Warning of unrest in New Caledonia over Australian nickel smelter closure

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New Caledonia's president, Philippe Germain, warned Australian business magnate Clive Palmer last month that the closure of Palmer's $A2 billion nickel refinery in the Australian state of Queensland could lead to violence and unrest in the nearby French territory.

The Queensland state government has refused to guarantee a $35 million bank loan to the Queensland Nickel (QN) smelter to prop up its operations. State Treasurer Curtis Pitt said QN had not opened its books and bailing out a private company would set "an alarming precedent." Up to 800 refinery workers in the northern city of Townsville face losing their jobs.

The Pacific region-wide repercussions of the looming plant closure are a sign of the escalating turmoil being caused by the sharp downturn in global commodity prices. Nickel mining is the single major industry on the small island of New Caledonia, which holds about one quarter of the world's known nickel reserves. New Caledonia's mines are the main suppliers of Palmer's Yabulu smelter in Townsville.

In a sworn affidavit obtained by the *Australian*, QN's director Clive Mensink said the New Caledonian president met with Palmer to express its concern over his company's ability to continue to buy ore. A "failure of QN to be in a position to do so would result in political unrest, violence and even closure of mines in New Caledonia, as QN has been the sole purchaser of laterite nickel ore for the last 20 years," Germain reportedly declared.

The SLN nickel plant in New Caledonia's capital Noumea, owned by the French company Eramet, is the territory's biggest private sector employer. It is losing millions of dollars every month because the nickel price has more than halved since early 2011. Industry-wide losses in the territory will this year exceed $US1 billion.

According to a Radio NZ report on December 2, the Credit Suisse bank has also identified the Brazilian-owned $US6 billion Goro plant in southern New Caledonia as one of five nickel sites worldwide that are at risk of being mothballed or closed completely. A bank commissioned study said that up to 65,000 tonnes of nickel, from a total global supply of 2 million tonnes, need to be taken off the market to try to force prices up.

The mounting economic crisis in New Caledonia has raised political tensions and sparked rolling protests and industrial blockades. Last month, hundreds of SLN workers went on strike and set up pickets, blocking access to the plant using burning tyres. Radio NZ reported that the workers were protesting the imminent loss of 60 jobs and an Eramet decision to delay building a new coal-fired power plant for the smelter.

In August, local truck drivers, fearing for their jobs, mounted a three-week blockade of parts of Noumea after the government declined a bid by SLN to be allowed to export one million tonnes of low-grade ore to Japan. In a bid to boost prices, the government is also restricting sales of ore to China, currently allowing only one company, MKM, to sell 300,000 tonnes over the next 18 months.

In New Caledonia, the unions quickly shut down the SLN strike in mid-November, while steering workers behind the demands of the conservative opposition Republican Party to lift export restrictions. The Republicans accused the government of committing "economic sabotage" by blocking exports. They claim the restrictions directly or indirectly put up to 10,000 jobs at risk.

New Caledonia's congress met in an extraordinary sitting on October 14 to discuss the government's policy after France invoked its right to summon the territory's legislature in a bid to settle the protracted dispute. With Congress deeply divided on the issue, nothing has been resolved.

The fate of the Yabulu smelter itself remains unclear. According to documents filed by another of Palmer's companies, Mineralogy, in a Supreme Court action early this month in Western Australia, the QN refinery has been run at a loss amid the slump in commodity prices and faces imminent collapse because of a crippling cashflow problem.

Mineralogy was seeking urgent payment of $48 million from its iron ore venture partner, the Chinese firm Citic, in a drawn-out battle over unrelated royalty payments. Mineralogy's legal team claimed that money was needed by Palmer's refinery to meet an impending critical payment. Palmer's lawyer told the court the refinery was in a "worse than perilous position."

In his subsequent approach to the state Labor government in Queensland to guarantee a $25 million loan, Palmer said it was "minimal assistance" to ensure continued operation of the Townsville refinery while the nickel price was low. He claimed, without any evidence, that forecasts showed global prices would rise sufficiently to make the operation self-supporting by mid-next year.

The closure or mothballing of the refinery would be a devastating blow for Townsville, which currently has one of the highest levels of unemployment, including youth unemployment, in Australia. In addition to the 800 jobs at stake in the plant, an estimated $1 billion in economic activity could be lost annually.

Australian Workers Union Queensland president Ben Swan appealed to the Labor government to overlook "short-term political considerations" and intervene to guarantee the refinery jobs. However, Treasurer Pitt has so far flatly refused any assistance, declaring: "If Clive Palmer makes a decision to close the refinery that would be his decision alone."

Queensland, once touted as a "mining boom" state, has become one the sharpest expressions of the downturn overtaking Australian capitalism. When the Labor Party took office following the state election in January, it had an austerity agenda. It vowed to eliminate debt faster than the previous conservative Liberal-National Party administration, by cutting $12 billion of debt over 10 years, restructuring electricity and other government enterprises, and diverting two-thirds of their dividends each year from social spending into debt repayment.

In both Australia and New Caledonia, the governments will seek to make the working class pay for collapsing commodity prices and the worsening global crisis of capitalism.