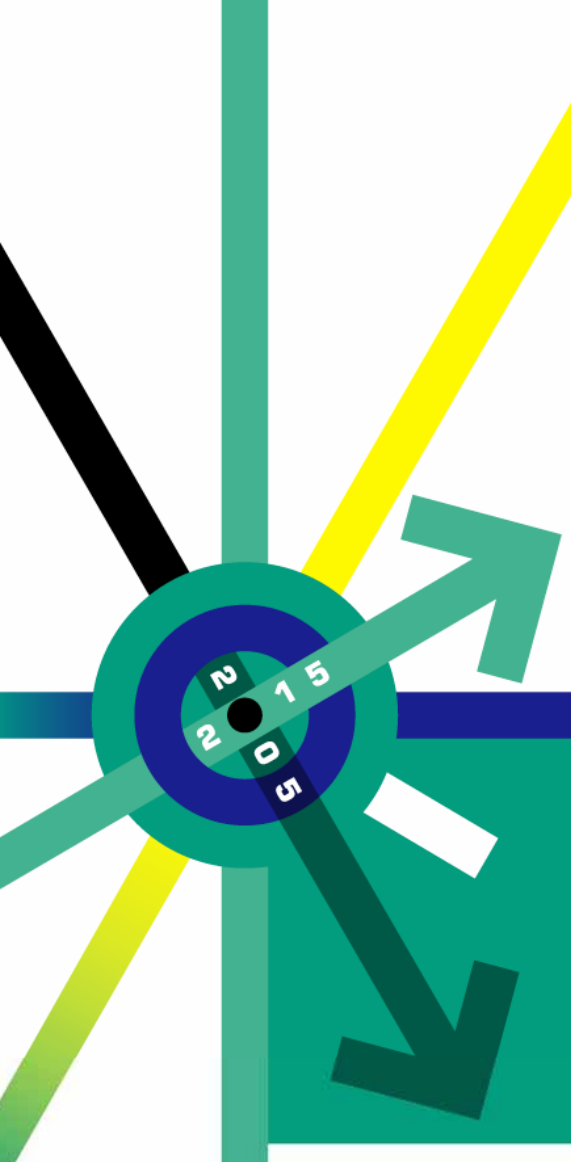




Human Development Report **2005**

Human Development Report Office
OCCASIONAL PAPER

A decorative graphic on the left side of the cover. It features a central circular element with a black dot in the middle. The numbers '2005' are arranged around this dot: '2' and '5' are on the left, '0' is at the bottom, and '1' and '5' are on the right. Several thick arrows radiate from the center: a black arrow pointing up-left, a yellow arrow pointing up-right, a light green arrow pointing right, and a dark green arrow pointing down-right. A vertical green line and a horizontal blue line intersect at the center of the graphic.

Wealth for the Few, Poverty for the Many: The
Resource Curse – Examples of Poor
Governance/Corporate Mismanagement
Wasting Natural Resource Wealth

Brown, Oli. 2005.

2005/30

The Grasberg mine – Irian Jaya

U.S company Freeport McMoran hit the headlines in the mid 1990s accused of serious human rights and environmental violations in its Grasberg mine in Irian Jaya. In its annual report, Freeport acknowledges responsibility for dumping over 125,000 tons of potentially toxic tailings into the rivers of Irian Jaya every day. The mine was the world's largest gold mine and the third largest copper mine in the world valued between \$50 and \$60 billion. According to reports by the BBC the mine has been responsible for the deaths of hundreds of people since the mine began operations in 1972 turning a blind eye while the Indonesian military killed and tortured dozens of native people in the area around the mining concession.

Freeport is the largest tax payer to the Indonesian government but denies allegations of on-going human rights abuses and theft of native properties. Its wealth stems from a mining license agreement signed in 1967. At this time Indonesia did not have authority for such a license and would be dependant on the Papuan people voting against their own independence from Indonesia (which given their ethnic Melanesian ancestry was an unlikely prospect).

The original license sold to the US company gave them mining rights over part of the Amungme tribal homeland. Being a sacred mountain, and negotiated without the permission of, or payment to, the Amungme people, this open-cut mining operation understandably caused great upset. Nevertheless, the company holds a 30 year exclusive mining license for the region from the official opening of the mine (1981). In 2003 the company was forced to admit that it has been paying the local Indonesian military to keep native landowners away from their lands.

The Yadana Natural Gas pipeline - Myanmar

In Myanmar the military dictatorship is accused of using forced labour to build the gas pipeline. Moreover, project – a joint venture of Unocal, the government and other entities has not punished soldiers for burning villages, committing rape and killing those who refused to work on the project. A group of victims is now suing Unocal Corporation in federal and state courts in the US with the assistance of the US NGO EarthRights.¹

Unocal was aware that there had been forced labour and other human rights abuses connected with the development of its pipeline in Myanmar, yet the company sought to avoid responsibility. In one statement the company's general manager for public relations told a reporter, 'We can't be held accountable for the military any more than Starbucks is responsible for the actions of police protecting its store from protestors'.

The Panguna Copper Mine – Bougainville PNG

The Panguna Copper mine, owned by RioTinto Zinc, operated from 1972 until it was closed by fighting in 1989 was an instrumental cause of the bloody civil war in Bougainville.² At the time of its closure the mine accounted for 9% of the GNP of Papua New Guinea.³ The inferior positions given to Bougainvilleans in the mine workforce, environmental damage caused by the mine, the unequal distribution of benefits from the mine and the incoming flood of outside workers fuelled the Bougainvilleans' resentment.

In 1988 landowners around the Panguna mine demanded compensation for land and environmental damage and the transfer of Bougainville Copper Ltd (BCL) to Bougainvillean control within five years. The breakdown of negotiations led to the sabotage of mine property which in turn elicited ill-judged and violent responses from the security forces. Escalating violence helped mobilise support for local landowner Francis Ona's Bougainville Revolutionary Army (BRA). After the withdrawal of the PNG defence forces in 1990, loosely organised fighting continued with local conflicts largely unconnected with the push for independence.⁴

Organised groups opposing the BRA, known as the Resistance Forces, were used by the PNG government to slowly re-established control over parts of Bougainville. The conflict divided Bougainvilleans and embroiled

¹ NHI, "Beyond Good Deeds - Case studies and a new policy agenda for corporate accountability," (2002): 34.

² Ibid., p. 261.

³ Duncan and Chand, "The Economics of the 'Arc of Instability'," p. 5.

⁴ Lal, "Post-War Pacific," p. 262-3.

the province in a messy civil war. It is estimated that there were as many as 15,000 to 20,000 fatalities from the fighting.⁵ The fighting led to the breakdown of government services and at times left more than half the population languishing in refugee camps.⁶

When attempts by the PNG government to hire foreign mercenaries to suppress the BRA were made public in February 1997, the ensuing furore led to the collapse of Julius Chan's government. The subsequent government of Bill Skate supported negotiations as did many of the war weary Bougainvilleans. The New Zealand government facilitated peace negotiations that resulted in a truce with the Lincoln Agreement of January 1998 and a 'permanent and irrevocable' ceasefire signed in Arawa on 30th April 1998.⁷ The Lincoln Agreement provided for a Truce Monitoring Team made up of monitors from Australia, New Zealand, Fiji and Vanuatu which the subsequent Arawa Agreement converted into a Peace Monitoring Group. Recently in a Los Angeles court a claim for billions of dollars in damages was brought against RTZ on behalf of the Bougainvillean people.

Also gold mining operations in Milne Bay Province and the New Island Province in PNG have been the object of campaigns by environmental groups

Oil companies in Azerbaijan and Kazakhstan⁸

In Azerbaijan, a consortium of oil companies led by BP/Amoco is developing a project expected to yield between 3 and 5 billion barrels of oil over the next thirty years. Called 'the deal of the century' it has been succeeded several other major contracts, including an agreement allowing a Chevron-led consortium to prospect off Azerbaijan's Aspheron Peninsula. In Kazakhstan, Chevron operates through Tengizchevroil, a joint venture with the Kazakh government. Established in 1993, Tengizchevroil is now the biggest oil producer in the country, pumping over 300,000 barrels per day from the Tengiz field on the Caspian's eastern shore.

Multinational Partnerships with Caspian nations are governed by contracts called Production Sharing Agreements (PSAs) which are largely negotiated in secret with no role for local communities, labour unions or NGOs. The Azeri and Kazakh governments have not responded to requests for transparency. Corporations have generally refused to disclose the contents of PSAs on the grounds that such disclosures should be made by the government.

Many are concerned that a lack of transparency could lead to a lack of accountability. Representatives of the oil companies assert that their operations in both countries are governed by standards enumerated in the PSAs and that these standards conform to unspecified 'oil industry standards' – these standards have not been made public. Critics strongly advocate for the disclosure of standards fearing that federal regulatory oversight is inadequate and corruption rife.

Oil in Angola

A report by Human Rights Watch (Jan 2004) argued that \$4.2 billion in state oil revenue disappeared from Angolan government coffers between 1997 and 2002 – a sum roughly equal to the entire sum the government spent on all social programmes in the same period.⁹ As oil revenues surged the Angolan government refused to provide information about the use of public funds whilst systematically undermining the judiciaries ability to hold government officials accountable.

Gas in Bolivia

Massive unrest was caused in 2003 in Bolivia when a deal was announced to tranship gas destined for California through Chile (which had seized Bolivia's last remaining access to the sea in 1879). Pacific LNG, the consortium behind the project is composed of the British multinationals the BG group and Pan American energy which itself is composed of BP and Bridas and the Spanish giant Repsol-YPF. The \$5 billion export plan consisted of a 700km pipeline from Bolivia to a port in Chile from where gas would be shipped to

⁵Ibid., p. 263.

⁶Ibid.

⁷ Althorpe, "Bougainville Reconstruction Aid: What Are the Issues?," p. 1.

⁸ Ibid.: 40-41.

⁹ Report accessible at <http://www.hrw.org/reports/2004/angola0104/>

Mexico and piped up to energy-hungry California. More than 70 people were killed in clashes with the government in and around La Paz. The project was eventually suspended and the US buyer opted for a supply contract with Indonesia over the furore when the government of Gonzalo Sanchez de la Losada resigned in October 2003.¹⁰

Oil in Sudan

Oil revenues of \$365m pa were being used to prosecute a vicious civil war. The government stands accused of displacing local populations by force to make way for companies holding oil concessions, such as Talisman (Canada) and Petronas (Malaysia).¹¹ A 2003 Human Rights Watch report argued that the Sudanese government was complicit in the displacement of hundreds of thousands of civilians in the south of the country.¹²

BP in Colombia

BP invested heavily in oil exploration in the Casanare region of Colombia – an area characterised by political violence and extensive abuses of human rights. The companies security arrangements, designed to protect its own facilities and staff, led to an increased presence of security forces, state as well as private. ‘The discovery and exploitation of oil in the Department was accompanied by an increase in violence and human-rights abuses, as both guerrilla forces and paramilitary organisations increased their operations’.¹³

¹⁰ More at <http://www.corpwatch.org/article.php?id=8828> and http://www.oxweb.com/daily_brief.asp?NewsItemID=95201&StoryDate=20031020&Link=TRUE

¹¹ Watkins, Kevin, *Rigged Rules and Double Standards: trade, globalisation and the fight against poverty* (Oxford: Oxfam, 2002), 186.

¹² The report ‘Sudan, Oil and Human Rights’ can be found at <http://www.hrw.org/reports/2003/sudan1103/>

¹³ Watkins, *Rigged Rules and Double Standards: trade, globalisation and the fight against poverty*, 186.