

CHAPTER I INTRODUCTION

A. Background

Indonesia's rich natural resources primarily from the mining results are very influential on the natural environment and the local communities. Benefit economically will usually come along with a fee for the benefit of local and environmental costs around the mining area. The paradigm of economic growth is shared by the government of Indonesia looking at all the natural resources contained in the Earth Indonesia, it's in line with the idea proposed by (Sutedi, 2011, page IP. 43). The mining business is some or all phases of activity in order to research. The management and business development of minerals and coal as capital to increase State income.¹

PT. Newmont Nusa Tenggara is a subsidiary of Newmont mining corporation in which the company was formed on the basis of the *Kontrak Karya (KK)* between the government of Indonesia and Newmont Gold company of the United States. The mine site is located in Sumbawa island, sekongkang subdistrict, west Sumbawa Regency, NTB Province, Indonesia. PT Newmont is the largest mining company in the NTB that produces copper, gold, silver and other metals. After doing contract work with the government, the exploration in areas of Sumbawa island was done.

Unfortunately, this is done in exploitative and massive scale to date, not less than 30% of Indonesia's land area is already allocated to the mining operations which include mineral mining, coal mining or oil and gas. Sometimes the mining concession areas distract the area of forest that is rich in biodiversity and also the territories of native life. Mining is

¹ Adrian Sutedi, Jakarta, Hukum Pertambangan, Sinar Grafika 2011, hal. 112

an activity of mineral extraction and quarry material other than in the Earth, and a process of retrieval material that can be extracted from the Earth. The mine was the site of the mining activities as explained below:

- a. *mining is some or all phases of activity in order to research, management and concessions of mineral or coal that includes the general investigation, exploitation, feasibility study, construction, mines, processing and refining, transport and sales as well as post-war mine.*²
- b. *mining is a series of activities in the framework of search efforts, mining (extracting), processing, utilization and sale of minerals (minerals, coal, geothermal, oil & gas).*³

There are 3 (three) important aspects to look for in mining, namely, environmental aspects, technical aspects, and economic aspects. If one of these aspects is not met then the mining activities are not qualified to do. Therefore, before doing this activity, there is one to be done namely feasibility study.

The Feasibility study includes engineering, economic development, environment (including the Amdal study). Sugiharto (2002), The business feasibility study (BFS) as an activity to answer questions in a company engaged in mining sector."⁴

Each is discussed as follow:

²Salim HS. *Hukum Pertambangan Mineral & Batu Bara*. Sinar Grafika, Jakarta, 2012,lm. 15

³*ibid*

⁴<https://1902miner.wordpress.com/2012/06/03/jurnal-analisa-kelayakan-investasi-dalam-pengambilan-keputusan-investasi-pada-usaha-pertambangan-nikel/>

1. Review of Technical Aspects

Review is results of the exploration with regard to aspects of geology, topography, test wells, ditches, test drilling, the quality of sediment, and the amount of the reserve. Results of the study are data exploration as technical data in determining the selection of the mining system, does the open mines, underground mines, or a mixture.⁵

2. The study of viability. Viability is the calculation about the viability of the results of the mine, according to Cashmere and Jakfar (2007:97), there were six criteria used to determine the feasibility of a business or investment, i.e. (PP) Payback period, Net Present Value (NPV), the Average Rate of Return (ARR), Internal Rate of Return (IRR), Profitability Index (PI), as well as various financial ratios such as liquidity, solvency ratios, activity, and profitability.⁶
3. Feasibility Study environment, in the format AMDAL. It's to Preserve environmental functions and prevent the occurrence of pollution and/or damage to the environment which includes planning, utilization, control, maintenance, supervision and law enforcement".⁷

In Indonesia, there are a awful lot of assorted mining as for understanding, from the mine itselfas explained earlier that it is an activity that aims to find minerals. Whereas mineral itself has the meaning as a solid object or chemical compound that is formed from the natural elements that have the same constituent substances/. natural mineral consist of several types that include:

⁵Hagan page india PVT.Ltd),2002,hal 22

⁶Kasmir dan Jakfar (2007: 97),

⁷Supriyadi, *Hukum Lingkungan di Indonesia, Suatu Pengantar*, Sinar Grafika, Jakarta, 2006.

1. Natural gas mineral resources

Natural gas is a mixture of several hydro carbon with small carbon levels used as fuel. Most of the Earth's oil reserves are located in the western part of Indonesia, especially Sumatra 70%, Java 12% and the rest are scattered in the eastern region by Indonesia such as Borneo, Sulawesi, Maluku and Papua.⁸

2. Liquid mineral natural resources: Petroleum

The process of the formation of petroleum takes millions of years after the petroleum processed oil produces gas (avgas), benzyl (avtur), gasoline (gasoline, premium and super 98), kerosene (kerosene and oil lamps), solar, diesel oil and fuel oil, petroleum jelly and the asphalt. The spread of oil mining in Indonesia, among others are in Nanggroe Aceh Darussalam/NAD, North Sumatra, Riau and Riau islands (Natuna),⁹

3. Natural resources of solid minerals: Uranium, Coal, and Gold

a. Uranium

Uranium is a radioactive material. Uranium has been used to make an atomic bomb. Now the uranium is used to generate electric power and become a valuable fuel used as fuel in nuclear reactors and as a radioactive isotope to treat people who are sick with cancer. There are several other potential areas that contain uranium, such as in the province of Bangka Belitung, Mamuju Regency of West Sulawesi, Sibolga in North Sumatra and Biak of Papua. The Calculation of

⁸<http://pertambangan.kaltimprov.go.id>

⁹Sukandarrumindi.(2009). Bahan Galian Industri. Yogyakarta: Gajah Mada University Press.

quantity of uranium potential in Indonesia issued by BATAN has reached 7,000 tons.¹⁰

b. Coal

Coal was originally the organic material accumulated in the swamps called peat. Formation of coal requires certain conditions and only occur on particular eras throughout geologic history. The carbon age roughly 340 million years ago (Mya) was the most productive Coal formation. The potential coal resources in Indonesia are very abundant, especially in the islands of Borneo and Sumatra. Coal is the primary fuel in addition to diesel fuel used in industry.¹¹

c. Gold

The process of gold formation metal in nature is through a process of magmatism from the inner earth minerals toward the surface as well as the activities of the volcano of volcanic processes.¹²

Gold is quite promising to invest for long term in Indonesia. Gold is widely used as a guarantee of financial standards in many countries, Potential gold deposits are found in almost every region in Indonesia, as in, the island of Sumatra, the Riau Islands, Borneo, Java, Sulawesi, Nusa Tenggara, Maluku and Papua. The mining company which exploits the gold reserves in Indonesia, among others are:

¹⁰<https://finance.detik.com/energi/3201140/ri-punya-7000-ton-uranium-ini-dia-lokasinya>

¹¹<https://mangkutak.wordpress.com/2009/01/21/bahan-galian-batubara/>

¹²<https://pengolahanlogamemas.wordpress.com/2015/11/15/ccontoh-jenis-batuan-emas/more-407>

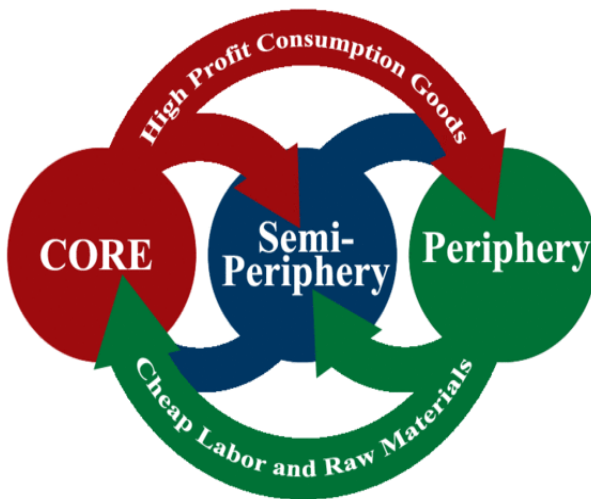
- 1) PT Aneka Tambang, is the State-owned enterprises
- 2) PT Freeport Indonesia
- 3) PT Newmont Nusa Tenggara

B. Research Question

Why did PT Newmont still invest the mining in Indonesia?

C. The Framework of The Theory

In this case the writer carries out The Modern World-System theory.



Wallerstein's World System Theory Model

Figure 1. Diagram of World System Theory

Source: Immanuel Wallerstein, The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century. New York: Academic Press, 1976, pp. 229-233.

Immanuel Wallerstein states the world system is a social system, that has boundaries, structures, member groups rule legitimacy and coherence

A world-system is what Wallerstein calls a "world economy" integrated through the market rather than a political center in which two or more regions are interdependent with respect to necessities like food, fuel, and protection, and two or more polities compete for domination without the emergence of one single center forever. This division of labor refers to the forces and relations of production of the world economy as a whole and it leads to the existence of two interdependent regions: core and periphery. These are geographically and culturally different, one focusing on labor-intensive, and the other on capital-intensive production. The most important structures of the current world-system is a power hierarchy between core and periphery in which powerful and wealthy core societies dominate and exploit weak and poor peripheral societies.

Relationship balance between integration and Division (fragmentation), the creation of beneficial interdependence. Theories that are suspended between core and peripheral, in which the core need peripheral to cultivate resources and core as a place to produce results from peripheral already managed who then marketed in the world globally even internationally, through a natural resources this could be the creation of interdependence which is done by core or peripheral for mutual benefit in the field of exploitation of the mines where the core as a place of production which will be managed by peripheral so mutually beneficial in terms of economic existence dependency peripheral towards core makes new hope for continued cooperation during the core can still produce results from peripheral as well as the dependence core against the peripheral which became the Manager of the

core, the more promises to keep doing the same work in terms of economy increasing every year. (Goldfrank, 2000). Carlos A. Martínez Vela – ESD.83 – fall 2001 3in his own first definition, Wallerstein (1974) *said that a world-system is a "multi-culturalterritorial division of labor in which the production and exchange of basic goods and raw materials is necessary for the everyday life of its inhabitants."*

Implementation.

Dependency is a need to achieve to accept what's wanted and provide results and benefits against the deal that makes reliance with who is need and who is needed. In this context tangible evidence of dependency theory has happened. A dependence of a state towards other States, such as that Indonesia in terms of mining which is tied to the country's donor meant many rich countries that contributing to the development of the subject of mining in Indonesia. Like the case in West Sumbawa NTB area where the gold-mining sector of PT. Newmont is heavily influenced by foreign countries in terms of equipment and human resources. Moreover, in this case Indonesia was only able to donate 40% (land, society, & processing) as the owner of the SDA which rest 60% controlled by foreigners. And wealthy core societies dominate and exploit weak and poor peripheral societies. (Skocpol, 1977).

“Technology is a central factor in the positioning of a region in the core or the periphery”. PT. Newmont itself gives the dependence on the community as the place where gold production Sumbawa produced or managed by the community already in the body of the company PT Newmont. In the absence of PT. Newmont, the community hasn't been able to manage independently against SDAS around them therefore PT. Newmont provides as the last stage to produce the result of the SDA and market it globally or internationally. In this case, PT

Newmont itself had a dependency on the community and the place that has been given by the government of Indonesia and won the trust of the community as the site of the mining production marketed in the world PT. Newmont will get in trouble if there is absence of help from the local community resulting gold received SDA.

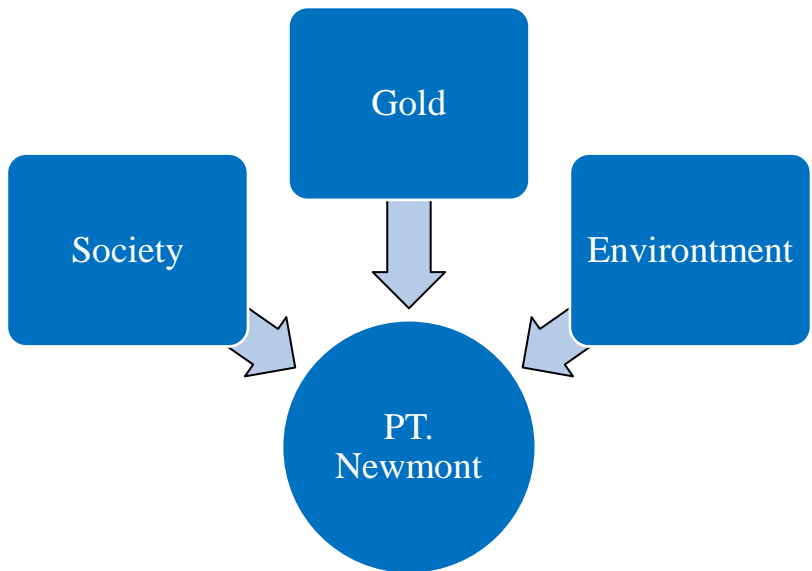


Figure 2. Implementation of the Model World System Theory

D. Hypothesis

1. Indonesia still depends on foreign investment US.
2. The mining increases the GDP environment
3. Increase economic growth

The Government is already preparing a strategy in case of a dispute between society, the government and between the mining companies PT Newmont Nusa Tenggara. In outline, there are two ways of dispute resolution, namely through the court and out of court. Litigation is a settlement between the parties in court. The pattern of settlement outside the Court was using ADR (alternative dispute resolution) or alternative settlement.

E. Scope of Research

Due to some limitations, the author limits the scope of the study, in order to conduct, and understand the research easily as well as get a higher accuracy of data. The brief historical explanation, a discussion that is used to clarify the next topic. The authors restrict this research to examine the form of Indonesian government's diplomacy by PT. Newmont

F. Methodology

Type of Research. How the form of Indonesian Government's diplomacy by PT. Newmont. The author used is the descriptive-qualitative methodology. A descriptive qualitative method is a part of qualitative research. The authors understand and explain the policies associated with existing data that have been gathered into a knot. As for the numbers written are statistical data as a source of accurate data are needed. The statistical data are a way to direct the events, conditions and events that are compatible with the purpose of research.

Based on the sources, the data in this study are secondary data. Secondary data are a source of data obtained by researchers indirectly through an intermediary medium. Intermediary used by the author was done by quoting from another source such as the Indonesian Foreign Ministry reports, books, journals, articles, and resources that support such as documents that have relevance to the issues. For enrichment data or expansion of the material, the author used data obtained from the Internet.

G. The research aims:

1. to explain the influence of PT Newmont's investments in Indonesia
2. to answer the formula problem that exists with relevant theories as well as the evidence and facts

H. Systematic of Writing

Systematics in writing consists of:

Chapter 1. This chapter is the introduction which contains the background of the problems related to the formulation of the problem, theoretical framework, research question, theoretical framework, hypothesis. Scope of Research. Methodology. Purpose of writing and research and systematics writing.

Chapter II. This chapter describes about the history of the bilateral relations of Indonesia and America so that in a few decades Americans have an important role to increasing economy, through mining investments.

Chapter III. In this chapter, the writer elaborates PT Newmont as the core of the industrial mining which has big influence in Indonesia and how the PT Newmont influence the gold invest in Indonesia.

Chapter IV. In this chapter the writer answers the research question on why PT. Newmont had a big impact against gold mining/minerals in Indonesia and elaborates the hypothesis.

Chapter V. In the last part of writing, the conclusion from the discussion in previous chapters is written and is accompanied with suggestions which might be beneficial.