

# NGOs Undermining Democracy

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**O**VER the last decade or more, official aid agencies have increasingly been plying non-government organizations (NGOs) with money and influence in the belief that they would provide a route around corruption and towards democracy.

Arguably, nowhere has this happened more than in Indonesia.

The crisis recently confronting Newmont Mining, where five of its senior executives (one American, one Australian and three Indonesians) were imprisoned in Indonesia, illustrates the folly of this belief.

Since the early 1990s, Indonesia has been a major target of a global anti-mining campaign. Although Indonesia is not a major mining nation, it is very prospective. Canada's Fraser Institute rates Indonesia as sixth in the world for geologic potential. In the early to mid-1990s, it experienced a large inflow of investment from global mining firms. With the global miners came their opponents in the NGO sector.

Newmont was an early entrant into the Indonesian mining industry, starting with the development of its PT Newmont Minahasa Raya (NMR) goldmine, which began production at Buyat Bay in the province of North Sulawesi in 1996. At its height, NMR accounted for 8 per cent of Newmont Mining's global output. It has also been a major contributor to the Indonesian economy and North Sulawesi, providing direct and indirect benefits of around US\$544 million.

Like virtually all the foreign-owned mining ventures in Indonesia, NMR was, from its inception, subjected to a

campaign by 'local' NGOs. These included the Indonesian Center for Environmental Law (ICEL), the Indonesian Mining Advocacy Network (JATAM), the Institute for Policy Research and Advocacy (ELSAM), KELOLA Foundation and the Indonesian Forum for the Environment (WAHLI), aka Friends of the Earth Indonesia—just to name a few.

Since the mine opened, NGOs have alleged that NMR was polluting Buyat Bay with mercury, arsenic, lead, copper, cadmium and other toxic compounds from its tailings.

Newmont has consistently and emphatically denied the charges on the basis of results from its own on-going monitoring, and those of independent groups such as the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and results of the Indonesian Government's own testing. All these sources repeatedly failed to find any problems with pollution—mercury, arsenic or otherwise—in the Bay.

The NGO campaign against NMR increased in intensity in 2004 as the mine was being wound down. The NGOs issued a new set of even more extreme claims, including that 30 villagers had died from Minamata disease, a severe form of mercury poisoning which could only be acquired by direct ingestion of mercury.

After these latest allegations surfaced, an Indonesian legal aid group (The Agency for Health Law) purporting to represent the alleged victims, filed a lawsuit seeking criminal charges and a US\$543 million lawsuit for damages against Newmont and its executives.

As is characteristic of NGO campaigns, the campaign against NMR was taken to the global media. In September 2004, *The New York Times* ran a feature story on its front page which presented the NGO case. In so doing, it ignored data that supported Newmont's position, and gave an incomplete and biased assessment of the situation.

*The New York Times* only referred to 'experts' that were in fact provided by the NGOs. For example, the paper quoted the opinion of 'a doctor' who claimed that villagers were suffering from mercury poisoning. These claims were subsequently shown to be untrue. In addition, *The New York Times* gave much weight to the opinion of 'a hydrogeologist, Robert E. Moran, an adviser to mining companies and environmental groups'. In short, they presented Moran as an independent, neutral authority. In truth, Moran is a consultant to Oxfam and other environmental NGOs. He is also a Board Member of the anti-mining group Global Response. As disclosed on mineweb.net—a leading mining industry newsletter—'Moran is better known ... as the author of anti-mining studies, such as the Tambogrande project'.

Shortly after *The New York Times* ran the story in September, Indonesia's National Police arrested six of NMR's most senior executives (one was released due to health risks) on charges that NMR and its executives had knowingly polluted the bay and damaged the livelihood and the health of the local community. According to *The Jakarta Post*, this came about after 'dozens of Buyat people, encouraged by

NGOs, filed a complaint with the National Police against NMR in August over alleged contamination that, it was claimed, had affected their health’.

The Indonesian National Police also claimed to have conducted tests which found high levels of mercury in Buyat Bay. When contacted by *The Christian Science Monitor*, the police were, however, not forthcoming about their methodology or their results.

The main English-language newspaper in Indonesia, *The Jakarta Post*, in a carefully crafted editorial, described the action by the police in respect of NMR as bordering ‘on the bizarre’.

It was not alone in this view. The *Asia Times* noted: ‘There have been suggestions from industry sources that the pollution charges are being drummed up by NGOs and the authorities in a hidden agenda against Newmont, to coerce the company into paying massive compensation before it leaves its Sulawesi mine’.

The police and the NGOs’ case received a major setback in October when an investigation of the area by the World Health Organization and the Minamata Institute of Japan failed to find any signs of mercury poisoning or related symptoms. Following this, police received further bad news when the state prosecutors rejected the police dossier of evidence against Newmont and asked for further substantiation.

More significantly, the Indonesian Government released an interim report prepared by the Government Integrated Team—composed of bureaucrats, scientists and NGOs, set up to examine the claims—which found that ‘Buyat Bay was not polluted with mercury’, and ‘was not polluted with arsenic’. It also found that the ‘fish from Buyat Bay are fit for human consumption’.

The release of this interim report by the outgoing Environment Minister Nabel Makarim was criticized by the anti-mining NGOs on the Integrated Team on the grounds that they had not had a chance to put their ‘spin’

on the results. But as the Minister told *The Jakarta Post*: ‘What I have released to the media is the true result of the field research. Why should we hide and keep the information? Based on the comparison between the laboratory results and acceptable levels (of heavy metals in seawater) there is no pollution in the bay’. ‘The interpretation may be different but the data cannot be changed. So let them release whatever interpretation they have,’ he added.

The Minister’s actions were in response to the strategy of the NGOs to pre-empt findings and distort results.

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The NGOs ran true to form and leaked a copy of the final ‘draft’ of the Government Integrated Team Report to their supporters in *The New York Times*. This draft, or at least the sections of it reported by *The New York Times*, echoed the opinions of the anti-mining NGOs. The NGOs quickly declared it ‘the most comprehensive study ever carried out’ and *The New York Times* gave it its stamp of approval.

The Report has been presented to the new Environment Minister, and therefore looks destined for yet another committee where NGOs will undoubtedly be able to generate a few more negative headlines about Newmont.

Shortly after the inauguration of the new Indonesian President Susilo Bambang Yudhoyono, the Newmont executives were released from custody, although the police investigation is continuing.

The action against NMR has undermined the already low level of investor confidence in Indonesia generally and specifically in its mining sector. Investment in the mining industry has declined over the last seven years from AUD\$3.6 billion to a paltry AUD\$244 million. The problems confronting Newmont will contribute to this decline.

In Indonesia, as in other developing countries, local anti-mining NGOs are partners with Western activists. While they claim to represent the local community, they are in fact funded almost entirely from abroad. For activists in the developing countries, these campaigns are as much about earning a living as they are about saving the environment. As in the developed world, protesting there has become a profession. What gives NGOs’ agendas away is the fact that they only campaign against foreign joint ventures. They leave local mines alone, even those that extensively use mercury and operate with poor standards. Moreover, when foreign investors sell out to locals, the NGO campaigns invariably stop.

Importantly, for NGOs such as ICEL, WAHLI and JATAM, a large but undisclosed portion of their funding comes ultimately from Western sources. For example, WAHLI, a leading Indonesian anti-mining NGO which was involved in the campaign against NMR, receives funding from CARE, OXFAM, Netherlands Organization for International Development Cooperation (NOVIB), AusAID, Belgium’s National Center for Development Cooperation (NCOS), and Canadian Development Agency (CIDA). As James Sheehan notes in his book, *The Global Greens*, WAHLI also shared in a US\$14.4 million contract from the World Bank’s Global Environment Facility with WWF Indonesia.

JATAM received funding of US\$75,000 from USAID’s Biodiversity Support. This was, however, not renewed because, in the words of a USAID spokesperson, ‘Doubts were raised about JATAM’s ability to give

impartial assistance to communities and we determined that this was harmful to US goals’.

In addition, WAHLI previously received funds from USAID until it had a well-publicized falling out (that is, publicized by WAHLI) over the invasion of Iraq. WAHLI reportedly refused to take money from the United States and other countries, such as Australia and Great Britain, whom they referred to as ‘belligerents’. There is no way of determining whether they did refuse, or whether it was mere theatrics.

Western funding of NGOs is usually rationalized on the basis that NGOs promote the rule of law, find solutions and mediate conflict. The reality of the Newmont experience is that NGOs sometimes facilitate corruption, create risk, destroy jobs and accentuate conflict. The *Asia Times* noted that both WAHLI and JATAM ‘follow the gospel as laid down by anti-mining foreign NGOs to the point that they pursue global anti-mining campaigns and spend their time attacking foreign companies rather than working to protect and preserve the environment’.

Buyat Bay, where NMR is located, is typical of many Indonesian communities. It is fractured on religious and economic grounds, is experiencing a decline in public infrastructure and private investment and is suffering from a decline in the rule of law and political leadership. On one side of the Bay, people are relatively affluent and Christian. Across the bay, in the village of Buyat Beach, the people are mainly Muslim and notably poorer than their Christian neighbours.

The mine has exacerbated these differences. It is located nearer the Christian villages and has provided jobs and economic activity, as well as schools, clinics and roads. Not surprisingly, the people living in these villages are highly supportive of the mine. The people in Buyat Beach have not benefited as much from the mine and are disgruntled.

On top of this, there is the general political and economic chaos that

has followed the fall of the Suharto: the rise of democracy, decentralization of political structures and economic decline.

On paper, therefore, the Buyat Bay area is a prime example of a community in need of the soothing assistance of civil society. Instead of attempting to reconcile the differences within the community and provide political leadership, however, the NGOs have driven a wedge into the community. Instead of being mediators, they have augmented tensions. The NGOs have concentrated on mobilizing the

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poorer Muslim villages. They have done this with highly emotional and false claims of pollution and poisoning. They have offered the lure of huge payments from lawsuits for those who participate in the anti-mining campaign.

Instead of assisting the rule of law, the NGOs have effectively undermined the decision-making process and attacked the reputation of politicians, the police and public servants who did their job honestly and according to the evidence. Instead of working against corruption, they have actively facilitated it by providing police with the cover of false claims.

When US Ambassador Ralph Boyce raised the NMR case with the outgoing Indonesian President Megawati Sukarnoputri, his actions were attacked by US activists. ‘The US Embassy’s actions are a dangerous example of the Bush administration’s

misguided foreign policy’, said Stephen Mills, Director of the Sierra Club’s International Program.

Mills went on to argue that ‘the transgressions of American companies operating abroad reflect poorly on our country and damage our national security’. But Mills’ clumsy attempt to invoke national security does inadvertently expose a major problem which has been tolerated for far too long. Broadly speaking, what damages the national security of countries such as Australia, but also America for that matter, are ‘local’ NGOs funded by Western aid dollars, which the *Asia Times* notes ‘are the driving force behind much of the unrest that has caused investors to head for the door.’ They are trying to sabotage an industry that is generating wealth and opportunity in the world’s most populous Muslim country, and stirring up hatred towards Westerners in a country which unfortunately has more than its fair share of poverty and Islamic fanatics.

The misuse of aid money by NGOs, as described above, is well known in Indonesia and is creating resentment even amongst groups supportive of a more open and pluralistic civil society. Indeed, this was in part behind the decision of the Megawati Government last year not to renew visas for a number of representatives of international NGOs in Indonesia.

It is in our own interests, as well as those of our neighbours, to stop it. Indeed, AusAid needs to review its entire NGO programme. While some NGOs may be doing good, many are undermining and actually destabilizing our neighbours. Others are just wasting taxpayers’ money.

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#### **NOTE**

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