

## **Mining Conflicts in Central Sulawesi: Corporate and Public Policy Review**

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### **Abstract**

The aim of this analysis was to see how the dispute between mining processors (PT.COR) and the local community in North Morowali Regency, Central Sulawesi Province, affected the local community. Observations of in-depth interviews and field notes about incidents the researcher experiences in the field were used as data collection methods in this study. The purposive approach was used to select informants in compliance with the research objectives. There were ten informants chosen because they were considered capable of providing the necessary data and intelligence. The details and data gathered were then processed using the triangulation method, which involves cross-checking the multiple informants. The findings revealed that static dialogue, segregation (opposing groups), positions that were conflicting with different points of view, and communication incompatibility between different regions were the factors triggering the dispute. Based on these studies, it is clear how the role of the local government in resolving conflicts between the community and the company, though there are still some things that the government considers to be less than ideal, such as school buildings near the company's location, which were originally supposed to be relocated to a location that the company had prepared.

**Keywords:** Corporate, Community Conflict, Mining Conflicts, Public Policy

### **Introduction**

As the global economy consumes more resources and electricity, conflicts over resource production and waste management become more common. CSOs working on environmental justice issues emphasize the connection between the need for environmental protections and the protection of fundamental human rights (Özkaynak et al., 2012). Conflict is a social phenomenon that always seems to occur and therefore can happen at any point in society. (Orihuela et al., 2019). Conflict arises as a result of people's need to exert power over limited resources and roles (resource and position scarcity). (Sternberg, 2020). Conflict behaviors are most common in people's social lives in different parts of the country, everywhere in the world (Yang & Ho, 2020). By numerous issues concerning natural resource ownership, including gold mining, political strife is socially replicated as a fact of daily life. (Gómez-Valenzuela et al., 2020). Conflict is the primary catalyst of sociopolitical and even economic transition dynamics. Various social classes compete for what is in their best interests. (Tetreault 2015). When confronted with the prospect of confrontation resulting in aggression, the first step that any government entity must comprehend is the need to design conflict management. One of the goals of conflict resolution is to mitigate violent conflict and transform destructive conflict into positive conflict (Hobbs 2020).

This drive for mining expansion has sparked or exacerbated local disputes around potential mining sites, as well as sparked a heated public discussion about the relationship between mining, development, and the environment (Avci, & Fernández-Salvador, 2016).

Environmental governance brings together a variety of disciplines, including ecology and social science. An interdisciplinary approach to the issue of mining disputes, with a focus on the parties concerned and how they communicate (Mohle, 2021).

Mining provides communities with opportunities for social and economic growth by increasing access to labor, housing, schooling, and sanitation, among other things (Croft & Felter, 2020). However, it has the potential to have disastrous consequences for human wellbeing, local economies, socioeconomic institutions, production systems, cultural norms, physical relocation, population changes, and dependence (Aguilar-González et al. 2018). Mineral mining has long been characterized by civil unrest, some of which has been motivated by social dislocation. (Wakenge et al., 2021). However, several mining ventures are fraught with controversy on a variety of concerns, including property possession, compensation for missing properties, environmental destruction, mining revenue sharing, and human rights violations (in the process of mining activities) (Gao et al., 2021). There are many examples of such conflict, and many theories have been advanced as to the causes of these disputes, many of which are based on bureaucratic constraints imposed by various governments. (Bebbington et al., 2019)

Following Australia and China, Indonesia is the world's third-largest coal producer. In 2006, coal output was more than twice that of the year before (Nugraha, 2017). Coal sales accounted for 70% of the US\$6 billion mining contribution to government revenue in 2007, and Indonesia supplied nearly 26% of the world's coal. (Indonesia Investment 2018) Coal production and revenue have increased in part due to the fact that its export value has been the largest among mining commodities since 2003, exceeding US\$6 billion (Anuari, 2018). Various disputes have arisen as a result of mining activities, including policy and administrative uncertainty about land use and property rights, as well as illicit artisanal mining (artisanal mining is often, but not always, small scale; it can also refer to larger and somewhat coordinated mining operations that are not associated with legal mining companies (Jeni, 2019). Pollution and environmental effects, as well as concern over local communities' livelihoods after the mine closes. Under the new system of decentralization of power to municipal councils and a much freer civil and political climate, these contradictions are being revealed and have become more pronounced. Since 1999, uncertainties in the mining industry have hindered new legal investment. Since 1998, there have been virtually no new mining contracts, and spending has dropped from \$1.9 billion in 1998 to

\$0.2 billion in 2001. While total expenditure has increased since 2002, it is still well below the rate seen in 1997 and 1998. Furthermore, the vast majority of investments were made to maintain and expand demand under current contracts (Resosudarmo et al., 2009). Conflicts have arisen between mining and forestry companies, central and local governments, mining businesses, and local communities due to policy and regulatory uncertainty, as well as disputed land use and property rights (Marenu, 2019).

In Indonesia, mining operations are still regulated by an out-of-date rule (Law 11/1967 on Mining Basic Provisions). On state forest lands, Forestry Law 41/1999 also refers to the coal industry. 4 This legislation is important for the granting of mining rights or licenses because farm lands make up two-thirds of the country's land area and are under the jurisdiction of the Ministry of Forestry. Many of the most economically viable mineral ores and metals are found in forested areas, especially in areas designated as protected forests, but open-pit mining is strictly prohibited in protected forests under the Forestry Law. The mining industry's growth in such areas has been seriously hampered as a result of this. Prior to 1999, the use and growth of forest lands is regulated by the Basic Forestry Law (Law 5/1967), which did not ban mining in protected forests. As a result, conflict between the mining and forestry industries is almost likely to arise (Resosudarmo et al. 2009).

Mining operations in Indonesia have a long history of sociocultural, economic, and environmental tensions between mining operators and local and/or indigenous populations, as in many other countries. The issuance of mining licenses or contracts to corporations on tribal or ancestral lands in Indonesia is a major source of dispute. The issue revolves around land tenure rights. According to Indonesia's constitution, the state owns all of the country's territory, and although customary (*adat*) or indigenous lands are recognized, their use must not interfere with national interests. (Pasinringi et al., 2020). Land certificates are not common in rural areas of the outer islands; instead, land rights are recognized historically and informally within and by local and/or indigenous group (Sufia 2019).

Local communities are the most vulnerable in many mining cases in Indonesia because they are not only dealing with a lack of natural resources or environmental damage, but also with the depletion of their economic resources, which are also reliant on the surrounding ecosystem. Almost every mining case in Indonesia has elicited a negative response from the local population, culminating in the rise of social movements (Fitriansyah 2020).

In mid-2018, a dispute erupted between the group and the North Morowali district's local government. The company's actions instill mistrust in the population, and they believe that mining exploitation activities are harmful to the atmosphere and can result in natural hazards such as flooding and landslides (Hasbullah, 2021). The Regent and PT COR management officials reacted to the community's destruction by undertaking outreach to community members and explaining why mining operations were being carried out in a way that would not harm the environment. The justification from the local government and corporations that the idea of mining exploration operations that would threaten their ecosystem is now linked to an appreciation of the benefits gained by the community from the presence of mining activities will not succeed in removing the fear that actually haunts the community will not succeed in eliminating the fear that actually haunts the community. Tensions between the neighborhood, the corporation, and the local government arose as a result of the community's rejection. Hundreds of neighborhood activists demonstrated in front of the DPRD building in response to the demands for exclusion.

Residents of the Bahontula community protested mining firms that were perceived to have damaged plantation land and drinking water supplies in 2019, in a related incident to this one. There were also clashes between the community and the police during this rally. Uneven partnerships lead to inadequate access to information provided by the media, which contributes to community opposition to corporations/companies and the state. Misconceptions may arise due to a lack of knowledge about mining operations and the effect of mining on the environment. The misinterpretation of the mine's goals, recommendations, and incentives by the population, the industry, and the government has sparked resistance in the form of protests in the area surrounding the mine. Demonstrations are considered natural and lawful under the constitution.

## **Methods**

This analysis uses qualitative approaches to tackle more factually about mine management issues for the group and the business PT.COR and PT.MPR, Morowali Utara Regency, Central Sulawesi Indonesia. Observations of in-depth interviews and field notes about incidents the researcher experiences in the field were used as data collection methods in this study. (Mufti et al. 2020). The purposive approach was used to select informants in compliance with the research objectives. There were ten informants chosen because they were considered capable of providing the necessary data and intelligence. The details and data gathered were then processed using the triangulation method, which involves cross-checking the multiple

informants. Conclusions regarding the settlement of disputes between the organization and the society are made using this triangulation method.

## **Results and Discussion**

A subsidiary of PT Central Omega Resources Tbk is PT Central Omega Resources Industri Indonesia (COR II). Since 2008, the company has been producing goods. PT COR II began shipping nickel ore to other countries in 2011. The firm has been able to produce 3 million tons of nickel ore per year in a comparatively short amount of time. This company, together with the Macrolink Group of a Chinese company, built a Ferro Nickel ("FeNi") smelter factory in Ganda-Ganda Village, Petasia District, North Morowa, after the government issued Government Regulation Number 1 of 2014 concerning the second Amendment to Government Regulation Number 23 of 2010 concerning the Implementation of Mineral and Coal Mining Business Activities.

The North Morowali Regent's Decree dated August 26, 2013 about the issuing of a location permit for the building of a nickel factory and other supporting facilities was used to issue PT COR II a location permit. The smelter is being built in Lambolo hamlet, Ganda-Ganda Village, Petasia sub-district, North Morowali district, on a 264.95 hectare plot of land. Nickel pig iron is sold by PT COR II to China and Taiwan. Because the organization refuses to supply documentation, PT COR II hires about 720 employees, including an undisclosed number of domestic and international workers. This number does not include contractors. There are 500 male workers and 220 female workers in the gender classification. While conference information on PT COR II is difficult to come by, the Macrolink Group owns 40% of PT COR II shares through its subsidiary Macrolink Nickel Growth, according to the PT Central Omega Resources Tbk website. PT COR II's first investment totaled US \$ 90 million, with US \$ 50 million coming from the company's internal funds and a US \$ 40 million loan from Exim Bank. The NPI smelter will be built in three phases, the first of which will employ blast furnace technology with three power plants, each with a capacity of three megawatts.

PT COR II produces 100 thousand tons of NPI per year with an 8% nickel content in the first process, with an annual nickel ore demand of about 800 thousand tons of wet nickel. Two subsidiaries of PT Central Omega Resources, Tbk, namely PT Itamatra Nusantara and PT Mulia Pacific Resources, will supply this nickel ore. PT COR Tbk plans to expand its nickel processing plant to produce up to 300,000 tons of nickel worth US \$ 350 million, or IDR 4.55 trillion. The expansion of the phase II smelter plant will begin in the second quarter of 2018 and will be finished in 2019 with a US \$ 350 million investment and a 150 Megawatt power plant costing US \$ 150 million.

PT COR has a 250-hectare factory in Ganda-Ganda Village, Petasia District, North Morowali Regency, Central Sulawesi, apart from financing. This site is next to two of the company's subsidiaries' nickel raw material concessions.

Prior to becoming a nickel ore miner, PT COR Tbk was a corporation that traded mining goods and conducted mining operations. PT COR Tbk was formerly known as Duta Finance Tbk (DKFT), and it was established on February 22, 1995, with commercial operations beginning in 1995. DKFT's headquarters are on the 6th floor of Plasa Asia, Jl. Jendral Sudirman Kav. 51, Jakarta. PT Jinsheng Mining, with a 75.20 percent stake in PT COR Tbk, has the highest presentation.

## **Corporate versus Community Conflict**

The possibility of confrontation between the company and the surrounding community does not usually exist at the start of discovery, but it does appear and rises after the extraction period.

The group should not feel intimidated or have a problem with the company when it conducts exploration operations, despite the fact that the community is mostly unaware of what the company is doing. As a corporation constructs mining-related facilities, such as roads and bridges, to facilitate mining activities. Locals have strong expectations that the firm will be regarded as a helper deity who is respected and praised by the city, based on the company's physical building. But when that hope has become a reality and is exacerbated by the government's inaction in carrying out its obligations and responsibilities in developing its society, seeds of dissatisfaction begin to grow in the hearts of the people. Some of the sources of conflict that occurred between the company and the community are as follow; (1) Lack of communication; (2) Compensation for land / crops; (3) Polarization (the opposite group); (4) Difference of views.

Disputes in the mining industry are disagreements, tensions, or conflicts that arise during the course of mining operations. General exploration investigations, feasibility studies, construction, refining research, and natural resource sales are all examples of mining operations. When it comes to controversies, the attitude and nature of the relationship between the key actors in the region, namely the corporation, local communities, and government officials, is largely dictated by the attitude and quality of the relationship between the main actors in the area, namely the company, local communities, and government officials. Because of the low nature of the company's relationship with the local population, elected authorities would eventually cause problems due to a lack of cooperation. As a result, it is clear that cooperation and collaboration between the three components play a significant role in the settlement or resolution of disputes in mining fields.

By mutual agreement with the group, one of the conflicts encountered in nickel mining in North Morowali Regency. The corporation reached a deal with the inhabitants to compensate them for their property and plants. The presence of PT. COR has harmed the ecology around the mining field, prompting this settlement deal. This is since, since the establishment of PT. Cor., sea water has turned yellow as a result of mining exploration.

According to the deal, PT.COR would pay the residents' property and plants. Residents' plants will be paid for Rp. 500,000 per tree, while PT COR is able to pay Rp. 7,000 per meter. However, this deal was arbitrarily revised from Rp. 7,000 / meter to Rp. 1,000 / meter along the way, while tree payout was cut in half to Rp. 250,000 / tree. This payout was also substituted for rice by the provincial government, which even waived land levies for a year. The rule does not exist in the exploitation process, such as it does in a capitalist corporation like PT. Cor, even as the regulatory rules have been regulated to ensure that the population is not disadvantaged. This detail isn't just a complaint; it's also a demand for an agreement so that a proper recognition of collective rights can be realized.

Intercultural misunderstandings are often the source of conflict at the PT COR mine, with the biggest issue being that workers from various cultural communities prefer to think of their culture as a need. As a result, connectivity is an essential factor to maintain, especially when mining companies hire employees or staff from different cultures. Employees' communication behaviour is influenced by their way of life, which is influenced by the society in which they live; they learn to think, trust, and seek what is acceptable in their culture. The foundation of contact is the cultural outcome. Communication methods differ depending on the culture. The cultural pattern of a culture has a significant impact on the development of a civilisation. This cultural empowerment is often the source of misunderstandings and may lead to miscommunication among employees. This will be mitigated if they at least understand the concepts of intercultural relations and put them into effect when dealing with individuals from other cultures.

Community decides the time and schedule of interpersonal gatherings, the location where such matters are discussed, and the physical distance between a speaker and other participants, among other things. In this context, culture refers to the amount and form of physical interaction required by tradition, as well as the strength of the emotions that surround it. Certain group engagement patterns, which are part of the broader societal trend and can be interpreted in that sense, often affect communication. "Communication is culture, and culture is communication." Employee culture is maintained and changed by communication, so managing communication involves controlling what happens to each culture. Understanding tensions between employee cultures is critical; conflicts cannot be eliminated anywhere; cultural discrepancies in certain views about the value of environmental protection versus the importance of industry development will lead to conflicts in any organization, even mining companies. Conflicts between cultures are marked by a mixture of conflict orientation and conflict resolution types. Conflict can be a source of development. In reality, conflict is often described as a contradictory relationship between two or more dependent individuals / groups' interests, beliefs, desires, systems, or advantages that are felt or are relaxed.

## Conclusion

There are two key points to consider about the community's dispute with mining processors, as well as the involvement of the local authority in resolving the conflict at the mining firm PT.COR. The first is community-mine processor dispute, which is not uncommon in the context of nickel mining in Indonesia, especially in the North Morowali district. This is the biggest problem for different actions that exist between the community and mine processors, such as the community's and mine processors' requests, which were eventually settled upon in a contract. The group protest, on the other hand, was well-resolved because, whatever it was, the community understood the value of three-way contact, which included the community, mining processors, and the city government. The second is relevant to the involvement of local governments in enacting laws for mining firms in their respective regions, since there must be legal clarity in interpreting regional cases or cases, such as the question of empowerment of efforts over the company's decision in North Morowali Regency, and the role of the local government.

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