

# Nupela Masta? Local and Expatriate Labour in a Chinese-Run Nickel Mine in Papua New Guinea<sup>1</sup>

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**Abstract:** *Studies of mining projects in Papua New Guinea, since the development of the Panguna copper mine in Bougainville during the 1960s, have contributed to our understanding of the politics of interactions between resource companies, host governments and landowners. The Ramu Nickel mine, situated in northern Papua New Guinea, is China's largest investment in the Pacific to date at US\$1.4 billion. The project is managed by a state-owned enterprise, China Metallurgical Corporation, and financed by China ExIm Bank. This venture presents an opportunity to understand Chinese resource investment in a comparative perspective. While many issues, such as conflict over land, internal migration, and the limited involvement of the Papua New Guinean state, are constant, one aspect specific to Chinese resource investment is the use (or non-use) of host country labour, and the high proportion of Chinese labour employed at the mine sites. This practice differs from the relatively limited, short-term use of expatriate labour common to Western mining projects in developing countries. The attitudes and experiences of local and Chinese workers and managers will be examined to determine what is new in this approach to resource extraction.*

**Keywords:** *China, governance, labour, mining, Papua New Guinea, SOE*

From the perspective of many observers, Chinese resource investment in developing countries is different from Western resource investment in terms of its impact on local governance and local communities. It is often characterised in the popular press in terms of dubious business practices, interference in domestic political processes and “prison-like” working conditions for local workers, which are argued to stem from the attitudes of Chinese mine managers towards the populations of the host country (HRW,

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2011). Other researchers argue that such reports are racist “contribution[s] to China bashing”, while “in the main Chinese firms operate like other foreign investors in the industry” (Sautman and Yan, 2011, p. 10). Yet the working conditions of the Chinese workers in these spaces are rarely discussed, due to barriers of language and access. Very little is known about the relationship between ordinary Chinese workers and their local counterparts. The Chinese “management” is usually referred to as an undifferentiated whole, glossing over the complex politics that exist within any organisation, state-owned or otherwise.

This is not to argue that poor working conditions are not common in Chinese resource investments, but simply to note that only half of the story is being told, and that some of the most interesting aspects of the new wave of Chinese outbound direct investment (ODI) are being overlooked. One aspect that is specific to Chinese resource investment is the use (or non-use) of host country labour, and the high proportion of Chinese labour employed on site for long periods of time during the life of these resource projects. This is quite different from the short-term use of expatriate labour common to Western resource projects in developing countries which is generally limited to the construction phase when the local supply of skilled labour is insufficient (e.g. the PNG LNG project run by Exxon-Mobil, which required 18,000 workers during its construction).<sup>2</sup> Although much of the detail in this paper relates to the construction phase of the Ramu Nickel mine project, by 2012 there was no evidence of a significant shift towards a reduction in the proportion of Chinese labour employed on the project as this phase was coming to an end. A new township settlement to house a predominantly Chinese workforce recently opened just to the east of the Basamuk refinery plant, with the long-term aim of creating a new commercial hub for the Rai Coast region. Similarly, permanent housing for the workers and management has been built on-site at the company’s headquarters in Madang, and at the Kurumbukare mine site, rather than relying on the fly-in fly-out (FIFO) model seen at many mine sites during the production phase. Aside from at the very senior levels of management (vice-presidential level and above), there is no evidence of a FIFO approach being adopted. In historical terms, a comparable example would be the extensive use of white Afrikaans labour alongside African labour in British-run South African gold mines during the nineteenth century (Lynch, 2004), with an analogous class divide between the Beijing-based management and the provincial mine workers, layered on top of a clear racial divide within the mining workforce.

Very little is known of how such new enclaves function. Do barriers of language and race break down over time, and is there any possibility of a shared class identity developing between local and expatriate workers, who experience similar working conditions? This paper will examine daily interactions between Chinese and local workers at the Ramu NiCo mine and refinery, a nickel laterite mine situated in Madang province, northern Papua New Guinea (PNG). Based on interview and survey data collected during the construction phase of the project, this article examines the attitudes and experiences of Papua New Guinean and Chinese workers and managers to flesh out the unexpected outcomes arising from this approach to resource development.

Detailed anthropologies of mining in PNG are difficult to produce, due to logistical problems in reaching the mine sites to collect data, and the reluctance of mining companies to allow independent researchers to spend long periods of time at the mine site,

particularly given the poor environmental and social track records of many mining projects in the history of PNG. Nevertheless, the work of Benedict Imbun (2000) and Glenn Banks (1993) at the Porgera Gold Mine in Enga Province, Colin Filer (1990) at the now abandoned Panguna Copper Mine in the Bougainville Autonomous Region, and Martha MacIntyre and Simon Foale (2004) at the Lihir Gold Mine in New Ireland Province and the now-exhausted Misima Gold Mine in Milne Bay Province provide an excellent starting point to draw lessons on the unique nature of the mining industry in PNG, the world's most ethnically and linguistically diverse nation. This paper will draw inspiration from Chris Ballard and Glenn Banks' (2003) challenge to move beyond the mining company lurking monolithically and often menacingly in the background, and to pay closer attention to the internal structure and politics of the mining company, and what effects these dynamics have upon the Chinese and Papua New Guinean workforces at the Ramu mine.

Previous research on the impact of Chinese resource investment on local communities in PNG is limited, with the notable exception of Mike Wood's (1995) piece examining the construction of European and Chinese identities in the interaction between Malaysian Chinese loggers and local landowners in Western Province. In terms of the practices of Chinese-owned mining companies operating abroad, Ching-Kwan Lee (2009) has examined the impact of Chinese mine ownership on labour practices in Zambia, but there are few other studies on which to draw, partly because of the novelty of the phenomenon, and partly because of the difficulty in accessing Chinese mine sites.

This paper will draw upon surveys of Papua New Guinean workers at the Ramu mine site and refinery sites, conducted between December 2009 and July 2010 with the assistance of student enumerators from Divine Word University. Over 300 completed surveys were collected. This paper will examine the qualitative data set, obtained through open-ended questions, while some descriptive statistics will also be provided. It was not possible to conduct a formal survey of Chinese workers, but I was able to engage in unstructured interviews with mine workers at the Kurumbukare mine site, the Basamuk refinery site, the pipeline construction headquarters, and the company headquarters in Madang and Beijing between 2009 (during the construction phase) and 2012 (the beginning of the production phase). The blogs of mining workers, many of whom are prolific (there is little in the way of entertainment at the Ramu mine sites) also provide useful supplementary information.

### **The Peculiarities of Ramu**

To date, the Ramu mine is the largest single ODI project undertaken by a Chinese company in the Pacific, with an estimated investment of US\$1.4 billion, a projected output of 32,800 tonnes of nickel, and a mine life that is expected to last between 20 and 30 years.<sup>3</sup> The majority owner of the Ramu NiCo Project is China Metallurgical Corporation (MCC), which, together with three Chinese nickel consumers that act as "silent" partners (the "3 Js": Jinchuan Group, Jinlin Ji'en Nickel Industry Corporation, and Jiuquan Iron and Steel Group), owns 85 per cent of the venture. Most of the balance is owned by the original holder of the mining lease, Highlands Pacific (a Brisbane-based mineral exploration company listed on the PNG and Australian stock exchanges), with 8.56 per cent. Smaller stakes are held by the Mineral Resources Development

Company (MRDC, <http://www.mrdc.com.pg>), a PNG government agency which holds project equity in trust for other national stakeholders, in this instance for the local landowners and the local-level governments in the mine-affected area with 3.94 per cent; and the company Mineral Resources Madang Ltd (MRM) with 2.5 per cent, which holds project equity in trust for the local landowners (see Figure 1).

Several different corporations have held the exploration lease since the 1960s, and initially their interest was in neither nickel nor cobalt, but in chromium.<sup>4</sup> Chromium was in demand during the Cold War era of the 1960s and 1970s, having been identified by both the US Congress and the European Community as a “critical nonfuel mineral” (Buijs and Sievers, 2011, p. 3).<sup>5</sup> In a neat symmetry, following the global shift of manufacturing to China, the PRC State Council identified nickel and cobalt as key minerals, making it easier for Chinese companies to raise finance to develop such mines. With the rising price of nickel (largely due to the increasing demand for stainless steel, the final destination of 60 per cent of nickel ores), the gradual depletion of readily accessible nickel deposits in regions such as New Caledonia, and the development of high pressure acid leaching, nickel laterite deposits such as the one at Kurumbukare have become viable. The process of extracting nickel laterites is technically complex (Brand et al., 1997) and has confounded at least two Australian mining ventures in recent years, the Murrin Murrin and Ravensthorpe projects in Western Australia. In addition to the complexity of the refining process, the Ramu project faces the additional challenge of transporting the nickel ore 134 kilometres from the Kurumbukare mine site to the Basamuk refinery site via a pipeline, traversing rugged terrain. From there, the mixed nickel hydroxide intermediates will be transported to China for final processing to nickel and cobalt products at an unknown location. The nickel tailings will be “placed” via a pipe into Astrolabe Bay, despite legal proceedings by landowners from Basamuk, which delayed commissioning for nearly two years.

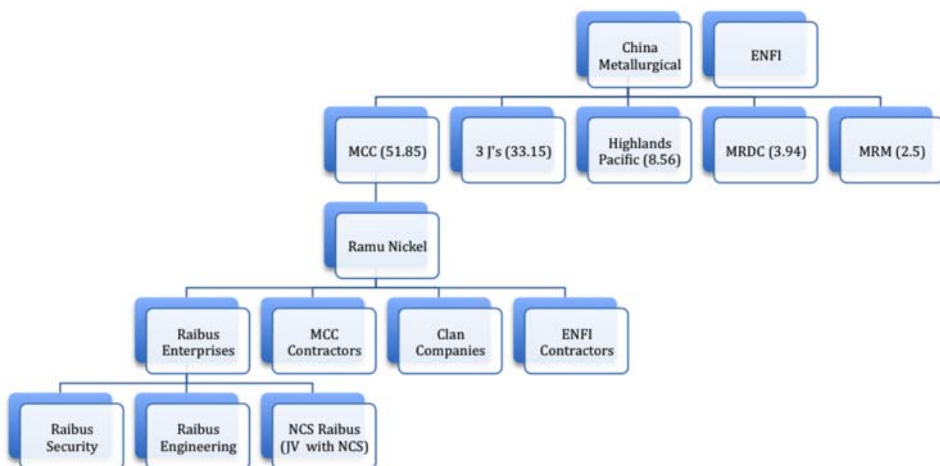


Figure 1.

In terms of literature examining China's ODI, the Ramu project is likely to be a candidate for the "infrastructure for resources" model of some Chinese resource investments, whereby large Chinese companies effectively bring the state with them. This will typically involve a package of loans for infrastructure, provided by China ExIm Bank or China Development Bank (CDB). Hardware such as roads, dams or pipelines will be built to support the resource project. Simply in terms of size, MCC seems to be large enough to "bring the state", but it has largely failed to do so. It is a "Fortune 500" company; it comes under the auspices of the State-Owned Assets Supervision and Administration Committee (SASAC), and with the encouragement of SASAC, recently listed on the Hong Kong and Shanghai stock exchanges. Yet due to its history and leadership, MCC does not have political clout comparable to CNOOC or other large oil companies. Its managing director, Shen Heting, complained that the level of government support MCC had received for its outbound investments was like "one hair of nine oxen" (*jiu niu yi mao* 九牛一毛) (Yan, 2010a). While large oil companies have more political muscle (and a higher formal rank) than many of the ministries which are meant to oversee them – as is seen in many "resources for infrastructure" projects driven by state-owned oil companies in Africa – MCC, as an offshoot of the Ministry of Metallurgy (*yejin bu* 冶金部), lacks the political influence to bring the state with it. To date, China ExIm Bank has been more active in PNG than China Development Bank,<sup>6</sup> supporting four large concessional loan projects as part of a \$375 million soft loan facility to the Pacific as a whole, and providing finance for the Ramu Nickel project. None of the loan projects are related to the mine, and a proposed \$5 billion infrastructure loan facility will provide little or no benefit to the Ramu mine (Radio Australia, 2012; Smith, 2012). Unlike the provincial and central governments, Ramu Nickel *has* upheld its side of the social and economic development bargain laid out in the Memorandum of Agreement (MOA) – which is still being negotiated 12 years after the initial agreement between Highlands Pacific, provincial and national governments, and land-owner groups – despite the fact that MCC was not party to the initial MOA. The absence of large-scale infrastructure development associated with the project does, however, leave open the question of whether PNG is getting value for the concessions made in the 2005 Master Agreement (which built on the 2004 Framework Agreement, or *qujia xieyi*), signed by the Somare Government and MCC, which includes a 10-year tax holiday and a reduced rate of royalty payments. The current Prime Minister, Peter O'Neill, has admitted in a radio interview, "We have not done a good deal whereby we have not taken up more equity for our country" (*Post Courier*, 9 October 2012).

A further peculiarity of MCC is Shen Heting himself, who in addition to acting as the company president is also the party secretary and vice chairman of MCC's parent China Metallurgical Group Corp. In many ways, Shen is a product of the culture of the former Ministry of Metallurgy, which due to its heavy industry focus was one of the most privileged and loyal ministries during the Maoist era. Proximity to the state brought rewards, and this pervades the management culture, with management instructions still conveyed in yellow envelopes. Several authors have argued convincingly that Chinese resource companies pay lip service to the central state's concern for "resource security" as a way of extracting concessions, while in practice being driven largely by the profit motive (Shankleman, 2009; Downs, 2011). MCC's director, however, seems to believe that he is acting in the interests of the nation in securing resources, and thus

he should be fully supported by the state, regardless of whether MCC's overseas ventures are profitable. In part, MCC's political marginalisation represents a cooling of enthusiasm for large-scale ODI ventures, fuelled by reports that up to two-thirds of Chinese investors abroad are loss-makers (Li et al., 2008).

As Shen explained in an interview with *New Century Weekly*, "Central government enterprises that secure mines overseas are in reality securing resources for China" (Yan, 2010b). In the same article, Shen explains MCC's approach to overseas resource investment – which involves a variety of minerals projects in a variety of regions<sup>7</sup> – in the following terms:

High quality resources have already been taken by others, so at present, we can only go wherever there are still good resources. Which regions we invest in is not up to us to choose. As for risks, we can only rely on the support of the central government and our own efforts to avoid them. As long as it is a good resource, we will go for it (*zhi yao shi hao ziyuan, women dou na* 只要是好资源, 我们都拿).

In response, an analyst from Northwest Securities noted, "The feeling I get is that they [MCC] will sink their teeth into any mine they come across, without a clear understanding of what exactly they want to develop" (Yan, 2010b). By contrast, many large multinational mining companies (such as Xstrata, whose nickel division is located in Sydney, with copper operations run out of Brisbane) split their companies up on the basis of the metal being extracted. Part of this dissonance may arise from the fact that MCC is not, at core, a mining company. Domestically, its main focus has been construction and real estate. To an extent, it is learning about the mining industry from its experiences abroad.

Before examining the operations of the Ramu project at the ground level, another peculiarity is worth mentioning, as it provides an unexpected framework for this analysis. Due to the emergence of MCC from the Ministry of Metallurgy, the corporation operates through a large number of provincially based headquarters, which roughly correspond to the former provincial offices of the ministry. At the time of the survey, the Kurumbukare mine site was overwhelmingly staffed by contractors from MCC 19 and ENFI (Engineering Non-Ferrous Institute) 19, which were based in Panzhihua, a city in southern Sichuan province which is home to the Panzhihua Iron and Steel Group (Pangang), one of China's largest mines. The company recently relocated to the provincial capital Chengdu, but the majority of workers still hail from Panzhihua. These contracting companies are financially independent from the parent company, MCC, and are generally brought in to address a specific task (in the case of MCC 19 and ENFI 19, to construct the mine site). Due to the relative complexity of the work at the Basamuk refinery site, there is a more heterogeneous group of contractors engaged there, with contractors from Tangshan's MCC 22 and ENFI 22, Shanghai's MCC 20 and ENFI 20, and Anshan's (Liaoning Province) 3MCC (but at the time of writing, contractors from 3MCC had permanently returned to China).

This fragmentation of contractors means that each work site has a distinctive work culture, and a distinctive set of local identities, based on shared work histories, shared cultural preferences, and often a shared local dialect. While in its public announcements

the Beijing-based parent company tries to give the impression that it is in complete control of the mining operation, the day-to-day operation is in the hands of the contractors, who are financially independent. This fragmented contracting system, whereby each contractor is independent and has no long-term involvement in the project, results in a short-term, limited liability approach to project management. It leads directly to pressuring local and Chinese workers to undertake longer hours to fulfil contracts ahead of time, and conversely to reduce expenditures on wages, safety equipment and accommodation.<sup>8</sup> As one provincial government official observed:<sup>9</sup>

You know, landowners and the government, we play around, uh? Talking about this and that. But for them, they have no time to waste. They are here in PNG, and then get out. It's financial pressure. Because the finance is kicking their asses to hurry up and get it done quickly. They have to repay the loans. But many big projects are not given to Papua New Guineans, all given to China.

In a perfect regulatory regime, such pressures would not be a source of tension, but local and provincial governments in PNG have limited capacity to enforce their own regulations governing wages, workers' safety or land titling,<sup>10</sup> similar to the situation at other Chinese mining enclaves in Africa (Haglund, 2009, pp. 641–45). Other than police, whose incomes are generally supplemented, or paid in full, by the mining company, and a single health worker at the Basamuk clinic, the government has no presence at the mine site. These pressures are at the heart of the grievances of local workers, as we shall see in the following section.

### **Nupela Masta: Papua New Guinean and Chinese Perspectives on the Ramu NiCo Labour Regime**

While the focus of analysis in this paper is primarily qualitative, a few initial descriptive statistics will provide background to the local workers' perspectives on working conditions at the Kurumbukare mine site and the Basamuk refinery site. The majority of disputes involving PNG workers at both sites revolve around levels of remuneration, and when asked whether they were satisfied with their level of payment, 90 per cent of workers at Kurumbukare (N = 145), and 87 per cent of workers at Basamuk (N = 156) stated that they were either "dissatisfied" or "very dissatisfied" with their salary.<sup>11</sup> The median fortnightly wage of workers interviewed at the Kurumbukare mine site was K260,<sup>12</sup> while those at Basamuk refinery site were paid K200.4, roughly equivalent to the minimum wage of K201.60 per fortnight (which was announced on 21 January 2010, just before the survey took place). Many workers were paid considerably less, with some reporting fortnightly salaries less than 100 kina. Nearly all workers stated that they had experienced some form of industrial action, and despite a negative experience with the setting up of a union at the mine site in 2008 whereby a man from the highlands province of Chimbu collected union dues from most workers at Kurumbukare and then promptly disappeared, close to nine in ten local workers expressed a desire to join a union if it were possible. Despite a litany of complaints about their working conditions, outlined below, it is striking that 64 per cent of workers at Kurumbukare and 70 per cent of workers at Basamuk indicated that they intended to continue working on the Ramu NiCo project. At the beginning of the production phase

(late 2012), more than a thousand workers were employed by the project, nearly two-thirds of them Chinese. Many more local and Chinese workers were employed at the peak of the construction phase in 2009 (around 4,000 workers; reliable estimates are not available). The percentage of Chinese workers has remained fairly constant, at more than 60 per cent.

Previous researchers have found that a large source of tension for Chinese overseas enclaves was the communication barrier between local and Chinese workers (Lee, 2009, pp. 653–55) and our survey results bore this out strongly. Nearly every local respondent nominated this as the main difficulty in working with his or her Chinese co-workers and managers. One worker at Basamuk, who enjoyed good relationships with his Chinese co-workers, explained, “other Chinese labourers are good, we have fun, share smokes. However when it comes to working we are deaf and mute. We use signs instead of words. That is very challenging”. The communication barrier was viewed as more of a problem in dealing with Chinese managers, and there was often an implication that the managers were “selectively deaf” in not understanding English or Tok-Pisin. In discussing the efforts of MCC to meet the PNG Government’s language requirements by sending their Chinese workers to undertake English classes at the local university, a senior provincial government official posited:<sup>13</sup>

They know, but they pretend. They know English, but they pretend they don’t know English. And many of the MOA they signed with Department of Labour [and other parties], it’s not working for them to take up classes at DWU [Divine Word University], they are not honouring those agreements. But we, in the government, because the national government has made the commitment, we are just trying to do our best.

The communication barrier added to the tension of negotiating over pay and safety issues, with many workers saying that communication with their managers became worse when under stress. This also spread to other issues. As one worker explained:

Most Chinese workers emphasise more on work. There is not enough time for rest. So I am not in good terms with them. Poor understanding and communication widens. The Chinese workers and bosses do not observe the national public holidays and so it is difficult to work as Papua New Guineans should observe those days by not working.

Attitudes towards time were a particular source of tension, with many Chinese workers seeing themselves as the bringers of modernity to a workforce that had yet to experience the benefits of China’s “reform and opening” (cf. Lee, 2009, pp. 654–59). This theme was developed by the then Prime Minister of PNG, Michael Somare, in an interview with Al Jazeera, in answering criticism about why migration and labour law requirements had been waived for large numbers of Chinese labourers during the construction phase of the project:<sup>14</sup>

They thought the government was making a mistake by just employing Chinese. Because to get a new industry going, you know, Chinese are workaholics; they



work from six o'clock in the morning, even at night, until they complete the task. Ask the Melanesians. We work when time permits us. When we feel that after ten o'clock when we are tired, we go and sit under a tree. Our work ethic has to be changed in this country; we have to work much harder.

A Chinese worker at the pipeline camp at Naru believed that the gap in attitudes towards work was unlikely to ever be bridged, due to the different historical experiences of Chinese and Papua New Guinean labourers:<sup>15</sup>

They tend to be overly dependent on others. I think it comes down to their traditional way of life. It's rich in resources here. They can say, "I don't need to work, I still have bananas, pineapple, coconuts..." Even though their living conditions aren't great, they have no concerns about subsistence (*wenbao* 温饱). They've never experienced droughts or wars; they don't worry about whether there will be food to eat tomorrow. They don't know scarcity. They are used to abundant natural resources; they depend on them. So, when the Chinese arrived, they were unsettled, and the relationship is tense.

Paradoxically, while no one questions the work ethic of Chinese miners, observers in the mining industry expressed the opinion that the project was far more labour intensive when compared to other projects.

In one crucial sense, the Chinese enclaves in PNG are different from those in Africa,<sup>16</sup> because China lacks a substantial history of engagement with PNG, unlike in countries such as Tanzania or Zambia, where China has a long and generally positive history of engagement (Alden et al., 2008; Brautigam, 2010). On the Chinese side, this leads to an intriguing disconnection, as the enclave workers, many of whom are hired by labour contracting companies, arrive in PNG with no preconception of their destination. Indeed, most of them joke that before they arrived, they thought New Guinea was in Africa, somewhere close to Guinea. Whereas "precolonial" migrants to the Pacific from Europe in the nineteenth and twentieth centuries could draw on missionary accounts or the literature of Robert Louis Stevenson to provide a framework for their experiences before they arrived in a colony (Steinmetz, 2007), a search of *Chinese Academic Journals Online* (the most comprehensive database of Chinese language academic literature) reveals fewer than ten articles about PNG.

Many Chinese workers sought to understand their experiences in PNG through the lens of China's own frontier regions, where many infrastructure and resource development projects are situated. In May 2009, the Ramu mine experienced two riots at its Basamuk refinery plant after a PNG national worker was thrown from a trailer towed behind a tractor, resulting in horrific injuries to his lower body. The failure to use a helicopter to evacuate the worker, who was the nephew of a prominent landowner, sparked the initial fight, and when a handful of Chinese workers attacked the police station for not doing enough to protect them a riot erupted. There were injuries to more than 20 Chinese workers, with several treated at Modillon Hospital in Madang. In discussing this incident, and the (unrelated) nationwide anti-Asian riots that followed it, in interviews, many workers asserted that PNG was "just like Xinjiang", which had seen bloody ethnic unrest earlier in 2009. They also often likened the constraints on their

daily lives to those faced in ethnic Tibetan regions, where some had previously worked, and where they also faced the challenges of different local cultures and work practices, and a local population that they were physically and linguistically isolated from (Hansen, 2005). Much like mining camps in China's frontier regions, they were provided with, and were in the process of creating, an environment that guaranteed that their experience of Papua New Guinean culture would always be limited. They ate Chinese food in a Chinese-only mess, called their families every other day, watched Chinese DVDs, spent time on social networking sites such as QQ, and gambled for small stakes with Chinese currency. Such separation is dictated by concerns for the workers' safety. In larger Chinese enterprises, regulations prohibiting mixing with the local population are usually enforced regardless of whether the host environment is dangerous or not. In Samoa, one of the safest countries in the world, a worker living in a Chinese construction camp explained, "We'd love to go out at night. It's really boring here. But our company has operations in many countries – Syria, Pakistan, Vietnam – and the regulations are enforced uniformly, regardless of where you are posted".<sup>17</sup>

The related issues of land claims and migration can be fraught for mining projects, and the five-decade history of expectation surrounding the Ramu project and the nearby Yandera copper-molybdenum project means that land ownership is highly contested, especially in Kurumbukare (Zimmer-Tamakoshi, 1997). It presents a classic case of a relatively marginalised ethnic group, the Gende people, poised to benefit from a shift in their relative regional power, as has been seen for the Ipili people at Porgera (Banks, 2008, p. 28). Nevertheless, the management of Ramu NiCo did not take the issue seriously, and insisted that landowners take their complaints to the central government, well after it became apparent that the PNG state was largely absent from any of the project areas. The prospect of "landowner benefits" has led to migration into the area from elsewhere in PNG (Wabag, the capital of Enga Province in the Highlands, is frequently mentioned) in order to take advantage of the failure of the government to undertake land titling. In November 2011, Land Title Commission hearings to resolve disputed claims finally took place in Madang. As has happened elsewhere in PNG, this has led to acts of violence against outsiders, usually disparagingly referred to as "settlers", largely to the bemusement of Chinese management and workers.

Disputes between landowners, mine management and government over local employment are common in PNG, and often have major consequences for mining ventures (Filer, 1990; Imbun, 2000; Ballard and Banks, 2003; Banks, 2008; Bainton, 2009). Surveys reveal that this tension is present in the workforces at both Kurumbukare and Basamuk. One respondent from Basamuk echoed a theme common to all mines in PNG, saying, "I do not like workers from other areas working here, they are occupying the space for the local landowners to work in the mine. The priority should be for the locals and not outsiders". Nevertheless, the majority of sentiment is positive, with most respondents referring to workers from elsewhere as their "brothers and sisters". It seems that the Chinese management and workers are filling the role of "outsiders" that elsewhere leads to inter-ethnic tension between different groups of Papua New Guineans, at least within the mining enclaves.

While there has been a history of Chinese migration to PNG dating back to the nineteenth century (Wu, 1982), the Chinese workers remain "dislocated from local narrative and practices" and "somewhat alien", exactly as Mike Wood found in his study of local

perceptions of Malaysian Chinese logging workers in Western Province (Wood, 1995). Just as Wood cited Fanon's famous maxim, "You come too late, much too late, there will always be a world – a white world between you and us", local workers constantly compare the Chinese to previous colonisers and investors from the West. The comparison is often unfavourable, and leaves the sense that a fictitious history of positive Western colonisation and civilisation is being created to make sense of negative interactions with present-day Chinese investors, and the failings of the Papua New Guinean state. The previous Australian colonial regime, which handed over power in 1975, placed restrictions on the activities of Asian residents in PNG, entirely consistent with the White Australia Policy, which was only abandoned in Australia in 1972. Some Western expatriates fuel such negative comparisons. Less positive media coverage is given to Asian ODI by News Limited's *Post Courier* than by the Malaysian-Chinese owned *National* (Tumu, 2007). Such a comparison leaves many Chinese managers bemused. They disavow any colonising or civilising mission, often stating, "We just want the nickel". Initial interactions between the company and white expatriates were often awkward, as one (white) PNG national who works with the company related:<sup>18</sup>

My first experience with the Chinese was pretty funny. We had our first meeting and all the directors [of MCC] were there. They expected to see all PNG Nationals. I'm a citizen, and when I walked in, Mr X was sitting directly opposite me at the table, and he had this inscrutable Chinese face on, and these jet black eyes staring right at me. I just played it very cool and didn't say anything. They nearly fell off their chairs when I walked in. Because one of the Chinese after that said to me, under no circumstances will we be employing any Australians. They had a real thing about Australians.

Reservations about hiring non-Chinese expatriates seem to remain. At the time of writing, less than 1 per cent of the project workforce is expatriates of European origin. As long as the language of communication within the management is Chinese, which is unlikely to change (at the time of writing, the effective director of the Basamuk site is an engineer with a limited grasp of English), there is a barrier to either expatriate or local staff being effective in higher levels of management. This also limits the scope for Ramu Nickel to integrate with or learn from other mining projects in PNG. As one observer noted, changing management practices is difficult if "you don't know what you don't know". Reinforcing this barrier, some expatriates employed by other mining companies in PNG were overly willing to dismiss the Ramu Nickel project.

This is not to suggest that the differences between Western mining companies' practices and those observed at Ramu NiCo are imaginary cultural artefacts. Our surveys reveal a disturbing array of health and safety issues, with common complaints being entirely preventable diseases such as dysentery and typhoid, and equally avoidable industrial accidents, such as eye injuries from welding and electrical accidents. Instances of penny-pinching behaviour abound; those relating to the provision of uniforms, transport to the mine sites and failure to replace damaged safety equipment are sources of resentment. In part, the difficulty for the Chinese developer arises because the Papua New Guinean workforce is familiar with mining practices elsewhere in PNG, either through direct experience or through talking to experienced co-workers. These

shortcomings, which can easily be explained by China's own status as a developing country, the poor practices within China's domestic mining industry, or the lack of mining expertise within MCC, are often seen in racial terms, as Western mining companies run all comparable mining projects in PNG. As a community affairs officer recalled:<sup>19</sup>

Most of the time the young ones are trying to look as if they know what's going on but in fact they don't. One of my colleagues in land was talking about a drill rig being set up in a garden and the damage that it caused, and we've got to pay compensation. And the guy who was Chinese and looking after the money asked, "What is a rig, what is a drill rig?" And the national manager said, "Did I hear you correct? You asked 'what is a drill?' and 'what is a rig?'" "Yeah what is a drill rig?" And the national said, "If you don't know what is a drill, I think you should get the hell out of here! You're in this industry, you should know this". I mean PNG, it's not that big compared to China, and everyone knows about mining because the country's economy and everything has been boosted by the mining operations, Bougainville and Ok Tedi and Lihir and Porgera. Most of them coming from China haven't heard about mining and they come here and everyone on the street knows about mines. You see that with health and safety. X has shut down quite a few posts, and the dorm cabins, which were not safe. They were leaving their toilets blocked. They don't have the safety standards required. In PNG people have come to expect the mining operations reach a certain standard of benefits and conditions, and these guys, zero, they haven't even come close yet.

Those mine workers with previous experience at other mines in PNG were asked, "How do the living and working conditions at Ramu NiCo compare to your previous employment with other mining companies?" Ten different mine sites were mentioned (Ok Tedi was mentioned most frequently), and all responses reflected negatively on Ramu NiCo.

The management of Ramu NiCo offers several explanations for why it falls short of the working conditions found at other mines in PNG, arguing variously that conditions will improve once the production phase is under way and the contracting companies return to China. They also often point out that the mine is run along a "low-cost" model, which makes the exploitation of a relatively low-grade lateritic nickel ore body viable. They are correct in pointing out that comparison with highly profitable gold and copper mines is unfair. Many local workers accept the logic that the construction phase is necessarily chaotic, not least because many of them have observed the incentives faced by the contracting companies. One former employee described a stand-off between MCC management and ENFI contractors in 2007, which nearly led to a fight outside the main bus stop in Madang:<sup>20</sup>

We didn't quite get to the stage of punching up. We were about to and we just backed off. The contractors ENFI PNG were going ahead and doing work without consulting us, without us going to talk to the locals to get them aware that this [pipeline] will be coming. We have to compensate them if we do any damage on the land, especially with the clearing, and we have to record any damage and

pay according to fairly generous rates. And sometimes, the contractors never told us, and just went in and did the clearing. By the time we got notice and got there, we were late, and we couldn't really know what was there, so we were obliged to pay what the locals were demanding, because we didn't have our records. That's what the primary reason [for the fight] was. So it got [to] the stage where it boiled up and our boss said, hey, you're the one going around causing trouble and making me look bad.

Chinese workers were also critical of the practices of some of the contractors engaged at the Ramu mine. One interviewee stated that the basic problem was that MCC was "not a mining company, it's a construction company, so they don't think long term". He identified different work cultures at the different sites, and like many respondents, linked the success or failure with the degree to which the companies had reformed their old socialist practices (cf. Lee, 2009, pp. 654–56):<sup>21</sup>

MCC and ENFI 19 are better, as they were the first to change its structure, so they have a more market-based approach to project management. MCC 22 [based in Tangshan, Hebei province] at the refinery site is completely different; it's an old enterprise. When I visited the site for an inspection, everyone wanted to tell me what to do. But as soon as I pointed out problems, no one wanted to know about them... Sichuan has always been a populous province, where the pressures of subsistence forced people to make an effort, otherwise you wouldn't have anything to eat. But the other areas are close to the capital. The closer you are to the emperor, the more likely you are to see him as the sky; it's the traditional way of thinking. They spend all their time fighting amongst themselves over spoils, but when it comes to external matters, they ignore issues they should manage, and stick their nose in when it's not needed ... thousands of years of official bickering hasn't changed; thousands of years of the feudal society, up to present-day socialism, officials haven't changed.

In a very different way, one of the more colourful landowner leaders from the Kurumbukare site came to similar conclusions about how the management treated the landowner umbrella group company, Raibus Enterprises, which was meant to look after spin-off business from the project:<sup>22</sup>

It was mentioned in the MOA [Memorandum of Agreement] that all [spin-off] contracts should be given to the landowners. But in the beginning the Chinese came here, they had the document signed in Beijing with Prime Minister of the country, Michael Somare [the Master Agreement, signed in 2005]. And the Chinese came in and they're raised in a society, which is totally different from ours. They don't have landowners. They don't know what is a landowner. They signed this [Master] Agreement and they thought that the Prime Minister [Somare] is the Godfather of everything. They said go in there and just do your business. They came here and said, there are no landowners, the Prime Minister is the landowner. Land belongs to Somare. The Chinese do not recognise the landowner. They thought the Prime Minister is like their Prime Minister, I don't

know, Mao Tse Tung or whatever! He gives an order and everybody dies for this order. We really had a hard time.

The perception that the Chinese company was overly close to the central government leadership was widespread among PNG nationals, and many interviewees confirmed that when there were conflicts with landowners or workers, Chinese managers would tell them “*graun bilong Somare*” (the land belongs to former Prime Minister Somare). As one landowner in Basamuk joked, “We were stunned. I mean, Somare’s from Sepik [Province]. He has lot of mosquitoes, a swamp, perhaps some crocodiles. But not real coast land like this”.<sup>23</sup> This preference for a state-to-state approach fits neatly with the management culture of the Ministry of Metallurgy, and manifested itself in behaviour familiar to scholars of Chinese politics. One Papua New Guinean manager described his experience with the speech-making techniques of the management company:<sup>24</sup>

Everything has to go back to Beijing. At first I was wondering, “What the hell is this?” Then I realised this is basically a government institution. Like somebody else is controlling it in Beijing. [When Shen Heting came from Beijing], the meeting, it was basically mobilising support. Big banners. I was the only Papua New Guinean among all the Chinese and I felt so embarrassed about it. They talked and talked. All of them shouted. And I came out of it not knowing anything but I assumed it was more like “we’re now going to start a project, we’ve got to get behind this thing”. I’m not used to it. It’s like rugby league team, you know. They psych you up before you get to the field. And Madame Luo [then president of Ramu NiCo] has got a lot of that too. During our monthly meetings, and if something is wrong, oh man. I was sitting there and just by the body language, you know something is wrong.

One interviewee wryly noted that Madame Luo seemed to believe that “there was no problem that a four-hour motivational speech couldn’t cure”.

### **A Shared Class Identity?**

This eclectic mixture of traditional socialist management practices, combined with the high-pressure approach of the contracting companies, often left Chinese and Papua New Guinean employees equally bewildered. There are indications from the surveys of genuine friendships being formed between the two workforces, based on shared opposition to management practices, and, to an extent, on shared class identity. There is concern from the managers that the lower-ranking workers at the mine site, largely from rural or peri-urban areas of Sichuan province, were adopting many of the local customs, particularly the consumption of bush meat (snakes of the poisonous and fast-moving variety are popular) and the consumption of home brew, or *stim*. Bills posted by the management exhort workers to give up drinking outside festival periods, because this is leading to “social problems ... conflict with locals, and endless complaints to police”. Many Chinese workers have genuine affection for their (educated) PNG colleagues. One described the departure of a PNG colleague to work on another mine:

It's already settled that he'll leave the company, all he has to do is sort out his termination, and in a couple of weeks we'll have to say goodbye. He's the best friend I've made here. Over the last two years, I've gotten to know his manner of speaking and his way of getting things done. He's helped me out with so many problems, and taught me so many things. But I fully support his decision to leave; I'm really happy for him.

Where Chinese and local workers are from a similar social class, and share similar levels of technical skills, there is evidence of meaningful relationships being formed. There are several reports from the surveys of local workers going out of their way, and even risking their lives, to help their Chinese co-workers in the event of accidents or violence at the mine site. One respondent recalled, "a Chinese expat almost got killed by naked wires running when he was working, he was in shock. I had to help him out, reported the matter, brought the victim to Madang General Hospital. We met our own medical expenses". While there have been serious injuries to PNG workers – such as the emasculation of a worker employed by an ENFI contractor at Basamuk refinery, which sparked a riot in May 2009 – to my knowledge, all deaths to date at the Ramu mine have involved Chinese workers. A variety of accidents have occurred, including falls, electrical shocks, misjudged river crossings, misdiagnosed malaria (after the worker returned to China) and at least one murder. While Chinese workers are better paid than their national colleagues, exploitation of workers cuts both ways.

It seems that there is a basis for anticipating that a new type of interaction, something approaching shared class identity, may eventually develop between local and Chinese workers at the Ramu mine site, or more likely, at the Basamuk refinery site. The length of tenure of PNG workers surveyed at the refinery site was longer than that of those at the mine site (nearly 20 months, compared to 13 months), and the settlement in the township at Basamuk is more permanent than that at the mine site. While turnover among younger Chinese technical personnel is high, many of the more experienced workers have been working in PNG for more than six years. Over time, as communication and cultural barriers are gradually worn down, a shared frustration with relatively low wages and the practices of the company's middle management is likely to build up. As one Chinese worker recalled:

When we joined, we were taught that we were promoting the national interest. On the international stage, our future would be promising. When we heard these words, all of us swelled with pride. But after a few years of chaotic management and relentlessly stingy working conditions, this group chose to head for the door. With the Ramu project under internal and external pressure, the leaders busied themselves counting pennies, putting on a show, and sending "good news" back to MCC headquarters and to SASAC. As for whether young graduates stay, leave or progress, they don't care. But they'll be sure to claim penalties if you resign early.

It is striking that when asked why they want to continue working for Ramu NiCo, Chinese and local workers give the same answers: to support their families and pay for their children's (or child's) school fees and medical expenses. The life pressures faced

by the two workforces are not dissimilar. They share a perception that despite the economic booms in their respective countries, driven by resources in PNG and manufacturing in China, their countries' elites are getting rich at their expense. As one Sichuanese worker remarked, while we were bumping along the road up to the mine site, "Our country is rich, but our people are poor".

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### Notes

1. "Nupela masta": literally "new rulers". The word "masta" was used to refer to the former white (variously German, British and Australian) colonial administrators of PNG.
2. In some regions, hybrid forms are emerging. In New Caledonia, where the local population is insufficient to staff the numerous mine sites, laws have been passed to allow Chinese construction workers at the Koniambo nickel mine to be employed under different working conditions from local and (French) expatriate labour. Workers of a further 30 nationalities (including Korean, Indian, Indonesian and Filipino workers) also operate outside the country's labour laws. Other mines in PNG have made extensive use of Asian (usually Filipino) labour during the construction phase. It is alleged that dual-track industrial conditions are also emerging in Australia, including on the Sino Iron project, where MCC is the lead contractor (Lucas, 2012).
3. For further details on the technical aspects of the project, see [www.highlandspacific.com/pdf/Ramu\\_Nickel\\_Cobalt\\_Project.pdf](http://www.highlandspacific.com/pdf/Ramu_Nickel_Cobalt_Project.pdf), accessed 17 July 2011.
4. A Mining Development Contract was eventually signed between Highlands Pacific and PNG partners in 2000, resulting in the issuing of Special Mining Lease 8.
5. The EU's most recent list of "critical raw materials" includes antimony, beryllium, cobalt, fluor-spar, gallium, germanium, indium, magnesium, niobium, platinum-group metals, rare earths, tantalum and tungsten (Buijs and Sievers, 2011, p. 8).
6. For details on CDB's involvement in Fiji, see Dornan, 2010.
7. In Afghanistan (Aynak Copper Mine, a \$4 billion investment), Pakistan (Saindak Copper and Gold Mine; Duda Lead and Zinc Mine), Argentina (Sierra Grande Iron Mine), and Australia (lead contractor on the CITIC Pacific Sino Iron project).
8. A Human Rights Watch report notes similar problems with contractors at the Indian-owned Konkola Copper Mines in Zambia (HRW, 2011, pp. 67–68).
9. Author's interview, Madang, November 2009.
10. Local level governments (LLGs) have the power to enact by-laws relating to labour and employment, while provincial governments have some discretion to enact laws on land and land development issues. More power rests with the central government, and the Mineral Resource Authority's Chief Inspector of Mines, Mohan Singh, has applied significant pressure on the Ramu Nickel project to meet health and safety standards (Matbob, 2009).
11. Many Chinese workers were equally unimpressed with their salaries and working conditions. Existing employees were generally paid a 20 per cent loading on their base salaries, with some overtime. In contrast to other expatriate workers in the resource sector, who generally work two weeks on, one week off (in mining), or four weeks on four weeks off (in oil and gas), Chinese workers at Ramu Nickel are on a five months on, one month off roster (usually returning to China for their break). There are suggestions that this will improve when the project is running well.



12. At the time of writing, one PNG Kina was equivalent to 0.485 USD.
13. Author's interview, November 2009.
14. Al Jazeera International, 9 October 2009.
15. Author's interview, February 2010.
16. Other (smaller) enclaves have emerged at construction sites elsewhere in PNG, usually associated with infrastructure projects. The lifespan of these enclaves is much shorter, however.
17. Author's interview, Apia, Samoa, December 2011.
18. Author's interview, Madang, February 2010.
19. Author's interview, Madang, October 2009.
20. Author's interview, Madang, September 2009.
21. Author's interview, Madang, February 2010.
22. Author's interview, Madang, October 2009.
23. Author's interview, Madang, November 2011.
24. Author's interview, Madang, November 2009.

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