launch a Corporate Complicity Campaign to expose those companies that are engaged in Indonesia, where their investments legitimize and often enrich the army or children of the dictator, Suharto. For more information, please get in touch!

Indonesian gold rush ignores indigenous people

Before Busang hit the front pages of the business press as a miracle Canadian gold strike and story of business intrigue, it was the name of a group of indigenous people in the interior of Borneo (Kalimantan). The Busang Dayaks have inhabited the Borneo rain forest for generations; they have now been displaced by massive development schemes that threaten to turn their ancestral lands (now part of the Indonesian province of East Kalimantan) into a wasteland.

In 1993, fledgling Calgary mining company Bre-X Minerals Ltd. bought control of a small gold find at Busang in an offshore transaction from a Scottish investment concern. A year later, it had found a much larger neighbouring deposit that set

estimated reserves of as much as 100 million ounces of gold, may turn out to be the richest mine in the country — and much more remains to be explored.

"I've made the joke that everybody who goes to the property tends to see God," said one analyst in a typical comment. "And I guess I did. There's every probability that it will be one of the largest in the world."

"Development" based on resource extraction has a long history in East Kalimantan. Indeed, the Indonesian name Kalimantan is often translated as "River of Gems." In 1921, a subsidiary of Shell gained the concession for oil exploration. Liquid natural gas is now even more important — Indonesia produces 40%

fires: a 1983 fire claimed 3 million hectares of rain forest.

Foremost among Kalimantan's timber barons is Mohammed (Bob) Hasan, who says he controls "between thirty and forty" logging companies as well as chairing the Indonesian forestry industry association. His largest firm, PT Georgia Pacific Indonesia, holds over 600,000 hectares in the upper Mahakam, the main river of East Kalimantan. Hasan is a leading crony and regular golf partner of Indonesian president Suharto (whose "foundations" hold majority stakes in much of Hasan's business empire). He is the adopted son of the late General Gatot Subroto, Suharto's former chief of staff and a key figure in the army seizure of power.

name to become one of Indonesia's richest women. She is also a vice-chair of the government political machine GOLKAR and director of the national association of radio broadcasters, giving her huge political power.

In Indonesia, rated as the most corrupt country in the world in 1995 by the Berlin-based watchdog Transparency International, all this gave Barrick the inside track to control the Busang riches. A common Indonesian joke notes that the "first family" has long been in the "mine business: that's mine, that's mine... The Suharto family wealth is impossible to estimate accurately, since it is funneled through a shadowy array of "foundations" and corporations, but it has been pegged at perhaps \$50 billion.

Bre-X tried a \$40 million bribe on another Suharto scion, Sigit Harjojujanta, but was unable to shift the presidential will. All this enraged business commentators in Canada. But mining companies operating in Indonesia leapt to the regime's defence. "[The mining sector] is one of the few areas relatively free of high level corruption," insisted Kenneth McKechnie, chief executive of Indomin Resources.

In the end, however, it seems the prize has been won by the best-connected company of all: American giant Freeport McMoran. Freeport opened Indonesia's largest mine to date in 1968, literally writing its own investment contract.

Freeport's field of interest lay in West Papua, an island with little in common with Indonesia that the Indonesian government was able to annex with U.S. support in a United Nations power play. West Papua has never been allowed to exercise the right to self-determination its people were promised. As in East Timor, a guerrilla war goes on to this day, with 100,000 Papuans dead.

Freeport began to level Mount Ertzberg in West Papua, a mountain sacred to the Amungme people but even more sacred to the bean counters at Freeport who found the mountain to consist almost entirely of copper and gold. Ertzberg is the richest copper deposit in the world. The mountain has now been reduced to a vast canyon, and the Amungme to a people living on the its edge. Freeport has since gained the mining concession to the entire mountain range that includes Ertzberg.

Freeport's links to the Indonesian army are even greater than Inco's. The company has allegedly used its helicopters to transport soldiers for counter-insurgency operations. Amungme leader Tom Beanal has brought a lawsuit in U.S. court against Freeport for environmental and human rights violations.

Freeport, perhaps most importantly for its claim to the Bre-X property, is linked to Bob Hasan, whose timber companies have already done so much damage in East Kalimantan. The two are now embarked on a project that could do even more damage.

"Thank God [Indonesia's] a dictatorship. If it were a democracy, [the Busang imbroglio] could be tied up in court for years."

- anon. president of a Vancouver junior mining company active in Indonesia and the Philippines. (The Toronto Star, Dec. 16, 1996)

off a feeding frenzy on its stock. "It's not really a gold rush, it's rather a stock market rush," as one Indonesian businessman noted. Bre-X book value soared from almost zero to \$5.9 billion by 1996. Once-bankrupt Bre-X chief David Walsh has become a rich man by judicious buying and selling of his company's stock.

Together with a nickel discovery in Labrador by Vancouver stock promoter Robert Friedland's Diamond Fields, the Bre-X story vaulted Canadian mining to the top of the business news. In neither case was there any mention of what the effects would be on indigenous people

of the world total, with half of that coming from East Kalimantan. The province is also a big coal producer.

The coast has already been devastated. The interior is still being subjected to "development." When the Suharto "New Order" regime seized power in 1965-6 in a bloodbath where as many as one million died, one of its first acts was to throw the country open to business. Foreign logging companies quickly cast their eyes on East Kalimantan, where trees tower an average of 40-60 meters high, the products of a forest older than Brazil's. East Kalimantan soon accounted for two-thirds of the total

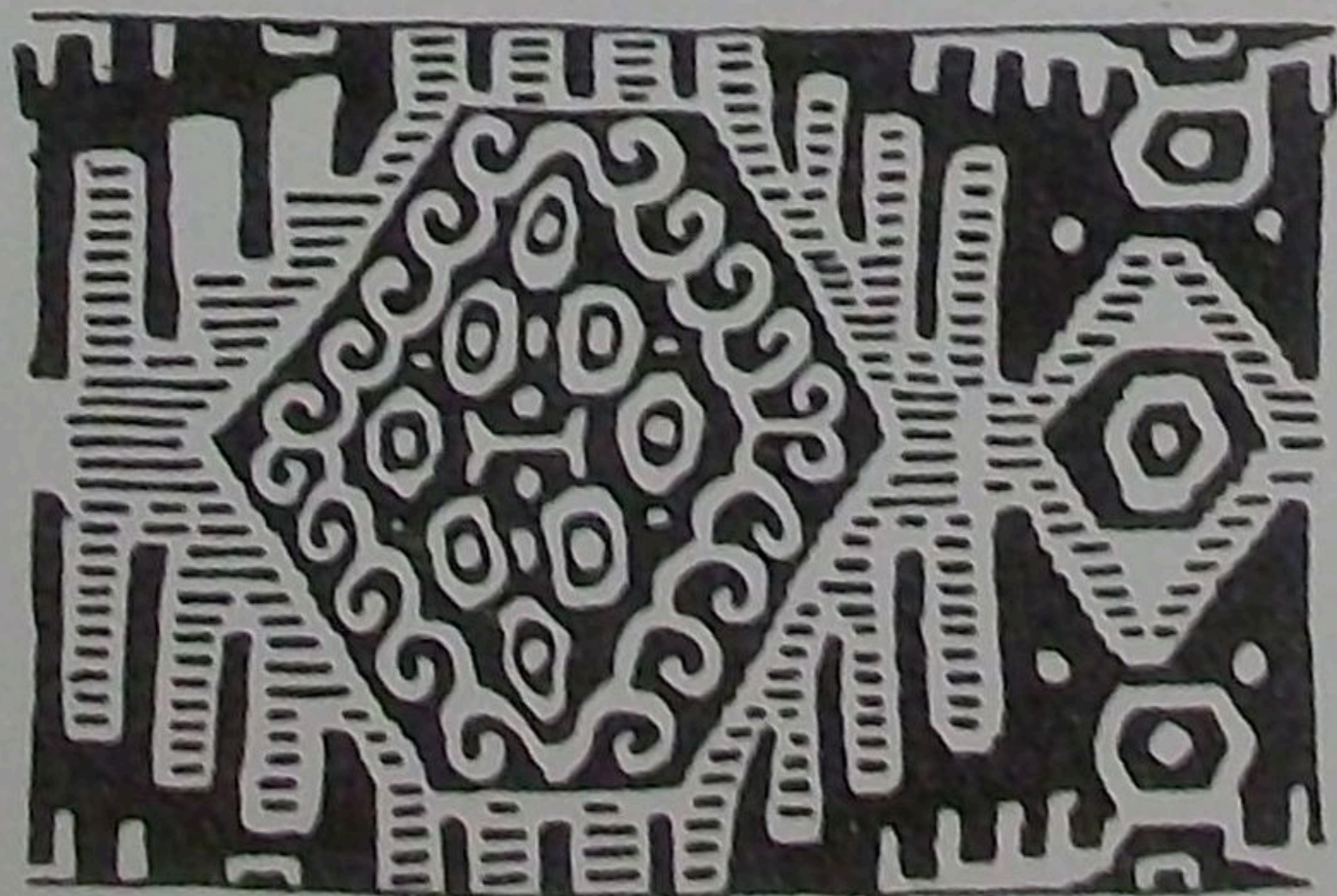
It goes almost without saying that the indigenous Dayak peoples have seen little benefit from oil and forestry (and now are unlikely to see much from mining). By the late 1970s, the province was raking in almost a quarter of Indonesia's total export earnings; yet the wealth flowed to a handful of army officers and their business cronies.

The Indonesian regime calls indigenous people like the Dayaks suku-suku terasing — backward and isolated people. It sees Kalimantan as an empty island to be filled up with transmigrants from the central island of Java. By 1980, 50,000 families had been moved from Java to East Kalimantan, with more going to the island's other provinces. The dispossessed Dayaks struck back recently in West Kalimantan, rioting and burning down transmigrant settlements.

Now, the Busang mine threatens to inflict even more damage to the environment and indigenous rights in East Kalimantan. With hundreds more (mainly Canadian) companies exploring, it may be only the tip of the iceberg.

Toronto-based Barrick Gold Corp. looked like it had gained control of Busang until February. Barrick is the world's largest mining company outside South Africa, with profits of almost \$300 million (U.S.). Its directors include former U.S. president George Bush and former Canadian Prime Minister Brian Mulroney, both believed to have made phone calls to Indonesian President Suharto on behalf of Barrick. (Mulroney's Barrick stock options are worth an estimated \$2.6 million.)

Barrick also signed a strategic alliance with Suharto's daughter Tutut, who has parlayed her family



(whether Dayaks, Innu or Inuit) or on the environment.

Hundreds of Canadian junior mining companies, most of them listed on the Vancouver Stock Exchange (the world's leading source of investment capital for speculative mining ventures) have now invaded the Indonesian islands of Borneo, Sulawesi and West Papua. Canadian companies now have over half of the Contracts of Work for mining awarded by the Indonesian government. The Busang strike, with

national timber production. The profits from massive logging flowed to Japan and the United States and into the coffers of "foundations" run by the Indonesian armed forces. Over half the province was handed over as logging concessions. Mechanized logging became the rule, while noble-sounding environmental regulations were flouted. In the 1970s and 1980s, only 21% of concessionaires did the replanting that was supposed to be required by law. The resulting "bald land" is heavily susceptible to forest