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THE WALL STREET JOURNAL.

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ASIA NEWS | February 21, 2013, 12:14 p.m. ET

Eight Indonesian Soldiers Killed in Papua Attacks

By BEN OTTO And JOKO HARIYANTO

JAKARTA, Indonesia—Eight Indonesian soldiers were killed in attacks by unidentified gunmen in Papua Thursday, in the worst instance of violence against government security forces in the restive eastern province in more than a decade.

Papua-based military spokesman Lt. Col. Jansen Simanjutak told The Wall Street Journal the military suspects rebels of the separatist Free Papua Movement (OPM) were behind the attacks, which took place at two different locations in the central district of Puncak Jaya. "They're strong enough that they can dare to do this," Mr. Simanjutak said.

The poorly armed but well-entrenched separatist group has operated for decades in the hills of Papua and West Papua. The group, which rarely speaks publicly, hasn't released a statement.

Human Rights Watch, a New York-based nonprofit group, told The Wall Street Journal it believes the OPM was behind the attacks and that villagers near the area of the attacks have left their homes, fearing retaliation from the military.

The provinces of Papua and West Papua--territories formerly administered by the United Nations as West New Guinea and then incorporated into Indonesia in the 1960s--have experienced decades of regular protests and violence between security forces and separatists who oppose Jakarta's rule over the region.

Mr. Simanjutak said a first attack by gunmen occurred at midmorning at a military post in Puncak Jaya, where one soldier was killed. A second attack was an ambush on troops moving elsewhere in the district, leaving seven soldiers dead, he said.

The vast region is rich in natural resources, although many investors have shied away from it due to its remoteness, lack of infrastructure and uncertain security. Freeport-McMoRan Copper and Gold Inc. operates the huge Grasberg mine—the world's largest for both copper and gold—in Papua, not far from Thursday's attacks.

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Political, Shareholder Woes Trip Up Mining Giant in Indonesia

John Mcbeth - Straits Times | January 15, 2013



An aerial view shows the site of the Grasberg mine, operated by the US-based Freeport McMoRan Copper & Gold in Indonesia's Papua province in this Nov. 4, 2010 file photo (Reuters Photo/Muhammad Yamin)

Freeport-McMoRan Copper & Gold has been scrambling to reassure investors that its controversial diversification into oil and gas does not mean it is facing problems extending its four-decade-long control over Papua province's hugely profitable Grasberg copper and gold mine.

"Resource nationalism is always a concern when we operate in the countries we do," chief executive and president Richard Adkerson said in a conference call last month.

"But there is no development in Indonesia or Africa that is driving us to do this."

The world's fifth biggest mining company is battling political headwinds ahead of Indonesia's 2014 elections in efforts to negotiate a 20-year extension to its contract of work, which expires in 2021.

Freeport claims it is entitled to two 10-year extensions under wording in the existing 1991 contract. But the Indonesian government is insisting that it conforms with the 2009 Mining Law by converting the contract to a business license, which does not carry the same degree of certainty.

Adding to that uncertainty, the constitutional court is hearing a challenge to the mining law by the same nationalist lobby which recently won a decision forcing Jakarta to restructure how it regulates the oil and gas industry.

Freeport has to get things settled before it dives much deeper into a US\$16 billion program which will convert the Grasberg from a vast open pit into the world's biggest underground operation, with electric rail and 900 km of tunnel.

The company is already in negotiations with the government, but given the political atmosphere, it is unlikely to reach any deal until after the 2014 elections — and then with an entirely different set of ministers.

Adkerson has sought to sweeten the pot by offering to list subsidiary Freeport Indonesia on the Indonesia Stock Exchange, correctly noting that it might help to put the company in a more positive light.

The contract extension aside, the Grasberg mine has other problems. Freeport was forced to halt operations for the last three months of 2011 in the face of an unprecedented strike involving 8,000 of its workers.

With the labor agreement coming up for its biennial review in March, Freeport is now bracing itself for another round of union demands that could cause further disruptions in production.

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A steady stream of foreign security experts have been advising on the best way to guard the mine, especially the 100 km road linking Grasberg to the lowland town of Timika which has been the target of frequent sniper attacks.

Because of its past association with the Suharto regime and environmental and human rights infractions, real, imagined and invented, Freeport has become the foreign company most Indonesians love to hate.

Now it is in trouble with its big shareholders as well. "This is one of the worst tele-conferences I've ever heard," snapped Ewy Hambro, managing director of investment firm BlackRock, as executives sought to justify the planned acquisition of two oil exploration firms.

The uproar stems from an apparent conflict of interest in a \$20 billion deal to buy McMoRan Exploration and Plains Exploration and Development, which will cost the Arizona-based mining giant about two-thirds of its market cap.

Because of the way it is structured, the deal did not need shareholder approval, an issue that infuriated BlackRock and other investors given management's financial interest in McMoRan Exploration and a 17 percent drop in the value of Freeport's stock.

McMoRan's shares plunged 35 percent last November because of problematic flow tests at its deepwater Davy Jones site in the Gulf of Mexico, which it claims has the potential of being the biggest oil discovery in a decade.

Adkerson, who is also co-chairman of McMoRan, talked about the "complexities" resulting from overlapping management, with six directors holding dual board membership in the two companies.

In essence, Freeport is going back to its roots. Co-founded by geologist James "Jim Bob" Moffett in 1969, McMoRan Oil merged with Freeport Minerals in 1981 and later sold off its oil and gas assets to help fund the development of the Grasberg mine.

New Orleans-based McMoRan was spun off in 1994, but the company continued to be run by the hard-charging Moffett, the concurrent chairman at Freeport and the guiding force behind the latest move.

Recounting the company's history of risk-taking in remote Papua, which stretches back to the late 1960s, Moffett basically asked shareholders to trust him. "We know how to swing for the fences," he rasped.

"We're home-run hitters."

Described by Adkerson as the firm's "cornerstone asset", and by Moffett as "the best mine in the world", the high-altitude Grasberg mine contributes to 31 percent of Freeport's revenues — even if the strike did make 2012 an exceptionally bad year.

But that dependency is expected to drop to 23 percent as a result of a deal that Adkerson calls an "add-on and not a diversion", with 74 percent of future revenues expected to come from mining and 26 percent from what he says will be self-funding oil and gas operations.

The acquisitions create a resource conglomerate worth \$60 billion, inclusive of debt, and mark a major shift in strategy for a company which used its Grasberg riches to gobble up Phelps Dodge, a firm much bigger than itself, in 2007.

With 10 operating mines in North and South America



and Africa, the world's biggest copper producer and fifth biggest miner has been looking for opportunities outside its core business, worried about the lack of new world-class copper deposits.

Their eye firmly on the short term, many shareholders are clearly not convinced that getting back into oil and gas is the way to go.

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opinion



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ASIA NEWS | October 31, 2012, 5:29 p.m. ET

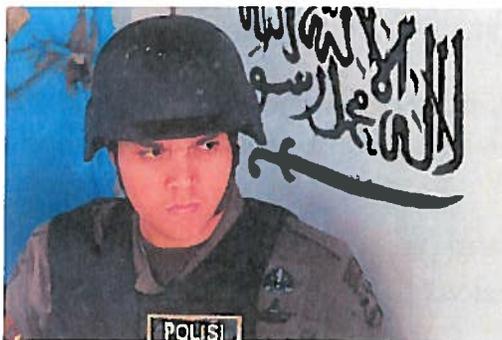
Indonesia Suspects New Terrorist Links

By ERIC BELLMAN and BEN OTTO

JAKARTA—A group of 11 suspected terrorists arrested in Indonesia in the past week for allegedly planning to attack the U.S. Embassy and other American targets is likely connected to remnants of a long-established, al Qaeda-linked organization, according to Indonesia's counterterrorism chief.

The official, Ansyaad Mbai, said interrogation of the group would likely show they are linked with Jemaah Islamiyah, which was al Qaeda's chief franchise in Southeast Asia and the organization that carried out the Bali bombings 10 years ago. The group "looked new at first, but we've found that they're connected to the previous terrorist networks," Mr. Mbai told *The Wall Street Journal*.

The arrests came as counterterrorism forces stepped up operations outside the traditional militant breeding grounds of Central Java, on the northern island of Sulawesi. Police on Wednesday killed one suspect and arrested two others in a shootout in the Sulawesi town of Poso.



Associated Press

An Indonesian police officer stands guard at the door of the house of a suspected terrorist after a raid in Jakarta, Indonesia, Saturday, Oct. 27

The three were suspected of being involved with terrorist training and the assassination of a police officer, said Boy Rafli Amar, spokesman for the national police. Officers of Indonesia's Western-trained terrorist-investigation squad, Detachment 88, found guns, pipe bombs and bomb-making materials after the arrests, Mr. Amar said.

Mr. Mbai, the counterterrorism chief, said Poso is the new front in Indonesia's fight to suppress violent Islamist groups. The area has been racked by episodes of communal violence, and since the late 1990s, and foreigners are restricted from traveling there officials say militants are fomenting sectarian unrest between Muslims and Christians in Poso to destabilize the country and promote their ultimate goal of creating an Islamic nation.

"The center of gravity for terrorism in Indonesia is Solo [in Central Java], but Poso is used as the training grounds now," Mr. Mbai said. "The situation is already critical. People are scared."

A Long Battle

Some major terrorist attacks, arrests and convictions in Indonesia

August 2000 A bomb kills two at the Philippines Embassy, seriously injures ambassador

Christmas Eve 2000 Bombs kill 19 at 11 churches across Indonesia

October 2002 Two bombs explode in a nightclub district in Bali, killing 202, mostly tourists

May 2003 Three men go on trial for Bali bombings and are eventually sentenced to death.

August 2003 Car bomb kills 12 at a Jakarta hotel

September 2004 Car bomber kills 11 at Australian Embassy

October 2005 Bombs at three restaurants in Bali kill 25 people

November 2008 Bali bombers are executed

July 2009 Suicide bombings at two Jakarta hotels kill nine

September 2009 Indonesia's most-wanted man, Noordin M. Top, dies in a police shootout

June 2011 Radical cleric Abu Bakar Bashir sentenced to 15 years in prison

September 2012 Police arrest eight terror suspects, accuse them of plotting attacks against officials and police.

October Police arrest 11 suspects in alleged plot to attack U.S. interests

He said it was possible that some of the men arrested in the past week in the alleged plot against the U.S. Embassy in Jakarta received training in Poso. The 11 suspects were all apprehended in cities on Java: Bogor, Solo and Madiun.

Indonesian police said the suspects were planning attacks on the embassy, the U.S. Consulate in Surabaya and an office of the Indonesian arm of Freeport-McMoRan Copper & Gold Inc., the U.S. mining company.

American authorities welcomed the arrests, while the U.S. Embassy said Americans should remain vigilant and avoid large crowds and other gatherings that might turn violent.

Indonesian police identified the 11 suspects as being from a little-known group called Haraqah Sunni for Indonesian Society, or Hasmi.

The suspects have yet to be appointed lawyers so representatives couldn't be reached. Under Indonesian law, the police can detain and interrogate suspects in terror offenses for up to seven days before they are allowed lawyers.

The group turned its attention to American targets in part for revenge following the insulting anti-Islam video clip, that was made in the U.S. and triggered protests around the Muslim world, Mr. Amar said.

"From the investigation so far, we know that one of the reasons why they will launch the act of terrorism is this movie, which they view is a blasphemy against Islam," Mr. Amar said.

President Susilo Bambang Yudhoyono, in a speech Tuesday, called on Indonesia's citizens to combat terrorism but said that the rest of the world needs to be careful about angering radical elements.

"I am also calling on to the world, to countries to uphold mutual respect and be sensitive to [values] in other communities, in other nations, in other religions," Mr. Yudhoyono said. "Stop blasphemies."

Indonesia has more than 200 million Muslims out of a population of more than 240 million. The overwhelming majority of Indonesians are moderate and support the country's secular democratic system, which has brought a period of unprecedented economic growth and interest by foreign investors in recent years.

The boom has been accompanied by the decline of large, organized terrorist groups, analysts say. Jemaah Islamiyah carried out the 2002 bombings on the resort island of Bali that killed 202 people, mostly foreign tourists, but hasn't carried out a major attack since 2009. Though many high-profile members have been killed or arrested, some operatives have survived.

Smaller, less-organized groups, some with loose links to Jemaah Islamiyah's former leadership, continue to plan and carry out smaller acts of terror, police say.

Mr. Mbai attributed the continued presence of small terror groups partly to a weak legal framework for curbing hate speech and other forms of fomenting intolerance.

"If you want to stop terrorism, we cannot just physically clear the militants; the ideas of radicalism remain," Mr. Mbai said. "Provocation in the form of hate speech and fomenting animosity is a crime in countries around the world, but not in Indonesia."

"As long as we cannot stop hate speech in Indonesia, terrorism will continue to exist here," he said.

Southeast Asia's terror problems aren't confined to Indonesia. Lebanese authorities last week arrested two Malaysian citizens in Beirut on suspicion of having links with al Qaeda, Malaysia said this week. Malaysia's foreign ministry said the suspects were linked to al Qaeda.

Marwan Sinno, the Beirut lawyer representing the two Malaysians, said they had been accused of working for al Qaeda and planning a terrorist act in neighboring Syria. Mr. Sinno said they weren't guilty and had been forced to confess under pressure.

—I Made Sentana, Edhi Pranasidhi, Nada Raad and Celine Fernandez contributed to this article.

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WSJ.com

ASIA NEWS

October 28, 2012, 7:59 p.m. ET

Indonesia Arrests 11 in Suspected Terror Plot

By ERIC BELLMAN And JOKO HARIYANTO

JAKARTA—Indonesian police arrested 11 people suspected of planning terrorist attacks on targets across the country, including U.S. diplomatic missions, in the latest in a series of crackdowns on small suspected terrorist groups in the world's largest Muslim-majority nation.

Police spokesman Suhardi Alius said the country's special antiterror squad, Detachment 88, arrested the people Friday and Saturday in Jakarta and the cities of Bogor, Solo and Madiun, all on the main island of Java. He said the group was planning attacks on the U.S. Embassy in Jakarta, the U.S. Consulate in Surabaya, and a building near the Australian Embassy in Jakarta that is also an office of the Indonesian arm of U.S. mining giant Freeport-McMoRan Copper & Gold Inc. The terrorists were allegedly also targeting the Central Java headquarters of the police mobile brigade, police said.



Associated Press

Police stood guard in the city of Solo, Indonesia, after a raid Saturday.

"We discovered some explosive materials, a guidebook to assemble bombs, some ammunition and detonators" during the raids, Mr. Alius told reporters in a news conference Saturday.

Authorities also said they found a gas cylinder filled with explosive material and videos of attacks on Muslims in various parts of the world. The police didn't give details of how far the plans had advanced. The suspected terrorists were members of a new group called Haraqah Sunni for Indonesian Society, or Hasmi, Mr. Alius said.

The suspects and their lawyers couldn't be reached for comment.

The U.S. Embassy said it was talking with the police about the arrests.

"We have been in close touch with the police, and welcome their quick action to counter this threat," the embassy said Sunday in a statement on its website. "We recommend that American citizens in Indonesia maintain security situational awareness. As always, we advise American citizens to avoid large crowds and other gatherings that might turn violent. We will continue to monitor the situation carefully and provide further updates, if needed."

More than 85% of Indonesia's population of close to 250 million is Muslim. While an overwhelming

majority of the country's citizens are moderate and solidly support the country's secular government, some analysts warn the country is becoming increasingly intolerant of minority religious groups. Meanwhile, police say they are concerned about the proliferation of small terrorist groups that seem to keep popping up across the sprawling archipelago, though they haven't been able to mount major terror attacks.

While many of the groups that have been caught plotting recently have allegedly been targeting Christians and other religious minorities, Saturday's arrests show that at least one is reported to be thinking of returning to an earlier favorite target—the U.S. Meanwhile, Indonesian authorities themselves continue to be a target, said Al Chaidar, a terrorism researcher from Malikussaleh, a university in Banda Aceh.

"It seems that their leaders find it easier to [find support] if they target the U.S. and the police and government rather than other religions," Mr. Chaidar said.

Indonesian representatives for Freeport-McMoRan didn't respond to requests for comment over the weekend. The Australian Embassy declined to comment.

Indonesian authorities warned earlier this month that a group may have been planning an attack targeting dignitaries who were on the resort island of Bali on Oct. 12 to commemorate the 10th anniversary of the deadly attacks there that killed 202 people, mostly foreign tourists. The attack, which was carried out by the al Qaeda-linked Jemaah Islamiyah, was the most deadly ever in the region.

At the time, Indonesian police raised the country's security alert to its highest level after they said they uncovered terrorist movements indicating someone might have been preparing to target visitors, such as Australian Prime Minister Julia Gillard, who visited Bali for a series of memorial events on the anniversary of the attack. There were no incidents during commemorations.

The Bali attack triggered a nationwide crackdown in Indonesia. Western countries helped it respond to the terrorist threat by putting in place the terrorist-investigation police squad known as Detachment 88 and modernizing its legal code to better target terrorist groups.

Since then, most of the people involved in the 2002 attack have been arrested or killed, and most large, organized terrorist groups—including Jemaah Islamiyah—are now considered neutralized in the country, analysts say.

While there have been no major attacks in Indonesia since 2009, there have been regular arrests of those accused to be members of smaller groups planning and carrying out smaller attacks. In March, members of Detachment 88 shot dead five men they said were planning to attack a bar in Bali frequented by foreigners as well as other targets.

The splinter groups have so far failed to pull off any major attacks. However, the fact that there seems to be a growing number of them in different spots is something authorities should be worried about, said Umar Juoro, senior economist at the Center for Information and Development Studies, a research center in Jakarta.

"These groups are not really as organized as before, but they are showing real determination to carry out terrorist acts," Mr. Juoro said. "So far, they have not been capable of carrying out attacks as big as before, but if they are not prevented, they could do significant damage."

The police's ability to catch many of the groups before they are even able to launch an attack

suggests the would-be terrorists don't have the organization to do anything as large as the Bali attack, said Ken Conboy, a Jakarta-based security consultant for RMA Indonesia.

"All these other small, amateurish groups were able to spring up [using information off] the Internet, without going overseas for training," so they don't have the capabilities of the older established groups, Mr. Conboy said. "What the police found with Hasmi were small explosives; the things used in [Bali in] 2002 were works of art by comparison."

—Andreas Ismar, I Made Sentana and Ben Otto contributed to this article.

Write to Eric Bellman at eric.bellman@wsj.com

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Seeking Alpha α

3 Big Reasons To Avoid Freeport-McMoRan

Jun 18 2012, 14:11

by: Vatalyst

| about: [FCX](#), includes: [ABX](#), [AU](#), [BHP](#), [VALE](#)

Disclosure: I have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours.

The international mining company **Freeport-McMoRan (FCX)** has really struggled over the past year, with its volatile stock dropping from the mid \$50 per share range last July to its current price of about \$32 per share. In that time, Freeport-McMoRan saw its stock drop lower than \$29 per share in large part due to global economic frailty.

With the global economic struggles continuing, it does not appear Freeport-McMoRan will turn around any time soon. As over 70 percent of its revenue comes from copper, Freeport-McMoRan will continue to struggle as the world demand for copper continues to drop. The price of copper in India has dropped due to lower demand that originated from a slump in industrial production.

Similarly, the sluggish economic outlook of China, which largely determines the global price of copper by the amount it demands, has started to lead to less copper demand. However, CEO Richard Adkerson cited a Brook Hunt report that shows Chinese copper demand should grow from 9 million tons this past year, to 16.4 million tons in 2025. While this would be great news for investors, unless the global economy turns around, this seems an unlikely reality.

Naturally, lower prices and demand for its main product leads to lower revenues for Freeport-McMoRan. Unless the copper market turns around, Freeport-McMoRan may have trouble sustaining its business, just like any consumer goods company would if its most popular product became obsolete.

Freeport-McMoRan is boosting the exploration of the areas near its current mines in order to increase production capacity and in turn grow future revenues. However, in the near term, the company is confronted with higher costs from copper production and lower demands at the same time. This potential continued increased costs and loss of demand for its main product is the first reason I do not recommend buying stock in Freeport-McMoRan.

Freeport-McMoRan production in Asia is facing further issues as well. Violence at Freeport-McMoRan's largest producer and asset, Grasberg copper and gold mine in Papua, New Guinea, may disrupt production and in turn allow Freeport-McMoRan's stock price to plummet. CEO Adkerson admitted concern over the violence, which appears to be about Papua, New Guinea's independence from Indonesia.

Since Grasberg mine is Freeport-McMoRan's largest producer, letting this situation get out of hand can seriously hurt the value of the company. If production is forced to halt, Freeport-McMoRan will be forced to completely overhaul their business model so they can stay profitable. Managements unwillingness to make their plan of action public leads me to believe the situation may be worse than they are willing to admit.

On the other hand, halted production due to violence may not be managements largest concern, with Grasberg mine workers planning a demonstration for later in June. They plan to protest, in which they will completely stop work, over the dismissal of certain employees and security problems.

Yet another problem faces Freeport-McMoRan, this one in the form of the Indonesian government. Its government is putting strict restrictions on the mining industry, including limiting mineral imports to 2009 levels. Furthermore, it is

implementing a 20 percent tariff on exports of metal orders. Perhaps the most significant new regulation is one that will force foreign mining companies to sell Indonesian operations to local owners after ten years of business.

This last measure seems unlikely to last, given Indonesia is in negotiations for new contracts with various foreign mine operators including Freeport-McMoRan, **BHP Billiton (BHP)**, and **Vale (VALE)**.

Whether or not the Indonesian government will successfully implement these restrictions, this market, in which Freeport-McMoRan is so invested, seems to be moving in the wrong direction given that strikes and violence are prevalent. These issues in Asia are another reason that I do not recommend investing in Freeport-McMoRan.

Similarly to Freeport-McMoRan's problems in Indonesia, **AngloGold Ashanti (AU)** has a similar violence problem in the Democratic Republic of Congo. Rebels are mining for gold in the same location AngloGold Ashanti would like to build a gold mine. The rebels, who are armed and organized, seem intent on not moving. With up to as many as 200,000 rebels, it seems likely AngloGold Ashanti would need an army to remove them. This would be very costly for AngloGold Ashanti and this situation could result in damaging AngloGold's gold mining production plans.

However, AngloGold Ashanti, **Barrick Gold (ABX)**, and Resolute Mining are benefiting from increased gold production in Tanzania. Production is up 13% in Tanzania, which has produced 40.4 tons of gold in the past fiscal year. This will definitely help increase the value of these companies through higher production and revenue numbers. This increase in gold production may lead to an especially welcome future boost in stock price for Barrick Gold, since it **dipped** to its 52-week low very recently.

One mining company that seems to be in more trouble than Freeport-McMoRan is Vale. Currently sitting at its 52-week low, Vale recently was presented with health and safety **charges** over the deaths of two workers in a Canadian mine. In my opinion, this type of publicity can be damaging to a point that is irreversible. Furthermore, Vale declared **force majeure** at an Australian coal mine, which completely shut down production.

Vale is facing some of the negative turns that this industry is prone to. The company will do its best to bounce back but that process could be slow. Freeport McMoRan and others are poised to pick up some market share as they can speed past Vale, but that shouldn't be any kind of boost for its stock or profit margin.

In summary, there are many problems facing the mining industry. Between violent conflicts and the struggling global economy, I cannot recommend investing in the mining industry at the moment. Freeport-McMoRan, more specifically, is a company I would not invest in, although you could do worse within the mining industry.

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Freeport McMoRan: Labor Dispute And Lower Copper Prices Pressuring Stock

May 28 2012, 10:59

by: Richard Bloch

| about: [FCX](#), includes: [JJC](#), [SCCO](#)

Disclosure: I am long [FCX](#).

I'm not all that thrilled to be owning Freeport McMoRan Copper & Gold ([FCX](#)) right now. While the company's stock has tended to be highly correlated to the price of copper, that correlation has slipped a bit.

I'm guessing this has a lot to do with the violence and labor disputes at the company's Grasberg mine in Indonesia.

Freeport CEO Richard Adkerson said he's "concerned" per this [Reuters report](#).

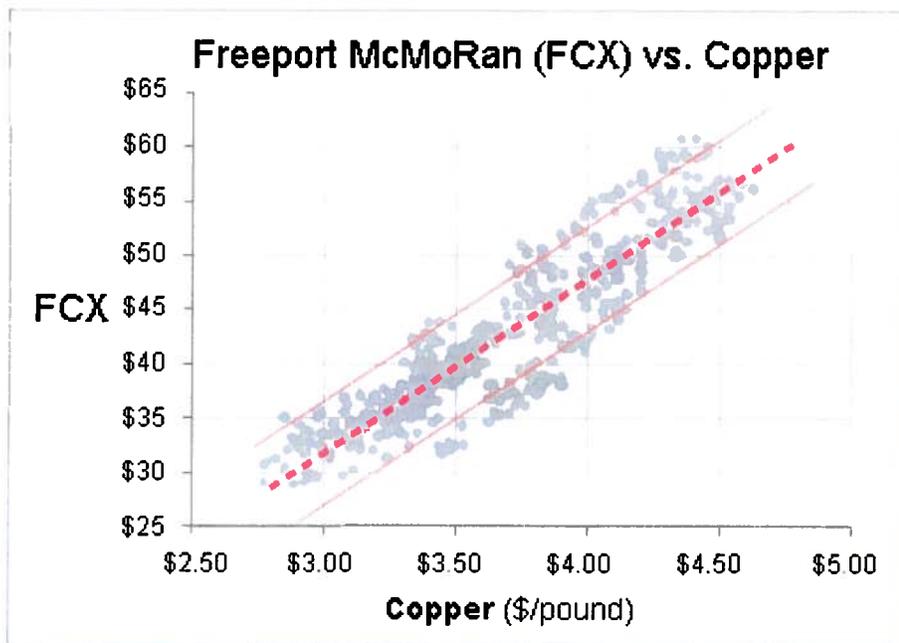
"Number one is the security element. There have been acts of violence and that is my biggest concern," he said in comments monitored via webcast by Reuters in New York.

"Also, we had a new situation with our workforce last year," he said, referring to a three-month strike that affected Grasberg production, denting 2011 and first-quarter 2012 earnings and prompting the company to declare "force majeure," under which it cannot be held to contractual obligations.

"As companies become more profitable, demands from workers increase," Adkerson said.

Recent copper and FCX correlation patterns

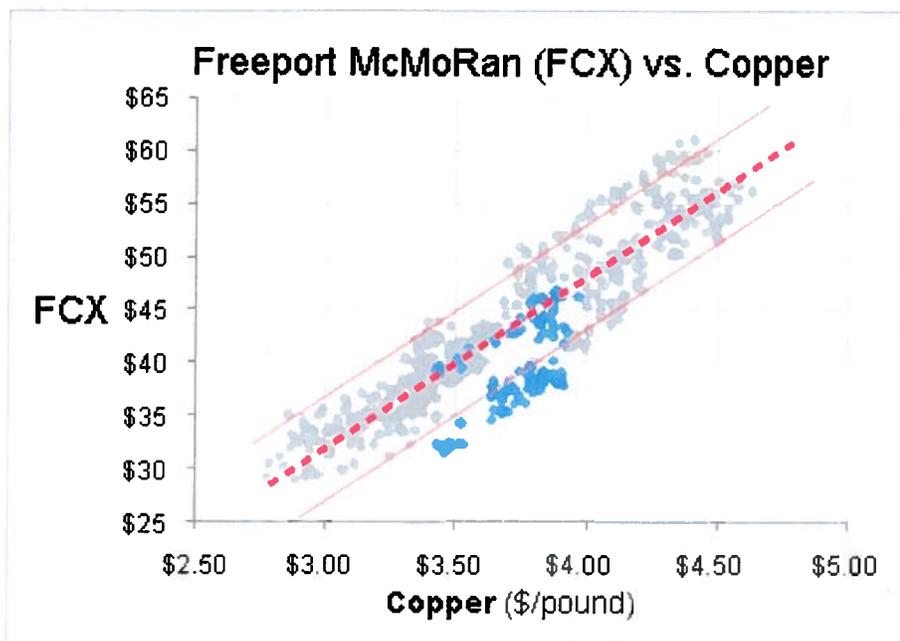
Every once in awhile I take a look at FCX, comparing the share price to the price of copper. For example, this chart shows the relationship between the shares and copper going back to January 2010.



As you can see, when copper was at \$4 during this time period, Freeport tended to trade between \$42 and \$55 or so. With copper at \$3.50, that range was more like \$35 to \$45.

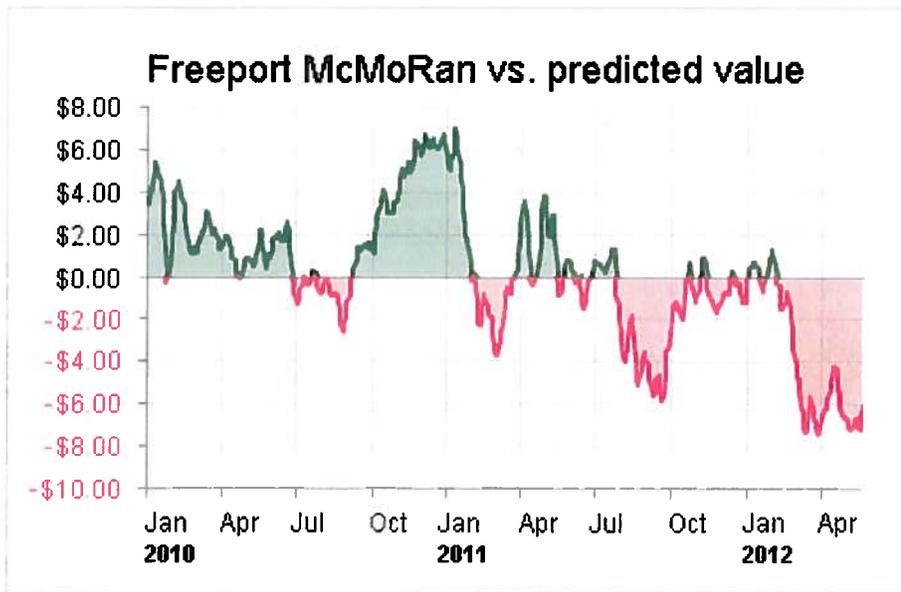
The only problem is that this range isn't necessarily going to be a good guide -at least not until these labor and Indonesian government relations problems get resolved.

This chart refines the one above. It shows the same data except that 2012 prices are in blue.



In general, those blue dots are all lower than would be expected based on the entire time period - and that's a bit worrisome.

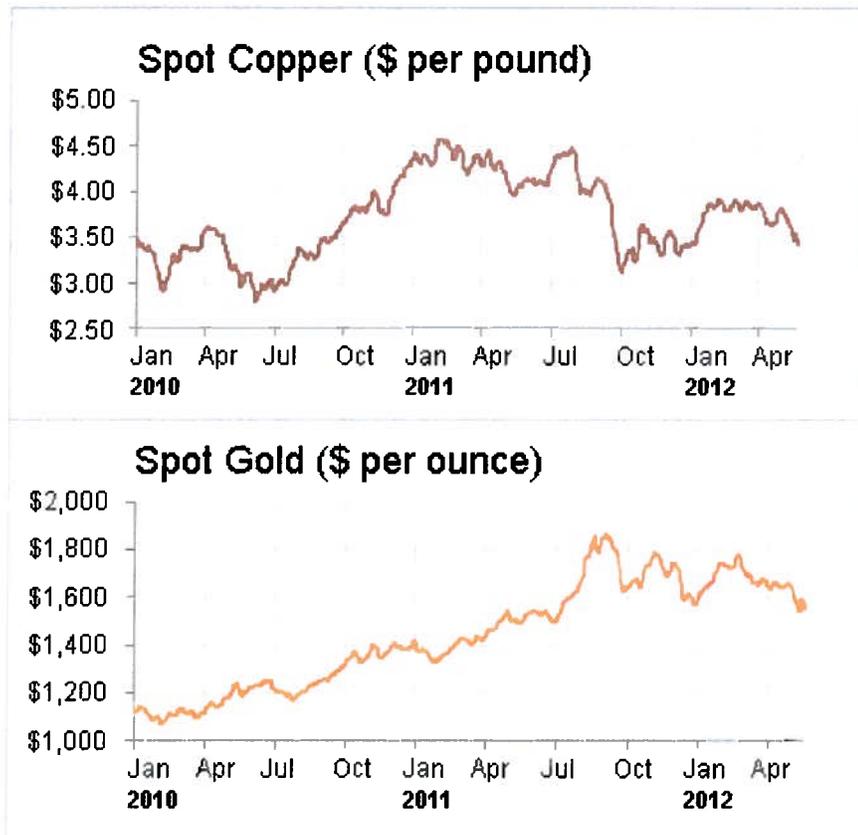
If you look at that line I drew on both charts, you'll see it's essentially a regression line so it has a linear formula. Here's a look at how the stock has traded against that formula since January 2010:



Since July, FCX hasn't kept up with the price of copper in the same way it did in 2010 and early 2011. It's now about \$7 below where it "should" be if you were to use the chart at the top of the article as a guide.

Copper prices soft

It certainly doesn't help that copper prices have been sagging. And gold has basically stalled for the past few months. (FCX does own some significant gold assets.)



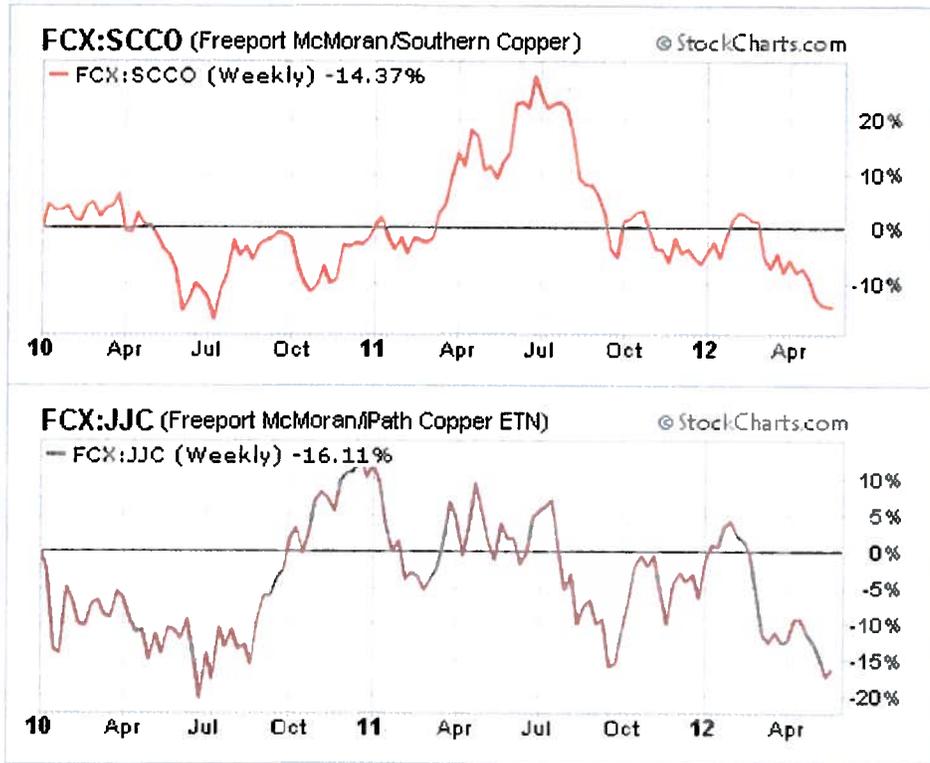
According to [Reuters](#), the Chinese are now storing copper in parking lots. Talk about a surplus!

At Qingdao Port, home to one of China's largest iron ore terminals, hundreds of mounds of iron ore, each as tall as a three-storey building, spill over into an area signposted "grains storage" and almost to

the street.

Further south, some bonded warehouses in Shanghai are using carparks to store swollen copper stockpiles - another unusual phenomenon that bodes ill for global metal prices and raises questions about China's ability to sustain its economic growth as the rest of the world falters.

So given these developments, Freeport has been a disappointment these past several months. As these charts show, FCX has underperformed both Southern Copper ([SCCO](#)) and the iPath Copper ETN ([JJC](#)), a fund that tracks copper futures contracts.



I'm going to hold onto Freeport for the time being. Overall, it's a quality company with a current yield of 3.9%. I may add some Southern Copper to diversify, but neither company is destined to move very much unless copper prices come back.

And FCX needs both higher copper prices *and* to get past its Indonesian issues before shares can rally much.

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Labor Disruptions Force Freeport To Lower Outlook

Trefis Team Contributor

Last week, [Freeport McMoran](#) lowered its first quarter gold and copper sales volume outlook following labor-related disruptions in a mine in Indonesia. Although work has resumed since March 12, the company expects that full production won't be reached until the second quarter.



Grasberg mine (Photo credit: Wikipedia)

Freeport's stock has slumped about 13% in the past two weeks following a host of issues, including significant labor disruptions and the Indonesian government's decision to limit foreign miners' stakes in mines. Freeport is a global miner with mines in the U.S., South America, Indonesia and Africa and has a product portfolio spanning basic metals like copper, gold and molybdenum. It competes with other mining companies like [Vale](#), [Newmont Mining](#) and [Barrick Gold](#).

Our current price estimate for [Freeport McMoran](#) stands at \$45, implying a premium of about 15% to the current market price.

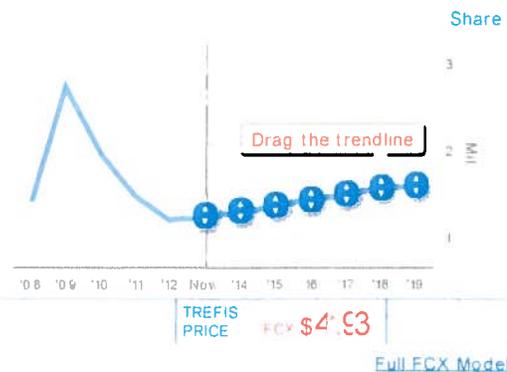
We may have to revise our forecasts once the company assesses the impact on its full-year operations.

[See Full Analysis of Freeport McMoran Here](#)

No medicine for Indonesia Syndrome?

Freeport's operations in Indonesia have been heavily disrupted since October 2011. First, the company faced a three-month labor strike as workers were demanding better wages and bonuses. As a result, Freeport reported a 13% and 26% year-on-year decline in copper and gold volumes in its full year 2011 results. Then in February, fighting among disgruntled workers caused a two week suspension after which the company had to reduce its Q1 gold sales volume estimates by 30%, to 300,000 ounces from 425,000.

Freeport's Total Gold Shipments



The company's estimate for copper sales volumes was reduced by 10% to 795 million pounds. We are maintaining our current estimates for the full year as the company has yet to assess the potential impact on full-year operations. Freeport expects to ramp up production to full capacity in Q2, which could allow it to make up for lost volumes. [1]

Freeport's Indonesian Copper Shipments



According to our estimates, copper mines in Indonesia currently contribute about 20% of our price estimate. Further, gold constitutes about 18% of the company's value, and Indonesia contributed almost 85% of total gold revenues in 2011. If Freeport continues to face similar troubles in Indonesia, it could have a significant impact on our price estimates.

The company has also been facing the risk of losing control of its Grasberg mine in Indonesia following the Indonesian government's announcement that it will limit foreign miners' stakes in Indonesian mines in the future. We discussed the issue in our recent article, [Political Risks Weigh on Freeport, Vale & Other Mining Stocks](#).

Understand How a Company's Products Impact its Stock Price at Trefis

Notes:

1. [Update on Grasberg Operations](#), FCX Press Release, Mar 15 2012 [↗]

Like our charts? Embed them in your own posts using the [Trefis WordPress Plugin](#).



Grasberg strike bites into Freeport's production outlook

Andrew Topf | March 15, 2012



Grasberg Mine photo from Wikipedia

Freeport McMoRan Copper & Gold Inc will produce 80 million pounds less copper and 125,000 ounces less gold due to labour strife at the company's Grasberg mine in Indonesia.

The American company (NYSE:FCX) revised its first-quarter forecast at the same time it announced it has restarted operations at Grasberg, the world's largest copper and gold mine, following a temporary work stoppage on Feb. 23 and a three-month strike last year.

But the mine will not return to full production until the second quarter and the company did not say when it would lift a force majeure condition it implemented as a result of the strike.

The strike has also bit into sales. FCX said it plans to sell 795 million pounds of copper and 300,000 ounces of gold in Q1, down from original estimates of 875 million pounds copper and 425,000 ounces of gold, including 210 million pounds of copper and 400,000 ounces of gold, according to [numbers sourced from Reuters](#).

Considering the volume of commodities coming out of Grasberg, the news was enough to move the May COMEX copper contract, which rose 2.7 cents to \$3.87 a pound on Thursday.

FCX was up 24 cents in mid-day trading to \$38.34 in New York.

The strike at Grasberg last fall turned violent when Indonesian security forces fired on striking workers during a protest, killing one and injuring a dozen others, including seven police. Production was halted after a pipeline was sabotaged, access to the pit and underground operations were blocked and three miners were killed in an ambush.

Some 12,000 workers began a strike on 15 September and vowed to shut down the mine if hourly wages of \$1.50 were not upped 8-fold.

Andrew Topf

Email: atopf@mining.com

[Andrew Topf on](#)

Andrew Topf is an editor at MINING.com. With a background in newspaper and trade magazine reporting, Andrew specializes in writing about mining and commodities. He has written for the Black Press newspaper chain in British Columbia, Business in Vancouver, and Baum Publications.

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Freeport-McMoran Face New Challenges in Indonesia

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By EPCM World contributor Joe Veroni

Freeport-McMoran Copper & Gold (FCX) (<http://www.fcx.com/index.htm>) is no stranger to overcoming obstacles when it comes to their Grasberg mine located in the Papua province of Indonesia. Thanks to a continued Chinese demand for copper, the high value of silver, and the cost of gold being what it is, Grasberg is the world's most profitable mine. Freeport's annual report shows that in 2010 Grasberg made \$4.1B in operating profit on revenue of \$6.4B. At peak production the mine can produce over 610,000 tonnes of copper, 174M grams of silver and 58M grams of gold per year.

Such enormous levels of both production and profit have not gone unnoticed by the Indonesian government. Indonesia is the largest economy in Southeast Asia, and with the help of some new laws the cost of doing business there is starting to rise.

Indonesia has recently placed into effect a law stating that companies mining in Indonesia must give up controlling interest in their projects within 10 years of the start of production. This does not sit well with every company currently mining in Indonesia. However, "For Freeport, the new divestment regulation is already included in our negotiations with the company," says Thamrin Sihite. Indonesia's director general of coal and mining in the ministry of energy and minerals. The Indonesian government is expected to attempt to have this contract changed as Freeport currently owns 90.64% of the mine, with the Indonesian government owning the rest.

Other than localizing controlling interest in Indonesian mines, the Indonesian government also plans to increase taxes on mining companies, effectively doubling the nation's inflow by 2014. Benefits received into Indonesia by Freeport in the fourth quarter of 2011 exceeded \$370M. However, with the prices of copper, gold and silver being consistently high for a long period of time (and other countries such as Australia already starting to raise taxes on the mining industry) Indonesia is seizing this opportunity to increase the nation's inflow.

Furthermore, new rules are being put in place that will bar foreigners from working at 19 Indonesian mining posts. The belief is that Indonesians are not gaining enough on the job experience because too many ex-pats

March 2013

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are being hired. Foreigners will no longer be allowed to work for wholly owned Indonesian companies. The result will be that many new jobs are going to be held by the Indonesian people.

These changes beg some pretty serious questions, such as whether these changes will ebb foreign interest in mining in Indonesia. Volatile situations, such as in certain African locations, may suddenly start to look more appealing to companies searching for cheaper access to mineral resources.

(<http://epcmworld.com/wp-content/uploads/143-papua.gif>)



Despite being the world's most profitable mine, Freeport's ownership of the Grasberg mine has not been without pitfalls. Located in the remote highlands of the Sudirman Range of Papua, Indonesia, Freeport has been accused on several occasions of not taking the local environment into account. Copper contamination and acid mine drainage into the Papua water system is at the forefront of local concerns. Although the Grasberg project meets with Indonesian standards, Freeport has run into trouble for not willingly complying with stricter North American regulations. Ultimately, due to a seeming lack of environmental concern, the Government Pension Fund of Norway excluded Freeport from the Fund's portfolio. Freeport spokesperson Bill Collier later said that this "reflects a misunderstanding."

Other Grasberg issues include outbreaks of violence at the mine as recently as February. Clashes have been reported between protestors and police, resulting in at least one death. There are also reports of infighting between unionized and non-unionized mine workers (disagreements arising after non-union employees continued to work while the union was on strike at the end of 2011).

With no shortage of trouble surrounding the mine, Freeport has recently reduced their expected quarterly output

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Cave In

Simon Montlake, 02.13.12, 6:00 PM ET

Sitting on a concrete floor just before the holiday at a modest home in Timika, Indonesia surrounded by dense, mountainous jungle, a warehouseman named Yonatan Iyai invites me to partake in a lunch and hear about life in the Grasberg copper mine. "This is a risky job," says the 33-year-old, in outlining why he and 8,000 colleagues had completed a three-month strike that will result in a phased-in 40% wage hike (Iyai's current pay: \$460 a month), "and we deserve a better salary."

Fate underscores his point. As we share fish curry and steamed cassava in the valley, violence erupts in the clouds, where Grasberg, at 14,000 feet elevation, rests in perpetual fog. A helicopter ferrying workers and their families to Christmas vacation runs into a hail of bullets, wounding two women. The company promptly suspends flight services for a week, forcing employers to travel on a 72-mile access road that snakes up the mountainside. Last year at least six workers, including two security personnel, were shot dead along this route, which is off-limits to outsiders. Two more contract workers were killed in another roadside attack on Jan. 9.

Remote locations, labor unrest, violence—this is the fracturing foundation on which the mine's owner, Freeport—McMoRan Copper & Gold, is building its future. "These issues have posed risks for the company throughout its over 40 years of operations in Papua," Freeport's CEO, Richard Adkerson, says via e-mail when I ask him about this. "Freeport has successfully managed these risks and developed the Grasberg mine as a highly profitable operation. We have confidence in our ability to manage the current issues." And even though the stock cratered 37% in 2011, as once booming copper prices slumped on fears of a slowdown in China, many analysts predict a share price turnaround for Freeport, which mines copper, gold and molybdenum on four continents. It earned \$4.6 billion last year, up from \$4.3 billion in 2010. "In my view the stock is significantly undervalued," says David Gagliano of Barclays Capital.

That's easy to say from New York or Phoenix, where Freeport is officially based. But make no mistake: Freeport is an Indonesian company—it derives 45% of its income from there. And as I crisscrossed the region I came away with an impression very different from Adkerson's or Gagliano's, one that has nothing to do with higher wages for workers like Iyai and that will remain even if the price of copper rebounds.

Boiled down, Freeport has a Papua problem. Indonesia tries mightily to pry eyes away from this heavily militarized home of the Grasberg mine. It's difficult for foreign journalists to report freely from Timika or for tourists to get a permit to visit; restrictions for Jakarta-based diplomats were recently tightened. Locals who speak their mind run a risk: Human Rights Watch says that 90 are currently in jail for peaceful political activities.

But the company's story is interwoven with that of this tenuous territory, a former Dutch colony in the western half of New Guinea, the world's second-largest island. (The eastern half is now Papua New Guinea.) The native population is racially and culturally distinct from the rest of Indonesia, more akin to Pacific Islanders than East Asians.

Until the 1930s tribes in Papua's rugged interior lived a Stone Age existence, unknown to the Europeans who stuck to the mangrove-ringed coastline. Yet their remote highlands held a glittering prize, which a Dutch geologist discovered in 1936: a mountain of ore at 14,000 feet, just shy of the highest peak (16,000 feet) east of the Himalayas. It was like finding "a mountain of gold on the moon," he wrote. And there the ore stayed for 30 years.

It took the technical know-how, political savvy and risk appetite of Freeport to crack open the safe. By then Papua had been handed over to Indonesian rule with the support of President Kennedy and the promise of a popular referendum. Australian Prime Minister Robert Menzies warned Kennedy that it would be "the substitute of brown colonialism for white colonialism." But a self-ruled Papua, a dream that persists today, wasn't in the cards. In 1966 General Suharto ousted left-leaning president Sukarno and began courting foreign investors. Freeport was the first to sign a contract, the start of a long and deep relationship with the regime. Papuans living around the mine had no say in the matter. A farcical UN-

observed 1969 referendum to confirm Indonesia's sovereignty unfolded "like a Greek tragedy, the conclusion preordained," cabled a U.S. diplomat.

Freeport brought rapid development to Papua, building roads, schools and hospitals in the poverty-stricken area. But tax revenues largely stayed in Jakarta, where Suharto and his clan hosted Freeport executives and cooked up a back-scratching deal. Now democracy has unleashed Papuan resentment at the exploitation of their resources and their paltry return. "This is their worst crisis in over 40 years," says Kevin O'Rourke, a political analyst in Jakarta. "And that's saying something."



Reuters/Victor Fraile/Getty Images

Much of Freeport's workforce, and the majority of senior staff, are Indonesians from other islands. Laborers like Iyai complain that they're stuck on the bottom rung. Former employees say racism is common among Javanese managers, who see Papuans as primitive. Company spokesman Eric Kinneberg says over 500 staff-level managers are Papuans.

For every job at the mine, another 37 are added locally. But Papuans say this mostly benefits carpetbaggers, not the native-born who make up roughly half of the 3 million people in the California-size territory. The rest are newcomers, including migrants resettled by the government from other islands. "Migrants dominate the economy, and locals are marginalized on their own land," says Socratez Sofyan Yoman, the chairman of Papua's Alliance of Baptist Churches.

While officials blame separatist rebels for attacks like the helicopter shooting, many Papuans point the finger at Indonesian paramilitary police and military units who are paid by the company to guard the mine. The apparent motive: squeeze more money from Freeport by justifying their deployment in the area. "If there's no conflict, there's no money," says Reverend Yoman. "It's like an ATM."

Indonesian forces have been implicated in a sabotage of Freeport's pipelines last October. The pipelines, which transport copper and gold slurry, were cut at multiple points parallel to the access road to Timika. Sources close to Freeport say that aerial photos show Indonesian troops supervising the cutting by gangs of illegal miners, who then extract the concentrated gold. When engineers later went out to repair the pipelines they came under fire. In some cases, these sources say, acts of sabotage occurred within earshot of police checkpoints, yet no arrests were made.

A military spokesman in Jakarta denied any military involvement in the violence. He noted that armed civilian groups often wear army fatigues. He said swift action would be taken against any soldiers if there were firm evidence against them, and he invited human rights groups to report their findings to the military. "If we find our men were guilty, we'll take action. We will enforce the law. We will send them to military court," says Rear Admiral Iskandar Sitompul.

Whoever is doing the shooting and looting, Freeport's security budget is rising. As well as paying Indonesian troops for protection, a controversial yet common practice in the mining industry, Freeport spent \$28 million in 2010 on its own security force, up from \$22 million in 2009. It has also brought in Triple Canopy, a private security firm staffed by former U.S. Special Forces that replaced Blackwater in guarding U.S. missions in Iraq. While such costs are relatively small compared with the lode emerging from those mountains, it's hard to have security certainty if security expenditures just lead to more chaos.

Freeport must also deal with the freelancers. In the last decade thousands of small-scale miners have flocked to the area, tracking the upward march of gold. Timika, a dusty town of 120,000 people, has over 40 gold shops where specks are weighed and sold. While some miners pan for grams in lowland rivers, others travel closer to the mine, where higher concentrations are found in the waste rock. Far from deterring the trade, Indonesian security forces allegedly organize the transport of miners and supplies to camps inside restricted zones, taking their cut from the rich pickings.

For Freeport the surge in illegal miners adds the risk that they will start using mercury for extraction, posing a severe health risk to themselves and to the river system. Some gold shops already use mercury. Freeport is working with local authorities to discourage the practice and educate miners and merchants about the dangers, according to Kinneberg. It has installed monitoring devices in Timika and along the river.

Arguably the biggest risk of all emanates from Jakarta, 2,000 miles and two time zones away. As Indonesia's economy revs up, politicians are playing hardball with foreign companies in the resources sector. Under a 2009 mining law foreign entities must divest to local partners 20% of equity in new mines within five years of production. Government officials now propose raising this level to 51%, effectively handing over control to the locals. They argue that the law also allows for the renegotiation of existing contracts to bring them into line, which is anathema to mining executives.



RobHuibera/PANOS

As Indonesia's largest taxpayer, Freeport should enjoy some goodwill in Jakarta. Since 1991 it has paid over \$12 billion into Indonesian coffers. But as with its security headaches, money can't buy you love. To its critics Freeport remains a tainted symbol of foreign privilege under the 32-year dictatorship of President Suharto, which ended in 1998. Environmentalists accuse it of despoiling a pristine landscape. Rights activists in Papua see it as a partner of an occupying military. And politicians are jumping on the bandwagon, calling on Freeport to stop complaining and start renegotiating.

"We're not Bolivia or Venezuela. We're quite nice. We just ask them to be nicer than before," says Satya Yudha, a lawmaker on a mines and energy commission. One provision in the mining law that could apply to Freeport requires miners to process more metals at the source. "Let them keep it and be the operator. No nationalization. But in return for that, build a smelter here," says Hashim Djojohadikusumo, a blue-blooded tycoon whose brother leads an opposition party.

In fact Freeport already smelts 25% of its copper at a plant in Indonesia. What really perks up politicians and their backers is the prospect of a compulsory divestment of the mine. A troubled asset could be on the market, with a potential windfall for the lucky buyer. "Everyone is using [the mine] as a battleground," says Tony Wenas, an executive of the Indonesian Mining Association and former legal counsel for Freeport.

Kinneberg says Freeport isn't required to divest equity in two locally incorporated units, though it has offered to sell shares in one unit to Papua's provincial government (the central government has a 9% stake in the other). He says Indonesia has "consistently indicated" that it will honor existing contracts. "We believe our contract is fair to all parties," Kinneberg says via e-mail.

Surrender is not an option. Grasberg's copper and gold reserves are so immense that Freeport is spending \$600 million a year to build a vast network of tunnels below its open-pit mine. It knows it can keep digging profitably in Papua for decades. The richness of the ore explains its low production costs: \$0.60 per pound of copper in Papua, compared with \$1.25 in Peru and Chile. "The geology is the easy part. The regulatory side is multidimensional chess, with electrical shocks for the wrong move," says a Jakarta-based consultant to U.S. corporations.

The vice minister of mines and energy, Widjajono Partowidagdo, insists that Freeport must be flexible on buying local content and equity divestment. He acknowledges, though, that foreign companies don't want to give up control. "Fifty-one percent [divestment] is our first position, and then we can go in the middle. We have to acknowledge the needs of our nation, and we should also consider the needs of foreign investors," he says.

There's a precedent for this game of chicken. In 1991 Freeport signed a new 30-year contract, with options for two 10-year extensions, subject to government approval. ("They have a very good deal," notes Widjajono.) The agreement was sealed shortly after the company sold a 10% stake in the mine to the politically connected Bakrie family for \$213 million, of which \$173 million was financed by Freeport. A year later the Bakries sold half of the shares back to Freeport for \$212 million, effectively giving them a free 5% stake that they sold in 1996 at a substantial profit.

Could this formula work again? O'Rourke says that the highly leveraged Bakries may be ready to buy another cheap stake in Freeport, in return for using its political clout to resolve its regulatory risk. Analysts say the Bakries would face competition from other tycoons in the resources sector, if Freeport took this route. Asked if any Indonesian companies had made approaches, Kinneberg declined to comment.

A discounted equity sale would be bad for Freeport shareholders. It's also not clear that it would end the insecurity at the mine, which remains hostage to political and ethnic tensions. The sins of the past, some of which Freeport had a hand in, many of which it did not, now represent a risk premium on the company's stock. At this point, there isn't much Freeport can do but keep digging and hope for the best.



Reuters/Muhammad Yami

One evening I slip out of my hotel to visit Sudiro, the mechanic who led the strike. It's nearly midnight, and several burly guards wait just inside the gate. Inside the house I meet a trim, soft-spoken 43-year-old Javanese in shorts and a black Freeport polo shirt. As a TV plays in the background, he describes his journey from tae kwon do champion to union firebrand who defied a mighty U.S. corporation.

Born into a military family, Sudiro (one name) joined Freeport in 1992. One of his trainers at the mine was a U.S. pilot from the Vietnam War, who praised him for his work ethic. He rose to the highest grade as a mechanic, worth \$615 a month in basic pay. In October 2010 he was elected union leader and began researching wages at Freeport's South American mines. He decided that Indonesians were being underpaid, and last July he made a dramatic demand: an

eightfold wage hike. When Freeport brushed him off, he staged a walkout of 8,000 workers in September.

Three months later Sudiro sat across from Freeport CEO Richard Adkerson in a Jakarta boardroom to discuss a revised pay deal. Adkerson, who had called the initial demands "excessive and unreasonable," adopted a friendly tone, says Sadiro. "He told us, 'Please help our company to survive.'" Sudiro replied that he hoped Adkerson had come "to provide a solution to our problems." The deal was signed later that day, and Sudiro flew overnight to Timika, where thousands of Papuans were waiting at the airport to give him a hero's welcome.

Why did the strike succeed? Sudiro says he drew on his strict military upbringing to lead the workers and press their demands. A Muslim from Java, he invoked Jesus to rally Papuans, who are mostly Christian. His ethnicity also made it harder for authorities to label unionists as separatists and crack down, though shots were fired at his house and car. "If the strike was started by Papuans it would have been crushed a long time ago," says a rights activist in Jakarta. One miner offers his own explanation. "We had the power of God behind us," he says. Freeport should be so lucky. —S.M.

Special Offer: Free Trial Issue of Forbes



As Indonesia Grows, Discontent Sets in Among Workers



Muhammad Yamin/Reuters

Workers at Freeport-McMoRan's mine in Timika, Indonesia, agreed to a 37 percent increase in wages after a three-month strike.

By SARA SCHONHARDT
Published December 26, 2011

JAKARTA — As a flare-red sun set, a group of laborers in their 20s and 30s gathered on the bare floor of a battered house wedged beneath power lines in an industrial part of Jakarta. They were members of a confederation of multisector workers, one of the largest trade unions in [Indonesia](#), whose slogan is “Young, brave, militant.”

The men — all employees of the biggest hypermarket chain in the nation, run by the French retail giant Carrefour — said the company

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secretary general of the union, known as Kasbi, which represents about 130,000 workers.

He and others have been negotiating with the company for improved contracts since a strike by 1,000 workers in late August, but talks have gone nowhere. The same cycle has played out repeatedly since Carrefour entered Indonesia in 1998, said Mr. Rahman, 33, who has worked at the company for 11 years.

United by discontent, Mr. Rahman and his fellow activists are far from alone. Indonesia, the largest economy in Southeast Asia, is among the top 20 economies in the world, with growth this year of around 6 percent.

More than half of its 240 million inhabitants have entered the middle class, according to the World Bank, which defines middle class as those who spend \$2 to \$20 a day. Still, many of them toil for barely a living wage, offering some of the cheapest labor in Asia.

In recent years, though, this labor force has watched certain sectors grow wealthy on rising commodity prices and booming domestic demand, and increasingly, it is pushing for a greater share of company profits.

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The greatest pressure has come from workers employed by Freeport-McMoRan, which is based in Arizona and controls the world's largest recoverable gold and copper reserves in Timika, in Papua Province. This month, its workers' union agreed to a 37 percent increase in wages after a three-month strike.

Affordable labor is a main reason investors are attracted to Indonesia, in part to offset wage increases in China, said Gita Wirjawan, currently the country's trade minister and formerly the head of its investment coordinating board.

But recent strikes for higher wages by mine workers and supermarket clerks, not to mention pilots of the state-owned airline, Garuda, have disrupted business operations — and could potentially deter foreign investments.

According to the Manpower Ministry, Indonesia had 53 strikes in the first seven months of 2010, the last period for which figures are available. By comparison, in 2008 the International Labor Organization recorded five apiece in the nearby countries of Thailand and the Philippines.

Muhammad Chatib Basri, an economist at the University of Indonesia and the director of the Institute for Economic and Social Research, said that frequent and prolonged strikes reduced profit margins and competitiveness. Sluggish Indonesian industries like garment manufacturing are starting to pick up as wages rise elsewhere, he said. But if the costs of dealing with unrest and lengthy union negotiations increase, that could stem growth in a country that will depend on labor-intensive industries for productive employment for the foreseeable future.

Mr. Basri said that legally mandated high severance payments were another deterrent to investment. "The labor law acts like a hiring tax, so many companies don't want to absorb permanent workers because if there is downsizing, they have to pay out a lot of money," he said.

Many companies get around that regulation by hiring contract workers, like the men of Kasbi demanding better benefits from Carrefour. But typically, big foreign concerns have a more difficult time evading the law in that way, and others, too, are facing worker unrest.

Union representatives at Freeport's large mine in Papua said they had agreed to the latest deal amid concerns about the living conditions of workers who had gone three months without pay.

Workers, who were demanding a wage increase from the lowest rate of \$1.50 an hour to \$7.50, had rejected Freeport's last offer of a 35 percent salary increase over two years, calling it an inadequate reflection of their contribution to company earnings. For now, the agreement appears to be a win for both sides, but Juli Parorongan, a spokesman for the Confederation of All-Indonesian Workers' Union, which represents the striking miners, said workers would continue fighting for a fairer deal.

"This is not the end of our struggle," he said, anticipating future problems over the welfare of workers who will remain among the lowest paid of any at Freeport's global operations.

What initially caused the strike, said Mr. Parorongan, was the realization that employees in the United States receive hourly wages 10 times greater than those of the low-level laborers at its Timika operations, which bring in around 30 percent of the company's global revenue. In 2010, Freeport's Grasberg mine in Papua brought in more than \$5 billion, but losses mounted this year because of the strike and damage to pipelines caused during civil unrest.

In late October, the company suspended production to concentrate on repairing those pipelines, said a spokesman, Eric Kinneberg. He said the company was losing two million pounds of copper and 3,000 ounces of gold in daily production.

In a company statement, Richard C. Adkerson, the chief executive of Freeport, said he was pleased the parties had reached "a mutually satisfactory resolution." Mr. Adkerson,



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who was in Jakarta to help negotiate an end to the strike, had called earlier pay demands of \$30 to \$200 a day “excessive.”

The deal is likely to end months of violence at the remote, sprawling mountaintop mine — one worker was killed in October and at least six were wounded when they clashed with the police while trying to enter the mine site. But analysts say the strike’s success could encourage a fresh wave of labor disputes.

“My concern is this will trigger a domino effect,” said Mr. Basri, of the Institute for Economic and Social Research.

“I understand there is a justification for the rise in wages,” he said, referring to the discrepancy between Freeport’s revenue and the amount it spends on workers’ salaries. “But it may trigger pressure for a rise in wages that not all companies can afford.”

Mr. Basri said there was a political element to the Freeport case that distinguished it — the company operates in a remote region plagued by a simmering separatist movement.

But factors that galvanized the work stoppage there — better access to information and a more sophisticated and organized labor movement — extend to all sectors, analysts say.

“Workers in Indonesia are learning from the current situation,” said Soeharjono, a program officer in Indonesia with the International Labor Organization. They are getting information from the Internet and spreading their messages through social networks like Facebook and Twitter.

Meanwhile, Mr. Rahman from Kasbi continues working in a Carrefour bakery, making bread for the families that Toyota, Unilever and Nestlé are focusing on as sales of cars and consumer goods reach record highs in Indonesia. On his monthly earnings of \$175, he cannot afford such products.

Firms outsourcing production to workers without even formal contracts are setting the stage for deeper resentment, he said.

“New employees who are young and ready to enter the work force will take whatever pay they can get,” he said. “But every time they negotiate a new contract, their pay drops. If we try to look for different work or move to another company, we must start the fight from the beginning.”

A version of this article appeared in print on December 27, 2011, on page B3 of the New York edition with the headline: As Indonesia Grows, Discontent Sets In Among Workers.

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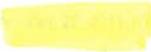
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Freeport Cerro Verde, Workers Sign Three-Year Labor Accord



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Freeport-McMoRan Copper & Gold Inc.'s (FCX) Peruvian unit, which ended a 61-day strike last month, said it signed a three-year labor accord with workers that will enable it to move ahead with a \$3.5 billion expansion.

The agreement with Freeport's Sociedad Minera Cerro Verde SAA (CVERDEC1) copper mine, which lasts through August 2014, includes a 5 percent wage rise in 2012, 4 percent annual increases over the following two years and a 24,000 soles (\$8,888) signing bonus, union official William Camacho said today by telephone.

"We've achieved a temporary peace, although there are still issues pending," Camacho said today from Arequipa, 750 kilometers (466 miles) southeast of Lima. "This process strengthened our union and will set a precedent for future mining negotiations in Peru."

Workers in Peru, Chile, Bolivia and Indonesia held stoppages at copper, gold and zinc mines this year to pressure for better conditions and a bigger percentage of record profits after metal prices surged. Workers at Freeport's Grasberg mine in Indonesia ended a three-month strike last week after agreeing on a wage increase.

"We now look forward to continued safe production and future expansion opportunities at Cerro Verde," Freeport spokesman Eric Kinneberg said today in an e-mail.

To contact the reporter on this story: Alex Emery in Lima at aemery1@bloomberg.net

To contact the editor responsible for this story: Dale Crofts at dcrofts@bloomberg.net

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Gunmen Attack Helicopter Carrying Mine Workers in Indonesia

By SARA SCHONHARDT Published December 17, 2011

JAKARTA, Indonesia — Gunmen fired at a helicopter carrying workers for the mining giant Freeport-McMoRan shortly after it took off Saturday from a town near the company's huge gold and copper mine in eastern Indonesia, a police spokesman, Colonel Wachyono, said.

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One person, the wife of a Freeport employee, was injured by shrapnel, the police said, and the helicopter was able to land safely in a town 55 miles away.

A motive for the attack was not known, the police said, and the gunmen remained unidentified.

Colonel Wachyono said six shots were fired at the helicopter, which carried 29 workers and family members, with one shot penetrating a window and the rest striking the rotors.

Freeport, which is based in Phoenix, has been struggling to deal with a prolonged strike by some workers and sabotage, which have crippled production at its Grasberg mine in eastern Indonesia.

In addition, a separatist movement, which has simmered for decades in the region, added to tensions around the mine.

In the past year, nine people have been killed in ambushes on roads around Freeport Grasberg property in Papua Province.

The company reached an agreement with union workers on Thursday to end the three-month strike, but as of Saturday miners had not returned to work, and the company said last-minute details were being worked out.

Company officials had hoped that Thursday's agreement would end its troubles and potentially stem violence that has escalated since July 2009, when an Australian employee was killed during an ambush.

Freeport began production at the Grasberg mine in 1971. It employs around 23,000 miners and senior staff members.

Workers, including some local employees who are paid about \$2 an hour, have said they deserve a larger share of profits, which have soared as prices for metals have risen in recent years.

The company has also come under scrutiny after admitting to paying military and police officers to oversee security operations, despite accusations that the Indonesian military has

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been linked to human rights abuses against local Papuans.

A version of this article appeared in print on December 18, 2011, on page A13 of the New York edition with the headline: Gunmen Attack Helicopter Carrying Mine Workers in Indonesia.



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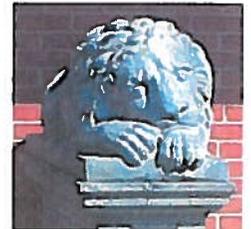
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BUSINESS | December 14, 2011, 12:56 p.m. ET

Freeport-McMoRan Says Pact Ends Indonesia Strike

By ERIC BELLMAN And TESS STYNES

Freeport-McMoRan Copper & Gold Inc. unveiled an agreement with labor leaders in Indonesia to end a violent three-month strike at a mine that sits atop one of the world's biggest reserves of gold and copper.

The world's largest copper producer also lowered its forecast for fourth-quarter shipments, projecting sales volumes of 800 million pounds of copper and 105,000 ounces of gold. In October, it projected 915 million pounds of copper and 305,000 ounces of gold.

Freeport said the new estimates include the impact of strike-related disruptions at the Grasberg mine, which is located deep in the mountains of Indonesia's Papua province and accounts for about a quarter of the company's copper sales and around 90% of its gold sales by volume.

The Phoenix-based company said repairs to pipelines damaged during the strike are substantially complete, and it has begun to ramp up milling operations that were suspended Oct. 22. Shipments are expected to be limited until full operations are restored, most likely early next year. The Grasberg mine yielded 1.2 billion pounds of copper and 1.8 million ounces of gold last year.

Under an agreement that extends the union's contract by two years, workers at the Indonesia operations would see base wages, which currently start at as little as \$2 an hour, rise 24% in the first year of the pact and 13% in the second year. The accord also includes improvements in benefits and a one-time signing bonus equivalent to three months of wages. Workers are expected to begin reporting to their jobs in coming days, according to the company.

Freeport in October reported that its third-quarter earnings fell 11% as the company's mining output shrank amid the strike, though revenue was boosted by higher metal pricing.

The strike at the Grasberg mine influenced global mineral prices and even triggered a spate of violence. The Indonesian government was anxious to get the mine up and running as Freeport is one of Indonesia's biggest source of government revenues, paying more than \$1 billion in taxes some years.

Eight thousand of the mine's employees had been on strike since Sept. 15. They were originally demanding a more-than-eightfold increase in wages to better reflect the money Freeport was making with the surge in commodity prices as well as the wages Freeport pays miners in other

countries.

"Management is pleased to have reached mutually acceptable terms with its union workers and appreciates the support and assistance of the various government agencies in reaching a resolution for the benefit of all stakeholders," Freeport Indonesia said in a statement Wednesday. "Freeport Indonesia management is focused on resuming operations in a safe, harmonious and efficient manner."

The strike turned deadly in October when one striker was killed and more than 10 other people injured in a clash between laborers and police. There have been more than five other fatalities in and around the mine during the strike, some of them people killed by unidentified snipers along the mine's jungle roads.

Attacks on the Grasberg mine have occurred in the past and may be part of a wider political drama, where separatists have been waging an insurgency since Indonesia took over the province from the Netherlands in 1969.

In 2009, a sniper attack on one of the mine's roads killed three people. In 2006, illegal miners that had been forced off of Freeport's lands rioted and burned company property. Four years earlier, two schoolteachers from the U.S. were killed in an ambush on Freeport roads.

Write to Eric Bellman at eric.bellman@wsj.com and Tess Stynes at tess.stynes@dowjones.com

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Exposing the One Percent: Freeport McMoRan Exploits Workers and the Environment

[Censored Notebook](#) Nov 14, 2011

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By Peter Phillips and Kimberly Soeiro

As the Occupy Movement emerges across the US and around the world, a prime example of greed and exploitation is occurring with very little coverage in the global corporate media. Members of the global top one percent are killing striking workers and using raw military power to protect their billions of dollars of annual profits. And the highest levels of US Government encourage and protect the exploiters.

Freeport McMoRan (FCX) is the world's largest extractor of copper and gold and controls huge deposits in

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Papua, Indonesia. The Grasberg Mine in Papua employs some 8,000 workers at wages of \$1.50 to \$3.00 an hour. The workers have been on strike since September of 2011 for an increase in wages. In an attempt to block busloads of replacement workers, several strikers have been killed and several wounded by security forces financed by Freeport. Freeport has offered a 22% increase in wages, but strikers say that is not enough and are demanding an increase to the international standard of \$17 – \$43 an hour. The dispute over pay has also drawn in local tribesmen, with their own grievances over land rights and pollution, armed with spears and arrows to join Freeport workers blocking the mine's supply roads for food and fuel this week.

The Jakarta Globe reported October 28, 2011, that Indonesian security forces in West Papua, notably the police, continue to receive extensive direct payments of cash from Freeport McMoRan. National Police chief Timur Pradopo admitted on October 28 that officers had received close to \$10 million annually from Freeport. Prominent Indonesian NGO Imparsial puts the annual figure at \$14 million. Pradopa described the millions of dollars in additional payments made to the police by Freeport as "lunch money" (Jakarta Globe, 2011). The payments recall even larger payments made by Freeport to Indonesian military forces over the years which, once revealed, prompted a US Security and Exchange Commission investigation of Freeport and questions as to Freeport's liability under the US law (the Foreign Corrupt Practices Act). Since 1991 Freeport has paid nearly \$13 billion to the Indonesian government at a 1.5% royalty rate and remains one of Indonesia's largest sources of income.

Reuters reported on October 25, "Miners have been striking at Grasberg, the world's second-biggest copper mine, since mid-September, disrupting output and stopping shipments. Violence has escalated in recent weeks with sabotage to pipelines and deadly attacks on employees. Angry workers and people from seven local tribes are blocking the main road near an airport in Timika that links Freeport's port to the Grasberg mine, and refused to shift after police gave them a deadline to move. "People fought back. The police gave several warning shots but they have left now," said a striking worker, adding that there were no casualties reported. "The tribes have conducted war ceremonies. They are ready to die for this" (Reuters Africa, 2011).

Amnesty International has documented numerous cases where Indonesian police have used unnecessary force against the strikers and their supporters. It is stated in a recent report by West Papua Media that, "Indonesian security forces attacked a mass gathering in the Papua capital, Jayapura, and striking workers at the Freeport mine in the southern highlands. At least five people were killed and many more injured in the assaults, which show a renewed pattern of overt violence against peaceful dissent. A brutal and unjustified October 19 attack on thousands of Papuans exercising their rights to assembly and freedom of speech resulted in the death of at least three Papuan civilians, the beating of many, detention of hundreds and arrest of six, reportedly on treason charges. The Obama administration has largely ignored the egregious violation of human rights, instead advancing US-Indonesian military ties. US Secretary of Defense Leon Panetta, who arrived in Indonesia in the immediate wake of the Jayapura attack, avoided criticism of the assault and reaffirmed US support for Indonesia's territorial integrity" (West Papua Media, 2011). Panetta also reportedly commended Indonesia's handling of a weeks-long

Freeport strike.

"The global dimension of the issues raised by the Freeport confrontation [is] highlighted by the fact that workers at the company's Sociedad Minera Cerro Verde copper mine in Peru have been on strike since September 29. They are demanding pay rises of 11 percent, while the company has offered just 3 percent" (WSWS, 2011). On November 7 The Jakarta Globe reported that, "Striking workers employed by Freeport-McMoRan Copper & Gold's subsidiary in Papua have dropped their minimum wage increase demands from \$7.50 to \$4.00 an hour, the All Indonesian Workers Union said. Virgo Solos, an official from the union, known as the SPSI, told the Globe that they considered the demands, up from the current minimum wage of \$1.50 an hour, to be "the best solution for all." Virgo said Freeport management was currently offering \$3.00 an hour (Jakarta Globe,

2011). Freeport-McMoRan's Grasberg mine, according to WSWS.org, is the ". . . world's largest and most profitable gold and copper mine. Buoyed by soaring commodity prices, the company's first half-year profit jumped to almost \$3 billion, nearly double the figure for the first six months of 2010" (WSWS, 2011).

US President Obama is planning an Indonesia visit in mid-November to strengthen relations with Jakarta as part of Washington's escalating effort to combat Chinese influence in the Asia-Pacific region (WSWS, 2011).

Freeport operates in North and South America, Indonesia and Africa. In 2010, the company sold 3.9 billion pounds of copper, 1.9 million ounces of gold and 67 million pounds of molybdenum. Freeport McMoran has a total revenue of \$18.9 billion in 2010 and a net income of \$4.2 billion. The Chairman of the Board is James R. Moffett owns over 4 million shares with a share value close to \$42.00. Moffett's annual compensation from FCX was \$30.57 million in 2010 according to the FCX annual meeting report in June of 2011. Richard C. Adkerson is President of the board of FCX and owns over 5.3 million shares. His total compensation in 2010 was also \$30.57 million.

In a transcript of Third Quarter statement for Freeport, Kathleen Quirk, CFO, Executive VP, (annual compensation \$8.6 million) reported,

"During the third quarter of 2011, our production and sales of copper and gold were adversely affected by labor disruptions at PT Freeport Indonesia. The estimated impact on our third quarter 2011 production, including the 8-day strike in July 2011, and the ongoing strike that commenced on September 15 totaled approximately 70 million pounds of copper and 100,000 ounces of gold in the third quarter. Without these impacts, our third quarter 2011 sales from Grasberg would have exceeded our forecasted production and sales because of access to higher grade ore previously scheduled to be mined in future periods. We've also developed revised operating plans to produce and ship concentrates at modified levels with a reduced workforce and we sold concentrate from inventory during the third quarter, which partly mitigated the lower production levels" (Seeking Alpha, 2011).

Transcript of Third Quarter statement by Freeport President Richard Adkerson showed,

"As Kathleen said, both the work stoppage in early July and then the ongoing strike that started in mid-September reduced our third quarter copper production by 70 million pounds from what it otherwise would've been, and 100,000 ounces. So that is an adverse impact to us. It results in lower taxes and royalties to the government of Indonesia than there otherwise would've been because of that. And of course the workers who are on strike are not being paid. So all of us, all the stakeholders have a strong incentive to try to resolve this strike and we're committed to trying to do that on a fair basis. But we did revise our operating plans. We — our management team on the ground at PT-FI, our Indonesian national staff people and contractors and some of the workers that are [indiscernible] on the union allowed us to operate on a reduced basis. Our mill has operated in recent days at 75% to 80% of capacity. We're operating in the mine at a roughly 2/3 of our normal rates. Our underground operations have ramped up, and we've been able to ship concentrate inventory with some disruptions. . . . Our hope is, and what we're certainly working towards, is to get this strike resolved on a mutually satisfactory basis with all parties, so that we can go back to totally normal operations. . . . In Indonesia, we have worked in good faith to reach a mutually satisfactory agreement with the union. The strike really is — doesn't have basis under Indonesian law. We're working cooperatively with the government, which has designated our operations in Papua as a vital national object. So the government recognizes the importance of our operations to the community, to Papua, to the government itself. Our pay packages have been and continue to be at the top of workers for workers in Indonesia. We are offering a substantial increase to pay as we talk about the new 2-year contract. We see our offer as being fair and generous. We have worked in a government-designated process of

having discussions, including participating with the union in a mediation process. ... The government of Indonesia came up with conclusions and we accepted those conclusions. The union did not" (Seeking Alpha, 2011).

Freeport is connected to some of the most elite transnational capitalists in the world. 7.8% of Freeport's stock is held by BlackRock, Inc., a major investment management firm based in New York. BlackRock's assets under management total US \$3.66 trillion across equity, fixed income, cash management, alternative investment, real estate and advisory strategies. BlackRock, Inc. (NYSE: BLK) independent directors include: Abdlatif Y. Al-Hamad, Director General/Chairman of the Board of Directors of the Arab Fund for Economic and Social Development, James E. Rohr, Chairman and Chief Executive Officer, The PNC Financial Services Group, Inc., Sir Deryck Maughan Partner and Head of Financial Institutions Group, Kohlberg Kravis Roberts, John Varley Former Chief Executive, Barclays PLC, David H. Komansky, Former Chairman and Chief Executive Officer, Merrill Lynch & Co., Inc., John Varley, Former Chief Executive, Barclays PLC, Thomas H. O'Brien, Former Chairman and Chief Executive Officer, The PNC Financial Services Group, Inc.

Freeport strikers have begun to win the support of the Occupy Movement. Occupy Phoenix activists marched to Freeport headquarters on October 31 in support of the strikes in Indonesia.

According to Marianne Kearney writing for The Age.com in 2006, "Freeport mine is polluting West Papua's rivers and estuaries and a world heritage-protected national park, according to the company's own environmental assessments and Indonesian Government standards." Documents leaked to an environment group show that the world's largest gold and copper mine has dumped a billion tons of mine waste, known as tailings, into surrounding rivers, polluting forests and river systems with heavy metals such as copper and arsenic, and endangering species such as the flying fox.

The environmental risk assessments were leaked to Indonesian environment group Wahli. "Freeport has known that their operation is endangering the environment but they don't do anything." Wahli spokesman Torry Kuswardono said. The environmental assessments show that the company's tailings are polluting the world-heritage Lorentz National Park, which stretches from glacier-capped mountains to a tropical marine environment (The Age, 2006).

Multiple issues with international implications are demonstrated by the Freeport strike in Indonesia. The wealth inequality between the stock holders of Freeport and the wage workers in their mines is an example of how the top one percent of corporate capitalists of the world hold and control vast private resources to the detriment of working people everywhere. The Freeport case is also a demonstration of how holders of private capital bribe and manipulate access to mineral resources that were provided by nature that in reality belong to all living beings (Fair Share of the Common Heritage), yet are used to further concentrate wealth among the few creating massive environmental damage in the process. Freeport's political clout—reaching all the way into the Whitehouse and the highest levels of power in Indonesia—uses the police power of the state to force workers into compliance. The one percent transnational corporate class utilizes the power of the military around the globe to protect their interests in the growth and free flow of capital to the detriment of a vast majority of the rest of us symbolized by the Occupied Movement's mantra 99%.

Peter Phillips is a Professor of Sociology at Sonoma State University and President of Media Freedom Foundation/Project Censored.

Kimberly Soeiro is an undergraduate Sociology major and Research Associate at Sonoma State University. She has been working in multiple library settings since 2008. Her concentration continues to be research and information.

For a 2005 NY Times Article on Freeport's Military Bribes and Environmental damage see: Below a Mountain of Waste, <http://www.nytimes.com/2005/12/27/international/asia/27gold.html?pagewanted=1&ei=5070&en=0ee1bc8941899f91&ex=1138078800>



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Freeport McMoran Grasberg Strife Could Cause Earnings Miss, Stock Worth \$41

Trafis Team Contributor

Freeport McMoran Copper in a statement last Tuesday said that they may miss their sales target in the fourth quarter due to the ongoing labor strike at its Grasberg mine in Indonesia. [1]

We assess the potential impact that this could have on Freeport's earnings. Freeport McMoran has extensive copper mining and smelting operations in North and South America, Indonesia and Africa. The company competes with other miners such as Southern Copper, Codelco and Newmont Mining.



Police inspect ambushed Freeport vehicle

We currently have a price estimate of \$41.50 for Freeport's stock, which is about 5% above the current market price.

See our full analysis for Freeport McMoran here.

Ongoing strike cutting into production

The labor union at the Grasberg mine has been on strike since September 15, demanding a wage increase. The mining unit at the location is capable of processing 230,000 tons of ore daily and is now processing only 120,000 tons as the company continues production with the help of non-striking workers and contract workers. [1]

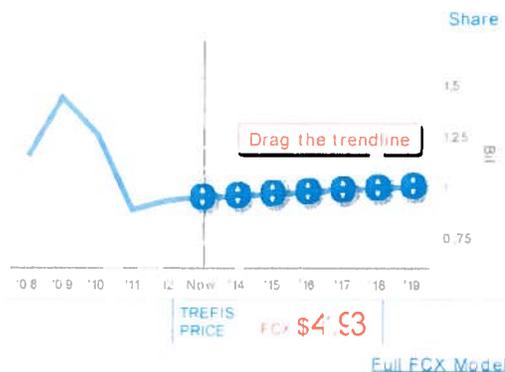
Freeport had to suspend milling operations on October 22nd after protesting workers damaged the concentrate pipelines. The company had planned to sell 915 million pounds of copper in the fourth quarter, from which 185 million pounds were to come from Grasberg mine.

In order to meet this target, the company planned to process 175,000 tons of

ore daily in Q4. It is now looking like that target will be increasingly difficult to meet.

Trefis Forecast for Freeport-McMoran Copper [FAQ](#)

Freeport's Indonesian Copper Shipments



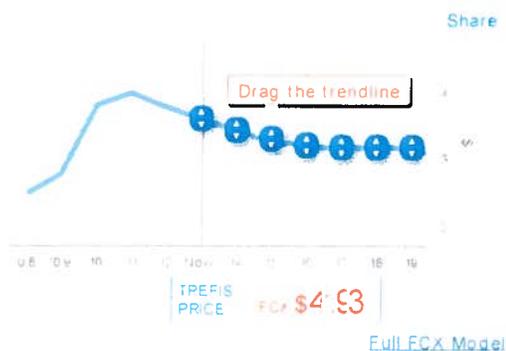
Strike could hurt Q4 earnings, long-term outlook remains solid

Freeport's stock was down 6 percent on the day the company released the statement. Should the company be unable to carry out repairs and solve the labor issue during the quarter, it may lose up to 30 percent of its copper revenue from Grasberg. At current copper prices, that would amount to the loss of around \$250 million in revenues.

The company will also have to bear significant expenses towards repairing the damaged equipment. We believe that if the issues aren't resolved quickly then Q4 earnings will be significantly affected. However, we do not expect that this will have a long-term impact on the company's operations (absent any further labor issues) and as such we have not made any changes to our estimates at this time.

Trefis Forecast for Freeport-McMoran Copper [FAQ](#)

Freeport's Average Realized Copper Price per Pound



We expect near-term copper demand from China to remain strong despite slowing economic growth there, as importers will start re-stocking copper toward the end of the year. We believe that this will allow for strong copper prices through year-end, which could help Freeport offset some of the losses it will face at Grasberg.

Understand How a Company's Products Impact its Stock Price at Trefis

Notes:

1. [Freeport says Indonesia mine operations lag Q4 goals](#), Reuters, Nov 2011 [[↵](#)] [[↵](#)]

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Indonesia

Corporate Responsibility

Grasberg mine: PT Freeport Indonesia must respect workers' rights

Last Update 6 November 2011

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New York/Jakarta/Paris, November 7, 2011 – Since September 15, thousands of workers have been on strike at Grasberg, in West Papua, the world's largest gold mine. Grasberg is exploited by PT Freeport Indonesia (PTFI), a branch of the US-based company Freeport-McMoRan Copper & Gold. The International Federation for Human Rights (FIDH) and the Commission for the Disappeared and Victims of Violence (KontraS) call on PTFI and the Indonesian national authorities to refrain from further acts of reprisals against striking workers, including violence, and find through active dialogue a sustainable response to the workers' legitimate demands.

While a US court ruled on November 1 that mining company Rio Tinto could be made accountable for serious human rights violations in Papua New Guinea during the 1980s, multinational mining companies continue to be associated with human rights abuses in the region. Workers at the Grasberg mine face severe repression by the Indonesian security forces, with the full blessing of PT Freeport Indonesia (PTFI).

According to article 144 of Indonesia's law No 13/2003 on labor, workers on strike are protected from any termination of their employment. However, PTFI fired the striking workers and employed new personnel as their replacement. While the workers' demands are focused on salary increase, they have been accused of separatism and jeopardizing "Indonesian national vital interests". They have also been intimidated, in particular labor union's leaders.

Soon after the strike began, the local Chief of Police in Mimika sub-province openly threatened to kill one of the leaders, whose house was then shot at by unidentified assailants. On September 30, the same Chief of Police informed the workers that the police was ready to take any necessary measure to dismiss the strike. On October 10, the local police indiscriminately shot at thousands of peaceful striking workers and local Papuans in Gorong-gorong bus station in Timika, which resulted in the death of two people and many other injuries. Until now, there has been no proper investigation into this incident.

"Freeport's payment of support costs for government-provided security amounts to subsidizing gross abuses in the face of strong evidence that these security personnel lack respect for human rights and enjoy impunity for unlawful acts

committed, "said Haris Azhar, Coordinator of KontraS. Recent investigations by human rights activists confirmed widespread allegations of corruption and bribery involving PTFI and local security forces. Documents provided by the local police show a serious lack of transparency in the way PTFI contribution to security forces' expenses have been allocated and disbursed. "Such ill-practices need to be brought to an end and should be fully and independently investigated without delay and hindrance, including by the US authorities to ensure Freeport is in full compliance with applicable laws," Mr. Azhar added.

"The situation in Grasberg once again reveals the serious abuses committed by both private businesses in the mining sector and national security forces when it comes to exploiting the natural resources in the land of marginalized, impoverished communities. It is vital that the PT Freeport Indonesia enter into a dialogue with the workers in good faith and with a view to resolve the disputes in a peaceful manner that also ensures full respect for their rights. More broadly, all actors in Papua must respect the human rights of all Papuans and ensure their meaningful participation in decision-making that affects their livelihood," said Mrs. Souhayr Belhassen, FIDH president.

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Freeport Struggles To Restart Indonesian Mine Amid Strike Unrest



Image via Wikipedia

Copper prices **declined Monday**, paring a rally in October for the metal. The copper rally had been helped by stoppages at Freeport McMoRan Copper and Gold's mine in eastern Indonesian. The mine, located on the island of Papua, has been plagued by strikes, road blockades and clashes with security forces. The latest monthlong strike forced the company last week to declare force majeure for shipments of copper concentrate and gold. Indonesia's government has pledged **to help**

end the strike and get the mine operating normally, but it's not that simple. The mine is a lightning rod for resentment not only of Freeport itself, but also the central government in far-away Jakarta. Workers are keen to press their advantage for better pay and conditions as they see precious metals soar ever higher on global markets. That's why Freeport is also trying to tamp down labor unrest in its South American mines. Its share price has significantly lagged the price of the metals that it produces, even before declaring force majeure at its Indonesian operation.

Earlier this month, five Indonesian protesters died when police fired on strikers blocking access to mine facilities. Meanwhile, Jakarta's media is buzzing over **millions of dollars of payments** made by Freeport to cover policing operations. The police have confirmed receiving the payments, and denied any impropriety. Indeed, this is nothing new for foreign resource companies in Indonesia. Freeport has previously disclosed **paying the military for protection**. Questions have also been raised about the contract of works at Freeport Indonesia, in which Rio Tinto also holds a stake (the government holds 9%). Nationalist politicians argue that the terms are too generous towards Freeport, which arrived in Papua during the dictatorship of President Suharto. After Suharto fell in 1998, power was partly devolved to the provinces and companies like Freeport had to shift gears. It has worked hard to repair its image in Papua, pouring money into community aid and other CSR initiatives at Grasberg.

Grasberg holds the greatest gold and copper reserves in the world and also produces silver. A

“ monthlong strike over pay and conditions, road blockades and damage to a pipeline have hit output at the open-pit mine.

“The lower concentrate production has impacted our ability to fully perform our sales commitments and as a result, we were required to declare force majeure on the affected concentrate sales agreements,” Freeport Indonesia spokesman Ramdani Sirait said.

“It is almost a certainty that Freeport’s declaration of force majeure has supported copper prices today,” said Gavin Wendt, a mining analyst. “News of the strike isn’t new but the situation hasn’t been improving.

Analysts also said that the declaration came at the same time that many miners and smelters were involved in negotiations on fees for processing copper. The declaration would likely support the miners’ position in those negotiations as there would be less raw material to process, forcing smelters to be more competitive on fees for taking on the work.

The company said last week that an eight-day strike in July and the second, continuing strike at Grasberg led to a loss of about 70 million pounds of copper and 100,000 ounces of gold in the third quarter. It also cut its sales forecast for 2012.

via [Freeport Declares Force Majeure at Strike-Hit Grasberg Mine in Papua | The Jakarta Globe](#).

This article is available online at:

<http://www.forbes.com/sites/simonmontlake/2011/10/31/freeport-struggles-to-restart-indonesian-mine-amid-strike-unrest/>



Freeport declares force majeure at Grasberg

Andrew Topf | October 28, 2011



Ongoing labour unrest at Freeport-McMorrans's Grasberg mine in Indonesia has forced the American company to declare force majeure.

The announcement made Wednesday effectively allows Freeport (NYSE:FCX) to stop shipments from its gold and copper mine so that it can avoid liability on existing customer orders.

About 8,000 workers — a third of the mine's workforce — have been on strike since September 15th and [earlier this month vowed to shut down the mine](#) if hourly wages of \$1.50 are not upped 8-fold. The strike recently turned ugly with reports of [sabotage and injuries](#).

Freeport says the strike has bit into production and impacted its customer commitments:

"The (lower) production has impacted our ability to fully perform our sales commitments, and as a result we were required to declare force majeure on the affected... sales agreements," Freeport Indonesia spokesman Ramdani Sirait told AFP.

Anticipated supply shortfalls buoyed the price of copper on the London Metal Exchange Wednesday, [Reuters reported](#), with the benchmark contract rising as much as 3.5% to \$7,785 a tonne — just shy of a one-month peak hit on Tuesday.

Grasberg is the world's largest copper and gold mine by reserves.



Email: atopf@mining.com

Andrew Topf on

Andrew Topf is an editor at MINING.com. With a background in newspaper and trade magazine reporting, Andrew specializes in writing about mining and commodities. He has written for the Black Press newspaper chain in British Columbia, Business in Vancouver, and Baum Publications.

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Freeport Declares Force Majeure at Strike-Hit Grasberg Mine in Papua

Olivia Rondonuwu | October 26, 2011

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Freeport-McMoRan Copper & Gold declared force majeure on some concentrate sales from its strike-hit Grasberg mine in Papua on Wednesday, a move that kept benchmark copper prices close to a one-month high.

Freeport's decision frees it from some of its contractual obligations to supply buyers of metal produced at the world's second-largest copper mine. The news buoyed copper prices on the London Metal Exchange on Wednesday and the benchmark contract rose as much as 3.5 percent to \$7,785 a tonne. That was just below a one-month peak of \$7,820 hit on Tuesday.

Grasberg holds the greatest gold and copper reserves in the world and also produces silver. A monthlong strike over pay and conditions, road blockades and damage to a pipeline have hit output at the open-pit mine.

"The lower concentrate production has impacted our ability to fully perform our sales commitments and as a result, we were required to declare force majeure on the affected concentrate sales agreements," Freeport Indonesia spokesman Ramdani Sirait said.

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Freeport Strikes Further Limiting Supply For Copper Market

(Kitco News) - Strikes taking place at two of the world's largest copper mines owned by international mining giant Freeport McMoran Copper & Gold (NYSE: FCX) could mean more output woes for a copper market that is already struggling with low supply.

"I think the market is largely focused on demand with this ongoing disruption, and with more clarity in Europe regarding their debt crisis, I think that the market could switch attention back to supply shortages," said Catherine Virga, director of research at CPM Group.

"The fact that we have steadily declining LME (London Metal Exchange) and Shanghai (Futures Exchange) inventories and a pickup in cancelled warrants indicates this trend is going to continue," Virga said. "These expectations that the market is still going to be in a deficit this year and next by most analysts, including the International Copper Study Group, show there are supply concerns present in the market and they can resurface as a key driver once some of the uncertainties regarding Europe are mitigated."

Workers at Freeport's Cerro Verde mine in Peru went on strike Sept. 29 while half of the workers at the company's Indonesian Grasberg mine stepped off the job in mid-September, both fueled by higher wage demands.

The strikes, which turned deadly when an unidentified gunman killed three contractors two weeks ago, have had an impact on copper output at the Grasberg mine, which is one of the world's largest producers of copper.

"The impact of labor disruptions which is subject to change based on operating rates, mine plans, the extent to which we can operate using a reduced workforce, and the timing of resumption of normal operations, is estimated to approximate 100 million pounds of copper," said a spokesman for Freeport.

There is no end in sight for the Grasberg strike. The work stoppage was extended again to Nov. 15 and on Wednesday Freeport declared force majeure on shipments of concentrates according to news reports.

Virga said if the Grasberg strike is extended again, an additional 15 to 24

million pounds of copper production could be lost.

Cerro Verde, which is Peru's third-largest producing copper mine, may see an end to its strike as the Peruvian government stepped in earlier this week with a resolution. While the strike at Cerro Verde has not had affected production as seriously as Grasberg, Freeport is working with a skeleton crew of workers which could eventually take its toll on production.

"Cerro Verde is focusing its operations on essential functions to supply ore to the leach pad and concentrator (and) as a result, production of copper and molybdenum concentrates has not been materially affected by the strike that began on September 29," said a Freeport spokesman.

Mining rates are averaging approximately 200,000 metric tons per day, which is approximately two thirds of normal production rates, and essentially all mining rates dedicated to the production of ore to feed the concentrator and the leach pad which are both operating at near capacity levels, the company said.

"Cerro Verde is legally and safely operating the facility with approximately 600 supervisory and personnel who are trained for their current job assignments and who volunteered to work under strike conditions," said a Freeport spokesman.

With no end in sight to these work stoppages for either of these copper producing mines, supplies will be tight, but for how long?

"It depends on when they're going to come into full production again," said Bart Melek, vice president and director, head of commodity strategy for TD Securities. "If it lasts a month or two it can be a serious issue. It can significantly deepen the deficit. Even if demand falters a bit, it could be the difference between a potentially balanced market and a deficit.

"Since this is one of the biggest mining operations in the world it will have a material impact on supply and demand balance down the road."

By Alex Létourneau of Kitco News aletourneau@kitco.com

This article is available online at:

<http://www.forbes.com/sites/kitconews/2011/10/26/freeport-strikes-further-limiting-supply-for-copper-market-2/>

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EARNINGS | October 20, 2011

Hit by Strikes, Freeport-McMoRan's Net Falls 11%

By TATYANA SHUMSKY

Freeport-McMoRan Copper & Gold Inc.'s third-quarter profit fell 11% as output disruptions stemming from strikes offset the positive impact of higher metal prices.

The world's largest listed copper producer on Wednesday reported a profit of \$1.05 billion, or \$1.10 a share, for the quarter, down from \$1.18 billion, or \$1.24 a share, a year earlier. Analysts polled by Thomson Reuters had forecast that the Phoenix-based company would post earnings of \$1.02 a share for the latest quarter.

Freeport said it expects to lose 100 million pounds of copper output and 100,000 ounces of gold production this year as the result of strikes at its Indonesia's Grasberg project, which is the world's third-largest copper mine. Production at Grasberg in the first nine months of the year was down 15% from a year earlier.

Grasberg workers have been on strike since Sept. 15 and are demanding an eightfold increase in the minimum wage, which is \$1.50 an hour. Workers also held an eight-day strike in July.

The strike "results in lower taxes and royalties to the government of Indonesia. And of course, the workers who are on strike are not being paid," Chief Executive Richard Adkerson said on a conference call.

Despite the strike, Grasberg has been operating at about 80% capacity, he said. "Our hope is that we get the strike resolved and we get everybody back to work," he said.

The company also faces a labor disruption at its Cerro Verde copper mine in South America, though output there hasn't been affected. Workers walked off the job Sept. 29, seeking higher wages. Cerro Verde is Peru's third-largest copper producer. "We are actively negotiating with the union, with the assistance of the government," Mr. Adkerson said.

Freeport's total copper production fell 8.7% in the quarter, while gold production dropped 22%. Molybdenum output increased 21%.

Third-quarter revenue rose 0.8% to \$5.2 billion, helped by higher metal prices, which remained above last year's levels. Prices have slipped recently. Freeport's average selling price for gold was 34% higher in the quarter than a year earlier. The company's average copper price rose 2.9%.

Mr. Adkerson said the company is prepared to adjust production to fit changing economic

circumstances. The market for copper remains relatively tight in Europe and the U.S., despite slower growth than at the start of this year. "China continues to consume copper, although there's concern about its credit-tightening activities," Mr. Adkerson said.

The challenge of finding and developing new copper mines, coupled with growing demand for the industrial metal, bodes well for the industry's future and Freeport's outlook, he said. "Our ability to produce copper at less than \$1 a pound indicates that we're very profitable and can generate cash in excess of our capital-expenditure requirements," Mr. Adkerson said.

Freeport's spending will likely rise 37% to \$3.7 billion next year. The company plans to expand operations at the Cerro Verde mine, its Morenci mine in the U.S. and the Tenke Fungurume operations in Congo. These projects have yet to be approved by Freeport's board. Freeport Chief Financial Officer Kathleen Quirk said the additional spending likely will be "evenly distributed between those three projects."

Freeport's shares fell \$1, or 2.8%, to \$34.38 in 4 p.m. composite trading on the New York Stock Exchange.

—Ben Fox Rubin contributed to this article.

Write to Tatyana Shumsky at tatyana.shumsky@dowjones.com

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Escalating strike activities at Freeport's Grasberg mine

2011-OCT-19



Strikes are becoming an increasing fact of life for mining companies all over the world. Unions are demanding more social services, better working conditions and higher pay. Analysts are concerned that continuing stoppages – mainly caused by strikes at mines in developing nations – could lead to supply shortages in certain commodities. The supply situation will remain

tight in many sectors, unless the world economy tips into recession again. This supply tightness is bullish for many commodity prices.

This past week thousands of mine workers in Indonesia erected road blockades in an effort to halt production at the Grasberg Mine, situated in the east of the country. The Grasberg mine is one of the largest gold and copper deposits in the world, and is operated by American mining giant Freeport-McMoRan. 90% of the company's workers are on strike – demanding better pay, which they say should be based on international standards. Indonesian miners receive an average hourly wage of between \$2 and \$4. The international average is between \$17 and \$40 an hour. Freeport-McMoRan's management has already tried to stamp on such demands by stating that the company is facing ever-increasing infrastructure costs in the remote province of Papua (where Grasberg is located). For this reason, the company claims that the employees' claims are utopian. In the past week there were five deaths among striking mine workers, after the protests turned into violent clashes with local police. It is the second strike at Papua's Grasberg mine this year, following an eight-day strike in July.

Incidents of this kind are no longer isolated cases in the mining industry. Moreover, important mining countries such as Peru, Bolivia, Chile, Ecuador and South Africa were rocked by waves of huge strikes earlier this year, which spread from the mining industry to other economic sectors. South Africa is one of the world's largest producers of gold, platinum, palladium and diamonds, with escalating strike activities leading to production shutdowns over and over again in recent months. Many people are asking why the share prices of exploration and mining companies are not gather steam on global stock exchanges, since most commodity prices have risen substantially over the last two years (though they have corrected down in the last few months). One of the reasons may be concern about escalating strike activities, which can reduce mining profits. Freeport-McMoRan lost over \$30 million as a result of the eight-day strike at Grasberg in July. In addition, deposits of highly-desired metals are being found at ever-greater depths – sometimes as deep as 6,000 metres (19,685 feet). Production costs of \$1,600 per gold troy ounce are thus no longer the exception but the rule in South Africa – where deep mining is particularly common. This is another reason why, despite the rising gold price, many miners share prices are lagging.

Soaring costs for exploration and mining activities are weighing on the earnings outlook for many mining companies. For mines in developing nations, this has been compounded in recent weeks by the resurgent US dollar – which has led to losses courtesy of exchange rate differences. All of these factors are supply pressures, and something that will add further upward impetus to the prices of many commodities.

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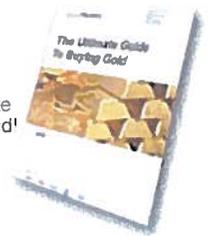
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Sabotage, deadly clashes shut down Grasberg

Erik Els | October 17, 2011



China's state news agency reports all production at Freeport McMoran's Grasberg mine in a remote province of Indonesia has been halted after a pipeline was sabotaged, access to the pit and underground operations were blocked and three miners were killed in an ambush.

[The latest attack follows an incident last week when Indonesian security forces fired on striking workers](#) after a protest turned violent, killing one and injuring a dozen other, including seven police, some of them critically. The local police chief said between 500 – 600 policemen are now billeted at the

mine.

Some 12,000 Workers at Grasberg began a strike on 15 September and [earlier this month vowed to shut down the mine](#) if hourly wages of \$1.50 is not upped 8-fold.

[Xinhua reports](#) "As of today we had to stop all production process," Freeport Vice President Nurhadi Sabirin said in a teleconference with the media held here.

Sabirin said that the pipeline transferring gold and copper ores from its mill to the seaport cannot operate properly following the shootings and sabotage. The pipeline stretches 114 km from Freeport's mill center on Grassberg hill in Tembagapura, Papua to the seaport.

As of Oct. 15, Freeport has shipped 103,189 tons of gold and copper concentrate from its seaport in Papua.

[Al-Jazeera has in-depth coverage](#) on Grasberg: Freeport began to disclose security-related payments in filings with the US Securities and Exchange Commission in 2001. It confirmed annual payments reaching an average \$5m each year for government-provided security of the Grasberg complex and its staff and fluctuating annual costs reaching \$12m for unarmed, in-house security costs. A spokesman for the company later told the Jakarta Post that these payments had been taking place since the 1970s.

[Reuters reports](#) Freeport-McMoRan Copper & Gold Inc (NYSE:FCX) is the largest taxpayer in Indonesia and in the first week of the strike last month when production was slashed by 230,000 tonnes a day, it represented daily losses of \$6.7 million in government revenue. Freeport, the world's largest publicly traded copper miner, is also facing labour action at its Corro Verde mine in Peru.



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Erik Els on

Frik is editor and writer for MINING.com. Frik has developed content for a variety of consumer and business titles in Canada and Southern Africa covering autos, technology, entrepreneurs, travel and entertainment. Frik does not own shares in any of the companies he writes about.

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Best

Jonas Barbarossa

\$1.50 an hour? Is this slave labor?

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Not necessarily, depends on normal local labour, this might be a highly paid job.

Reply Share

I have @ 75 off road haul trucks at a oil sands in north america. I wish that I could get \$1.50 an hour drivers. "HELL" No I DON'T! This is just what gives our industry a bad name! Hang in there guys, keep em shut down!

Reply Share

Mario Faz

I'm not from the left side of the political spectrum but paying \$1.50 an hour is exploiting the labor force there its too much. I'll bet the Indonesian governments gets a share in taxes but those corrupt governments always get their under the table bribes to keep their mouth shut an repress the laborers. The fact of the matter is that in a developed world laborers get \$20 or more an hour but there is always inflation. in Indonesia happens the same thing specially when you work and live in a remote area where the transportation is controlled by a few whose prices are abusive for the goods and food stuff. That's the reason for the uprising in one word: greed moves those big companies. They have the excuse of their investment but the non renewable resources are the property of the nation and as a whole they should be considered as a property of the nation, the foreign investor is an alien taking advantage of a resource it's not theirs At least they should have respect for the country they are in and their people. Those greedy companies are the cause that left extremist exists and they indeed provoke the anger that erupts in violence. Am I wrong or what?

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Can we get Freeport's side of the story about why they won't increase the workers' pay rate? Hello? Calling Freeport's management. Anybody home??

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THE WALL STREET JOURNAL

WSJ.com

ASIA NEWS | October 16, 2011, 12:13 a.m. ET

Shooting Near Freeport Mine in Indonesia Kills 3

By ASSOCIATED PRESS

TIMIKA, Indonesia -- Gunmen shot and killed three miners in the latest attack near the world's largest gold mine in eastern Indonesia, officials said Saturday. Attackers also fired on a patrol car wounded en route to investigate, wounding a soldier and a civilian guard.

Four Indonesian miners who worked for the U.S. company Freeport were hit by unknown gunmen as their car traveled along a road to the mining complex on Friday in restive Papua province, local deputy police chief Maj. Mada Indra Laksanta said.

The attackers also set their car ablaze, he said.

Hours later, gunshots were fired at a patrol car trying to approach the burned car. A soldier and a civilian guard were wounded.

Police found the bodies of three miners near their car, and they are still searching for another miner unaccounted for.

Friday's shooting came less than a week after Indonesian security forces fired on striking workers at the one of world's largest gold and copper mine, killing one and injuring more than a dozen other people.

But police declined to link Friday's shooting with the workers strike that kicked off on Sept. 15. The strikers are demanding that their pay, which ranges from \$2.10 to \$3.50 per hour, be increased to between \$17.50 and \$43 per hour.

"We do not want to speculate before the investigation complete," Laksanta said, adding that police and soldiers are hunting down the attackers from both sides of the road.

Freeport's Indonesian spokesman Ramdani Sirait said that the company was deeply saddened by the loss of lives of their workers in many incidents recently and continues to cooperate with the police investigation.

The attack was the latest in a string of ambushes on the road to the mine. Attacks on it have claimed eight lives since July 2009, including an Australian technician.

Early last year, a convoy from the mine was ambushed and an American, four policemen and two civilians were wounded.

The mine, run by a subsidiary of the Phoenix, Ariz.-based [Freeport-McMoRan Copper & Gold Inc.](#), has been repeatedly targeted with arson, roadside bombs and blockades since production began in the impoverished province of Papua in the 1970s.

The region also has a low-level insurgency that seeks independence from the Indonesian government.

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ASIA BUSINESS

October 11, 2011

Striker Is Killed in Clash at Freeport Mine in Indonesia

By ERIC BELLMAN And I-MADE SENTANA



Agence France-Presse/Getty Images

A protest turned violent Monday as striking miners threw rocks and police responded with gunfire outside a Freeport facility in Timika, Indonesia.

JAKARTA, Indonesia—A strike turned deadly at a giant **Freeport-McMoRan Copper & Gold Inc.** mine in Indonesia, with one striker killed and more than 10 other people injured in a morning clash between laborers and police.

Thousands of employees of the Phoenix-based company's Grasberg mine, deep in the mountains of Indonesia's eastern-most province of Papua, have been on strike since Sept. 15, demanding higher wages.

The casualties occurred when striking workers attempted to keep replacement workers from going to work Monday and police tried to protect them, said Papua police spokesman Lt. Col. Wachyono, who, like many Indonesians, uses one name.

"Police officers fired warning shots into the air after the striking workers, who are protesting over wages, pelted the police with stones," he said. He said police were investigating how the striker was killed. "Anything can happen when you have an angry mob of 3,000 in a riot with a hundred police officers," he said. Six police officers were injured, he said.

Union leader Manuel Maniambo said thousands of striking workers were trying to prevent replacement workers from reaching the mine and that others were upset to hear that their barracks, with their belongings still inside, had been taken over. When blocked by security forces, striking miners became angry, throwing rocks. The troops responded with gunfire, he said.

The violence was the latest in a region known for unrest and could sour labor relations further at what is widely seen in the industry as one of the world's most profitable mines.

Grasberg workers are demanding at least an eightfold increase in the minimum wage, which is currently \$1.50 an hour.

Citigroup last month said the strike at the copper and gold mine could reduce Freeport's revenue by \$19 million for each day the strike continues. The company didn't comment on how its production has been affected by the strike or how many employees had joined it. The company reported revenue of \$4.14 billion and net income of \$1.2 billion for the third quarter of last year. The company is expected next week to report earnings for the most recent quarter.

Freeport last month said its July third-quarter sales estimates of 940 million pounds of copper and 415,000 ounces of gold likely would be hurt by the strike.

Freeport Indonesia said some protesters have violated the working agreement between the company and the union as well as Indonesian law by blocking access to the company's facilities and intimidating workers in Timika, the small city at the base of the mountain on which the mine sits.

"We are continuing to work with the local police to deal with these acts of intimidation so that our workers located in Timika can exercise their rights to return to work if they so desire," said Ramdani Sirait, a Jakarta-based spokesman for Freeport. "The individuals that are responsible for these illegal acts of aggression should be held accountable."

Freeport facilities have been the target of violence in the past. A 2009 sniper attack on one of the mine's roads killed three people. In 2006, illegal miners that had been forced off of Freeport's lands rioted and burned company property. Four years earlier, two school teachers from the U.S. were killed in an ambush on Freeport roads.

The Grasberg mine also has figured into wider political dramas in Papua, where separatists have been waging a low-level insurgency since Indonesia took over the province from the Netherlands in 1969. The project generates billions of dollars of revenue for the Indonesian government each year, and has been protected by government police and army forces from outside the island, which some residents have said has helped fuel some of the violence in the region over the years.

—Yayu Yuniar and the Associated Press contributed to this article.

Write to Eric Bellman at eric.bellman@wsj.com



Strikers vow Grasberg shutdown if hourly \$1.50 is not upped 8-fold

Erik Els | October 7, 2011



Workers at Freeport's Grasberg – one of the world's largest gold and copper mines – in the remote Indonesian province of West Papua vowed Friday to paralyse production, as their strike over pay enters its second month.

About 12,000 of Freeport's 23,000 Indonesian workers have joined the strike that started on Sept. 15 and on Friday Freeport said some workers have returned, putting it in a position to increase mining and milling output.

The gulf between the the two parties are so wide that chances of a settlement appear remote – Freeport has offered a 25% increase on wages while the union wants the current minimum rate of \$1.50 an hour raised more than 8-fold.

[AFP quotes](#) Virgo Solossa, spokesman for the workers' union: "If we don't get the pay increase we want, our goal is to stop production by November 15." The current lowest wage is \$1.50 an hour, which workers want raised to \$12.50 while the maximum hourly rate of \$3.50 it wants pegged at \$37.

[Reuters reports](#) late last month, the company said about 4,200 workers at the mine, mainly contractors and non-union staff, have returned to work, allowing some mining to resume.

Freeport-McMoRan Copper & Gold Inc (NYSE:FCX) is the largest taxpayer in Indonesia and in the first week of the strike last month when production was slashed by 230,000 tonnes a day, it represented daily losses of \$6.7 million in government revenue.

[Chief Executive Richard Adkerson told Reuters](#) on the sidelines of the African Copper conference in London: "There has been some softening in copper demand, but not to the extent seen in the copper price. There is a disconnect right now and that's because investors are concerned about the future."

Three-month copper on the London Metal Exchange traded at \$7,280 a tonne in the afternoon from Thursday's close of \$7,225 a tonne, marking its third session of gains, after hitting a 14-month low on Monday.

[Al-Jazeera has in-depth coverage](#) on Grasberg where it found a history of violence: Freeport began to disclose security-related payments in filings with the US Securities and Exchange Commission in 2001. It confirmed annual payments reaching an average \$5m each year for government-provided security of the Grasberg complex and its staff – and fluctuating annual costs reaching \$12m for unarmed, in-house

security costs. A spokesman for the company later told the Jakarta Post that these payments had been taking place since the 1970s.



Erik Els

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Best

How does the company expect employees to live decent lives on \$1.50 per hour?

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James Cyr

The hourly wage, like every other cost, will determine what is "ore" and what is not. If the wages are raised to the expectations of the union, what does that do (if anything) to lower the life of the mine. If the wages are raised, what is the expected increase in productivity to compensate for this? I do not know the cost per ton of ore mined and milled but, given the environment, it must be substantial.

Reply Share >

Many people in Indonesia make a lot less than \$1.50 / hr. I have not visited any mining sites yet but I have seen a lot here, including construction, and the productivity is really low. One Western worker can easily work 3 to 5 workers (there are exceptions of course - both ways). I personally know managers that don't make nearly as much as what the miners are asking for. The country's strength is its ability to provide a large, mostly unskilled, workforce for a relatively low price. If the price goes up here it sets precedents for the rest of the country and it could make the country less attractive to set up business. I visited a methane power production facility not long ago and the workers were glad to have a great job (at a similar wage). They were able to buy a new motorcycle (on credit at somewhere near 30% interest) and hope to afford another wife.

(tidbit: The 2 largest expenditures of an average Indonesian is rice and cigarettes, in that order)

(no relation to JC)



Freeport braces for month-long strike

Andrew Topf | September 15, 2011



Grasberg Mine photo from Wikipedia

For the second time this year workers have downed tools at one of the world's largest copper and gold mines.

[The Sydney Morning Herald is reporting](#) thousands of workers at Freeport-McMoran's gold and copper mine in eastern Indonesia have begun a month-long strike over a wage dispute:

Union spokesman Juli Parorongnan said roughly 90 per cent of the Papua mine's 12,000 workers were taking part in the action, which began on Thursday.

They are seeking pay rises from \$US2.10 (\$A2.05) to \$US3.50 (\$A3.40) an hour to globally competitive levels of \$17.50 to \$43, he said.

[Bloomberg reports](#) Freeport and Grasberg mine's labor union ended talks over 2011-2013 contract terms on Aug. 26 after failing to reach an agreement on wage increases. The two sides started negotiations on July 20 after about 8,000 workers put down tools for eight days to July 11, disrupting production and helping to drive up copper prices.



Andrew Topf

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[Andrew Topf on 3+](#)

Andrew Topf is an editor at MINING.com. With a background in newspaper and trade magazine reporting, Andrew specializes in writing about mining and commodities. He has written for the Black Press newspaper chain in British Columbia, Business in Vancouver, and Baum Publications.

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commodity analyst at Australia and New Zealand Bank

Freeport has offered workers a 10 percent pay rise in the coming year and another 10 percent for the following year, according to a company source, who declined to be identified because the talks were not public.

"The management has offered a better pay rise than other mining firms in the country," said the company source. "The union had demanded a rise using the labour market standard in North America instead of the labor market in Indonesia."

Indonesia's economy, the biggest in Southeast Asia, is powering along at over six percent growth this year, driven by resource exports and buoyant consumer demand, though the Papua region is among the poorest in the sprawling archipelago.

Shares of Freeport were up 1.8 percent to \$44.28 in afternoon trading on the New York Stock Exchange. (Additional reporting by Michael Taylor in JAKARTA, Carrie Ho in SHANGHAI and Manolo Serapio in SINGAPORE, Steve James in New York; Writing by Neil Chatterjee; Editing by Michael Urquhart and Tim Dobbyn)

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WORLD BRIEFING | ASIA; Indonesia: 17 Suspects Jailed In Attacks Killing 3 at World's Largest Gold Mine

By THE ASSOCIATED PRESS
Published July 22, 2009

The police have detained 17 suspects believed to be involved in a series of deadly ambushes at the world's largest gold mine, an official said Tuesday. The men were rounded up Monday at several locations within a few miles of the Grasberg mining complex operated by the American conglomerate Freeport McMoran, the Papua police chief, Bagus Ekodanto, said. The attacks, which began on July 11 and lasted five days, left dead a 29-year-old Australian, an Indonesian security guard and a policeman. At least 12 others, most of them police officers, were wounded.

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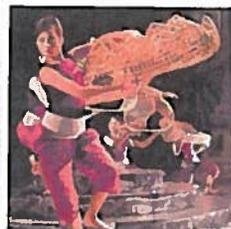
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Indonesian Miners Strike Another Blow For Freeport At Grasberg

 **Trafis Team** Contributor

[Freeport McMoran Copper](#) now faces a new problem related to its Indonesian mining operations. The mining giant received yet another setback from its crown-jewel, the Indonesian Grasberg mine, when 8,000 mine workers started a several-day strike. ^[1]

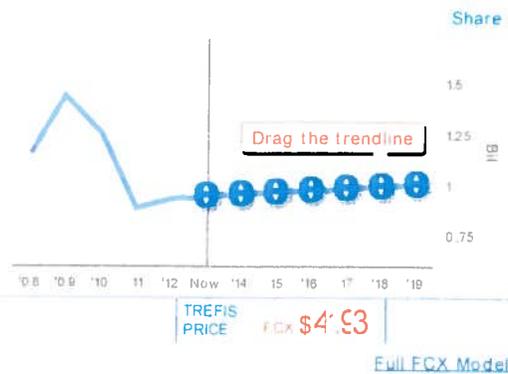


Image via Wikipedia

The Grasberg mine is the world's largest copper and gold mine in terms of reserves and is the single biggest source of value for the company. The company is still dealing with the problem of [low-quality ore from the mine](#), which forced the company to significantly reduce its copper production outlook for the year. The displeasure among workers at the mine will only aggravate the situation further. Freeport competes with other miners such as the Southern Copper, Codelco and [Newmont Mining](#).

We have a [\\$55.60 price estimate for Freeport's stock](#), less than 5% above the market price. The importance of the Indonesian mine can be understood by the fact that these operations account for more than a quarter of this value according to our analysis.

Freeport's Indonesian Copper Shipments



If the strike gets extended, it could lower production levels further

Freeport's management said that the strike is uncalled for as the workers neither started any negotiations with the company nor did the company reject any of their demands — either which could warrant a strike. The company maintains that there will be no loss of production due to the strike.

But the company seems to be understating the situation at Glasberg. The fact that the entire workforce at the mine has decided to move a muscle will definitely impact production — more so if the strike gets extended further with the workers and management not meeting eye-to-eye.

Freeport's Indonesian EBITDA Margin



In the long run, the strike can severely hit the mine's profitability

One of the biggest advantages of the Glasberg mine for Freeport was the cheap labor cost in Indonesia. The workers at the mine throw light on the wage disparity across the company by stating that they earn about \$1.5 per hour, in comparison to the \$15-30 per hour the company pays as wages at other locations around the world.

Special Offer: Overall, from mid-July 2010 when Forbes Low-Priced Stock Report debuted, through mid-June 2011, its model portfolio rose 72%, compared to the Russell 2000, which rose 20% and the S&P 500, which rose 25%. Click here to see Marc Gerstein's latest picks.

The low labor costs have allowed the Indonesian mine to achieve margins in excess of 60% in past years. However, if the workers manage to get their

demand for an increase in wages to \$3 per hour, this could bring in a significant downside to the company's \$55-58 price estimate.

[See our full analysis for Freeport McMoran stock](#)

Notes:

1. [Thousands of Freeport Indonesia mine workers start 7-day strike](#), Reuters, Jul 3 2011 [[↔](#)]

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<http://www.forbes.com/sites/greatspeculations/2011/07/08/indonesian-miners-strike-another-blow-for-freeport-at-grasberg/>

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GOLD NEWS

Freeport's massive Grasberg copper-gold mine strikers call for Moffett

Strikers at Freeport's huge Grasberg copper-gold mine are demanding to negotiate face-to-face with company chairman Jim-Bob Moffett. "No-Moffett - No work" says union leader

Author: Samuel Wanda

Posted: Friday, 08 Jul 2011

TIMIKA, INDONESIA (REUTERS) -

A strike paralyzing production at Freeport Indonesia's Grasberg mine, one of the world's largest sources of copper and gold, will extend into a second week after talks broke down between the company and workers, a union official said on Friday.

The union, which represents 8,000 workers who have been on strike since Monday, asked U.S.-based Freeport-McMoRan Copper & Gold (FCX.N) to send Chairman James Moffett to the remote Indonesian mine to negotiate.

"Moffett has to come and talk. No Moffett, then no work," said union head Sudiro, who like many Indonesians uses only one name. There had been no clear result after a day of negotiations brokered by a local parliament in eastern Papua province on the island of New Guinea, Sudiro said.

Freeport declined to say whether Moffett would travel to the mine.

The company did acknowledge, though, that the plant had been shuttered since July 4. The company said it was willing to start negotiations with the miners.

"The company has requested that employees return to work while this issue is being resolved to avoid adverse financial impacts to employees, the government of Indonesia and the company," Phoenix, Arizona-based Freeport said in a statement.

The strike at Grasberg, which holds the world's biggest recoverable copper reserves and largest gold reserves, combined with weather-related disruptions at mines in Chile to help boost copper prices CMCU3 to a three-month high on Friday.

Freeport has said only that its shipments of copper concentrate have not been affected, although many workers and government officials have said production has been completely halted since Monday.

"It's all blocked," Thamrin Sihite, a director general for minerals at Indonesia's energy and mineral resources ministry, said on Friday.

Analysts say the longer the dispute lasts, the more likely Freeport is to declare force majeure -- a move that frees it from contractual obligations due to events beyond its control.

Still, Freeport has time on its side with high copper prices buoying its stock and steady production at its mines in the Americas and Africa.

"What's more important to Freeport is a weaker dollar, because that will run up the price of copper and help all their other properties," said Chuck Bradford, a mining analyst at Bradford Research in New York.

"Keep in mind that (Freeport's) copper sales lag by three months," said Bradford, who has been to the Grasberg mine. "What they're shipping is copper concentrate out of Indonesia, not saleable metal. They've got quite a continuing cash flow."

Shares of Freeport were down 0.7 percent at \$55.11 in Friday afternoon trading on the New York Stock Exchange, in line with the overall market after weak U.S. economic data.

SEEKING A RAISE

The union wants a wage increase for workers getting \$1.50 an hour, saying that other Freeport workers worldwide get 10 times that. It threatened on Thursday to extend the seven-day strike by a week if the demands were not met.

Talks have been rescheduled for next Monday, though union official Virgo Solossa said the union did not want to negotiate with the local management.

"The letter to extend the strike has been addressed to the local government," Solossa said. "We feel that the management has no good intentions anymore."

Trifena Tinal, head of the local parliament, said Freeport should change its negotiating team, and called on the miner to not discipline or dismiss any workers over the strike.

Freeport has said the strike is illegal, though it said earlier on Friday it was prepared to start negotiations over pay for a two-year period starting in October.

"The company has requested that employees return to work while this issue is being resolved to avoid adverse financial impacts to employees, the government of Indonesia and the company," Freeport Indonesia said in a statement.

The mine is a major contributor to central government revenues. Freeport-McMoRan controls about 90 percent of Freeport Indonesia, with the government owning the rest.

A separatist insurgency and struggle over resources has lingered for decades in Papua province. (Additional reporting by Ernest Scheyder in New York and Alfian in Jakarta; Writing by Neil Chatterjee, editing by Anthony Barker and Ted Kerr)

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ASIA BUSINESS

July 4, 2011, 11:24 a.m. ET

Workers Strike at Freeport Indonesia Mine

By DEDEN SUDRAJAT

JAKARTA, Indonesia—Production at [Freeport-McMoRan Copper & Gold Inc.](#)'s massive Grasberg copper and gold mine in Indonesia's Papua province will be "significantly" affected if a labor strike that started Monday continues for a week, a person familiar with the matter said.

PT Freeport Indonesia officials and labor representatives have said that around 6,000 members of the local unit's 8,000-strong union will strike until July 11 to demand higher pay.

"The company has begun discussing new working contracts for the next two years," Jakarta-based spokesman Ramdani Sirait said separately in an emailed statement. "The company will continue to try communicate with the union's head and workers, and urges people to return to work while we will try to resolve this."

"There's no disruption in concentrate shipment so far," Mr. Sirait said. The person familiar with the matter said that strike has started to cause some disruptions to output, and will "significantly disrupt production" if it continues for a week.

Freeport in January forecast sales from Grasberg in 2011 at 1 billion pounds of copper and 1.3 million troy ounces of gold, lower than 2010 sales of 1.2 billion pounds of copper and 1.8 million ounces of gold.

Grasberg is the world's largest copper and gold mine by reserves. Freeport owns 90.64% of PT Freeport Indonesia.

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Thousands strike at Freeport's Grasberg mine in Papua

MINING.com Editor | July 4, 2011



According to reports more than 7,000 workers from Freeport McMoRan's massive gold and copper mine in Indonesia's western Papua region started a week-long strike on Monday to demand better wages.

The Grasberg mine is the richest gold and third largest copper mine in the world and the US company's local subsidiary is the largest single taxpayer to the Indonesian government.

[AFP reports:](#)

Papua, a resource-rich region on the western end of New Guinea island, has been the site of a low-level separatist insurgency since its incorporation into Indonesia in the 1960s.

[During the first quarter of 2011 the company reported](#) copper and gold sales from Grasberg that were significantly above the January 2011 estimates because of improved pit slope conditions, which enabled access to ore previously expected to be mined in future periods.

Because of recent revisions to its Grasberg mine plans, Freeport expects 2011 sales to approximate 1.1 billion pounds of copper and 1.5 million ounces of gold, which reflect increases of approximately 40 million pounds and approximately 130 thousand ounces.

Apart from the Grasberg mining complex Freeport holds significant mining operations in the Americas, including the large scale Morenci and Safford minerals districts in North America and the Cerro Verde and El Abra operations in South America, and the Tenke Fungurume minerals district in the DRC.

Image from Google Earth

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ASIA

Freeport Indonesia workers fear for safety after Grasberg deaths

The Grasberg mine, which has been a long-time target of violence, has lost two more employees, leaving hundreds of workers at the minesite fearing for their own safety.

Author: Dorothy Kosich

Posted: Monday, 11 Apr 2011

RENO, NV -

Hundreds of Grasberg employees protested in front of the PT Freeport Indonesia offices for two days, refusing to go to work until their employer could guarantee their safety.

Papua police are investigating a traffic accident Thursday in which two Grasberg mine employees were killed when the car in which they were riding overturned and burst into flames. Freeport spokesman Ramdani said the investigation was being carried with the full report of PT Freeport.

Police spokesman Senior Commander Wachyono told the *Jakarta Post* the bodies of the victims were burned beyond recognition and were being autopsied at the Tembagapura Hospital. They are believed to be Freeport security manager Daniel Manawan and security superintendent Hari Siregar.

Four bullet holes were found on the left side of the car and a bullet hole in the left front door.

On April 6 two Grasberg employees were fired upon in a car traveling on a road within Freeport's operational area. Abdul Simanjuntak was hit in the left eye by shattered glass while Agus Pata sustained lacerations, said Wachyono.

The Grasberg facility has the world's largest recoverable reserves of copper and the largest gold reserves. It is located in the Papua Province, which has been targeted by the militant Free Papua Movement for independence from the Indonesian central government.

The mine has also been a focal point of friction over its environmental impacts, the share of revenues going to the national government and the financing of security forces that help guard the operations. Freeport-McMoRan Copper & Gold is the largest single taxpayer to the Indonesian government.

The mine has been regularly targeted by arson and bombings since the 1970s. A series of attacks on PT Freeport vehicles in 2009 killed Freeport security officer Markus Rate Alo, Australian engineer Drew Nicholas Grant and police officer Marson.

Topics: PT FREEPORT INDONESIA GRASBERG MINE GRASBERG EMPLOYEE SAFETY FREE PAPUA MOVEMENT
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ASIA

Gunmen kill 2 at Freeport's giant Grasberg copper-gold mine in Indonesia

According to the copper and gold giant, unidentified gunmen shot and killed two workers at the mine

Posted: Friday, 08 Apr 2011

TIMIKA, INDONESIA (REUTERS) -

Gunmen killed two workers on Thursday at Freeport-McMoran Copper & Gold Inc's giant gold mine in Indonesia's Papua, a province with a simmering separatist movement.

A Freeport company spokesman said the shooting by unidentified gunmen, which left the car the two workers were in a blazing wreck, did not affect production at the world's largest gold mine.

Local police said two men died in the burning car and they would beef up security in the area, with the deaths coming only a day after another shooting nearby that injured two people.

"We will scour the area tomorrow ... We can't underestimate this," the area's deputy police chief Mada Laksanta told Reuters.

The mine has been a frequent source of friction in Papua because of its environmental impact, the share of revenue going to local Papuans and the legality of payments to Indonesian security forces who help guard the site.

Previous deadly attacks blamed on separatists have often been fairly unsophisticated with attackers poorly armed, and the military and police generally keep a tight rein on the province.

(Reporting by Samuel Wanda in Timika and Olivia Rondonuwu in Jakarta; Editing by Neil Chatterjee and Sophie Hares)

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Topics: MINING, METALS, MINING AND METALS, INVESTMENT, FREEPORT, INDONESIA

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Freeport-McMoRan Copper & Gold

From SourceWatch

Freeport-McMoRan Copper & Gold Inc. (Freeport) is a large international mining company, headquartered in Phoenix, Arizona. Freeport operates globally, mining largely copper, gold, and molybdenum, it is the largest single producer of molybdenum in the world. [1] Freeport operates the Grasberg mine in Indonesia (the largest gold mine and the third largest copper mine in the world) and has mining operations in the Democratic Republic of the Congo, Arizona, New Mexico, Colorado, Peru, and Chile. Freeport also has rod and refining operations and copper production facilities in Texas, Connecticut, Illinois, Arizona, and New Jersey, as well as molybdenum conversion plants in Arizona, Iowa, and the Netherlands. [2]



Freeport has reserves of 1.1 billion ounces of gold, 2.0 billion pounds of molybdenum, 230.9 million ounces of silver and 0.6 billion pounds of cobalt. Freeport's development of the Tenke Fungurume deposit in the DRC is estimated to be the largest undeveloped copper/cobalt lode in the world. [4]

Support for the American Legislative Exchange Council

Freeport-McMoRan Copper & Gold was a "Vice-Chairman" level sponsor of 2011 American Legislative Exchange Council Annual Conference, which in 2010, equated to \$25,000. [5] Freeport was also a sponsor of the Louisiana Welcome Reception at the 2011 ALEC Annual Meeting. [6]

About ALEC

ALEC is a corporate bill mill. It is not just a lobby or a front group, it is much more powerful than that. Through ALEC, corporations hand state legislators their wishlists to benefit their bottom line. Corporations fund almost all of ALEC's operations. They pay for a seat on ALEC task forces where corporate lobbyists and special interest reps vote with elected officials to approve "model" bills. Learn more at the Center for Media and Democracy's ALECexposed.org (<http://alecexposed.org>), and check out breaking news on our PRWatch.org site (<http://www.PRWatch.org>).

Political and public influence

Freeport-McMoRan spent \$420,000 on lobbying in 2007, largely to the firms Jones, Walker and Johnston & Associates. [7] Freeport also has an official political action committee, Freeport-McMoRan Copper & Gold Inc. Citizenship Committee, which contributed \$172,500 to federal candidates in the 2008 election cycle, 39% to Democratic candidates and 61% to Republican candidates. [8]

Corporate accountability

Labor and human rights

One of Freeport's largest assets, the Grasberg mine in Papua New Guinea, Indonesia, has also proven to be one of its largest reputational liabilities. Indonesia was ruled by Gen Suharto's brutal military dictatorship for over three decades, during which the government became known for repression and gross abuse of human rights. [9] Freeport, however, developed a close relationship with the regime to secure its position in Indonesia. Through investigative reporting and Freeport's own confessions to the Securities & Exchange Commission, millions of dollars of payments to the Indonesian military, paramilitary, and police units and officials, as well as direct payments for vacations and college educations for family members of individual commanders, have been reported. [10] In its annual report, filed in March 2003, Freeport stated: "PT Freeport Indonesia's share of support costs for the government-provided security, involving over 2,000 government security personnel for the operations, was \$5.6 million for 2002 and \$4.7 million for 2001. This supplemental support consists of various infrastructure and other costs, such as food and dining hall costs, housing, fuel, travel, vehicle repairs, allowances to cover incidental and administrative costs, and community assistance programs conducted by the military/police. PT Freeport Indonesia's capital costs for associated infrastructure was \$0.4 million for 2002 and \$0.5 million for 2001. In addition, over a period of several years prior to 2001, we constructed and provided infrastructure for housing, offices and related facilities at a cost of approximately \$35 million." [11]

As recently as 2008, Freeport admitted it had paid around "1.6 million dollars through wire transfers and cheques ... to provide a 'monthly allowance' to police and soldiers at and around the Grasberg mine," reported the Agence France-Presse. The payments were made "in contravention of a series of legal measures aimed at stopping military units working as paid protection." The \$1.6 million in direct payments were part of \$8 million that "Freeport paid in broader 'support costs' for 1,850 police and soldiers protecting Grasberg last year, according to a company report filed with the US Securities and Exchange Commission." [12]

Reports have also found that mine security and Indonesian military and police forces have been responsible for deaths, torture, and disappearances of locals as well as foreigners. The Australian Council on Overseas Aid found that in 1994 and 1995, the military and mine security were responsible for 22 civilian deaths and disappearances and 15 deaths and disappearances of those determined by the Indonesian government to be guerrillas. [13] This pattern of violence has been continuously documented, with one of the most high-profile sets of deaths being the killing by the Indonesian military of two American schoolteachers and a Papuan in 2002 on a Freeport mine road, after which the U.S. Congress cut military aid to Indonesia and questions were increasingly raised regarding the relationship between Freeport and the Indonesian military. [14] After the killing of three traditional gold miners in 2006, despite information tracing these deaths to the Indonesian military, twelve Papuans, including a respected pastor, were arrested by the FBI and the Indonesian police on the pretense that they were being taken to the U.S. to denounce violence by the Indonesian military and taken in a Freeport boxcar to prison. [15]

Protesters have expressed anti-Freeport sentiment over its tenure in Indonesia, with perhaps one of the strongest rebukes being in 1996, when rioters shut down the mine for three days and millions of dollars of equipment were destroyed. [16] A 2006 protest, in which students attacked Freeport offices in Jakarta, also shut down the company's mine in Papua after locals, armed with bows and arrows, created barricades and demanded to be permitted to sift through the mine's waste after violent clashes with police and company security who

attempted to prevent them from sitting.^[17] Earlier protests of the installation of the mine and the resulting takings of tribal and community lands were brutally suppressed by the dictatorship, at times with Freeport financial support, with reports of anywhere from 900 to thousands of deaths.^[18] Students and other activists and locals protesting the Freeport mine have also been pursued, arrested, attacked, and tortured.^[19]

Suits have also been filed against Freeport in U.S. federal court and Louisiana state court, alleging that Freeport was guilty of human rights abuses. The federal case, filed by Tom Beanal, a leader of the Amungme people of West Papua, alleges that Freeport cooperated with the Indonesian military in committing human rights abuses against him such as torture, surveillance, and detention, as well as degradation to the environment and land of the Amungme people. The state case claims similar environmental and human rights abuses. The Fifth Circuit and the Louisiana state courts dismissed the cases.^[20] Tom Beanal was later placed on the board of Freeport Indonesia, Freeport's subsidiary operating the Grasberg mine.^[21]

While human rights groups have presented concerns that Freeport's investments in the Tenke Fungurume deposits in the Congo raise similar human rights issues, given the security and human rights record in the area, the U.S. government's Overseas Private Investment Corporation recently approved risk insurance for the venture.^[22]

While relations between Freeport and the Indonesian military have dominated the labor and human rights record of the company, other labor issues have also occurred at Freeport mines and other operations. In 2003, the Grasberg mine was closed after a landslide killed workers.^[23] In November 2008, Freeport fired 691 North American mine workers, from Arizona to Colorado to New Mexico, in order to reduce costs and delay expansions.^[24]

Environment

Unlike in Freeport's Congolese venture, the Overseas Private Investment Corporation deemed the Freeport Grasberg mine in Indonesia unfit to insure, revoking Freeport's insurance policy in October 1995. This was the first time that OPIC had ever revoked risk insurance for a U.S. company due to environmental or human rights concerns. OPIC officials cited extreme environmental concerns, including large amounts of waste that Freeport had dumped into Papuan rivers at levels that would be illegal in the United States.^[25] The Indonesian Environment Ministry provided previously undisclosed documents to The New York Times regarding environmental contamination around the mine, including a 2002 study by the American consulting company Parametrix (funded by Freeport) identifying the rivers and wetlands affected by Freeport waste as "unsuitable for aquatic life."^[26] Reports indicate that the tailings from the mine, which contain heavy metals such as mercury, cadmium, selenium, copper, and others, have been dumped into local rivers (at a volume estimated by some to equal approximately 650 million metric tons) and are now flowing into the Arafura Sea.^[27]

The Norwegian Sovereign Wealth Fund determined in 2006 to blacklist Freeport from its investments, given that "continued investment in the company was deemed to entail an unacceptable risk of contributing to severe environmental damage," according to the Norwegian Ministry of Finance.^[28]

Freeport has also found itself the object of criticism for environmental practices in the United States, with local environmentalists denouncing Freeport's release of radioactive gypsum waste into the Mississippi River.^[29]

Anti-trust and tax practices

Freeport merged with the mining giant Phelps Dodge Corp. in 2006, raising possible red antitrust flags, but this merger was successfully approved by U.S. antitrust regulators.^[30]

Social responsibility initiatives

After the 1996 riots in Indonesia, Freeport began to increase its development projects in Papua, contributing 1% of its annual revenues to a fund which would contribute to medical services, roads, and schools. Its projects included two hospitals, a clinic, health programs for malaria and AIDS, and a fund to compensate locals with shares in the company for the lands Freeport was using. The International Center for Corporate Accountability, while finding significant corruption in the management of these funds and other violations of Indonesian law in a report on Freeport in Indonesia, also commended the company for opening its practices to evaluation by the Center.^[31]

Freeport published its corporate sustainability report in 2007, *A World of Commitments: Working Toward Sustainable Development 2007*, which describes the social and environmental sustainability initiatives undertaken by the company and is designed to complement the reporting the company conducts under the Global Reporting Initiative.^[32] This report is available at <http://www.lcx.com/envir/index.htm>.

Business scope

Freeport is ranked 140th on the 2008 Fortune 500 list, and brought in revenues of \$17.9 billion in 2008, a 209% increase from 2006. Its 1997-2007 annual growth rate was 21.6%.^[33] See <http://www.lcx.com/company/who.htm> to review Freeport-McMoran's 2007 Annual Report and other financial information provided by the company.^[34]

Governance

Directors Accessed January 2009:^[35]

- James R. Moffett
- Richard C. Adkerson
- Robert J. Allison, Jr.
- Robert A. Day
- Gerald J. Ford
- H. Devon Graham Jr.
- J. Bennett Johnston
- Charles C. Krulak
- Bobby Lee Lackey
- Jon C. Madonna
- Dustan E. McCoy
- Gabrielle K. McDonald
- B.M. Rankin, Jr.
- J. Stapleton Roy
- Stephen H. Siegele
- J. Taylor Wharton

Freeport's Management includes the following individuals; full bios are available on the Freeport website.^[36]

Contact information

Freeport can be contacted as follows:^[37]

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Customer Service Group
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Electrode & Bare Wire: +1 602.366.7855
Copper Sulfate & Magnetite: +1 602.366.7855

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or community_affairs AT fmi.com.

E-mail proposals to: community_affairs AT fmi.com or mail to:

Freeport-McMoRan Copper & Gold
Community Relations Department/Foundation
One North Central Ave.
Phoenix, AZ 85004

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- W. Russell King
- Lundin Mining
- Victor A. Tanaka
- Godfrey Stillman Rockefeller
- John Hay "Jock" Whitney

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Strike closes Indonesian copper mine

Published Wednesday, April 18, 2007

JAKARTA — Operations at Freeport-McMoRan's Grasberg mine in the Indonesian province of Papua were halted after thousands of workers attended a rally over a labor dispute, an official of the workers' group said Wednesday.

"There's no more ore coming out from Grasberg mine because of the strike," Irianto Inury, a senior official at Tongoi Papua, a group representing Papuan workers, said by telephone.

Freeport officials were not immediately available for comment. Earlier Wednesday, the firm said production and shipping activities had not been affected by the protests.

The police said 2,500 protesters turned out in Timika, about 100 kilometers, or 62 miles, from the Grasberg mine, demanding that their salaries be raised to 3.6 million rupiah, or \$395, per month from 1.45 million rupiah.

Wage demands are "part of the industry now," Jonathan Barratt, managing director for Commodity Broking Services, an Internet-based brokerage in Sydney, said by telephone. "As companies enjoy sustained profits, companies should share it down the line."

The Indonesian energy and mineral resources minister, Purnomo Yugiantoro, urged negotiations.

"This is a corporate matter, but if it drags on it will disturb production," Purnomo told reporters in Jakarta on Wednesday. "We are asking them to conduct talks with the protesting employees."

Copper futures, which have risen to their highest since July, extended gains on the prospect of disruption at the mine. The demands at Grasberg reflect workers' ambitions to secure better pay as some mining companies post record profits.

Copper for delivery in three months on the London Metal Exchange advanced for a fourth day, gaining as much as \$41, or 0.5 percent, to \$8,090 a ton.

Freeport has 9,000 employees directly under its management in Indonesia, of which a third are Papuans, the company's local unit, Freeport Indonesia, said.

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Mine Blockade Is Ended

Published February 26, 2016

Protesters obstructing access to a huge mine owned by the American company Freeport-McMoRan in the remote Papua Province of Indonesia called off their blockade on Saturday. It was unclear whether operations had resumed, a senior police official said.

Work at the mine, the Grasberg, stopped Wednesday a day after illegal miners with bows and arrows clashed with the authorities. "All access to the mine is normal," Anton Bachrul Alam of the national police said Saturday.

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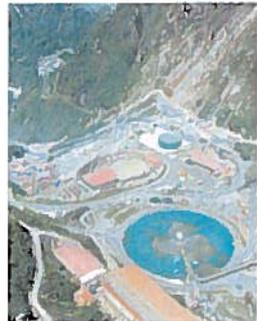
The Papuans Say, This Land and Its Ores Are Ours

By JANE FERLEZ
Published April 5, 2008

JAKARTA, Indonesia, April 2 — Titus Natkime, 31, the son of a tribal leader who encountered the first Americans to walk into the wilderness of Papua nearly 50 years ago, was clearly upset with his employer the American mining company, Freeport-McMoRan.



Mining hunger students protest in Jakarta against foreign mines in Papua which critics say destroy the environment



The Freeport-McMoRan and Rio Tinto mine Grasberg generates vast amounts of waste

For generations, Mr. Natkime's clan has laid claim to much of the land in Papua, the Indonesian province where Freeport mines some of the world's largest copper and gold reserves. Now it was time for a payback, he said.

He brought out a draft document showing Freeport's offer: \$250,000 to set up a foundation for the clan, plus \$100,000 annually, a sizable amount in Indonesia's most remote and poorest province.

"Why should I accept it?" asked Mr. Natkime, who works in the company's government relations department, though he is hardly an ardent spokesman. "It's an insult." In comparison, he said, Freeport was making tens of millions of dollars every day. In the end, the family accepted the money, he said, but he is planning a lawsuit and demanding royalties.

Such defiance is symptomatic of the growing troubles in Papua, where four people have been killed in recent weeks in protests against Freeport. And it shows that times are changing for multinational companies and governments long used to working out concessions in remote areas with a handshake, over the heads of local people.

In March, Citigroup echoed the theme, saying in a report that such companies could no longer afford to ignore environmental and social issues. "In recent years, a groundswell of public opinion has caused sustainable development to become a serious business consideration for investors," the report said.

Mark Logsdon, an American geochemist who has visited the Freeport mine, agreed. Mining companies must seek and take seriously the "consent of the governed," he said. "Whether in Indonesia, Latin America or Africa, the increase in communications capability means that the essential isolation of 'resource colonies' is largely a thing of the past."

The protests in Papua provide an example of what can happen when a natural resource company, backed by an unpopular central government and a heavy-handed military, fails to pay careful attention to the local people, whose lives have been disturbed and who feel the riches in the ground are theirs, not the foreigners'.

At one time, there was hardly a place more remote than Papua, where Freeport's first explorers encountered Papuans armed with bows and arrows and wearing penis gourds, practices that still exist. Yet, try as the government might to preserve that isolation — for the past two years it has banned foreign journalists from the province, granting only very

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occasional permits — the extent of the problems is impossible to hide.

In March, long-simmering tensions exploded when Indonesian riot police officers and several hundred Papuan protesters clashed in the provincial capital, Jayapura, leaving three policemen and an air force officer dead.

Freeport's profits are soaring as gold prices have reached 25-year highs of more than \$550 an ounce. The company, which is based in New Orleans and is in partnership in the Papua mines with the Rio Tinto group of Australia, is one of Indonesia's biggest taxpayers, and has been for many years.

But Papuans argue that they have never received a fair portion of the estimated \$33 billion in direct and indirect benefits the company says it provided to Indonesia from 1992 to 2004.

Repeated efforts to reach the spokesman for Freeport in Indonesia, Siddharta Moersjid, were unsuccessful.

As evidence of the neglect, the Papuans, who are indigenous Melanesians with broad features and curly hair that contrast with the Malay heritage of most Indonesians, point to their relative lack of progress compared to the rest of Indonesia.

In the current ugly mood, the people around the mine give short shrift to the more than \$150 million that the company says it has spent on community development.

Instead, they complain that they have lost their most precious assets: their land; their river system, which is used as a waste chute; and their sago plants, which have disappeared under more than 90 square miles of mine waste, accumulating at a rate of some 700,000 tons a day.

Resentment is compounded by the presence of the Indonesian military, an almost entirely non-Papuan force that is often most intent on extracting its own cut of the province's resources, which run not only to gold and copper but also to timber.

"Freeport is being held hostage for its relationship with the armed forces and the police," said Agus Sumule, a professor of agriculture at the University of Cenderawasih, the province's main campus. "There is no way they can do their operations without the armed forces, and that's because of their bad relationship with the local people." The tight grip of the military fuels calls for independence that send shudders through the Indonesian authorities, he said.

The government knows it is in a tough position. The defense minister, Juwono Sudarsono, justified the ban on foreign journalists in February, saying they believed in human rights standards that did not necessarily apply in Papua. "Papua is a very touchy issue for us," he said.

From the start, it has been sensitive for Freeport, too. The Natkimes are a case in point.

Freeport has already paid for Mr. Natkime's travel across the United States, financed his English language training in New Zealand and given him a house in Jakarta. In a further effort to placate his family's claims, it offered him the job in government relations.

But he wants more, not just for him but for all Papuans.

This contrasts sharply with how the company appeased Mr. Natkime's father, Tuarek, in 1967. Balfour Darnell, a self-described roughneck who built Freeport's first base camps, soothed Tuarek Natkime's suspicion of the outsiders with a simple tool that was half hatchet and half hammer.

"Boy, that did it," Mr. Darnell said of Mr. Natkime's evident pleasure, according to the account in the book "Grasberg," by George A. Mealey, a former Freeport executive. "He was in seventh heaven with that thing."

With the promise of a few sacks of salt, the tribal leader said he would clear a landing area for the company helicopter. "So we blasted off and that was the end of that meeting," Mr. Darnell marveled. "We were safe."

Now, in the age of Tuarek Natkime's more educated, more worldly son, it is not clear anymore how safe.



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March 15, 2006

World Briefing | Asia: Indonesia: Bow And Arrow Attack Over U.S. Mining Company

By JANE PERLEZ (NYT)

A Sheraton hotel in Timika, in Papua Province, was attacked by 70 demonstrators with bows and arrows who demanded that its owner, the American mining company Freeport-McMoRan, stop operations at a huge gold and copper mine on a nearby mountain. The Sheraton Timika was closed, and its guests, many of them members of the Papua Parliament scheduled to visit the mine, were evacuated to Biak, said Alberth Rumbekwan of the Papua National Commission for Human Rights. Freeport-McMoRan has come under increasing pressure from Papuans and some Indonesian politicians to increase its tax payments. The company stopped mining for three days last month after demonstrators blocked roads at the complex. JANE PERLEZ (NYT)

Mine Blockade Is Ended

Published February 26, 2006

Protesters obstructing access to a huge mine owned by the American company Freeport-McMoRan in the remote Papua Province of Indonesia called off their blockade on Saturday. It was unclear whether operations had resumed, a senior police official said.

Work at the mine, the Grasberg, stopped Wednesday a day after illegal miners with bows and arrows clashed with the authorities. "All access to the mine is normal," Anton Bachrul Alam of the national police said Saturday.

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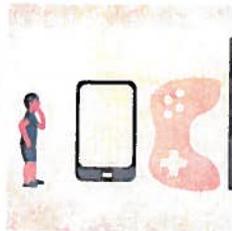
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After Clashes, Indonesian Troops Guard Gold Mine

Published February 25, 2006

Operations at the world's largest gold mine, owned by the American company Freeport McMoRan, were suspended for a third day on Friday after local residents clashed with security officers and the police in the remote province of Papua, government officials said.

Operations had been suspended since Wednesday, a day after miners armed with bows and arrows fought with security officers and the police.

On Friday, the government put the military in charge of security at the mine, Grasberg, after three days of violence that erupted when security officers and government officials tried to force out the miners, who then blocked access to the site.

"The Freeport plant is still shut down this morning," said M. S. Marpaung, deputy director of investment at the mines and energy ministry.

The mine also holds the world's third-largest copper reserves. Copper shipments had not been affected, Mr. Marpaung said, but he was not sure how long stocks would last.

The Freeport operation has been a source of controversy in Indonesia on issues ranging from its treatment of the environment to the legality of payments to Indonesian security forces who have guarded the facility.

The continued suspension of mining came a day after about 50 Papuan students attacked a building housing Freeport's offices in Indonesia's capital, Jakarta. The Papuans smashed windows in the lobby of the building and set fire to a travel agency on the ground floor, but failed to reach Freeport's offices on higher floors.

After The New York Times reported in December that from 1998 through 2004 Freeport paid nearly \$20 million to individual military and police officers and units in Papua, a number of Indonesian politicians called for investigations of Freeport's payments and its environment practices. Freeport said the payments were within American and Indonesian laws.

Mr. Marpaung said he had asked the regional government to negotiate with the protesters to solve the problem.

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Indonesian generals tell of gold miner 'support'

Published: Friday, December 30, 2005

JAKARTA — Indonesian generals acknowledged for the first time Thursday that the U.S. gold mining giant Freeport-McMoRan had been providing direct "support" to military units in West Papua that have been accused of committing human rights abuses for decades in the province.

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"We have heard that Freeport provides support such as vehicles, fuel and meals directly to the units in the field," said a military spokesman, Major General Kohirin Suganda. "That's the company's policy. It was not done because we requested it."

Suganda was responding to a two-part article in The New York Times that detailed Freeport-McMoRan's payments of \$20 million to military commanders in the area over the last seven years.

A spokesman for the company, based in New Orleans, dismissed the allegations as "old news."

Critics of the military, which together with the former dictator Suharto controlled Indonesia for 32 years until his ouster in 1998, have frequently appealed to foreign mining and energy companies to cease any direct payments to the military, saying that they were detrimental to attempts by the democratically elected government to bring politically powerful generals under civilian command.

Since the government contributes only 30 percent of the military operating budget, the services regularly resort to "protection payments" and other methods to make up the shortfall. This allows the military to operate largely independently of government supervision.

Reports that Freeport was paying the military to protect the Grasberg mine in Papua have circulated since the 1990s, but generals had vigorously denied receiving money from the company.

Last year, the international watchdog Global Witness reported that Major General Mahidin Simbolon, West Papua's former military commander and currently inspector general of the army, received \$247,705 from Freeport from 2001 to 2003.

In 2003, Freeport acknowledged in a report to the U.S. Securities and Exchange Commission and to New York authorities that it had paid millions of dollars to the army.

Other foreign-owned mining and energy companies also have come under fire for allegedly giving payoffs to the armed forces.

Human rights groups have criticized ExxonMobil for allegedly working closely with the military in the war-torn western province of Aceh, where the company operates a large liquefied natural gas plant.

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An internationally supervised peace agreement that followed the tsunami disaster last year ended that war, with the rebels disbanding this week and the military completing its partial pullout from the province on Thursday.

An ExxonMobil spokesperson, Deva Rachman, confirmed the payments, but said they had been managed by the Indonesian government's Oil and Gas Regulatory Body and not by ExxonMobil.

"We've been deployed to difficult areas, don't we deserve better supplies?" Simbolon was quoted as saying Thursday in *The Jakarta Post*. "It might well be the case that Exxon is paying more than Freeport because the risks were more severe in Aceh."

He acknowledged that the military in West Papua had received payments from Freeport, saying that the money had been given to battalion commanders to cover various expenses and daily allowances to the troops.

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TIME

Monday, Feb. 10, 2003

Murder at the Mine

By Simon Elegant

Patricia Spier was heading home from a mountaintop picnic in Indonesia's eastern province of Papua when the ambush began. Out of nowhere, a hail of automatic-weapon fire perforated the two Toyota Land Cruisers in which the American schoolteacher and a group of her colleagues and husband were traveling in. "I was shot in the back and fell to the floor," Spier recalls. "The attackers kept shooting and shooting for about 45 minutes ... it felt like thousands of bullets and pieces of shrapnel [were] ripping through the vehicle... People were screaming." By the time the gunfire stopped, three people were dead, including Indonesian instructor Bambang Riwanto and two Americans: Edwin Burgon, the 71-year-old principal of the International School of Tembagapura; and Spier's husband Rick, 44, a fourth-grade teacher from Colorado.

For months after the Aug. 31 attack, it seemed likely that no one would unravel the mystery of why these teachers were targeted on a mountain road leading to the giant Grasberg mine, which is run by P.T. Freeport Indonesia (PTFI), a subsidiary of New Orleans-based Freeport-McMoRan Copper & Gold. The military blamed the attack on the Free Papua Movement, a ragtag group of Papua rebels fighting a desultory war to free the province from Indonesian rule, but produced scant evidence to back the claim. Meanwhile, relatives of the slain teachers have grown increasingly frustrated by the inability of local police and the U.S. government to find answers. "We respected our government and Freeport," says Dirk Burgon, son of the dead school principal, "and nothing has happened."

Until now. Reports are finally leaking out that may shed some light on the case. A preliminary police-investigation document obtained by TIME posits that members of the Indonesian military who were supposed to protect miners, international teachers and other expats connected to the Grasberg mine may have been behind the killings, not the separatist Free Papua Movement.

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The evidence cited by police is at best circumstantial but intriguing. Investigators found 100 spent shells in the area of the attack, yet the poorly armed rebels are not known to waste precious ammunition. In addition, the military produced the body of an unidentified Papua man shot by soldiers the day after the ambush, and claimed it was one of the assailants. But an examination of the corpse revealed that not only had the man been dead longer than the military insisted, he also had a medical condition—massive enlargement of the testicles—that would have made it difficult for him to be a guerrilla fighter. Eyewitnesses say that the gunmen wore military style paraphernalia such as boots and camouflage face paint, although no insignias were seen. **The report concludes that it is "very possible" there was military involvement in the attack.**

Indonesian soldiers have been accused of murder before. Last week, during a tribunal on the 2001 killing of Papua independence leader Theys Eluay, an army officer admitted that Eluay had been strangled to death by a private. The officer testified that the private had been ordered to pressure Eluay to stop agitating for independence. The controversy over the killing of the teachers is now intensifying questions about the dependability of Indonesia's armed forces. At the same time it complicates relations between Indonesia and the Bush Administration, which wants to preserve ties to the world's largest Muslim nation to bolster its

the mine. That could have meant a sharp drop in the cash given to troops. In other words, goes the theory, the teachers may have been slaughtered by rogue elements in the military who wanted to send a message to the mining company that full payments should continue. Military officers strongly deny any connection to the killings. "I am sure my men wouldn't do that," says Colonel Mangasa Saragih, the district army commander overseeing the town of Timika near the Grasberg mine. "We do not want to cover anything up."

A U.S. official familiar with the case acknowledges that, while there are indications of military involvement, "investigators have not yet gathered enough evidence that would stand up in court." Indeed, the preliminary police report seen by Time offers no smoking gun. Dirk Burgon fears that his father's killers won't be found because the political price of justice—broken bonds between Indonesia and the U.S., embarrassment for the Indonesian government—is too high. On Feb. 20 the Bush Administration's budget package is expected to be passed by Congress. The package includes \$400,000 in funding for the Indonesian military—a modest sum but symbolically important. For one thing, it would override a 1999 congressional ban on providing money to the country's armed forces—a punishment for alleged human-rights violations by troops during East Timor's drive for independence. If funding is approved, the Indonesian military might appear "to have exonerated itself of the implication that its elite special forces recently murdered two U.S. teachers," says Kurt Biddle, coordinator of the Indonesia Human Rights Network.

Burgon says that in January he met with members of the FBI, U.S. State Department and congressional aides to press for a resolution to the case. The reaction to his lobbying gave him little solace. "We were told [an investigation implicating soldiers] was not conducive to the Pentagon's goal of restoring ties with the Indonesian military," Burgon says. If so, the truth about the ambush might prove to be another casualty of America's all-consuming war on terror.

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global war on terror.

Since the deadly nightclub bombings on the Indonesian island of Bali—an attack that was recently shown to have al-Qaeda connections—the U.S. has fostered closer links with Indonesia's military, offering funding and training to help root out dangerous Islamic elements in the nation's society. If soldiers were involved in the murder of Americans, that effort could be derailed—as could Indonesia's broader standing with the U.S. "This is not an issue where just the military-to-military component of our relationship could be affected," says a senior U.S. official. "It's the whole relationship."

Nevertheless Washington has made it clear in recent weeks that it is determined to get to the truth. In December, George W. Bush sent a personal envoy to Indonesian President Megawati Sukarnoputri to underline the importance he attached to finding the culprits in the Papua killings. With Megawati's consent, four FBI agents were dispatched to Indonesia, arriving in Jakarta on Jan. 23 and traveling to Papua earlier this month to begin an inquiry into the attack. The FBI has conducted two previous probes into the matter but lacked the authority until now to complete a thorough investigation.

Indonesia also has its own team of police and military investigators on the case, but it's not clear how effectively they are navigating this political quagmire. No arrests have been made and the former deputy chief of police in Papua, Brigadier General Raziman Tarigan, was recalled to Jakarta in mid-January after speaking publicly about the possibility of military involvement in the killings. There is more at stake for Jakarta than just a diplomatic breach with Washington, grave though that would be. The Grasberg mine sits on the largest gold deposit and the third largest copper deposit in the world. The mine supports a company town of some 110,000 employees and residents; PTFI, its operator, is one of the largest individual contributors to the Indonesian government's coffers, paying taxes last year on a revenue of \$1.9 billion. "I think a lot of people will be concerned if the people who are supposed to be protecting us turn out to be the same ones who carried out the attack," says an American PTFI contract worker who asked to remain anonymous. "Several families I know have already left, and I'm pretty ready to go myself."

In addition to paying hefty taxes, PTFI also gives millions of dollars a year directly to the armed forces in exchange for security services. The Indonesian military receives only about a third of its budget from Jakarta, so it must raise the rest by other means. A 2002 report by the International Crisis Group, a Brussels-based research institute, says the army posted in Papua derives a large portion of its income from "logging and other activities and protection fees paid by resource companies." PTFI has little choice but to boost its contribution in troubled times. In 1996, after a riot by local tribespeople halted mining operations, the company agreed to spend \$35 million to construct military barracks and additional facilities, according to a report by the Robert F. Kennedy Memorial Center for Human Rights.

Indeed, some foreign analysts and diplomats believe the company's deep pockets may have provided a motive for the ambush. PTFI officials decline to comment on any aspect of its security operations, but a source close to the company says PTFI had been in discussions with local military officers prior to the attack about the possibility of reducing the firm's reliance on the nearly 650 soldiers and police who guard

Violence, a US mining giant, and Papua politics

On Saturday, two Americans and one Indonesian were killed in an ambush.

By Dan Murphy, *Special to the Christian Science Monitor* / September 3, 2002

JAKARTA, INDONESIA

Indonesian soldiers were searching the fog-shrouded mountains Monday near the world's richest gold and copper mine for the killers of two American school teachers and one Indonesian.

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Seven other Americans and one Indonesian girl were also wounded Saturday in one of the worst attacks on foreigners in Indonesia's modern history. The deaths come against an increasingly chaotic backdrop for the foreign mining and oil companies in Indonesia.

The roadside ambush possibly by a renegade separatist group occurred at 9,000 feet in the early afternoon as three Toyota Land Cruisers carried foreign teachers and local employees to a school run by Freeport McMoRan Copper & Gold Inc. of Louisiana, which operates the

Grasberg mine in Indonesia's province of Papua.

The dead, say sources close to the investigation, were apparently killed after two of the cars were stopped. The trailing car managed to back out of the ambush and called an Indonesian military unit for help. All three victims died from automatic weapons-fire to the head. No money was taken, and no demands were made.

Different theories as to who was behind the attack are offered by security officials, diplomats, and local researchers. But they all agree that it had nothing to do with specifically anti-American sentiments or the war on terror. Rather, the huge Grasberg mine has been the glittering jewel at the center of a struggle for political and economic power in the remote, impoverished province for nearly 30 years.

Both the Indonesian military and a popular independence movement see the mine as a resource to be exploited and are disappointed about how much they've been getting out of it. Activists have blamed Freeport for complicity in human rights abuses by the military and in environmental damage over the years. The company denies such claims, noting its environmental efforts and local aid programs.

Indonesian provincial military commander, Maj. Gen. Mahidin Simbolon, told reporters over the weekend that the independence movement's armed wing, called the Free Papua Movement (OPM), was responsible for the attack, specifically blaming OPM leader Kelly Kwalik. On Sunday, the military said it had killed a suspected rebel near the site of the attack.

The independence movement's political wing, which calls itself the Papua Presidium, denied the allegations of involvement in a statement: "The armed wing of the liberation movement has never attacked or killed foreign nationals as a strategy to gain international attention."

"This doesn't fit the OPM's profile at all," says a Western diplomat. "The independence leadership has made a real commitment to nonviolence in the past few years."

Since the 1999 fall of Indonesian leader Suharto, Freeport has been trying to improve its local relations. Tom Beanal, a leader of the Amungme tribe which has the best ancestral claim to the mine, was named to the board of Freeport's Indonesian subsidiary two years ago. Mr. Beanal is also one of the two most popular and recognizable members of the Papua Presidium. His presence on Freeport's board has angered some military officials.

Local newspapers have been filled with speculation that the Indonesian military, led by its Kopassus Special Forces, could have been behind the attack to send a message to Freeport that it needs to pay more for its protection, as well as provide a pretext for a crackdown on separatists. Late last year, top independence leader Theys Eluay was assassinated. Though no charges have been pressed, the Indonesian police say he was killed by a Kopassus unit.

But for now, intelligence officials close to the situation say they are focusing on a rogue Papuan group led by Titus Murib, a volatile former member of the OPM who was pushed out of the movement.

Mr. Murib, a shadowy figure from the western Dani tribe, which lives in the island's central mountains, kidnapped two Belgian filmmakers last July. He was also blamed for attacking and holding the town of Ilaga and its airfield for about a week last September. The Belgians were released after about a month.

"Murib operates on his own, and he's proven himself to be a violent guy, and showed that he really savored all of the attention when he took the hostages," says an investigator who's closely following developments. "We're just hoping that the military doesn't take any harsh or illogical moves now against the presidium."

Brigham Golden, a Columbia University graduate student who's writing a doctoral dissertation on Freeport's interaction with the independence movement, says Mr. Murib's involvement wouldn't necessarily rule out military involvement.

He and other analysts say the Indonesian military has frequently used militia groups as proxies in Papua and other provinces. "There's never been an OPM attack that involves automatic weapons—the use of them is a sign of likely military involvement," says Mr. Golden. "The military are the ones that have the most to gain from instability."

For instance, Freeport's mine was closed by rioting in 1996. Afterwards, the company built, at its own expense, a \$37 million base for the Indonesian military in the Timika area.

The survivors of the attack are in stable condition at a hospital in Townsville, Australia. The Americans killed were Edwin Burcon, the head of Freeport's international school, and Rickey Spears, a teacher. The company said the mine will remain open. Freeport's Chairman James Moffet said in a statement: "Our primary concern is for the safety of our work force, their families and the well-being of the injured."

This is a difficult period for companies like Freeport, ExxonMobil, and Newmont Gold, which are caught between public anger at their long association with the Suharto dictatorship, and a military and police establishment often funded by extortion and other illegal business operations. The International Crisis Group, a Brussels-based think tank,

estimates that 70 percent of the military's budget comes from such ventures.

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