Divestment of Mining Corporations May Impact Investment Climate

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Government is asked to be more careful in implementing the divestment of foreign mining corporations that have been operating in Indonesia, as stated in the Law No 4 Year 2009 which has the risk to use up the state budget, even bringing negative impacts on the investment climate in the future.

This issue emerged in a public discussion titled *Negotiation Politics of Mining Corporations Divestment: Benefits and Welfare for Whom?,* conducted at the Digital Library of Faculty of Social and Political Sciences UGM on Thursday (9/3). The discussion that was organised by the Research Unit of Politics and Governance Studies Department invited speakers such as researcher from Natural Resource Governance Institute, Emanuel Bria, Director for Resources on Energy, Mineral and Mining, Josaphat Rizal Primana, and Tax Manager of PT Freeport Indonesia, Mukhlis.

Emanuel Bria said the divestment law causes foreign corporates already operating in the country to release parts of the shares to the government. This can bring negative impacts on the investment climate in Indonesia. “This policy threatens the investment climate in the future whilst the majority of investment in Indonesia are foreign ones,” he said.

Based on his experiences, certain conglomerates misuse the law by making themselves as if under the name of the government. “Divestment obligation is misused by Indonesian conglomerates, often the funding comes from foreign loans,” he said.

On the discourse to divest the shares of PT Freeport Indonesia by government up to 51 percent, Emanuel Bria said this would be very risky to do because it would take up a huge amount of funds. “Half of the total shares of Freeport equals 40 percent of health budget in the whole country. Moreover, this would mean that the government would buy the shares using the state budget,” he said.

Government needs to consider revenues coming not from divestments because they have received funding from royalties, tax, and job opportunities. “There is still some choices left for the government apart from divestment, whether applying high tax, opening job opportunities, or smelter construction. The government also needs to confirm in the contract negotiation what their priorities are,” he said.

In his opinion, the government should focus on stable tax revenue and create positive climate investment whilst also building other Indonesian corporations to be more efficient. “I don’t think it’s the right time to minimise foreign investment while our state owned corporations are not competitive. Don’t let the sale of shares of mining corporates hamper investment,” he said.

Josaphat Rizal Primana said the policy of President Joko Widodo and VP Jusuf Kalla was very pro-active. Despite the divestment law, he disagrees, however, if Freeport would be managed by state owned corporations because the majority have not given maximum profits to the state. “Many of our state corporations suffer from losses, only a few has benefitted the state,” he said.

Tax manager of PT Freeport indonesia, Mukhlis, said Freeport that has operated since 1973 has contributed up to USD16.6 billions. “As high as USD16.6 billions have been contributed to the state since 1992 until now. Freeport has employed as many as 12,184 staff, involving Papuan people up to 35 percent. The funds that have been distributed to the society account for USD1.46 billion in total,” he said.

As a multinational company, said Mukhlis, Freeport required legal security and certainty from government in terms of contract renewal so that they can progress in the long run.

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