BP in Papua: A chance for development or the return of the resource curse?

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Declaration

This work is substantially my own, and where any part is not my own, I have indicated this by acknowledging the source of that part of those parts of the work.

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I thank my parents and sister for their love, unwavering support and editorial skills. Thanks also to Elvis and my friends, who never lost faith in me.

Dedicated to the memory of Tony ‘Puppa’ Hurley
Abstract

This study focuses on explaining the absence of violent conflict, a symptom associated with the ‘resource curse’, in resource extraction projects in volatile and resource dependent regions. An institutionalist approach is adopted in proposing that the agency of the resource extraction corporation is crucial in suppressing resource curse symptoms. This is illustrated in the case study of BP’s Tangguh LNG Project in the separatist region of Papua, Indonesia. BP’s undertaking of organisational learning, the evolution of institutions that influence company policies, and the governance role that BP has assumed in the region, are nominated as factors preventing the appearance of the resource curse in this case. The study concludes that by taking a greater institutional role in the region, BP has been instrumental in suppressing the resource curse, but that the threat of violent conflict will always linger in such precarious zones.
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Figure 1 - Map of Indonesia

From BP Berau Ltd LARAP 2006.

Figure 2 – Image of Tangguh LNG Project, West Papua, Indonesia

Acronyms and Glossary

Adat – customary
ADB – Asian Development Bank
AMDAL – Analisis Mengenai Dampak Lingkungan, Environmental impact assessment
Birds Head Region – The geographical region comprising the western head of the island of New Guinea
BP - Formerly known as ‘British Petroleum’. Used to refer also to BP Indonesia and BP Berau Ltd.
BPMIGAS – Badan Pelaksana Kegiatan Usaha Hulu Minyak dan Gas, Indonesian oil and gas regulator
Brimob – Brigade Mobil, Police Mobile Brigade
CAP – Community Action Plan
CSR – Corporate Social Responsibility
DAV – Directly Affected Village
DGS – Diversified Growth Strategy
EITI – Extractive Industry Transparency Initiative
ELN - Ejercito de Liberacion Nacional, Colombian National Liberation Army
Freeport – Freeport McMoRan Copper and Gold. Used to refer also to subsidiary PT Freeport Indonesia
GOI – Government of Indonesia
Hak ulayat - rights
ICBS – Integrated Community Based Security
ILO – International Labour Organisation
ISP – Integrated Social Program
JUKLAP – BP Security Field Guidelines Agreement
Komnas HAM – Indonesian Human Rights Commission
LARAP – Land Acquisition and Resettlement Action Plan
LNG – Liquefied Natural Gas
NGO – Non-Government Organisation
Otsus – *Otonomi Khusus*, Special Autonomy
PSC or PSA – Production Sharing Contract/ Agreement
RAV - Resettlement Affected Village
RI – Republic of Indonesia
SatuNama – Indonesian NGO
SBY – Susilo Bambang Yudhoyono
SEIA – Summary Environmental Impact Assessment
TIAP – Tangguh Independent Advisory Panel
TNI – *Tentara Nasional Indonesia*, Indonesian armed forces
UNDP – United Nations Development Program
USAID – United States Agency for International Development
VP or VPSHR – Voluntary Principles on Security and Human Rights
### Table 1- Timeline of Recent Events

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**Introduction**

Resource conflict literature holds that in an underdeveloped region, where the state is weak and rebel chapters are present, violent conflict is a likely outcome of resource exploitation. However, in the case of BP’s Tangguh LNG Project in Papua, Indonesia, this has not been apparent, in spite of the case possessing characteristics synonymous with the criteria of the ‘resource curse’. The first question which will direct this study asks, what factors have contributed to the ostensible absence of violent conflict in the vicinity of the Tangguh Project, in spite of resource conflict predications indicating that its occurrence is inevitable in such a politically fractious and underdeveloped region? As a resource extraction organisation, has BP undergone a process of learning and evolutionary change that has contributed to this absence of violence? Finally, what are the theoretical and policy implications for resource conflict literature, specifically the resource curse hypothesis, if other factors including institutional change are seen to undermine its explanatory power?

Resource conflict literature has been useful in explaining the economic effects of resource extraction in underdeveloped nations, and to this end has been highly influential in global political studies, even informing World Bank policy (Collier & Hoeffler, 2005).

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Note on Names: The western half of the island of New Guinea has had several politically loaded monikers. The Dutch knew the region as West New Guinea and gave it the name West Papua when it intended for the region to be independent (Leith 2003). Since Suharto banned the usage of Papua during his tenure, Indonesians have known the region as Irian Jaya and Irian Barat. President Wahid officially changed its name once more to Papua in 2001 (King 2004). After the division in half of Papua under President Megawati Sukarnoputri, the two provinces there within are the regencies of Papua and West Papua (*Papua Barat*). In this study, the region as a whole will be referred to as Papua and references to the provinces will be made explicit in order to retain conceptual clarity and ease of understanding.
This study will contend, however, that an institutional approach to analysing the political sources of resource conflict can provide a more complete explanation than traditional resource conflict literature in accounting for the occurrence of violence, or lack thereof. It allows for a multiplicity of dynamic actors, including the operator of the resource extraction project, which are governed by evolving institutions and organisational learning. This position also acknowledges the governance role that a company plays in the context of a politically volatile and underdeveloped region.

In understanding this apparently atypical case of the Tangguh Project, it is first necessary to develop a theoretical framework. It will then be used to explain the relevancy of resource conflict literature to this case study, and the reasons it cannot account for Tangguh’s tentative success. This will be covered in Chapter 1, followed by an alternative analysis based on an institutional approach. The rest of the chapter will provide a background to the Papua region and the Tangguh LNG Project, and then outline the study’s design and methodology. The next two chapters analyse the two institutional concepts of learning and evolution respectively, in the context of this case study. The study’s comparative component Chapter 2: Learning; compares examples of different types of learning through the examples of BP’s operations in Colombia and Freeport McMoRan’s mine in Papua. In Chapter 3: Evolution, the study will focus on how BP’s corporate policies have evolved, showing the company’s modifications in terms of both strategies and aspirations. Chapter 4 then discusses the effects of institutional metamorphosis on the outcomes of BP’s enlarged societal responsibilities, while Chapter 5 will conclude by providing answers to the research questions.
Chapter 1: Theory, Case and Study Design

1.1 Theoretical Framework

1.1.1 The Resource Curse

The importance of the process of resource exploitation as a determinant of a state’s economic welfare, mode of governance and its potential for conflict has been increasingly understood in recent political science literature. The concept of the ‘resource curse’ (Auty 1994) has been used regularly in political economy parlance to describe the perceived tendency of those states with an economic dependence on resources to experience negative economic and political consequences as a result of their exploitation, including its impact on growth rates, regime type, development and conflict.

Resource conflict theorists see underdeveloped states as more vulnerable to rent-seeking, as the government vies for the surplus profits and/ or landlord rents\(^2\) produced by resource exploitation. In turn, these revenues cultivate a climate of corruption, unproductive investments, and betting on future revenues through loans, leading to high levels of debt. This is conducive to the emergence of a kleptocracy, as governments rely on rents as a primary source of revenue while the tax raising bureaucracy lies idle, with little need to establish procedures or enforce tax collections from the citizenry (Dunning 2008). This in turn leads to a loss of accountability and transparency as funds are more easily skimmed for personal gain and there is less capacity for the people to track revenues as they do not come from their own pockets (Weinthal & Jones Luong 2006).

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\(^2\) Both types of revenues are referred to as ‘resource rents’, see Dunning 2008.
As the disparity between the rich and powerful and those outside clientelistic networks increases, so too does the frustration of the marginalised, who will be more likely to resort to violence to express their grievances (Le Billon 2001). Giordano, Giordano & Wolf (2005) find that conflict occurs in resource-rich regions where resource sovereignty is ill-defined, institutional resource regimes collapse, or where changes in resource environments outpace institutional capacity to adapt to these changes.

There are a wide range of variables to account for the appearance of the resource curse, but its symptoms of violence, fiscal mismanagement, predatory states and aggrieved groups are commonly identified. Examples used in this literature of explanatory variables includes the prevalence of both resource abundance and resource scarcity as leading to conflict, as well as finding correlations between different types of natural resources and their ability to incite conflict (Dunning 2008, Ross 2005). These often conflicting correlations imply that it is less the quantity or type of resource that a state produces that determines the level of conflict, but resource dependence. Some theorists have looked to the ownership of resources, whether public or private, the ‘strength’ of the state, the financial management of revenues accrued, and the devolution of the agricultural sector as other explanatory factors (Weinthal & Jones Luong 2006, Schollaert & Van der Gaer 2009, Humphreys 2005). Resource conflict literature is in agreement in that there is a cause-effect relationship between resource extraction and weak states, but there has been less agreement in the explication of this relationship.
1.1.2 Limitations of Resource Conflict Literature

A limitation found within resource conflict literature, which is demonstrable in this case study, is that the majority of works focus on African resource conflicts, with passing mention of conflicts in other continents (Humphreys 2005, Kapelus 2002, Collier & Hoeffler 2005, Fearon 2005). This is problematic as the analyses contain generalisations based on assumptions drawn from African experiences, which have a unique political context that is not always transposable to other locations. For example, resource curse literature uses the politically loaded term ‘rebels’ (Collier and Hoeffler 2005), and carries the assumption that the state is so weak that rebels pose a threat to state sovereignty, as has been seen in certain African conflicts. Within other states, however, rebel groups may not be viewed so much as a threat to sovereignty by the state, but rather a criminal ring or militant protestors. Furthermore, it has been argued that these profiteering groups, the ‘rebels’ or ‘belligerents’ (Le Billon 2001), may use transportable resources as a means of financing their groups’ activities. This would imply that less transportable or ‘lootable’ fixed point resources, such as liquefied natural gas (LNG), would be less prone to conflict. However, this explanation is hardly satisfactory in accounting for an absence of violence, as conflict can originate from resource extraction for reasons other than the physical acquisition of resources for the financing of oppositional groups. Many reasons for conflict can exist that may not be related to the pursuit of the resource itself, but instead stem from the effect of resource extraction on the lives of the local community.

Another limitation of this literature is in its neglect to acknowledge the multiplicity of actors who are involved in the process of resource exploitation. It is not only
governments and rebels involved, but communities, non-government organisations (NGOs), security forces, and of course the company that is operating the extraction project and its accompanying army of contractors and consultants. With this in mind, the sources of potential conflict also compound. It is not only merely ‘greedy rebels’ or ‘grievances’ (Collier & Hoeffler, 2005) from populations who have missed out on resource spoils that provide a catalyst for conflict, but a host of other issues emanating from different sources. Environmental damage, loss of lifestyle, absence of expected benefits, jealousies between groups, failed attempts at development, in-migration and the perception of culture loss can all be factors contributing to conflict.

These sources of conflict have been recognised by corporate social responsibility and resource management studies (Kapelus 2002, Hilson 2002, Clark & Cook Clark 1999, Reed 2002) as well as political anthropology (Kirsch 2001, Abrash & Kennedy 2002, Kirksey 2009), but these aspects have yet to gain traction in political resource conflict literature. These works recognise the importance of a multi-faceted community based approach to developing and understanding the effects of resource extraction and the need to reduce externalities that may lead to conflict including the neglect of indigenous rights, environmental risks and poor communication. Such social factors not only provide a more complete picture of potential problems fuelling resource conflicts, but also show that the concept of resource conflict cannot be explained only as a contest for control over resources between the government and rebels.
1.1.3 Proposed Framework: Institutionalism

The robustness of the theory is further queried in cases where there is little evidence of violent conflict as a result of resource extraction in spite of indicators that would suggest otherwise, particularly those of poverty, rebel presence and weak governance mechanisms. Resource conflict explanations are insufficient in fully comprehending the absence of major conflict, including in the case of BP’s Tangguh Project in Papua, Indonesia. While some studies have researched the effects of governmental and financial institutions on resource conflict (Weinthal & Jones Luong 2006, Giordano, Giordano & Wolf 2005, Mehlum, Moene, & Torvik 2006), the most obvious organisation involved in resource extraction is not analysed - the operating company. The variable that resource conflict literature ignores that may help to explain this situation is the independent agency and power of the corporate institution involved in extraction and its primary role in generating political outcomes.

A corporation, as with any other organisation, is governed by rules, conventions and restrictions that determine its behaviour. As noted by Douglass North, ‘institutions are the humanly devised constraints that structure political, economic and social interaction’ (North 1991, p.97). Institutionalism assumes that formal and informal rules constrain behaviour to create a stable framework for interaction, whereby uncertainties and costs of exchange are reduced (North 1990). Thus an organisation’s decision making mechanisms are driven by endogenously and exogenously formed rules, by its learning from experiences and observations as well as the evolution of its changing preferences and understandings. This dynamic approach to institutionalism is linked closely with the
notion that organisations can affect change incrementally through experiential and observed learning. In turn, this new knowledge will through evolution affect the institutional framework constraining organisational behaviour and influence political outcomes (Thelen & Steinmo 1992).

Institutions bind and guide participating organisations and individuals, and are characteristically static and inflexible in order to be consistent and effective. They are the ‘protective response’ used by society to ‘sustain the social fabric [and] to reduce uncertainty’ (O’Hara 2007, p.20). Yet institutions are embedded within a globalised world that is in a constant state of flux, that is to say that ‘change is ongoing and, therefore, principles are always in the process of revision and reassessment in light of new evidence and developments’ (O’Hara 2007, p.35). Institutional change is incremental, alternately stymied and promoted depending on changeable factors such as vested interests, societal norms and member resolutions. The resource industry typifies global changes in institutions governing business behaviour, as businesses interact with institutions in order to increase business responsibility for human rights, security, development and the environment. Institutional changes within the last decade can thus be seen to be a powerful mechanism for controlling business behaviour, for voicing societal expectations and for addressing global needs.

It is under this institutional influence that extractive companies set the parameters of the project and its direction through their approach to the community engagement, security arrangements and the environment. If conflict is to be avoided, an extractive company’s
relationships with communities and governments, as well as other actors including security forces and NGOs are pivotal. It is the metamorphosis of the company in its relationship with other institutions that determines the outcomes of resource exploitation for the local community. Ultimately, in the absence of an engaged state, the onus is on the extracting company to direct the social effects of exploitation, as it has the ability to acquire the financial, personnel and technical means to reduce negative effects. The responsibility thus falls on the company’s shoulders, as it is the primary organisation affecting change in the region. Whether or not the company regards this responsibility as being within its functions, it has increasingly been seen that without recognition of the gravity of this role, conflict, and the negative impact it will inevitably have on the company, is the most likely outcome.

1.2 The Case Study

1.2.1 Papua
The history of Papua is also that of its resources, as resources are the reason that the region has been colonised, occupied and plundered for over a century. The region’s recent history has been summarised in Table 1, alongside developments in the resources sector. The island of New Guinea, of which Papua comprises the western half, was originally populated by Melanesian ethnic groups, unlike the rest of the Republic of Indonesia whose lineage is primarily Malay. Tribes were dispersed and weakly connected, causing ethnic divisions that are still salient today. Dutch colonisation from 1828 did not have a significant impact in the more remote areas of Papua, some groups did not even encounter foreigners until the 1960s (Elmslie 2002), as the Dutch used the
region as a trading outpost and ruled through local leaders. One of the most influential elements of Dutch colonisation was the Christian missionaries whose influence made Christianity become the leading religion in Papua to this day, in contrast to the predominately Muslim population of the rest of Indonesia.

The Dutch were grooming West Papua for self rule during the 1950s as decolonisation followed in the wake of World War II (WWII) (Elmslie 2002). An independent West Papua would still have commercial links to Holland, and would allow the Dutch ‘to extract itself from centuries of empire with some semblance of dignity’ (Elmslie 2002, p.11). Inversely, the Indonesians were determined to secure Papua, as it was considered a logical and symbolic step of decolonisation that all of the disparate territories that were acquired by the Dutch would now be recognised as part of the Indonesian republic.

International support waned for the Dutch and the New York Agreement was struck in 1962 when Papua was to be officially handed over to Indonesia in 1963. The transfer of sovereignty was to be confirmed in 1969 with the controversial referendum commissioned by the UN, known ironically as the Act of Free Choice (Elmslie 2002). West Papuans were to vote on becoming part of Indonesia; however the Indonesian government selected a handful of ‘representatives’ to vote for the entire population. The representatives were subject to military coercion and unanimously voted in Indonesia’s favour. In spite of this coercion, the UN still recognised the vote as valid (King 2004). It was in this moment that the relationship between Papuans and Indonesians was irreparably damaged. However, it was also in Indonesia’s decolonisation and subsequent
internal colonisation of Papua that Papuans ceased being an object of a struggle and became direct participants, developing a heightened sense of national consciousness (Chauvel 2005).

Under Suharto, Papua was used as the national supplier of revenues and resources, however the benefits of Suharto’s push for development did not reach Papuans. Resources and foreign direct investment kept the regime afloat and was an integral part of Suharto’s system of patrimonialism. Additionally, many resource projects involving timber, fishing and oil palm plantations were instigated by small Indonesian companies, many of them illegal and run by members of the military to supplement their income (King 2004). The effect of these projects has been the denial of Papuan control of their land, economy and rights, as well as encouraging a ceaseless flow of in-migrants who have transformed Papua’s demographic composition. The resource curse explains many of the political and economic consequences that affected the region. By the 1980s the symptoms of the curse were apparent as enormous revenues from Freeport McMoRan’s Papuan mines flowed to Suharto’s government, funding the corruption, cronyism and nepotism that characterised his regime (Leith 2003). This will be discussed further in chapter 2.

In response to this history of injustices, resistance groups have been established, including the OPM (Free Papua Movement, Organisasi Papua Merdeka). The OPM is one of the most well-known rebel groups in Papua with both political and militant wings. They have been operational in the Freeport concession area, but do not use natural
resources as a means of financing their activities and their direct control of the resources is non-existent (Braithwaite 2010). At the same time, as a result of the oppositional presence of groups like the OPM and of the proliferation of resource extraction projects, the state has been provided with a pretext for reinforcing its territorial control through increased military and police deployment to the Papuan provinces (Elmslie 2002). This has severely impeded the ability for these oppositional groups to gain territorial traction in the region.

In the post-Suharto period, hopes for mediation were revived as the spirit of democratisation saw Papuan groups initiate non-violent methods to advocate for independence. Under the presidencies of Habibie and Wahid (Gus Dur) the Special Autonomy laws (Otsus) were developed and enacted in 2001. These laws were to symbolise a fresh start in relations by providing economic and political benefits to the Papuan people - but not independence. Under the presidency of Megawati the laws were only 10% implemented by 2003 and West Papua was divided into two administrative regions, Papua and West Papua (Sullivan 2003). This was conceived by many as a means of creating geographic and fiscal divisions among Papuans, preventing a united Papua (Sullivan 2003). *Pemekaran*, the division of Papua into smaller administrative units, continues as villages clamber to obtain Special Autonomy funds for the betterment of their immediate community, as against a broader Papuan identity.

Since the rise of President Susilo Bambang Yudhoyono (SBY), West Papua has remained a taboo subject and little progress has been made to mediate the differences between the
Jakarta, Indonesia’s Javanese capital, and the Papuan provinces. While the central government has interpreted Special Autonomy as meaning economic autonomy, it is political autonomy that Papuans demand (ICG 2010). In spite of the government’s development spending, the effects are yet to be felt by the general population. 37% of the population in Papua is living in poverty, which is more than 10% higher than other impoverished provinces including Aceh and Maluku (BPS 2009). Papuan protestors, with the backing of the recently formed Papuan People’s Council (MRP- Majelis Rakyat Papua), have recently declared Otsus to be a failure and symbolically rejected it, handing it back to the central government in July 2010, with even those who first saw the policy as a possible compromise or first step towards self-determination now perturbed by the problems of implementation (ICG 2010).

Indonesia considers Papua an annoyance, a domestic issue that can be solved through economic development (ICG 2010). Papua is simultaneously regarded as the outlier province, underdeveloped and backward; and as Indonesia’s rightful resource-rich inheritance from the process of decolonisation, integral to its nationalist conception of ‘Unity in Diversity’ in retaining sovereignty over an ethnically diverse archipelago. Papuans remain divided on how best to react to this continued neglect and express their burgeoning sense of nationalism, opinions on solutions varying from secession, to international dialogue, to a simple revision of Special Autonomy.

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3 Some Papuans prefer the term ‘not yet fortunate’ to ‘poor’, showing their ‘frustrations and aspirations’ for development (UNDP 2005a, p.7).
1.2.2 The Tangguh LNG Project

In this context of resource exploitation BP first entered the area in 2000. In the shadow of Suharto, facing an uncertain political future, the effects of government neglect were evident in the coastal Bintuni Bay region of West Papua province that BP was exploring in order to establish Tangguh. The population was malnourished, surviving on a subsistence economy, and facing a high childhood mortality rate and low life expectancy (BP Berau 2005). The villagers in the Project’s area are from the Sumuri tribe, consisting of 18 clans dispersed among several villages (BP Berau 2006b). The region, while remote and having few routes connecting the area to other parts of the province, did not have a completely homogenous society, however, as the area had experienced small amounts of in-migration over several decades. Local identities are thus multivalent and dynamic. In-migration was caused mainly through Indonesian companies in the 1980s, who were interested in the area’s multitude of resources including timber, fishing, mining, mangrove pulp and even clearing land for palm oil plantations. These projects have been on a smaller scale to that of Tangguh, but provided little benefit to local villages. In essence, the low level of development in this region was symptomatic of the Indonesian Government’s approach to development in Papua for the majority of its history - the people’s needs were neglected while its resources fuelled the development of the rest of the Indonesian state.
The actual location upon which the Tangguh Project was to be constructed was the location of the town of Tanah Merah. The villagers involuntarily resettled next to the neighbouring villages of Saengga and Onar in 2004, to make the towns of Tanah Merah Baru and Onar Baru (see Fig. 3). Tanah Merah itself had experienced population fluctuations throughout its history, as conflict with the Dutch caused villagers to move away from the town in 1912, while still others left in 1918 after an influenza epidemic (BP Berau 2006b). The village, like the Bintuni Bay region generally, comprised an almost equal share of Catholic, Muslim and Protestant populations. There have been few reports of religious tension within the Bay area, in spite of sporadic outbreaks of riots motivated by religious difference that occurred throughout the last decade in Manokwari, West Papua province’s capital (ICG 2008). This is partly because while in-migration has brought in a larger Muslim population, there has historically been a Muslim community of mixed heritage in the nearby Fak-Fak region since before Dutch colonisation.
Exploration for natural gas in Bintuni Bay began in 1996 by ARCO Exploration, British Gas, and Indonesia’s national oil company Pertamina, who discovered six gas fields beneath the Bay. ARCO and its project were bought by BP in 2000. Under a production sharing contract (PSC) with the Indonesian government, the state has granted rights for BP to operate in exchange for both the state and company splitting the profits of production, making BP a contractor of Indonesia. The construction of the Tangguh LNG plant began in 2004 and it began exporting LNG in July 2009, with an expected lifespan of forty years (BP Berau 2006b). Its primary clients are Chinese, Korean and US energy companies. It has been financed and supported by a conglomerate of investors from around the world, primarily banks, and is expected to reap major revenues by 2016 (BP Berau 2005).

Surrounded by thick forest, and invisible from most parts of Bintuni Bay, Tangguh is visible upon entering the resettlement villages. On land, two large storage tanks hold gas awaiting export, the result of two operational ‘trains’ of production. These trains are capable of producing 7 million tonnes of LNG per year, with a view to expand them to five or six, potentially making Tangguh one of the world’s largest gas suppliers. Within the plant’s complex, facilities include an airstrip, shipping dock, staff accommodation and maintenance facilities. The Project also consists of two drilling platforms in Bintuni Bay, with two pipes just beneath the ocean surface that transport the gas through to the purification and liquefaction stages of processing before the LNG is stored and exported.
Three central issues of local and NGO concern in relation to the Tangguh Project are the potential destruction of local ways of life, migrant influxes, and unscrupulous arrangements with public security forces (DTE 2005). They have been universally identified as possible triggers for violent conflict and the hampering of development efforts by BP, its consultants, community partners and the media (TIAP 2009, Vidal 2008). Thus, these concerns have formed the primary focus of the commitments BP made at the beginning of its Tangguh Project. The outcomes of these areas of concern, and the way in which these outcomes were reached, will be addressed in the proceeding chapters.

1.3 Study Design

The approach used to analyse the Tangguh Project will now be outlined, in light of its so far avoiding associations with violent conflict under the resource curse’s ideal circumstances. Resource curse tenets would predict that BP’s project would share the same fate, especially in light of its presence in Papuan history. The political climate in the post-Suharto era remains precarious, resources still fuel the region’s economy, and the community’s receipt of revenues is dependent upon the central government. Notwithstanding these obstacles, BP’s Tangguh LNG project has managed to keep a low profile. In order to distinguish the factors that have prevented Tangguh from becoming a lightning rod for conflict, and to address the conceptual gaps found in resource conflict literature, an institutional approach will be adopted to describe the evolution of the extractive industry within the last decade and its relation to Tangguh, using the theoretical framework as described in section 1.1.3. In defining BP as a political organisation constrained by institutions, this study acknowledges the political role a
corporation plays in a society, as an autonomous and coherent actor that interacts with other political actors, in turn affecting political outcomes. It recognises the power which the corporation exerts over the environment in which it has embedded itself, especially in terms of fostering development.

This study asserts that institutional evolution is possible and can contribute to a change in predicted outcomes. It argues that from observing and experiencing the consequences of unscrupulous extractive activities in similar environments and through an evolution of corporate norms, BP has taken conscious steps to change its corporate strategies to accommodate the project’s political surroundings. Moreover, changes in the resource extraction industry’s institutional framework has led to the phenomenon of BP’s filling an institutional void within the region, playing a quasi-government role as it mediates between factions and distributes public goods. It is this institutional flexibility that is hypothesised to contribute to the minimal conflict levels currently experienced.

Several factors will be provided to account for the apparent prevention of violent conflict. Firstly, a comparison will be made between the actions taken by BP in Colombia and Freeport in Papua, and those made by BP in the Tangguh Project to see any evidence of a process of learning. The next factor is the efficacy of both endogenously created informal rules and exogenously created formal rules in encouraging ethical corporate conduct. To measure the effectiveness of these codes, principles and agreements, it will be seen if they differ to those made in the comparative cases and whether BP has been compliant with these guidelines. It can then be examined whether this has affected the level of conflict and tension within the region.
Finally, BP’s social strategies will be examined to determine whether they have been successful in avoiding conflict and managing potential risks. In its broad suite of social programs, BP has taken on roles typically attributed to governments, and even funds projects to help strengthen local and provincial governments. What needs to be explored is whether this pseudo-governmental role has helped avoid conflict in this region that has previously been devoid of effective governance. It must also be ascertained whether this foreign corporation has helped achieve what local governments have been unable to do, that is, foster development in the indigenous community, or if the company has overstepped its boundaries and risks causing conflict in doing so.

Research in this thesis has been undertaken using various methods and resources in order to fulfil both theoretical and practical aims of the study. The theoretical basis and historical framework of the study has had a foundation in secondary sources, namely academic material. The establishment of context, both historical and current, has been reliant upon media output and NGO reports, while specific information on the Tangguh Project has drawn heavily from reports produced by BP and its external monitors. Primary sources include analysis of quantitative data and interviews conducted by the author.

Interviewees have remained anonymous in accordance with the study’s application to the University of Sydney Human Research Ethics Committee (Faculty of Arts Honours Ethics Committee). Anonymity was ensured in an attempt to gain full disclosure of data.
by participants and to protect them from any negative ramifications on their personal or professional lives as a result of their comments and perceptions. Interviews were recorded on a digital voice recorder and were conducted via telephone, video conferencing and email between July and October 2010. A range of possible participants were invited to participate based on interest in, or involvement with, the Tangguh Project. The following is the list of the interviewees and the way in which they will be referred to throughout the study.

- Former BP Consultant (‘Consultant A’)
- Former BP Executive (‘Former Exec B’)
- Representative of SatuNama, Indonesian NGO (‘Nama C’)
- BP Representative (‘BP Exec D’)
- USAID Representative, US NGO (‘USAID E’)

It should be noted that a disappointing response to interview requests was encountered from human rights and legal activist NGOs, whose input may have proven integral to the study. Additionally, there has been noticeable reduction in NGO and media coverage on BP’s Tangguh Project since the mid-2000s when project construction was only beginning to take place. NGO output since this time has been either based on previous NGO research (cf. Cook 2010), or in response to BP reports (cf. DTE 2009). This means that the bulk of information regarding the plant derives from a handful of sources linked to BP and is a limitation of the study that is acknowledged at the outset.
Chapter 2: Learning

2.1 Why Do Organisations Learn?

Organisations are not static entities, but are dynamic and have the potential to change, as are its members, its institutions, and the external environment. Experiences, observations and innovations can provide opportunities for transformative learning and the development of new actions. Through experience and observation, resource extraction companies, including BP, have found that the costs of not finding a better way to adapt to social challenges can be higher than the costs of the uncertainties inherent in the trial of new ideas. It has been noted that ‘companies that are going to be able to become successful will be the ones that can learn fast, can assimilate this learning, and develop new insights… companies are going to have to become much more like universities than in the past’ in that they must foster a culture of learning and innovation (Michael Porter quoted in Lipshitz, Popper and Friedman 2002, p. 79). Learning and innovation have now become the means of securing a competitive advantage, improving company performance and adapting to unpredictable environments.

BP’s long history has seen the appearance of the problems associated with the resource curse on many occasions and the Papuan provinces are also familiar with conflict resulting from resource exploitation. This chapter proposes that BP’s experiences in the Casanare region of Colombia are likely to have generated productive learning within BP and influenced the creation and implementation of the company’s social agenda in
Tangguh. Many of the staff within Tangguh had personally experienced the fallout from human rights abuse allegations at the Colombian pipelines first hand, and were then moved to begin planning at Tangguh, because they did ‘such a good job in Colombia’, as Former Exec B stated in a sarcastic aside when interviewed.

In Papua, while many small resource extraction companies operated in the region with blatant disregard for local interests, it was the unending saga of poor community relations, environmental destruction, and escalating conflict associated with Freeport’s in the Mimika regency of Papua that made the multinational notorious. The decades-long conflict situation between the company, rebels, the military and the Indonesian state, and the toll taken on the company’s reputation, its shareholders and the dangers it presented to staff, provides a contrast to the aims of BP’s Tangguh Project. It was Freeport’s actions that prepared BP to be greeted by a frosty reception from NGOs and wariness from locals (as noted by Former Exec B). With these two recent examples fresh in the minds of BP executives, the Papuan community and the international NGOs, they were likely to be instructive lessons of how not to extract resources in Papua.

This chapter will investigate the hypothesis that the impetus for BP to take intentional and deliberate action to change its approach to community relations and social programs, as manifested in the Tangguh LNG Project, has stemmed from organisational learning. After explaining the importance of the concept of organisational learning, it will recount the lessons of BP in Colombia and Freeport in Papua, showing how they fit the definition of the resource curse. The companies’ inability to learn, shown in their inaction,
mismanagement and, neglect, clearly exacerbated - if not incited - these effects. It will show how BP then constructively learned from its failures, experiments and other actors, before applying this knowledge to the Tangguh Project by developing innovative strategies.

### 2.2 Organisational Learning

The concept of learning is critical when analysing a change in behaviour within an organisation, the impact this has on a current situation and the implications for prevailing norms and institutions. This is a limitation found within resource conflict literature in its neglect to acknowledge the agency of organisations, as it instead holds static conceptions of institutions and a rational choice approach to decision making. Using equilibrium-based mainstream politico-economic tools such as game theory and econometrics implies that the decision-making is based solely on changes in the costs of actions, rather than the changes within the actors themselves. The setting is assumed to be static, actions assumed to be repeated in a costless environment, and beliefs are deemed ‘exogenous’ (Schollaert & Van der Gaer 2009). What rational choice analyses do not explain is the ability for changes to appear in the choices available to actors, in their values, in the institutional parameters that govern them, and in the actors’ own preferences. These changes can be explained by the process of learning.

A framework of organisational learning foregrounds the agency and learning capacity of a firm and its ability to respond to changes in the environment, as well as its relationships with other companies and other actors. Organisational learning theory is defined as ‘a
dynamic process of creation, acquisition and integration of knowledge aimed at developing the resources and capabilities that allow the organization to achieve a better performance’ (Perez Lopez, Montes Peon, & Vazquez Ordas 2006, p.217). Sources of learning may be varied, including experiments, partnerships with different actors, reviews of previous projects, transfers of new ideas and even failures (Bessant 2008). The pursuit of external knowledge is a form of organisational learning known as exploratory learning, while exploitative learning is the ‘refining and deepening’ of existing knowledge (Kang, Morris, & Snell 2007, p.237). Both types of learning are important for a company’s ability to improve performance, but in turbulent environments, the need for exploratory learning is higher as the environment ‘rapidly makes current products obsolete’ (Lichtenthaler 2009, p.825). In Colombia, BP’s strategies and processes were becoming obsolete, as the costs of these older processes were becoming too high. This study will trace the motivation for BP’s learning, its sources, and application, by discussing its experiences in Colombia and comparing it with those of Freeport.

Resource extraction companies often operate in socially and ecologically fragile environments, with unstable political contexts, which can amplify the mistakes companies make and thus place a greater importance on continued learning. A foundation of economic theory is that ‘before investment can be stimulated, a level of stability and certainty is required, whereby optimistic expectations of the business climate reproduce high levels of prospective yield’ (O'Hara 2007, p.23), however this certainty is rarely present in the resource extraction sector’s risky operating environments. As resources in Western democratic countries and stable authoritarian regimes are slowly but surely
depleting, new frontiers are being found in increasingly fragile regions, this shift considered a ‘major change’ in the resource extraction industry (Reed 2002).

Geology has not restricted the distribution of hydrocarbons to areas governed as open pluralistic democracies. The cutting edge of the issue of corporate responsibility comes from the fact that circumstances don’t always make it easy for companies to operate as they wish.

(Former BP CEO John Browne in Frynas 2009, p. 7)

This fact has required significant shifts in strategy to successfully acquire the resources with minimal costs to the company. In order to avoid reputational, financial and asset damage, uncertainties in the operating regions need to be minimised; yet what remains to be developed is the best way in which a company can bring about this situation.

Securing a stable environment has proven to be a considerable challenge for the resource extraction sector, with the traditional method adopted being feigned ignorance of social and environmental issues. Security strategies consisted of the ‘outright denial of the existence of human rights violations’ while paying off brutal militias in exchange for asset protection (Ballard 2001, p. 9). Thus, human rights violations, environmental degradation, and the destruction of livelihoods have been tangible externalities resulting from unscrupulous methods. In response to these externalities the resource extraction industry has been under increased scrutiny by external groups, especially NGOs, and has been pressured to address these concerns. This pressure made clear that ‘corporations may not have moral intentions… but they do have consequences for which they should be accountable’ (Fort 2007, p.30). Accountability has not always been a primary trait
attributed to the industry, but one that they have adopted as international media and the internet have helped publicise corporate missteps, while the threat of litigation and disruptive protests further provide incentives to reform.

The industry has been on a steep learning curve, particularly within the last decade, as expectations are raised as to the role of multinational companies operating in underdeveloped states. An elementary lesson has been for these companies to recognise that their influence in political affairs and potential to create change is not unnoticed, and the consequent imperative to behave responsibly. This political role entails resource extraction companies taking on three key responsibilities in the prevention of conflict: suitable and humane security arrangements, an effective long term development program, and an approach to governance that recognises and encourages the local community’s promotion of their own political interests. Failures and obstacles in companies’ recognising and fulfilling these responsibilities provide the basis for both exploratory and exploitative learning, which will be outlined in the following case studies.

2.3 BP in Colombia

BP learned the importance of responsible and transparent political affiliations through its experience in Casanare, Colombia. The situation in Colombia bore the hallmarks of the resource curse: the collapse of other sectors, violent conflict and a weakened state presence. While the symptoms of the resource curse were present, the explanations in the resource curse literature do not account specifically for the role of the multinational
corporation in exacerbating conflict over land, rent and resources, essentially consolidating the Colombian ‘war system’ (Richani 2005).

Institutionally, BP espoused human rights rhetoric at an international level, and the company had social programs in place. At the turn of this century, BP became a member of the United Nations Global Compact, and met the Global Reporting Initiative guidelines, while compiling reports regularly throughout the 1990s (Heincke 2006). However, it seemed BP’s closed-door dealings with various political actors, and the consequent dangers of hiring public security forces for company protection in a region where rebel elements operate, undermined the company’s apparent values and social programs, painting them as tokenistic gestures.

In 1993, when the oil pipeline was built, it was normal for gas and oil pipelines across Colombia to be sabotaged by rebels almost daily, accepted as ‘the price of operation in Colombia’ (Knott 1993, p.33). BP’s pipeline was bombed 98 times in the year 2000 alone, with the threat of sabotage providing a means of extorting the company (Ross 2003). It was also considered normal for companies to pay governments for military protection of these company assets to minimise operational disruptions. Despite deploying 2000 troops to the pipelines, 10% of Colombia’s military, BP labelled their security strategy as a ‘hearts and minds’ campaign (Knott 1993). Matters took a sinister turn, however, when a variety of allegations surfaced. These included collaborating with brutal military crackdowns, training private security firms in military tactics, and supporting right-wing paramilitaries who were harassing anyone along the pipeline they
considered to be sympathisers to leftists guerrillas, the National Liberation Army (ELN-\textit{Ejercito de Liberacion Nacional}) (Heincke 2006, Muttitt & Marriott 2003, Taylor 2009). Meanwhile, the ELN grew from 40 members to over 3,000 (Ross 2003), a clear manifestation of the mounting conflict caused by BP’s presence. The strategy of increasing security to provide security was clearly not working and BP found it increasingly difficult to expunge these allegations.

BP’s troubles did not go unnoticed internationally. British development agencies condemned BP for operating in such a volatile political climate in 1999, saying that ‘however unwittingly’, the company’s actions had ‘seriously underestimated the implications that its investments in a region of violent conflict would have for the security of the poor in the region’ (quoted in Muttitt and Marriott 2003). Amnesty International was also concerned about the welfare of civilians under BP’s highly militarised strategy, which dictated that ‘in order to have peace, we must train for war’ (quoted from a BP internal security review in Gillard, Gomez and James 1998). Within Colombia, the clear link between company security operations and escalation of violence was also perceived, with an ombudsman stating that ‘the unequal investment (by oil companies) in security over community projects generates more conflict’ (quoted in Gillard, Gomez and James 1998). The accusations levelled at BP culminated in legal battles in BP’s home state of the UK, in which BP was anxious to settle to avoid admission of liability (Small 2009).
BP had embedded itself in the web of strongman politics, common in areas where the central government has no control and local players use violent tactics to assert political rights and as a problem-solving mechanism. Although initially slow to react, ‘BP got the message eventually’ (quoted in Frynas 2009, p.23) and by 1996 its communications department resorted to damage control. David Rice, a former BP manager has been quoted as saying,

We’ve learned from our mistakes, not least because we’ve been challenged by NGOs. In Colombia we were accused of getting too close to the army and police in order to protect our operations. We listened, approached Human Rights Watch for advice, and then organized new security arrangements. (Frynas 2009, p.23)

This form of exploitative learning was reactive, and was intended to minimise reputational and financial damage. It did, however, provide a possible basis for motivating exploratory learning endeavours for security solutions by BP in its subsequent Tangguh Project.

Beyond errors in security arrangements, BP’s wider social agenda was flawed. Although corporate social responsibility (CSR) programs were correctly targeted and well received, there were few strategies in place to control large influxes of migrants, nor was there enough support for local communities in finding employment with the company or elsewhere. These problems have created a vicious cycle of unemployment, poverty, disharmony and violence. BP’s social policy has also been under fire from local farmers who complained of inadequate compensation and environmental degradation leading to the loss of livelihoods, which resulted in the 2009 court case (Taylor 2009). While some
parts of the social programs have enjoyed positive outcomes, especially those that are in partnerships with NGOs, aid agencies and governments, these gains have not resulted in an overall improvement in living conditions (Heincke 2006). It appears that CSR programs could not compensate for the harm created in BP’s security arrangements and inadequate response to the shift of labour away from the traditional agricultural economy to an industrial one, and the resultant economic and social upheaval.

In balancing its relations with the government, military and rebel groups, BP perpetuated the crisis of governance in the region. A government consultant noted that ‘the lack of State presence, primary levels of organization, lack of participation and action from local communities [negatively] influence [living conditions]. There are large needs to strengthen public performance’ (quoted in Heincke 2006, p.81). BP was working within the anarchic political order and made little attempt to reform this situation until its hand was forced by reputational risks and violent conflict. The only means of increasing stability, controlling migration and labour, alleviating poverty, and thus minimising conflict would have been to take greater political control of the region, to act as local organiser, provider of public goods and facilitator of governance. This may appear to be a draconian strategy, as was most probably the opinion of BP at this point in its history, but taking increased control of an anarchical political situation appears to be more likely to yield the development results the community expects and the absence of conflict the company desires than perpetuating the local cycle of violence.
In the case of Colombia, the BP pipeline provided rebel groups with targets and the company’s dubious conduct exacerbated existing tensions. Taking sides in the political landscape, allowing the military to dictate security arrangements, and inadequate programs to address problems of in-migration, unemployment and governance, were all fatal errors that BP needed to recover from in order to continue working in politically volatile regions without the significant costs incurred in Colombia. It was not the amount or type of resources that produced the resource curse, nor was it financial mismanagement on the part of the state. Nor was it rebels alone who created this situation, whose numbers had been dwindling prior to BP’s arrival (Heincke, 2006). The catalyst for violence lay in the actions and inactions of the organisation and the impact of its decision making on a fragile community. The primary means of suppressing the symptoms of the resource curse in this situation is by the operating company securing the safety, opportunities and political future of the local community in order to decrease the chances of protracted violent conflict and to foster a constructive relationship between the company and the community.

Former Exec B, who had been involved in the BP projects in both Colombia and Papua, said that in spite of the obvious cultural differences between the regions, there were many similarities between the socio-political environments and that some of the ‘core issues the company had to navigate’ were identical. Both shared characteristics including an isolated location removed from the state capital, populations with high poverty levels and low life expectancy, the unpredictable presence of the military, and the likelihood of in-migration to the region by job hunters wishing to work on the project. Monica Heincke in
her study of BP in Colombia, notes that ‘traditionally there has been an expectation in the country, reinforced by political expansionist discourses from the centre, that oil projects are to lead to “development”’ (Heincke 2006, p.56). This view can be transposed to a Papuan context also, with Former Exec B, SatuNama C, and BP Exec D all noting during interviews that managing community expectations of what Tangguh could bring was the Project’s biggest challenge. The provision of resources is one thing, but converting them to meaningful development that will meet a community’s long term aspirations is quite another.

Former BP CEO, Lord John Browne, also saw the similarities between the political situations and potential problems in Papua and chose to station a collection of his best staff in Papua to ensure optimal outcomes (Former Exec B). With these similarities striking the executives and CEO of BP, it was clear that they could not repeat the actions of the past without risking the same result. Instead of taking a view of ‘we learn as we go’, the experimental learning approach that BP had adopted in Colombia (Heincke 2006), extensive studies and premeditated strategies were in order to promote deeper explorative learning. The upper echelons of the firm thus adopted a learning framework in place of its usual rigid dedication to straightforward profiteering. By using the results of the ‘experiments’ in Colombia, drawing on the knowledge and studies of consultants, and participating institutionally in multi-stakeholder initiatives across the industry, NGOs and governments, BP discovered new sources of learning to apply to Tangguh.
2.4 Freeport in Papua

Freeport’s history in Papua provides a contrast to Tangguh, in terms of Freeport’s misconception of responsibilities and inhibited learning processes, while also providing a common regional context. At Freeport’s copper and gold mines, there were few institutional limitations or restrictions placed upon the company, and indeed the Contract of Work was signed before West Papua’s political status was settled and was Suharto’s first multinational investor in 1967 (Leith 2003). The company was not required to consult the local community, let alone acknowledge their land rights, and there were no environmental restrictions to conform with. In Suharto’s system of patrimonialism, where Freeport was a primary revenue source, there was little incentive for the company to attend to the local community.

In terms of security arrangements, the military ingrained itself as the site’s protector, with several reports indicating that the military even created crises to prove its own necessity (Perlez & Bonner 2005). Thus Freeport ‘signed a pact with the devil’, as one former employee stated, the company supplying the military with infrastructure and making ambiguously accounted payments to public security forces (quoted in Perlez & Bonner 2005). However, this would only bring battles between the military, police and oppositional groups to Freeport’s door. Protests and clashes had occurred in the area since the 1970s, but when riots broke out in the concession area in 1996, troops were increased, making Freeport the most militarised zone in Indonesia (Leith 2003). As recently as 2010, violent skirmishes have regularly occurred in the area (Iltis 2010).
By the mid-1990s, Freeport was under intense scrutiny and pressured by external forces to reform its social policies, while the slow demise of Suharto’s regime removed Freeport’s protectors. Its previous strategy of ignoring human rights issues was now obsolete. The company then acted to deny the past while simultaneously working to minimise future reputational damage. Opening the new Grasberg mine in 1991 provided Freeport with an opportunity to re-launch itself within the understandably hostile community. Freeport spent $153 million on social programs between 1992-1999, but without consulting local communities, the projects were seen to be wasteful and paternalistic (Leith 2003).

The pressure to adhere to international norms, the expertise of other organisations and the results of its past failures, which resulted in the endangerment of its staff and operations, provided tools for Freeport’s learning. This is evidenced in Freeport’s change in behaviours, in its policy changes and new commitments. Improvements have been seen in recent social programs, which are more broadly based and community directed, which can be partially attributed to partnership the company has formed with local and international NGOs (Leith 2003). Other changes Freeport made was to implement human rights training for staff, becoming a signatory to several international conventions and appointing a Special Counsel on human rights (Ballard 2001).

It appears the company has a low absorptive capacity, that is, a limited ability to utilise external knowledge and incorporate this learning into practice (Lichtenthaler 2007), perhaps as a consequence of Freeport being ‘effectively a single-mine company… [that]
has not benefited fully in the past from the through-flow of ideas and experiences from mining operations in other countries’ (Ballard 2001, p.31). Low absorptive capacity has meant that in spite of the company’s newfound social commitments, protracted battles with the community and errors of judgment have created scars on the Papuan psyche. Continued links with the military also ‘hinders reconciliation between the company and community’ and cannot be offset by social projects (Ballard 2001, p.28). The site is now symbolic of multinational complicity with Indonesian exploitation of Papua and its people, with no signs of conflict abating permanently, making the resource curse difficult to reverse.

Freeport’s mines have become synonymous with Papuan resource exploitation in the minds of Papuans and NGOs, meaning comparisons with new multinational resource extraction projects are unavoidable. There was a palpable fear that BP would cause the appearance of the resource curse in Papua once again (DTE 2005, JATAM 2004). Freeport’s past errors and inability to learn by addressing issues pertaining to the community and shows the importance of a company’s engagement with stakeholders. Receiving external knowledge held by other organisations and through evaluations of its conduct the company’s capacity to learn is increased. It is through a willingness to learn that Tangguh may escape Freeport’s fate.

### 2.5 Learning and Tangguh

The comparative cases show the limitations of resource curse literature. It is able to highlight the symptoms associated with the extraction of resources, however, it fails to
mention the role of the organisation’s decision making in bringing about these outcomes, as well as the potential for organisational learning to reduce the severity of these symptoms. It will be seen that BP in its Tangguh Project has placed an increased emphasis on continued learning and research, making social knowledge of the local context as valued within the company as technical expertise and business acumen.

The Tangguh Project began in a turbulent time in Indonesian and resource extraction history, providing a fertile environment for exploratory learning. With Suharto’s departure leaving national and Papuan politics in disarray, the power of the military at its apogee, and the future of foreign investment uncertain, BP executives were nervous (Former Exec B). BP was paying the reputational costs of Colombia as it was exploring the Bintuni Bay area of Papua and conducting feasibility studies for the LNG plant in the late 1990s. Further calling into question the prudence of constructing a new resource extraction plan was the process of reformasi, as democratisation saw a resurgence in calls for Papuan independence, disturbing the stability made by the repressive climate of the previous authoritarian regime. Consultant A, who was involved creating social strategies for Tangguh said that approval for the project was on a ‘knife’s edge’ and that the BP Indonesia executives posed the tough questions before approving the project.

It was not only company approval that was needed for the Project to go ahead. While many Papuan people have long been anxious for development (Kirksey 2009, King 2004) and expectations of its occurrence resulting from resource extraction projects is high, perhaps dangerously so, there is also mistrust of foreign extractors. The company has
taken issue with preconceived pessimism on the part of community leaders and NGOs in regards to its social policy (DTE 2009), but this drive to avoid comparison with extractors such as Freeport can be identified as a source for learning, as BP may strive to improve its social performance.

In positing itself as politically neutral in terms of side-stepping strongman local politics, BP’s Tangguh Project may prevent itself developing a duplicitous reputation. Furthermore, in viewing its political role as one of provider and facilitator, BP is aiming to legitimise its place in the Birds Head region of Papua. This legitimacy is needed in order to avoid being the target of Papuan separatists, whose threatening of Western economic interests as a political strategy may result in BP sharing the symbolic fate of Freeport (Singh 2008). To establish a reputation among all political actors- from the community, to NGOs and the government- as ethical, accountable and facilitating development would mean that BP could contribute to political stability, reduced levels of conflict and opposition, and thus produce a successful and profitable project. As to whether this goal is one that has been attained, or is attainable at all, this notion will be explored in the remainder of this study.
Chapter 3: Evolution

3.1 Evolution in the Resources Industry?

Resource extraction projects are increasingly facing the possibility of unleashing the resource curse as scarce resources remain in geographically remote areas, in underdeveloped and politically volatile zones. This is especially so in post-Suharto Indonesia where there is no longer a stable authoritarian regime to protect unscrupulous extraction and the political and economic climate is unpredictable. Moreover, the stakes are higher than ever as corporate activities take place under the watchful eyes of the global financial markets and human rights movements.

In spite of the power asymmetry inherent within relations between global resource companies and their third-world hosts, the power of multinational corporations is not unchecked. To have a cavalier attitude reminiscent of James ‘Jim Bob’ Moffet, former CEO of Freeport McMoRan, who once described West Papua as Freeport’s ‘slot machine’ and the Grasberg mountain as a ‘decapitated volcano’ whose ‘oesophagus’ his company was mining (Leith 2003, p.9), could place major companies at great financial, legal and reputational risk; furthermore, ignoring human rights, security and the environment was no longer commonly acceptable. Institutions addressing these issues are now providing companies with the stability, guidance and discipline necessary in politically volatile zones.
Increasingly, the need to ensure a resource extraction project’s success has given rise to the evolution of the corporation’s political role through the institutions that guide them and the strategies employed. Rather than merely siding with a certain political actor in order to further business goals, as was seen in BP’s Colombian operations and by Freeport in Papua, the corporation has become a political actor in its own right. Today, extractive firms are teaming up with aid organisations, professional security analysts and a battery of accountants and human rights lawyers to minimise uncertainties that accompany the increasingly risky ventures in underdeveloped nations. Buzz words within the resources industry are ‘transparency’, ‘accountability’, and ‘development’, words borrowed from the vernacular of governance circles. Former Exec B exclaimed in the interview that these measures institutionalising corporate social responsibility, and facilitating governance and economic development, were a matter of ‘bloody common sense!’ Yet questions arise in response to these changes within the industry’s shift in espoused values. Is social responsibility within the extractive industry really ‘common sense’? Is the extractive industry’s transition from being unabashed corporate plunderers to politically correct ushers of development only a transformation on paper? Or have the institutions that produce this transition helped new projects avoid conflict in practical terms?

To begin answering these questions, this chapter will examine the importance of institutions in affecting change and how institutions themselves evolve. A discussion will follow on how the resource industry’s institutions have evolved by dissecting the structure, impact and changes made to the institutional framework affecting BP’s
Tangguh Project. The chapter will discuss vital institutions encompassing a range of forms and sources - both formal and informal, exogenously and endogenously produced - concerning three primary areas of concern in the prevention of violent conflict: security arrangements, population change management, and the monitoring of adherence to these institutional guidelines.

3.2 Tangguh’s Institutional Commitments

BP’s Tangguh Project has committed itself to an exhaustive list of formal international agreements in an effort to demonstrate its willingness to dedicate to the constraints imposed by these institutions. These include: Voluntary Principles on Human Rights and Security (‘Voluntary Principles’ or VPs), Universal Declaration of Human Rights, Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, International Labour Organisation (ILO) Convention Concerning Indigenous and Tribal Peoples in Independent Countries (Convention No. 169), World Bank Operational Directive regarding indigenous peoples, United Nations (UN) Norms of the Responsibilities of Transnational Corporations with regard to human rights, and International Organisation for Standardisation (ISO) environmental standards (TIAP 2009). The agreements range from providing guidance on human rights and indigenous peoples, to the environment and the place of a multinational corporation in volatile political zones. Their primary function is to inform stakeholders as to how the company plans to conduct itself and how it would like its project to be seen.
In order to bridge the divide between these espoused principles and the intricacies of the local context, more detailed institutional commitments were devised in accordance with Indonesian law and lender requirements. Institutional documentation was essential in binding the company to their professed principles and in order to minimise risk and uncertainties, so as to ‘constrain and refract politics’ that may contribute to undesirable outcomes (Thelen & Steinmo 1992). A primary institutional commitment is the environmental impact analysis (Analisis Mengenai Dampak Lingkungan - AMDAL), required by Indonesian regulations. The AMDAL system has been described as ‘consistent with international standards but is unwieldy and often poorly or inappropriately implemented’ (Ballard 2001, p.14). These standards include levels of waste and emissions, resettlement plans and local employment quotas.

Additionally, Tangguh’s primary lender, the Asian Development Bank (ADB) required BP produce the Integrated Social Program (ISP) and the Land Acquisition Resettlement Action Plan (LARAP) for villages affected by the Project. As the project’s ‘licence to operate’, the documents guided BP’s sweeping range of social projects, from health to business development. Critically, the majority of these projects were to be undertaken in partnerships with local and international NGOs, including United Nations Development Program (UNDP), US Agency for International Development (USAID) and Indonesian NGOs. The long term objectives of fostering effective governance and economic wellbeing independent of BP forms part of the company’s ‘macro CSR’ policy, in which it has taken ‘responsibility for
the indirect consequences of relatively sudden, steep rises in revenue... on a country’s economic, political and social development’ (Gulbrandsen & Moe 2005, p.55).

Assisting in achieving these standards, roughly seven years were spent in studying the region and planning the project which had previously been considered unusual in the resources industry. According to Former Exec B, Tangguh’s social architects were given all the time they required, free from the ‘tyranny of the production schedule’, which even contributed to the delayed opening of the plant. Community development planning is not usually associated with BP and, as Consultant A, who was involved in the baseline studies and in compiling the SEIA noted, BP was an oil and gas company with an ‘engineering culture’. Even though BP was aware of what not to do, based on the instances of experiential and observational learning previously discussed, it was less aware of how to act upon their espoused principles. To this end, the input to these early studies by the social architects was pivotal in attempting to delineate BP’s vision of fostering development while reducing the chance of conflict.

3.3 Security

The Voluntary Principles on Security and Human Rights (VP or VPSHR) can be used as a yardstick in this study for measuring the extractive industry’s institutional evolution and its implementation by examining their implementation at Tangguh. VP is a multi-stakeholder initiative, created in 2000 by a group of extractive corporations, NGOs and governments (including the USA and most recently Colombia) all sharing ‘an interest in human rights and corporate social responsibility’ to address safety,
security and human rights concerns within the extractive and energy sectors. BP and Freeport both took part in this dialogue that created the ‘only human rights guidelines designed specifically for oil, gas, and mining companies’ (The Voluntary Principles on Security and Human Rights 2010). VP advocate risk assessment, interactions between companies and public security, interactions between companies and private security, and the development of systems of reporting and investigation into human rights abuse allegations. Salil Tripathi, who has been directly involved in plenary sessions of VP, has noted that the raison d’être of VP is the state failure to protect rights and the necessity of companies to fill this basic governmental responsibility, where ‘home governments are unwilling or unable to protect rights’ (Tripathi 2010).

This document is unique, firstly in its specificity to the extractive sector, and secondly in providing not only rules by which to abide, but constructive guidelines through which to create plans for the protection of human rights. These principles have clearly been formulated in response to the industry’s troubled history in volatile states and aim to raise the standards and expectations of corporation conduct in such regions. Unlike most multi-stakeholder initiatives which are concerned with sanctions and punishments to control a participating member’s behaviour on a certain issue, these principles are designed to be internalised into company conduct, communications and procedures, almost as a support group for self-regulation and a reminder of responsibilities. While nominally voluntary, the agreement is passed into state law, and is mandatory for employees of companies as the principles are incorporated into codes of conduct and company policies (Tripathi 2010). Thus, it is no coincidence
that VP are mentioned in BP’s internal policies, including the Code of Conduct, and used in the creation, implementation and monitoring of social and security strategies (BP 2010, TIAP 2009, Ling & Smith 2005).

Criticisms of VP have been mainly in regards to the administrative running and structure of the VP process (Freeman 2010), as well as its being overshadowed by more frequently cited resource industry initiatives that have been launched within the last decade, such as the Extractive Industry Transparency Initiative (EITI). These perspectives are valid in the sense that more could be done to improve the clarity, operationalisation and wider recognition of the VP. Yet this does not diminish their niche role of informing and guiding conduct for resource companies and it remains ‘the key global human rights standard for extractive companies operating in conflict zones’ (Freeman 2010). In this regard, its application is acknowledged as critical. A more substantial criticism levelled at VP is that expecting companies to demand foreign security forces uphold human rights principles can be perceived as impinging on sovereignty. On the other hand, others have contended that this is necessary for all parties involved (Tripathi 2010); that companies have the responsibility to make states adhere to human rights principles and vice-versa.

In being newly introduced, the successful implementation of the VP favours new projects over those already in play. Although Freeport is a signatory to VP, it only serves to show the difficulty of applying them mid-project. Freeport still relies on public security forces and is unlikely to be able to extricate itself from those
arrangements without considerable opposition from both the TNI and the government. On this point Tangguh has had a distinct advantage in being able to create processes and train private security services since the Project’s inception, which has increased its ability to comply with VP. The Project created their Integrated Community Based Security (ICBS) strategy with VP in mind. Tangguh was four years away from construction when VP were released, allowing the maturation of VP and of BP’s ICBS security policy before they were implemented. It also allowed for the internalisation of these principles, as intended, and this institutional framework thus became the operation standard within the organisation, showing the profound influence that this new institutional focus had upon a major company. Furthermore, Jakarta’s promotion of the gradual demilitarisation of the police since its separation from the military, the removal of the TNI’s responsibility to secure ‘all vital national assets’, and de-politicisation of the military since the fall of Suharto also worked in favour of the ICBS (TIAP 2009).

The ICBS was regarded as a ‘seminal initiative’ for other extractive industries operating in Papua (Ling & Smith 2005). As a result of its own learning and in accordance with VP, BP was keen to maintain political neutrality and financial transparency in its security arrangements. Thus BP and the Indonesian oil and gas regulator, BPMIGAS, entered into an agreement with the police to demarcate duties, to emphasise the importance of upholding human rights and also outline budgeting and training procedures. Further, the Security Field Guidelines Agreement with the Papua Police (JUKLAP) was amended to extend the agreement in 2009. This
agreement hinges on employing indigenous Papuans to provide the first line of security for the Tangguh Project. These Papuans have been hired by a Jakarta-based security firm, as no local provider could provide a sufficient tender when the scheme was created (GHD 2009). The National Police has been designated as the second line of protection, with a police outpost stationed in the nearby village of Saengga. The police would only be called upon in the event that a security threat could not be brought under control by local security, and the TNI would be called upon only if the police were also unable to bring a situation under control (BP 2004). TNI troops in the region number 130, with no significant increases noted, while police numbers have increased by 1,500 recruits, a third of who are Papuans (TIAP 2008). Research has uncovered no evidence to show public security intervention has been necessary thus far in the Project’s life. Also, there have not been any reports of human rights violations. This would tentatively suggest that the ICBS has been successful thus far and that heeding VP has proven valuable.

The use of the ICBS and the JUKLAP has sought to defuse political tensions and criticisms regarding the Project, of which security was a central concern. Human rights violations were synonymous with foreign multinationals and security forces in the minds of locals and NGOs, based upon lived experiences. In this regard, it has been seen as controversial in the community and with NGOs to have any involvement with the feared police and TNI (DTE 2005, Kirskey 2009). The Tangguh Project has received little attention from human rights watchdogs, which may plausibly be indicative of the strategy being effective. SatuNama C commended BP on their ‘high
commitment’ to implementing human rights principles, while BP Exec D stated unequivocally that ‘there has not been any violent conflict since BP arrived’.

Only one incident has been linked to Tangguh, which was the Brimob operation in the Wasior district of Papua from April to October 2001. This took place over 200km away from the Tangguh site and occurred three years before the operations’ construction. Amnesty International reported that Brimob tortured, detained and executed over 140 people in the district after two attacks by an armed group on a logging company (Amnesty International 2002). Some commentators alleged that this conflict may have been intentionally staged by public security forces to encourage BP to use public security forces to protect its assets (Maitar 2005, Kirksey 2009). Those who reported that there was a connection had good reason to reach that conclusion, as instigating violence had been a TNI tactic to gain patronage that was effective in Freeport’s concession site. Yet there is little evidence to prove this as neither the attacks, nor the human rights abuses took place near the site, and the perpetrators of the violence did not associate the incident with BP’s security arrangements. If indeed it was a form of message or warning to BP, it was not a clear or effective one. BP did not acknowledge any link between the violence and its operations (Kirksey 2009), and the ICBS was still implemented instead of using public security forces.

Although it appears unlikely that the incident was intended for BP’s consideration, it does, however, reinforce the reality of the risks that BP faces in operating in Papua and the necessity of private security as a means of guarding assets. BP’s very
presence has compounded the risks of conflict, being a prime target for sabotage and with the risk of military extorting the company and installing themselves as company security. The risk of military interference was evident in 2002, when the military commander paid the Tangguh Project an intimidating visit to inform BP of the military’s obligation to protect national assets (King 2004). BP argues that it has chosen to engage rather than alienate in its adoption of the ICBS, while at the same time refusing the use of public forces as security. The ICBS has sought to change the role of security in the region, preventing it from extorting the company and terrorising the local community.

3.4 Social Policy
The Tangguh Project has not only been established in an underdeveloped and volatile political zone, but it has required village resettlement to accommodate the operations. Therefore social policies addressing land rights, resettlement compensation, employment and in-migration have been vital. On land rights, BP’s efforts at recognising such with the indigenous community have been a significant evolutionary institutional change for this multinational. Its social programs are based on the local indigenous people being the rightful owners of the land in complying with ADB, ILO and WB standards on the rights of indigenous peoples. This is in contrast to their production sharing partner, the Republic of Indonesia, which only recognised *adat* rights since the implementation of Special Autonomy and has never recognised the concepts of tribal indigeneity or traditional landownership. Indonesia is yet to be party to agreements such as the UN Declaration on the Rights of Indigenous Peoples,
seeing such acknowledgments as an affront to the principles of Pancasila, the doctrine of the Indonesian republic, and to the concept of ‘unity in diversity’.

Additionally, under the Constitution, natural resources are to be exploited under state control in order to benefit the wider nation and adat rights given under Otsus are subsumed to national interest under the Basic Agrarian Law of 1960. This essentially allows the government to claim any land or resource as being in the national interest to exploit, regardless of its value to local communities. BP, while having to comply with national law, has gone further than the government in internationally recognising the hak ulayat (land rights) of indigenous tribes in the region and positively discriminating in their favour, including offering employment opportunities and development advantages to locals first.

BP’s acknowledgment of the importance of hak ulayat was evident in the location selection and resettlement agreements made with the local community. ARCO negotiated an agreement in 1999, but the community deemed it inadequate and an additional agreement with further compensatory measures was reached with BP. A consultative approach to negotiations has likely helped prevent the development of an adversarial relationship between the community and the company. BP’s institutional and internal recognition of adat rights are significant in having gone beyond the government in attempting to promote development and restoring human rights.
In terms of relocation institutions, the LARAP was devised to provide ‘resettlement with development’ for resettlement affected villages (RAV) (BP Berau 2006b, p.6). The Project’s strategies in the LARAP have rendered mixed results, including the escalation of inter-village tensions, which arose alongside the decision making process regarding resettlement. Researchers vetted several sites for the possible location of Tangguh, when it was decided that the optimal location for the LNG plant required the relocation of the village of Tanah Merah (BP Bearu 2005). After much deliberation and consultation, BP reported that the community were generally supportive of the relocation, receptive to the idea of compensatory benefits (BP Berau 2006b). Villagers from Tanah Merah chose where to relocate based on judgements of access to resources and social connections, moving to the nearby towns of Saengga and Onar in 2004. Input in site selection and resettlement planning has meant that some social tensions were reduced, while other issues of facilities-sharing and increased resource competition were identified as short term effects of relocation (BP Berau 2006b).

The benefits accrued to RAVs have caused tensions on the part of villagers on the opposite northern shore. The north shore has lobbied to have the plant near their village, and claim that the gas reserves are beneath their traditional territory. This matter has become a significant source of tension that is still simmering in spite of compensatory efforts by BP and local governments (TIAP 2009). Benefits from ISP programs have been aimed at benefiting all villages within the Bintuni Bay area, but jealousies still run deep, proving to be a potential site for conflict that government
and BP largesse has so far managed to stall, but may flare up again if it appears that one village is being disadvantaged over another (TIAP 2009, SatuNama C, Consultant A & Former Exec B). Long term strategies are needed to be taken by both BP and local government, as is a thorough understanding of what the north shore villagers demand in the context of their *adat* claims and not in terms of short term payoffs of funding or infrastructure in exchange for silence.

In terms of population growth, an important guideline that was developed by the early social architects of the Tangguh project that was the Diversified Growth Strategy (DGS). DGS was an important means of attempting to suppress symptoms of the resource curse and informed the direction of most social programs and strategies in the Tangguh Project. The strategy aims to ensure that the Bird’s Head region derives benefits from the Project, mitigate in-migration in areas that do not have the capacity to cope, and to manage project-induced developments (BP Berau 2005). Instead it promotes a notion of ‘modular development’ through the growth of nearby regional centres, which have a capacity for population growth and can assimilate larger numbers of migrants (Consultant A). It has been formally adopted by the Papuan government at the provincial and regency levels and is supported by the UNDP (BP Berau 2005). The guiding principle of the DGS is to encourage sustainable economic and population growth thus preventing the boom-bust economic effects and social tensions that this form of migration would likely cause. The DGS also emphasises the strengthening of local business capacity to harness growth in the regional areas, as well as facilitating political capacity and infrastructure across the Bird’s Head Region.
in order to accommodate the likely influx of revenues and migrants from the Project as well as increasing levels of development.

On employment management, a comprehensive approach was needed in order to both benefit local RAV and Directly Affected Villages (DAV) populations, while preventing the negative effects of spontaneous migrant influxes. One strategy in keeping with the DGS to combat this potential point of conflict has been in workforce management. DAV and RAV members were given increased employment opportunities over non-local workers in line with the minimum recruitment numbers stipulated by the AMDAL and LARAP. The operations phase has seen large parts of this workforce demobilised, but TIAP noted that levels of locals still involved with the LNG plant in 2009 exceeded recommended quotas in the AMDAL. Demobilised locals who were not offered a position with the company have been given skills training in specialised training centres in efforts to help them re-enter the workforce in another capacity (TIAP 2009). BP Exec D classified the issue as ‘manageable’, although it appears likely that providing viable long term employment opportunities for the demobilised workforce will continue to be a challenge.

Another aspect of the employment problem is that the arrival of large numbers of migrants in response to the announcement of new resource extraction projects is a phenomenon across Indonesia, Consultant A noted. As previously outlined, it was also a problem encountered in Colombia by BP that the company struggled to control. Commonly referred to as the ‘honey pot’ effect, influxes of migrants seeking jobs can
negatively impact on the fragile social fabric and strain the resources of a small community. This is especially relevant in Papua, which has received influxes of transmigrants from across Indonesia, since it was a policy used in the Suharto years as a method of strengthening national identity (King 2004). The effect has been that nearly half of Papua’s population is non-indigenous, with the majority of migrants living in urban areas, with many Papuans feeling displaced in their own land. In response to these issues, Tangguh recruitment and training for non-locals is conducted off-site in regional centres, with workers returned there once their contracts have finished. These workers are housed on the Tangguh site throughout their employment rather than being hosted in the neighbouring villages.

In response to these strategies, there has been little in-migration to the north shore DAVs but RAVs have experienced high levels of growth from migration, with Onar’s population increasing by 300%. Unfortunately, this seems to have also been accompanied by the increase of social issues including alcohol abuse and prostitution (TIAP 2009). An external review noted that ‘despite sustained efforts by BP and its contractors to keep in-migration to the minimum possible, it has occurred and cannot practically be undone’ (TIAP 2009, p.54). However, another 2009 external report, submitted to the ADB, congratulates BP Tangguh’s workforce recruitment team for limiting migration through its work, describing the influx as ‘comparatively small’ and less than predicted in initial estimates (GHD 2009, p.9). One report focused on the results based on the changes within single villages, whereas the other takes a wider view of the issue, comparing it to what it may have been, had the strategies not
been in place. The disparity in results reiterates the importance of constant monitoring, where different views can be reached depending on perspective. It also shows that reaching standards and meeting criteria can mean one thing in a board room but another in an affected village, where adequate in one context may be a severe problem in the other.

In the mixed results of these projects, regardless of their actions being in accordance with institutional guidelines, institutional frameworks are only effective to a certain extent, with some risks remaining present in spite of attempts to combat them. Looking at these institutional strategies, the factors contributing to the uneven results of the DGS and LARAP can be attributed to issues within organisational structures and in the implementation of these policies by these organisational units (BP Internal Audit Team 2007). The strategy shows preparedness for the risks and potential problems common to resource extraction projects in the region, and an admirable willingness to innovate and devise a method of confronting the problem. Yet further work has been needed to refine the institutional structures that are charged with implementing these pivotal new policies. In the case of managing sources of potential conflict in inter-village tensions, Tangguh recruitment and in-migration, institutional frameworks have not been enough to prevent potential conflict factors from arising, especially when poorly or partially implemented.
3.5 Monitoring

To ensure that institutions remain effective and adhered to, they need monitoring and reporting, as recommended in VP. In accordance with lender and AMDAL requirements, BP has commissioned a variety of internally and externally produced reports, which have been made publicly available. These include the seven annual Tangguh Independent Advisory Panel (TIAP) reports (2002-09). This high volume of commissioned reports is characteristic of the ‘remarkable growth of corporate codes of conduct and social reporting’ over the last decade that is publicly available (Frynas 2009), the result of institutional requirements which are now standard procedure across the extractive industry. This monitoring is in stark contrast to projects previous to Tangguh, such as BP in Colombia and Freeport’s Papuan mines, who had scant publicly available monitoring reports prior to the 2000s.

A learning culture can be identified within the Tangguh Project staff in their responsiveness to monitoring. This feedback, including a mix of internal and external reporting, is essential in improving company performance, reviewing which programs have been successful and which may need to be modified, and demonstrates transparency and accountability. While the overall tone of these reports were positive in regards to Tangguh’s operations and did not cite any incidences of major conflict, the reports strongly suggested improvements in areas such as the completion of infrastructure projects, the management of relations with north side residents and the increase of local workforce numbers. BP’s responses reveal a receptive attitude to these criticisms and a commitment to addressing concerns and TIAP auditors noted
that BP had been responsive and provided practical action in areas nominated for improvement (TIAP 2009). Reporting clearly encourages the company to embark on both exploitative and explorative learning on the part of the extracting company in order to refine processes and find new solutions to problems before they arise, thus helping to reduce the chance of conflict erupting.

In spite of the positive attitude taken by BP towards monitoring, there has been little research conducted that has not been directly commissioned by the Tangguh Project or its financial lenders in recent years, and it has received little media or NGO scrutiny since the early days of construction in 2004-05. This may suggest that ‘no news is good news’, as Former Exec B noted, meaning that the lack of reporting reflects a lack of incidences and problems emanating from the Project. However, one consultant voiced concern about this lack of continued independent monitoring, especially on the part of conservation organisations. It is also concerning that the NGOs who were once vocal in the initial stages of the Project, such as JATAM, ELSHAM and the Perdu Foundation, and were opposed to Tangguh on the grounds of BP’s track record, possible damage to local livelihoods and security risks have not released studies following up on the Project’s progress since the mid-2000s. NGOs and the media can play a significant role in holding BP accountable to its initial promises, challenge their public relations department, and can advocate for the community, especially those who feel marginalised. A lack of outsider scrutiny may give rise to the danger of BP losing its drive to improve its security and development efforts. The pressure that made resource extraction institutions change and force
organisations to comply and to innovate must not be removed. The concern in this scenario is that this traditionally neglected corner of Papua is likely to be neglected once more after enjoying a decade of attention thanks to BP’s thrusting the region into the world economic system, dashing the hopes and aspirations of local communities.

3.6 Institutions and Tangguh Policy

The Tangguh Project was born in a period of institutional dynamism. With the fall of Suharto leading to a slackening of the military’s grip on politics and business, and the beginning of an era of resource sector-specific human rights and CSR initiatives, the planning stages of the Tangguh Project were well timed. Beyond mere luck, multi-stakeholder consultations and agreements, Indonesian environmental regulations, lender operational requirements, and BP’s strategising have strengthened the institutional framework that is both constraining and supporting the Tangguh Project. This framework guides the company’s approach to security and development and provides stability, while reviewing project progress. It thus provides rules and monitors enforcement in the absence of an effective central or provincial government sympathetic to its own people.

It can therefore be deduced that this shift within the institutional framework has greatly contributed to the Project’s avoidance of conflict. Resource curse literature assumes the inevitability of violent conflict and economic disaster in a context such as Papua’s, yet this institutional dedication to preventing violence, increasing
communication and transparency, appears to be effective in avoiding it. By highlighting the central role of the extracting company, the importance of the community receiving benefits, and the active approach to security, while monitoring activities’ progress, institutions are questioning the continued inevitability of the resource curse.

At the same time, institutional safeguards alone have not been capable of eliminating all conflict risks. Institutions can be blunt instruments, providing overarching values, guidelines and monitoring mechanisms, but cannot ensure the elimination of all project-specific uncertainties. The institutional change in the resource extraction sector within the last ten years may best be described as a paradigm shift, where individual puzzles may remain unsolved, but the terms of reference have changed, giving a new perspective in approaching problem solving. This paradigm shift has witnessed a previously unscrupulous extractive industry recognise social responsibility, a dedication to avoiding conflict, and upholding human rights as a corporate imperative – or simply ‘bloody common sense’.
Chapter 4: Metamorphosis

4.1 BP’s Role in the Community

BP, through a process of exploratory learning, has assumed primary responsibility for security, development and governance within Telek Bintuni and the wider region. BP’s promises to the community have gone beyond usual ‘micro’ CSR commitments, in which ‘activities are supplementing government policies in specific areas, but they do not interfere with government policy’, for example the provision of basic infrastructure (Gulbrandsen & Moe 2005, p.55). While macro CSR responsibilities are associated with the role of a government, it is becoming more common for companies to take on such an approach. Indeed, ‘governance can reside in any institution and need not necessarily be activated by government’ (O’Hara 2007, p.30).

This chapter will explore the notion of BP’s institutional metamorphosis from business to pseudo-government, and the implications for regional stability in this stretch of institutional responsibilities. Through looking at the Project’s adoption of the roles reminiscent of government in its approach to security, social and capacity building issues, it can be determined whether increased responsibility has given the company the ability to quash the resource curse. Tangguh’s macro CSR approach will be analysed through the ICBS security plan, its commitment to local livelihood and development, and its capacity-building measures for fostering better governance in Papua. It aims to delineate what this new institutional flexibility means for the future.
of the people affected, of governance in these regions and of the companies themselves.

4.2 Governance and Gas Companies

It may appear beyond the role of a corporation to provide a host community with basic living needs, however, in this case of gross governmental neglect, it may be advantageous to all stakeholders if the operating company takes on some of this responsibility. It is positive for communities in need if a third party delivers public goods, especially in Papua where corruption and discrimination is rife, which hampers the dissemination of goods and services. The weak local governments also lacks the necessary skills and resources to assess community needs, address them and monitor programs. Therefore, extraction companies can potentially be more efficient, transparent and technically capable of providing for citizens of a fragile state than their own government.

In turn, effective social policies can help promote a company’s relationship with the community, avoiding public controversy and production disruption through violent conflict, as ‘businesses that are perceived as exploitative or culturally undermining could sow the seeds for resentment and violence’ (Fort 2007, p.19). By minimising the multiple harms it risks posing the environment, human rights and livelihood, while simultaneously maximising community benefits, the company’s role has become one of ‘filling-in when government falls short’ (Frynas 2009, p.4). Furthermore, some believe that comprehensive CSR not only has the potential to
prevent conflict and provide services, but it may even promote peace, as ‘ethical behaviour is an achievable goal with an unexpected payoff. It may be too much to think that one’s daily work could achieve peace, but one’s daily work can be ethical’ (Fort 2007, p.6). It is possible that in contributing to economic development, avoiding corruption and embracing transparency, corporations can prevent violence and promote peace.

The vision of responsible corporations appears utopian in comparison with the usual nefarious image of oil and gas companies, their sole motivation being profits. It is certain that although a company may mimic the government’s roles it does not mean that it shares a government’s goals, considering that the profit motive will most likely override any humanitarian impulse. Politically, the idea of a foreign extraction company being looked to for governance assistance initially appears absurd. Some declare that they ‘have neither the expertise nor the sensitivity needed to bring development to the most isolated and traditional peoples of the globe’ (Leith 2003, p.250). This is reiterated by one oil and gas company manager in stating that ‘we cannot be government’ (Frynas 2009, p.138), and even BP Exec D said that in spite of the company’s role in the community being ‘significant’, ‘we don’t want to be seen as government’. Moreover, the private sector is not immune to the dangers of poor policy implementation, and is also susceptible to corrupt activities. These initiatives also risk raising local expectations of dramatic increases in development, the possibility of dependency, accusations of paternalism, and the wastage of resources on unproductive, unnecessary and unwanted projects.
Yet some aspects of the government’s role are expected to be filled by institutions and the community. Financial institutions, including the ADB, have made BP’s dedication to restoring and elevating community livelihoods a condition of operation, with funding dependent on the fulfilment of development criteria. The local community at Bintuni Bay also expected BP to play a large role in fostering development (BP Exec D), as the provision of social necessities can act as compensation for damage to livelihoods, as rent for using land, and in order to benefit from the asymmetry of resources between the company and community. Previous negative experiences with logging companies in which little benefits were received for the extraction of their resources made the community suspicious of BP and anxious to see a tangible pay off (BP Exec D). It must also be acknowledged that in the case of an inept or predatory state, an increase in development and an assurance of safety will always be welcome, no matter what the primary motive may be.

4.3 Security
The state does not always have a monopoly on force, as evident in the cases of BP in Colombia and Freeport in Papua. Rogue military brigades, mercenary private security firms, rebel groups and paramilitaries are all undermining what was once ‘the prerogative of the states’ (Richani 2005, p.133). In fact, in these conflict zones, the state has been unable to establish its legitimacy in its use of force as paramilitary forces escape the control of government. In Papua, while the state’s military response has forced civilian and rebel submission, a nominally successful outcome for the
Indonesian government, it has come at the price of central government’s struggle to
tame a fiercely autonomous and political military (King 2004). In this anarchic
situation, whereby multiple armed actors carve up the territory while the government
has little will or ability to control even its own military, multinational companies
working in volatile regions have the dual challenge of both protecting their assets and
avoiding exacerbating tensions.

As shown in the previous chapters, security policy has been a primary priority for
Tangguh and has been guided institutionally by VP and its own ICBS. So far, it
appears that all parties have been compliant with these agreements. The implication
of this strategy is that a new security zone in Bintuni Bay has been established, where
neither public security forces, nor militant groups can control Tangguh territory. In a
sense, BP has sovereignty over the region, in discouraging external conflicts from
entering the area in which the ICBS is operational. This strategy has doubtless
minimised conflict and the Indonesian government has even speculated about having
it applied to other resource extraction projects in Indonesia (TIAP 2008).

Security risks persist within the Tangguh area of influence, however, in spite of the
effectiveness of the ICBS. The strategy has limited ability to address internal conflicts
that are not directly related to Tangguh’s physical assets. Inter-village, inter-religious,
inter-clan and anti-migrant tensions are the most likely sources of conflict resulting
from Tangguh’s presence and cannot be directly addressed by the security strategy.
BP Exec D noted that the preferred method of intervention when community tensions
arise is through ‘dialogue and consultation’ and the inclusion of local government officials to help resolve these tensions. While this may be the ideal method of resolving internal conflicts, a contingency plan must be devised to address the possibility of internal violence erupting. A police post has been established at Saengga to deal with local safety issues, but it has caused more discomfort than an ease of these tensions (Maitar 2005, TIAP 2008). The effort to employ more native Papuans in all security forces involved in the region is a step in the right direction, but the issue remains that internal mechanisms must be established to diffuse internal disagreements without escalating conflict.

In the case of security, it is unlikely that the community would be better served by another strategy, with BP’s assuming of this governmental role a positive outcome for the community. Furthermore, it is their responsibility to provide this security as it was BP’s presence that increased risks of conflict. While the ICBS has created a zone of security from forces external to the region, BP’s concern must extend to fostering safety within the villages. Constant vigilance is needed on the company’s part to prevent the encroachment of public security forces and to neutralise community tensions.

4.4 Development

Addressing security concerns directly have not been the only means of attempting to reduce the likelihood of conflict at Tangguh. A comprehensive social program aimed at sustainable development is designed to provide compensation, to raise the level of
development and to encourage economic independence in order to prevent bitterness between villages or directed towards the company, promoting stability through development. Many of the programs are aimed at the DAVs but will cease at the end of this year, incorporated into the wider program, as was always intended, under the assumption that these villages affected by relocation will no longer be at a disadvantage (BP Exec D, BP Berau 2006a, BP Berau 2006b). It is beyond the scope of this study to evaluate each aspect of the Tangguh social programs individually, but a couple of key projects will be analysed for their effects on future stability.

An innovative and effective social program has been the Community Action Plan (CAP) where each DAV was allocated funds to devise and implement their own community development projects. This not only provides the villages with projects according to their priorities, but it teaches the committees how to manage funds, oversee project completion and also helps manage development expectations. Examples of CAP spending have included the construction of bridges, renovations of mosques and the purchase of fishing nets (BP Berau 2005). SatuNama C, whose NGO helped implement the program explained that the program focussed on teaching villagers ‘how to create and maintain their livelihood and how to release their dependent [sic] to natural resources’. BP Exec D mentioned this program as being one of the Project’s biggest social achievements and that the villagers’ skills in planning, budgeting and reporting has noticeably helped DAVs compete for funds from local governments and the World Bank.
This social program was not initially popular with locals, who did not see the point of transparency and reporting of funds. BP Exec D noted that there was ‘always conflict’ on this issue in the early years of the program, but as villages saw the results of *not* being accountable, through losing track of spending and poorly executed projects, they then called for increased transparency and ‘got used’ to procedures. This program’s eventual effectiveness lay in the fact that it had a tightly targeted local focus that was both beneficial and instructive for local communities, helping them gain what was needed, with minimal evidence of paternalism and discouraging dependence upon the company. It is this type of program which can discourage conflict in the longer term, as development expectations are managed because projects are favoured over ‘gifts’, and each village has a sense of responsibility and ownership over their own projects.

Education can be classed as a sustainable CSR program, as a long term project aimed at sustained development over generations. Education has always been a challenge in Papua, with major obstacles including: the distance of schools from villages, low quality of education, low belief in student abilities, clashes between the academic and agricultural calendars, chronic teacher shortages and a lack of educator support (UNDP 2005b). This may explain why BP’s education programs have also met with limited success in the Bintuni Bay region, as many problems mentioned are endemic and are not easily overcome.
Cultural resistance may also explain the lack of traction the education program has received. TIAP reports pointed to a lack of education culture and institutions in the area (2009), but it is perhaps also a local reaction to the Indonesian curriculum, much of which would appear to be superfluous in a remote Papuan context. UNDP notes that education materials use ‘examples outside a student’s frame of reference, which decreases learning effectiveness and motivation’ (2005b, p.22). Some changes in education have occurred since Special Autonomy laws were passed, whereby adat and remote communities now have the right to ‘special- treatment education’, although these programs still need to be in accordance with national education standards (BP Bearu 2006a). This amendment may help education gain more traction in the region, but cultural convergence towards Indonesian norms through the education system will still be inevitable and may yet be resisted by some communities.

The concern with the weak results of primary and secondary education initiatives is that while a lack of education is not be a direct contributor to conflict, a lack of education can perpetuate the cycle of poverty. When unemployment remains high, tensions rise, as development is not seen within the communities. BP’s challenge is to devise a scheme that is relevant to local surroundings and motivates local families to educate their children, while still providing them with tools to expand the local economy, in order to provide a new cycle of opportunities. This is not an easy public service for a company to help provide, as they have little influence over state education standards.
At the same time, increasing levels of education is an achievable task, especially given the positive community response to adult literacy and vocational skills training courses that have been offered. These have been widely embraced, perhaps as they teach skills that the adults perceive as more culturally and practically relevant (TIAP 2009). This proves that education is not antithetical to local culture, but that it needs to be culturally relevant. It also demonstrates that the responsibility for providing up-skilling and employment opportunities may actually be suited to corporations, which are in a good position to directly provide practical training and employment.

4.5 Governance

Given its political history, it is unsurprising to learn that governance mechanisms in West Papua province are weak and fractured. To describe them, it is necessary to understand the different – and multiplying – systems of leadership. Bintuni Bay is governed by leadership systems at the level of tribes, clans, and villages, as well as administration from districts, regencies, province and state. This is not including other respected forms of leadership, such as adat and religious authorities, which also exert authority in the community. This complex network of governance leads to ‘ambiguities of power’ (Mayer 2010), whereby leadership is ill-defined, disputes are frequent, and resolutions are few.
Corruption is a primary issue within Papuan leadership. Among local elites, there is the pervasive idea that leadership ‘confers authority and privilege rather than responsibility’ to the community (BP Berau 2006b, p.74). The elites that rise to power are not subject to rigorous standards of accountability, and take the opportunity to reap the benefits of their position. The provincial capital Manokwari holds the dubious honour of being Indonesia’s third most corrupt city (TIAP 2009). This statistic is made worse upon considering Indonesia’s overall corruption perception index ranks a mediocre 111 out of a survey of 180 countries, bettered by Liberia and Niger (Transparency International 2010). Additionally, the province is dependent on Jakarta for funding and direction, BP thus finding governments to be ‘under-staffed, under-resourced and without capacity to deliver requisite inputs in the specified time frame’ (BP Berau 2006b, p.142). Resources will continue to be sorely needed as the processes of administrative subdivision of districts, *pemerakan*, means that Kabupaten (regency) Telek Bintuni’s 10 districts are further being divided into 24 districts, increasing demand for better administrative capacities (GHD 2009).

Dysfunctional leadership is also at odds with assumptions in resource curse literature whereby rebel groups have the capacity to challenge the government’s position and claim to rule. The climate of military repression in response to Papuan uprisings has meant that the weakness of rebel chapters has prevented these groups from performing a pseudo-government role, as has happened in other civil conflict regions. In Colombia, some rebels and paramilitaries were known to provide not only protection but basic goods and services for civilians within their claimed territories.
(Heincke 2006). In Papua, however, the military have the upper hand, preventing oppositional groups from surviving, let alone providing for the populace. The OPM is too weak, ill-equipped and nomadic to provide this governance and even the Papuan Council Presidium who emerged as a major diplomatic force for Papuan independence in 2000 ‘never did achieve...quasi-governmental status’ (King 2004, p.111). In this climate of fear, no other group has been willing or able to overcome an omnipotent, but also neglectful, central government.

The ideal situation is, as USAID E described, where governance is strengthened before major investments enter the region and not vice-versa. This helps address the power asymmetry between the community and the company, by using government regulations and negotiating strength. It also means the community will be better placed to manage revenues, as resource conflict theory supports. However, the likelihood of energy companies waiting for this to happen is slim, as the race for commodities continues. Thus, in the absence of governance, the role of interim government is one in which resource companies are cast by the demands and expectations of their stakeholders.

Presumably comprehending that a governance role would automatically fall to them, BP looked to ‘governance’ and ‘capacity building’ measures in order to divest themselves of this responsibility in the future. Transferring this local political power to the community would reduce the chances of dependence upon the company. TIAP remarked on ‘the inevitable need to have government take charge of all social
programs, the clear benefit of this occurring at the earliest time and the large increase in local revenues that will take place all put a premium on effective governance’ (2009, p.28).

Controlling revenue flows is a critical element of governance and a critical means of avoiding the resource curse, and is a central challenge in Papua due to weak governance mechanisms and high levels of corruption. It is a priority of NGOs and international financial institutions, with a World Bank official stating that ‘CSR is missing the boat, the real issues are the fiscal issues... oil companies have a role to play in the improved management of revenues’ (Frynas 2009, p.133). Thus BP has funded fiscal management programs in the region implemented by UNDP with the ‘Capacity 2015’ program and USAID’s Local Governance Strengthening Program (BP Berau 2006a). These programs have seen to be especially important as increased funds have flowed into the region since Special Autonomy laws. In light of the recent outrage in Papua that communities have not felt the benefit of these funds and that they have ended up in pockets of officials and wasted on rushed infrastructure projects (ICG 2010), the sustained implementation of these programs is paramount.

BP is also likely to encounter problems, if not adequately and pre-emptively addressed, in regards to the inflow of funds returning to the community from the Tangguh Project. BP based its development policy and its justification of the Project as being beneficial to the community on the assumption that Otsus funds would see a portion of revenues return to the province (BP Berau 2006b). While large sums have
been transferred from the central government to the Papuan provinces, available information indicates that the Indonesian Government’s has hitherto failed to implement the resource revenue part of the policy package, and thus the community may not receive these benefits as profits are generated in the coming years (TIAP 2009). There has not been evidence to suggest this has been a source of contention as yet, but as profits are due to be made within the next five years, this is a potential problem for the future.

Although BP Berau has indicated its support for Special Autonomy, it plays no role in the political decision-making... In the long run, the absence of a transparent and visible revenue stream to the province could create security risks for Project [sic]. (Ling & Smith 2005)

While BP may not have the ability to enact these laws, especially considering its ties to the Indonesian government in the form of the production-sharing contract, an alternative mechanism should be considered in order to combat this likely source of tension.

4.6 Is BP the Government?

As the government intervenes when market failure occurs, intervention is also required when the resource curse appears. In the absence of a government taking on this role, it is left to the company to apply the corrective. BP has thus provided many essential public goods and services in Telek Bintuni, as well as managing the effects of its own presence. In providing an innovative security solution and attempting to reduce community dependence on the company it may also have helped prevent the
outbreak of violent conflict thus far. BP has successfully executed some governance functions, in areas that the private sector can provide support.

Partnerships have been an essential component of the social programs, and BP funds have enabled the implementation of many long-term projects and have been valuable sources of continued learning. BP Exec D noted that ‘partnership with other local stakeholders such as local NGO... is important in tapping local knowledge and expertise, and at the same time building capacity of local institutions to ensure sustainability upon departure of the company.’ This approach of using NGO and consultant input has become more common in the resource extraction sector with the effect that ‘the design and the implementation of company-funded projects have become more professional’ (Frynas 2009, p.113). This more studied and pro-active approach, in which corporations learn from potential detractors, has caused a shift in the type of projects implemented. Infrastructure show-pieces, aimed at short term appeasement of local communities and public relations presentations, take a lesser role over longer term development programs aimed at sustainable economic development and incremental lifestyle changes.

By the same token, the company is still an intruder in the community and its actions have transformed the region, as acknowledged by Former Exec B. BP has disembedded economies, in attempting to replace a traditional subsistence economy with a modern cash one. This has resulted in patchy employment for locals, raised hopes of increased wealth, and the re-training of entire communities in how to obtain
their livelihood. This subsistence lifestyle ‘does not mean the villages have no experience with or interest in the cash economy’ (UNDP 2005a, p. 1), as the arrival of other resource extraction companies and transmigration camps nearby introduced wages, cash and trading in the 1980s. It formed a ‘colonial economic structure’ whereby the indigenous community retain their subsistence lifestyle, while seeing settlers become wealthy by using local resources in the cash economy (Chauvel 2005, p. 51). BP has now made the cash economy the norm and something the community has little choice but to aspire to. This economic transition was perhaps inevitable, with BP providing valuable community support, but this road will be long and hard fought for the community, who have witnessed capitalism’s ‘destructive creation’ first hand.

BP cannot explicitly be said to be the ‘government’ of Bintuni Bay. Its actions are a fulfilment of its institutionalised and professed responsibilities, as well as in response to community expectations. Furthermore, its vision of its own involvement in the community is a temporary one, it was not elected to its position of power by members of the local community, and the company’s only ideological position is a corporate ethos. The company has transformed the community, but it is not the sole source of leadership in the region and most programs have been developed and implemented with the assistance of other actors. However, the company’s hybrid role and clear extension of traditional institutional limits supports the concept that ‘the world is moving towards systems of shared governance’ (World Bank official quoted in Frynas 2009, p.55). In attempting to suppress symptoms of the resource curse,
particularly violent conflict, BP has established itself as an influential political actor in the region.
Chapter 5: Conclusion

5.1 Conclusions

It is now necessary to return to the research questions posed at the outset. Firstly, it was asked what factors contributed to the ostensible lack of violent conflict in the vicinity of Tangguh in spite of resource curse tenets predicting otherwise. Two primary factors can be distilled from the results of the study’s institutionalist approach. Firstly, new institutional constraints have increased regional stability by dictating appropriate corporate behaviour, with a focus on extracting positive social outcomes for local communities. Secondly, BP has been seen to take on far more social responsibility than in its previous operations. It has proactively strategised to minimise effects associated with its presence, adopted a neutral security stance by refusing to use public security forces, and assumed governmental roles, while also encouraging the strengthening of local governance.

The next research question asked if BP has undergone a process of learning and evolutionary change that has contributed to the absence of violence in its area of influence in Papua. BP has indeed learned from experiments, experiences, failures, and interaction with other actors to improve social performance, as evidenced in its application in the Tangguh Project. Exploratory learning was undertaken by BP in which it processed external sources of learning to create new approaches to security, governance and social programs. This direct attention to likely sources of conflict resulting from its presence was effective in avoiding resource curse symptoms in
these areas. The Tangguh Project shows the company’s potential to apply this learning more widely and the value in doing so.

BP’s aims of exploiting oil and gas reserves remain the same, even though there has been an evolution in its manner of doing so. The company’s responsibilities have been enlarged as a result of internal processes of learning and the external forces of institutional influence. An evolutionary process is visible in the changes in institutions that govern BP and the resource extraction sector at large. The last decade has seen the proliferation of multi-stakeholder initiatives cross-cut institutional boundaries, involving states, NGOs and corporations, seeing the evolution of institutions as they act as a regulator and stabiliser for the sector. This in turn has pushed resource extracting organisations to learn and innovate, allowing the companies to continue the race for commodities, while associating the growth of profits with the growth of responsibilities.

5.2 Implications of the Study

The institutionalist framework is dynamic, focusing on the learning, evolution and metamorphosis of institutions. By foregrounding the role of extractive corporations and the range of sources of conflict that resource extraction produces, this framework can be applied to individual cases, as well as detecting wider sectoral developments. Furthermore, the results of the study imply that if corporations follow Tangguh’s holistic model of security and development, the resource curse may become obsolete. If the institutional boundaries and commercial incentives dictate that corporations
take a larger role in volatile regions, they have the potential to avoid such problems as the collapse of other sectors, mismanagement of revenues and the onset of violent conflict. The resource curse is not inevitable so long as stakeholders collaborate to eradicate its occurrence, with primary responsibility lying with the extracting company.

In spite of the institutional progress made by BP in Tangguh, the study has identified that challenges remain if the resource curse is to be avoided. Potential sources of conflict include inter-village jealousies, problems in resolving land rights and compensation issues, an increase in public security force numbers and the decrease or withdrawal of resources dedicated to social programs. Many of these are problems that have lingered since the company’s arrival and must be clearly and definitively resolved.

The biggest threat to instability, however, and the proximate cause of most other potential sources of resource conflict, is in the transformation of local lifestyles and economy. The globalised economy has already disadvantaged the local community of Bintuni Bay, a disadvantage that is as political as it is economic. BP has a great challenge if it genuinely wants to address the issue of livelihoods. To try and bring these communities into the global industrialised economic system without disadvantaging them further will be a slow and hard-fought struggle. Yet the costs of not doing so risks these peripheral communities remaining caught between two worlds, neither of which can completely fulfil its cultural, economic and political
needs. While the corporation alone may be an inadequate institution to facilitate this transition, shared governance between all actors has a higher chance of succeeding.

### 5.3 Limitations

A more complete picture of the current situation at Tangguh, and Bintuni Bay more widely, would have greatly added to the study’s accuracy and practical importance. This can only be achieved through a field study to Papua, which the author could not afford in time or money. An academic or NGO field study, one that is not commissioned by BP, is sorely needed to evaluate the impact of the Tangguh Project in the region. A field study would provide greater access to primary sources and the opportunity to speak with a greater number of stakeholders, such as villagers and community groups, which this study was regrettably lacking. It would transform this study from a theoretical reconsidering of resource politics, using Papua as a case study, to becoming an account of resource politics and socio-economic change in the region.

Another limitation in the collection of data was the disappointing response from advocacy NGOs- both Indonesian and international- who did not respond to repeated interview requests, in spite of the fact that they had previously critiqued the Tangguh Project. Their input would have proven valuable in advocating community views and international norms. Academic analysis is stunted when the range of sources is limited and it is hoped that NGOs will return to monitor Tangguh, and other such
projects in volatile regions, in order to keep information current and hold corporations to account by publishing it for the international community.

5.5 Future Research

Three areas of further investigation can be identified in the course of this research, each pursuing further the key elements of the study. Firstly, as mentioned above, a field study is required to more accurately evaluate the effects of the Tangguh Project on the community. The project’s strategies can only be acknowledged as effective after an evaluation of the Project and its longer-term commitments.

The second avenue for further research is to confirm this thesis’ hypothesis that the operating extraction company has the potential to suppress or control symptoms of the resource curse. This may be done in the form of a wide survey of extraction projects that involve volatile regions, fitting a certain criteria. VP may be used as a means of comparing those who adhere to those guidelines as opposed to those who have less institutional restrictions. Such a survey would provide confirmation of the merits of an institutional framework and show its wider application.

Further research is also required to define the political role of resource extraction corporations since the institutional paradigm shift of the last decade. The study discussed that the redefinition of social goals by corporations and their institutions, and the expectations of local communities who do not have a strong governance structure, have resulted in the extracting company taking on a wider range of
responsibilities, including those typically associated with governments. It is necessary
to now articulate what exactly this hybrid role is, and to delineate its boundaries and
evaluate the effectiveness of its input in this area.

5.6 Contributions of the Study

To conclude, this study has contributed to resource conflict literature, widening its
scope in terms of sources of conflict and the agency of the actors involved. An
institutional approach emphasises the role of the corporation, and consequently the
absence or presence of resource curse symptoms can be a result of the conscious
actions of the operating extraction company. Through organisational learning,
corporations have taken a new approach to social policies when operating in volatile
political zones, which have been reinforced by a paradigm shift in the institutions that
govern them. The institutional approach also shows how these forces have seen the
corporation stretch its institutional boundaries to assume duties usually associated
with the government, preventing the appearance of the symptoms of the resource
curse.

Finally, this study contributes to the academic oeuvre dedicated to studies on West
Papua, a region whose indigenous peoples have long suffered on account of the
wealth of its resources. This study shows that perhaps there is a chance that
corporate-community relations will not always be adversarial and may actually be to
the benefit of all involved. This study also serves to encourage vigilance on the part
of the international community. All actors need to be monitored in volatile political
zones including corporations, security forces, and all levels of government. It is only through increased accountability, innovative solutions, and a dedication to human rights on the part of all actors that Papua will have a chance at sustainable development and political autonomy.
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