Participation of Kanak communities in the Koniambo project: the role of subcontracting

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Abstract: Nickel mining is a field of political contention in New Caledonia. The government of the Northern Province, dominated by indigenous Kanak people, wants to use the nickel sector as an instrument for political and economic emancipation from France. The Koniambo project is a large nickel mine and processing plant run by a joint venture (Koniambo Nickel SAS, KNS) including the holding company SMSP (51% shareholder) and the Swiss group Glencore (49%). In addition to growing local employment and public shareholding, the project is an anchor for jobs and regional economic development for Kanak people, without involving pro-French corporate or government interests. Local people are, therefore, encouraged to work and develop the project in and around the mine.

This paper looks more deeply at local subcontracting around Koniambo, and whether it is a sustainable means for local communities to engage in large-scale mining projects. The results show that small companies mostly work in the domains of earth works, transport and waste management. Many local businesspeople found it hard to sustain their activities after the end of the construction phase of the nickel smelter, or to make contracts and operate outside the mining sector. The social embeddedness of economic activities in local contexts is a key issue for the success of business activities. On the one hand, business development is a chance to generate wealth, but on the other hand, it widens social disparities. The rapid introduction of competitive economic behavior in Kanak society had led to tensions and conflicts between local businesspeople.

Keywords: Subcontracting, New Caledonia, large-scale mining, indigenous entrepreneurship, social embeddedness

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In addition to direct and indirect employment or shareholding, subcontracting represents a way to participate and to benefit from mining projects (Banks, 1996; Le Meur et al., 2012). Subcontracting associated with the Koniambo project leads to general questions about who controls the mining benefits, which has economic and political importance for the society. Thus, it goes beyond the widespread procedure in Melanesia of offering compensation and royalty payments to landowners and links the access to mining rents to notions of recognition, identity politics and sovereignty (Le Meur et al. 2012). Local subcontracting therefore represents a process of negotiation and is situated between circulation of rent and local governance (ibid. 2012). Rather than examining subcontracting just from an economic angle, individual economic trajectories should be placed in a wider context of social and political relations. In addition, individual entrepreneurship needs to be situated in a “tribal” or customary environment (ibid. 2012: 8). This implies the necessity to fully examine the “cultural, economic, agro-ecological, and socio-political contexts” (Bebbington 1996: 88) of local people’s engagement with development projects or capitalism in general.

Therefore, the main purpose of this paper is to analyze the concept of local subcontracting as a sustainable means for local communities to engage in large-scale mining projects, based on insights from the Koniambo project in northern New Caledonia (Fig. 1).

**Development and political emancipation in New Caledonia**

The struggle for political emancipation and economic development are closely linked in New Caledonia. The country’s economy has always relied on the nickel sector (Kowasch 2010; 2018). However, mining was not initially a primary target of the independence movement (Horowitz 2003; Kowasch 2010; Pitoiset and Wéry 2008).

According to the French economist Jean Freyss, the intended “integration” of the Kanaks into the Caledonian economy “was to be accomplished without changing relationships of dominance and subordination, or accounting for political and cultural dimensions of the problem” (1995: 35). In fact, the economy became heavily dependent on financial aid from France and steadily lost its base for self-reliance. Kanak independence leaders were aware of the problems of such an “assisted economy” (ibid.: 32) and argued that endogenous economic development should be a prerequisite for independence and political autonomy, and vice versa (ibid. 1995; Pitoiset and Wéry 2008).

Early attempts to implement rural development projects showed that Kanak peoples had an “aptitude for change” (Freyss 1995: 14) and disproved general assumptions about their incapability to manage business enterprises. However, during the nickel boom from 1967 to 1971, French immigrants were responsible for most of the increasing number of new businesses established in the nickel sector; none of these companies were led by Kanaks (Freyss 1995; Le Meur et al. 2012). As a result of the Matignon Agreements in 1988, the Kanak independence movement articulated...
a demand to participate in the mining sector (Kowasch 2010; Pitoiset and Wéry 2008). The acquisition of the local mining company SMSP (Société Minière du Sud Pacifique) in 1990 represented the beginning of a paradigm shift by the independence movement: From “utopic Kanak ruraliste” to “utopic industrielle” (Le Meur et al. 2012). Independence leaders and SMSP negotiated a new mining deal (Carnuccini and Guillaud 1999; Grochain 2013; Horowitz 2003; Kowasch 2010; Kowasch 2018; Pitoiset and Wéry 2008), that led to the Bercy agreement in 1996. With the help of the French government, SMSP swapped mining titles with the French mining company SLN (Société Le Nickel), exchanging the remote northern Poum massif for the Koniambo massif (with additional financial compensation). Kowasch et al. (2015: 9) highlight that the national French government wanted the negotiations between SMSP and Eramet (the mother company of SLN) to be successful: “The French state wanted the negotiations to succeed, New Caledonia needed political stability, and the guaranteed access to nickel resources was a condition of the independence movement for continuing negotiations with the loyalists.” The exchange of mining titles allowed SMSP and its industrial partner, the Canadian group Falconbridge (later taken over by Xstrata, then Glencore) to supply a future nickel smelter with enough local nickel ores.

Today the shareholders of the Koniambo project are the SMSP (51%) and the Swiss group Glencore (49%), working in the joint-venture KNS (Koniambo Nickel SAS), which operates the project (Fig. 2). The SMSP is now a company in the ownership of the Northern Province, governed by PALIKA (Parti de libération kanak) that invests in diverse economic sectors.

Mining development accelerated the qualification of Kanak entrepreneurs: An example is the correlation between the acquisition of two mines by SMSP in 1991 (Nakéty) and in 1992 (Boakaine) in the municipality of Canala, which is located at the East Coast of New Caledonia, and the emergence of subcontracting activities of neighboring Kanak communities (Le Meur et al. 2012). In case of Koniambo, the Northern Province is not only directly involved in the project via shareholding, it also encourages local communities to participate. Thus, the creation of local subcontracting companies is supported by political independence leaders in the North. Before discussing the issue of subcontracting in the frame of Koniambo, I would like to present the methods that I used during my fieldwork in the Northern Province in 2016.

Methods
The background of this article was the motivation to analyze the socio-economic impacts of the Koniambo project on the local population three years after the inauguration of the nickel smelter. It was part of a research project initiated by the department of community relations at KNS and conducted by the Department of Geography at University of Bremen (Germany). In collaboration with a student from University Jean Moulin Lyon 3 (France) and the support of two local students, a survey was carried out in surrounding Kanak villages. Primary concerns dealt with the opinions and attitudes towards the Koniambo project as well as local development processes. In addition, we did expert interviews with businessmen mostly of Kanak origin, customary authorities and representatives of public institutions. This twofold approach deepened our understanding of the ways how the local population participates in and perceives the Koniambo project in this early operational phase. The survey happened in five different villages in Voh-Koné-Pouembout (VKP) region, selected for their proximity to the processing plant and the Koniambo massif. The two villages Baco and Koniambo belong to the district of Koné, and the villages Gatope, Tiéta and Oundjo to the district of Voh (Fig. 2).

During the 4-months-fieldwork, I lived in the village of Baco (Fig. 2 and 3). The survey contained a standardized questionnaire with closed and open questions. Most interviews were conducted randomly in the villages, except the local entrepreneurs, which we tried to contact in advance. In total 186 people participated, whereas 43 people were entrepreneurs.

Subcontracting for Koniambo
According to Leblic (1993), the demand for subcontracting in the mining sector has grown since the 1990s and increased due to the recent construction of two major metallurgical projects: Goro Nickel in the South and Koniambo in the North (Fig. 2). The number of companies in the Northern Province amounted to nearly 300 in 1995, whereas more than 550 were registered in 2008 (Northern Province 2013: 35; Kowasch 2017: 113). This development was not just a result of the Koniambo project, but a general dynamic of new business creation due to mining development.

Organisation and development of subcontracting for KNS
From 1998 to 2009, nearly 90 subcontracting companies were founded to service the Koniambo project, most of them with the support of KNS (Kowasch and Holtz 2014; Le Meur et al. 2012). In the early construction phase, in October 2008, local subcontractors created, with the help of KNS, a participative structure called SAS Vavouto. Its role was firstly to integrate local communities in the economic development of the VKP area and to distribute mining rents (Le Meur et al. 2012). Secondly, the SAS Vavouto is a kind of “umbrella company” federating a certain number of local businesses; it acts as a mediator between KNS and local entrepreneurs, seeking to promote the development of local businesses and equal distribution of subcontracting contracts (Kowasch 2010). The management was assisted by a technical committee of four to nine members of the Bureau of Northern Enterprises (BEN), which mostly comprises small enterprises in the North specialized in construction, earthworks and transport (ibid 2010: 367).

At the end of the construction phase and the commissioning of the Koniambo smelter, a “wave of demobilization” hindered the economic and entrepreneurial dynamism. Consequently, the demand for unskilled labor declined rapidly and instead, highly professionalized employees and subcontractors were required. While the SAS Vavouto represented nearly 190 subcontracting companies in the Northern Province in 2014, only few local subcontractors
were able to keep contracts with KNS afterwards (Grochain 2013).

**Spatial distribution of subcontracting**

In the beginning, the euphoria to participate in the Koniambo project was immense among the local population. There was a high influx and circulation of money in the local economy and a long-standing flow of migrant laborers. Many locals wanted to swim with the tide because the project generated new income opportunities. Nevertheless, distributional inequalities and conflicts about costs and benefits, amplified thorough the demobilization, occurred. Comparing the different Kanak villages in the vicinity of the nickel smelter, a sort of “fragmented development” is apparent (Kowasch 2017: 121), illustrated by the heterogeneous distribution of entrepreneurs (Fig. 4).

The village of Oundjo (Fig. 5), for example, despite its size and proximity to the factory, shows little entrepreneurial activity. The reason dates back to even before the construction phase, when initially the Pinjen peninsula, south of Oundjo (Fig. 2), was chosen as a good location for the Koniambo smelter. Disagreement between proponents and opponents of developing this site triggered tensions, some originating from the colonial period, and resulted in social friction between the inhabitants of the village (Horowitz 2003; Kowasch 2010; 2017). Besides a few beneficiaries, the village still lacks economic dynamism and there are a lot of people without fixed incomes compared to the other villages. Most entrepreneurs are found in Baco, because of its proximity to the town of Kone and its good transport links. Moreover, Baco already had good economic structures prior to the construction of the smelter (Kowasch 2010). The villages of Gatope and Tieta also show a strong entrepreneurial dynamism, whereas Koniambo is less involved. To explain the differences in entrepreneurial dynamism, existing inequalities in the time before the implementation of the Koniambo project and the social cohesion within the villages play a crucial role. Furthermore, economic development is embedded in a post-colonial context, hence social and political distortions resulting from the colonial period have also to be considered. Inequalities and conflicts about costs and benefits induced by the Koniambo project are amplified due to the limitedness of mining development and, in a more concrete timeframe, to the demobilization after the end of the construction phase.

**Domains of subcontracting**

The construction phase of a large-scale mining project requires vast financial investments and a large labor force, offering a great range of activities for unskilled workers and entrepreneurs. Earthworks (10 answers), personal transport (9) and construction (8) represent the most common activity sectors of the interviewed entrepreneurs (Fig. 6).

During the construction phase of the smelter the demand for these sorts of business enterprises was high and led to a competition of business creations and market shares among local communities. The sustainability of this entrepreneurial endeavor depends referring to Curry (2005) on the likelihood of the enterprises to generate long-term financial returns for the community in respect to social obligations. The most common working areas listed above are according to Curry’s typology of business enterprises, particularly vulnerable to insolvency (ibid. 2005). They are often difficult to sustain because proportions of surplus generated must be retained for maintenance and reinvestment. In general, many subcontracting businesses only remain viable through extern services like advice, financial support and inputs from the mining company and public institutions. In indigenous contexts, local entrepreneurs not only have to respond to demands from the local economy, but have also to meet non-market objectives.

**Embeddedness of subcontracting in community structures**

Subcontracting and local business development related to the Koniambo project induced a transition process from mostly smallholders to entrepreneurs among the local communities. Eventually, many of them were not capable of managing...
their businesses profitably and did not anticipate the period after the construction of the smelter. The majority did not evolve and diversify their economic activities but instead expected a continuous flow of money and contracts. According to Luc Bataillé, director of the local structure Cellule Koniambo, many local subcontractors considered themselves as “chef d’entreprise” but effectively the SAS Vavouto was in charge of managing and distributing the contracts to the local subcontractors who “just did the work” (Interview 2016). However, the failure of many entrepreneurs is not just explained by a lack of economic behaviour or rationality but bears a social implication.

Historically individual entrepreneurship and profit making have been often considered as “colonial” by Kanak communities (Kowasch 2012) as the idea of individual wealth accumulation opposes traditional and “communitarian” Kanak values (Winslow 1995; Horowitz 2003). Nonetheless, since then many Kanaks have become entrepreneurs, especially in the context of the mining sector. The underlying motivations to engage in the Koniambo project as subcontractor are manifold, according to Grochain (2013): First of all, the political and symbolic meaning of the project endows a sort of common identity among the local Kanak communities of the VKP area and beyond. Secondly, economic interests and profit incentives are important, especially for those who already possess entrepreneurial experiences. Thirdly, the recognition of customary alienation to land play a crucial role for the distribution of subcontracting contracts and eventually, “people became aware of the need to ‘make money’ from the presence of the mine” (Bainton and Macintyre 2013: 161). In contrast to paternalistic beliefs, local communities indeed hope to ameliorate their standard of living and seek to accumulate material wealth from engaging with the cash economy. However, they prefer to pursue new ideals of economic and social relations (Curry and Koczberski 2013).

The nature and purpose of customary exchange shapes people’s engagement with the market economy: Whereas the transaction of commodities is based on the exchange of full ownership of an object between individuals, the exchange of donations constitutes a social act that relies on social relationships (Fig. 7). Therefore local business enterprises often do not run profitably in a market sense, but contribute in generating social recognition and prestige for their owners (Curry 2005). This exemplifies that people’s engagement with capitalism is shaped by “place-based conceptions of economy and society” (Curry and Koczberski 2013: 342). The recognition of the “embeddedness” of local economic activities and the specific rationales of local entrepreneurs leads to a better explanation of the failure (and success) of development projects in rural environments (Banks 2007). In case of the Koniambo project this is articulated by the desire to accumulate power and prestige by taking several

![Figure 5: Dock for boats in Oundjo.](source: Kowasch 2009)

![Figure 6: Activities of businesses selected (several answers possible).](source: Rosner et al. 2016)
positions (entrepreneur, deputy in the local parliament and customary chief for example) (Kowasch and Holtz 2014).

Referring to examples from Papua New Guinea, Bainton and Macintyre (2013: 161) shape the term “prestige economy”. Managing his/her own business represents one’s "success in engaging with the modern world" (Curry 2005: 238). The authors highlight that engagement with capitalism often arises from an “opportunity” rather than being a “necessity” for local entrepreneurs (Bainton and Macintyre 2013: 142).

They do not rely exclusively on these businesses or on the local exchange economy. Therefore, they follow different rationales and have different expectations from their engagement. According to Curry (2005), there are three main constraints that have to be considered in the context of “indigenous entrepreneurship” that influence local social and economic practices. First, profit and consumption in a market-based sense are not of primary interest but are seen as means to an end. Second, the pooling of capital and labor creates and strengthens social relationships. Third, custom and customary exchange are important determinants of life quality. Curry concludes: “Thus, investments of capital are not often in anticipation of future profits - rather, they are an investment in social relationships” (2005: 237).

Bainton and Macintyre (2013: 142) explain that the distinction between “opportunity entrepreneur” and “necessity entrepreneur” results from the everlasting expectation from landowners for privileged business opportunities. In this vein this is an extension of an existing national “ideology of landownership” which is frequently manifested in rent-seeking behaviour (Filer 1997; In: Bainton and Macintyre: 142). Aspirations for development are understood as compensation that is translated through business creations (ibid. 2013).

Tensions and conflicts

In Melanesia, local businesses are characterized by their territorialized imprint. There is a close relationship between capitalist engagement and land claims for prestige and power (Curry 2005; Bainton and Macintyre 2013). These sources of intra- and intra-community conflicts are “elements of Melanesian society that menace the mining industry” (Filer 1997; in Bainton and Macintyre 2013: 142). Bainton and Macintyre (2013: 149) analyse the competitive economic behaviour:

“Despite public appeals to custom and equality, in practice competitive economic behaviour has become completely normalized. But ultimately there is a contradictory process at play: as leaders externally proclaim the importance and unity of the community in moral opposition to corporate profit maximizing motives, this masks the internal divisions that are exacerbated through daily actions and the pursuit of new economic opportunities.”

Performing cultural integrity aims at the own distinctiveness compared to "outsiders” like external companies, which also seek to get subcontracting contracts. It should also strengthen the bargaining power with the mining operator. Figure 9 shows a strike in 2008 of local businesspeople to get contracts within the Koniambo project: “Manque de consideration envers les entreprises du Nord” (Lack of consideration of the enterprises of the North). This was the incentive for the creation of the SAS Vavouto (Grochain 2013).

Tensions and conflicts over business contracts and prestige within the community are also illustrated by the split of the “umbrella company” SAS Vavouto in November 2014. The legitimacy of the president, who was not elected but chosen due to his customary position, was challenged by accusations of corruption and patronage. Following his dismissal, he founded a competing structure with the same objectives: SAS Vook. Many local entrepreneurs regret the split of the two structures because its aim was to distribute contracts equally to small local businesses and to preserve the “traditional order”. Now the competition between the two “umbrella companies” allows KNS to choose and to award contracts to the most competitive. The mining
operator thus benefits from this new constellation, but at the expense of harmonious relations among local entrepreneurs.

The Koniambo project promised long-term benefits for local Kanak communities; however, development and socio-economic disparities coexist. The survey showed that a majority of Kanak people are still in favor of ‘their project’. The struggle for employment and business opportunities within the Koniambo project resulted mostly in “individual entrepreneurism” and hindered the emergence of collective development projects. Internal discord and problems about the distribution of benefits and costs occurred; even favoritism was denounced in few discussions with locals. Therefore, the perception of the Koniambo project among Kanak village people varies in relation to their professional situation. Compared to employees and unemployed people, entrepreneurs have a more positive opinion of the project (Fig 8).

A necessity remains to further scrutinize the role of subcontracting as a sustainable means for local communities to engage in the Koniambo project. Generally business creations in the context of large-scale mining projects are structurally different from non-resource based development projects because they are embedded in a more dependent and client-based approach to capitalism (Bainton and Macintyre 2013). Those subcontracting entrepreneurs are not fully independent and autonomous in matters of decision making related to the mining operator and to their social context (Le Meur et al. 2012). They have to compete with international companies and more experienced businessman from Noumea. After the demobilization process, several businessmen encountered financial difficulties. Their dependency on the SAS Vavouto as mediator between them and the mining operator KNS hindered their own economic evolution. Hence, a majority of people were not able to get contracts beyond the mining industry.

Additionally, the desire for change is mostly driven by political elites and ambitious landowners (see Bainton and Macintyre 2013). Therefore, the will to actively participate in the project differs among the local population; especially younger and higher qualified persons were not favorable to participate in subcontracting because they might have priority in better paid employment with KNS or beyond the extractive industry (Rosner et al. 2016).

**Conclusion**

The VKP area is experiencing a deep socio-economic transformation process, which on one side generates wealth accumulation and an improvement of living standards. New incomes from mining jobs and subcontracting play an important role in wealth creation. On the other side, however, socio-spatial disparities widen (Kowasch 2018). Despite its geopolitical intentions and its symbolic meaning, the Koniambo project has led to dependency on resource extraction and to some extent financial support from the national government and France (Lassila 2016). This hinders the aim of gaining economic and political emancipation and reduces the potential for political protests (Horowitz 2003). Lassila (2016: 385) draws on the image of an “anti-politics machine” (Ferguson 1990): the political ideals represented by the Koniambo project are obscured by bureaucratic and technical issues through its focus on economic goals. However, contrary to the image of an all-powerful capitalism that transforms “traditional” noncapitalist economies, the embeddedness of economic activities such as indigenous subcontracting in cultural and customary contexts has the capacity to shape project outcomes (Curry 2005). The incentives for Kanak people to engage in business development are not solely driven by the desire to accumulate benefits. Through their involvement in extractive industry, customary representatives seek to obtain recognition from the mining operator, public authorities and other clans. This shift from royalties and compensation payments to “commercial participation” (Bainton and Macintyre 2013: 159) is inalienably linked to conflicts over customary land legitimacy. Hence, competition and conflicts over the distribution of business opportunities is a “site of fission and conflict” (ibid.: 158). Exemplified by the rupture of the SAS Vavouto, the prevalence of an individual business model based on notions of prestige and diverging interests impedes subcontractors from collaborating; it opposes intercommunity solidarity.

Whether local subcontracting and the Koniambo project in general will contribute to a viable economic development is not yet clear (Kowasch 2010; 2017). The sustainability of local business enterprises depends on considerations of the cultural embeddedness of subcontracting and the motivation and adaptability of local businesspeople. From a more critical perspective on mining projects, Gilberthorpe and Rajak (2017) argue further that the distribution of benefits and costs as well as unequal power asymmetries between different actors need to be re-politicized to meet the objectives of a “sustainable development”. Indigenous communities need to have the capacity to decide what kind of development model they want to pursue. This articulation of local agency represents a starting point for “innovative cultural reflexes” (Bainton and Macintyre 2013: 142) towards large-scale mining projects.

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**References**


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