

The Role of State in Nationalization of Indonesia Aluminium Corporation

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Abstract—This article explains the extent of the state's role in the nationalization of Inalum Corporation, two levels i.e. central government and local government levels. Data and information was gathered by qualitative research. In-depth interviews was conducted with officials at the central and local governments, as well as with civil society and investors. This study argues that, in the nationalization of Inalum, the state was not autonomous in decision making at the local level. This is due to the fact that it did not pursue and serve its own interest for maximum share of the profitable company. The state serves as a tool to maintain social cohesion in order to secure capital's economic interest. In this case on the other hand, at the central level, the state demonstrates its commitment to national interest in nationalizing the prospective company and sharing the ownership with the local government.

Keywords—state; state's role; instrumentalist; state autonomy; state's relative autonomy; social cohesion

I. INTRODUCTION

This article explains the role of state in the nationalization of Inalum. As the main actor is the central government, the study aims at identifying the state's role in the nationalization of Inalum. However, in the process of nationalization the role of the local government in initiating agenda for central-local revenue shares determines the outcome. Thus in this regard it is important to differentiate two different actors two different levels: central and local levels.

The issuance of UU No 4 Tahun 2009 which states the nationalization of foreign companies, then Indonesia entered a new phase of mining. With the constitutional order, the role of the state is crucial in national mining politics. As the ownership of shares by the Government of Indonesia, the local governments in North Sumatera eager to own shares of PT Inalum by majority of 60%.

The desire of the local governments in North Sumatera is because PT Inalum is in their area, so the local governments in North Sumatera has a majority share. In relation to this matter, the House of Representatives Commission VI approves the Government's intention to take over PT Inalum on condition that there is a 30% ownership stake in the region.

That is, the local governments in North Sumatera failed to get a share of 60%. Failure is actually can be explained from UU No 4 Tahun 2009 and PP 24 Th 2012. In the regulation does not clearly regulate the role of the

region. However, as a political process at the central level it can actually be negotiated as the spirit of decentralization. It's just that the central government and some members of parliament do not agree on the role of the national private in Inalum nationalization.

The nationalization is regulated by the central government of Republic of Indonesia. Nationalization of Inalum is an important factor for the political imaging of political campaign to show that the state is powerful and holds sovereignty over the mining resources. In the other hand, the local governments in North Sumatera were subordinates of Toba Sejahtera Corp. Toba Sejahtera has combined business intensive and political influence to assure the provincial government of North Sumatera to approve the proposed set scheme of partnership.

Why the Provincial Government of North Sumatera secured 30% of shares. Because, the Provincial Government of North Sumatera was considered by President SBY to be affiliated to Luhut Pandjaitan (Toba Sejahtera). Consequently it only secured 30% of the shares of Inalum.

The low percentage of shares resulted in protest from the local elites since it was considered to be underrepresentation for local governments. Nevertheless, the government persisted and shared only 30% to the local government. Most of elites of the central government considered that the local governments in North Sumatera were subordinates of PT Toba Sejahtera. In the case of Inalum, Luhut has also successfully ensured loan from BNP Paribas and Deutsche Bank although the funding scheme was at high risk for national interest by local government added national legislatures.

However, in the process of nationalization the role of the local government in initiating agenda for central-local revenue shares determines the outcome. Thus in this regard it is important to differentiate two different actors two different levels: central and local levels.

The local level, state represented by the Provincial Government of North Sumatera is the instrument of the capitalist group. Therefore, Miliband's theory can explain is relevant to explain that issue. Miliband¹ believes that the capitalist class plays a significant role in political power since the capitalist class control over the economic life of the society. But in the decision was made at the central level, the instrumentalist theory has lost its significance.

¹ Ralph Miliband, as in [1], p. 23.

Consequently, local interest and the accompanying capitalist interest have been neglected. The involvement of capitalist group was criticized by national elites.

II. RESEARCH METHODOLOGY

This study employs qualitative method to analyze research findings with the main perspective being Ralph Miliband and Nicos Poulantzas' state autonomy theory.

III. RESEARCH FINDING AND DISCUSSION

Results of this study explain that, in the nationalization of Inalum, the discussion will include two analysis levels. They are central government and local government levels. The state was not autonomous in decision making at the central level. The state serves as a tool to maintain social cohesion. But the local governments in North Sumatera were subordinates of Toba Sejahtera Corp. Toba Sejahtera has combined business intensive and political influence to assure the provincial government of North Sumatera to approve the proposed set scheme of partnership.

However, since the decision was made at the national level, the instrumentalist theory has lost its significance. Consequently, local interest and the accompanying capitalist interest have been neglected. The involvement of capitalist group was criticized by national elites such as ministers, some of National House of Representatives (DPR RI), and civil society. Furthermore, President Susilo Bambang Yudhoyono, the Coordinating Minister for Economic Affairs Hatta Rajasa (2009-2014) and the supporting political party seem to disagree with the involvement of PT Toba Sejahtera as the representative of the capitalist class.

Therefore, the theories of state's autonomy theory and state autonomy are applied for the analysis. In general, this study reveals that the state looks autonomous in the decision making of nationalization of PT Inalum. It implies that from the perspective of autonomy theory the state can become the focus of analysis of political decision making. The State's autonomy theory treats the state as an autonomous structure, that is a structure with its own logics and interests that may be different from the interests of the dominant class in society or any other groups in the government.

This study identifies whether the state, being an actor, is truly autonomous by comparing it to the facts and data of the study. It seems that the state autonomy will have to be explored because during the second period of the administration of Susilo Bambang Yudhoyono from 2009 to 2014, there are two facts that President Susilo Bambang Yudhoyono failed to stand against the pressure of the United States of America to extend the oil and gas mining concession for Exxon Mobil in Cepu Block, and extend the mining work contract of PT Freeport, although it was finally nullified by the government. It is apparent that the political decision was not consistent with the state's autonomy theory.

Therefore, the state's relative autonomy theory seems to be more suitable to explain the state's role in the nationalization of PT Inalum. Nicos Poulantzas suggests that

the capitalist or bourgeois state is not the tool of capitalist class. He suggests that the state's functions can be classified by social classes. First, for labor class, the state serves the function of taming up the labor class in order that they do not develop to be political organizations carrying the issues of political class. On the contrary, the state is proposed to be the representative of the labor class under the ideology of public interest for all people, rather than becoming the representative of the labor class as a special group. For the capitalist class, this theory explains that with relative autonomy, the state can also be flexible in intervening or minimizing economic interests of particular fractions in the capitalist class. Therefore, the state takes over the politics of the capitalist class and unites the groups or fractions of the capitalist group into a political block in order that their hegemony is secured. Thus, under the capitalism system, the state serves the function of maintaining the social cohesion to prevent the system from bankruptcy.

State is an instrument or tool of the capitalist class to dominate the society. In the instrumentalist theory, the capitalist class uses such local issues as the increase of Local Indigenous Revenue, economic growth, and other relevant issues to assure that the nationalization of PT Inalum is intended for the fulfillment of the interest of North Sumatera.

However, since the decision was made at the national level, the instrumentalist theory has lost its significance. Consequently, local interest and the accompanying capitalist interest have been neglected. The involvement of capitalist group was criticized by national elites such as ministers, some of National House of Representatives (DPR RI), and civil society. Furthermore, President Susilo Bambang Yudhoyono, the Coordinating Minister for Economic Affairs Hatta Rajasa (2009-2014) and the supporting political party seem to disagree with the involvement of PT Toba Sejahtera as the representative of the capitalist class.

Therefore, the theories of state's autonomy theory and state autonomy are applied for the analysis. The relative autonomy theory was proposed by among others Nicos Poulantzas. In his book entitled *Political Power and Social Classes* Poulantzas introduced the structuralism theory. Methodologically, Poulantzas applied different method from Miliband. Miliband treated state as the instrument of capitalist group. Poulantzas² suggests that the capitalist or bourgeois state is not the tool of capitalist class. He suggests that the state's functions can be classified by social classes. First, for labor class, the state serves the function of taming up the labor class in order that they do not develop to be political organizations carrying the issues of political class. On the contrary, the state is proposed to be the representative of the labor class under the ideology of public interest for all people, rather than becoming the representative of the labor class as a special group.³ . Therefore, the state indirectly represents the economic interest of capitalist class and also the political interest of

² Nicos Poulantzas, as in [4] p. 188.

³ Ibid, p. 133.

capitalist class⁴. In that way, the state can minimize the political interest of labor class ideologically becoming their stand point to fight against exploiting political pressure of capitalist class in the capitalism system of their own state.

Second, the state treats differently to capitalist class. It implies that the treatments will be different from when they attempt to destroy the politic of labor class. They are more accommodative because capitalist class does not have any political unity and they fail to strengthen their hegemony over labor class.⁵ Thus, the state takes over the politic of capitalist class and unites the existing groups or fractions in capitalist class into a political block to protect their hegemony.⁶

In order that such functions are effective, the state has to be relatively autonomous from the influence of capitalist class and the fractions in the class. With the autonomy, the state will have enough authority to take intervention and make compromises among the fractions in capitalist class. With such a relative autonomy, the state will freely make intervention to control economic interests of particular fractions in capitalist class.⁷ Finally, the state will be able to protect the political and economic interests of capitalist class as a whole. Under the capitalist system, the state serves the function of strengthening the social cohesion to secure the system.

IV. CONCLUSION

Of the two theories, which one more suitably describes the phenomenon of the nationalization of PT Inalum? If we view three important aspects in the state's autonomy theory in the decision making by the central government, such aspects can be explained. However, the decision making is verified by other decisions made by President Susilo Bambang Yudhoyono. Akhmad Bakhtiar Amin⁸ conducted a research on the Political Process and Elite Groups in Oil and Gas Industry, and the extension of exploration contract of Cepu Block between Indonesia and Exxon Mobil in 2005. George Junus Aditjondro conducted a research on the Bailout of Bank Century⁹ and questioned the autonomy of the state. At the end of his second administration period, President Susilo Bambang Yudhoyono made decision of extension of the Freeport contract.¹⁰ The extension of the contract was confusing and contradictory. The problem worsened due to the fact that President Susilo Bambang

Yudhoyono disliked Luhut Pandjaitan¹¹ and his group in a number of political circumstances. President Susilo Bambang Yudhoyono was not totally neutral in the decision making as required by the state's autonomy theory. Therefore, state's relative autonomy seems to be capable of explaining how the state plays the role in the nationalization of PT Inalum.

Therefore, the state serves the role to maintain social cohesion in the capitalistic system in order that the system does not go bankrupt. To minimize the hegemony of Luhut Pandjaitan the government through the Indonesia's Finance Minister Muhamad Chatib Basri (2013-2015)¹² only approved 20% of shares for the Government of North Sumatera Province. The state's relative autonomy theory introduced by Poulantzas has to be combined with the theory of dependence classified in the structuralism theory in order that data can be verified more clearly especially in the analysis of the relationship between global capitalist states and satellite states like Indonesia.

It has to be understood that when Poulantzas introduced the theory in 1968, the world was in the cold war between West Block and East Block in which the global capitalist was fought by the Communist Block. With regard to PT Inalum, this study found different pattern of relationship in Indonesia during and after the era of cold war. Results of this study explain the different patterns. During the era of cold war, Indonesia was under dependence and pressure of Japan¹³ and after the cold war, the hegemony of Japan was no longer strong¹⁴.

Based on the aforementioned data, President Susilo Bambang Yudhoyono was ambivalent in the treatment of Freeport and Exxon Mobil on the one hand, and nationalization of PT Inalum on the other. It is apparent that Poulantzas' theory has to be further studied or verified, since the state's autonomy theory has not studied the impact of the power of the global capitalist on the developing countries. Although the dependence theory has explained the relationship between capitalistic state and the satellites being imbalanced relationship, the theory merely discusses the development in developing countries and thus it fails to explain the role of state autonomy in political decision-making.

In that case, the power of global capitalists has effect on the decision making in PT Inalum. If the political decision was made when the state was still under the authority of Japan, the nationalization of PT Inalum would have never been practiced. With the more independent condition free of Japan's authority, the nationalization of PT Inalum was freely realized. This is the factor that supports the success of nationalization of PT Inalum in 2013. At the same time, the state was under the pressure of the United States of America as reflected in the political decision regarding Exxon Mobil

⁴ Ibid, p. 190.

⁵ Ibid p. 284.

⁶ Ibid p. 137.

⁷ Ibid p 284-285.

⁸ Akhmad Bakhtiar Amin, as in [1] p. 13.

⁹ George Junus Aditjondro, as in [2]

¹⁰ Statement of Director General of Mineral and Coal, Ministry of Energy and Mineral Resource (ESDM) Sukhyardi, Kompas.com Sunday, 8 June 2014 09:10 West Indonesian Time entitled: Kontrak Freeport Diperpanjang sampai 2041, Ini Pertimbangan Pemerintah. However one day later the government through the Coordinating Minister for Economic Affairs Chairul Tanjung disclaimed in Kompas.com Monday, 9 June 2014 13:47 West Indonesian Time, entitled: Chairul Tanjung Bantah Pemerintah Perpanjang Kontrak Freeport

¹¹ Excerpt of news in ASATUNEWS As in [6]

¹² Statement of the State-Owned Enterprise Minister Dahlan Iskan as in [11].

¹³ Excerpt of news in Majalah Tempo, as in [9].

¹⁴ Excerpt of news in Tempo.com, as in [12].

in Cepu Block and extension of work contract with PT Freeport. Therefore, the state in its capacity to minimize the global economy prefers more controllable pressures, and nationalization of PT Inalum represents the capability of the government to minimize global economic pressure. In that case, the state has served its function of maintaining the social cohesion to prevent the system from bankruptcy. The state serves the function of maintaining cohesive factors in the formation of unity¹⁵.

Nationalization of PT Inalum is an important factor for the political imaging of political campaign to show that the state is powerful and holds sovereignty over the mining resources. This imaging will keep away the state from the image of being weak. The *civil society* claimed that the state had been ignorant and had no sovereignty in the mining sector. This imaging explained why the government¹⁶ would almost nationalize PT Inalum without any approval from the Indonesia House of Representatives (DPR RI) in order that the to create positive image that the regime of Susilo Bambang Yudhoyono had the sovereignty over other groups.

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¹⁵ Nicos Poulantzas, as in [4], p 47.

¹⁶ Excerpt of news in *Merdeka.com*, as in [10].