

PT.NEWMONT'S INVESTMENTS IN INDONESIA

2010-2018

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ABSTRACT

PT Newmont Nusa Tenggara (PTNNT) works in the sector of copper and gold mining industry by applying the concept of good mining practice that is using norms of good mining techniques and observing aspects environmental sustainability. PT. Newmont located in West Sumbawa Regency Batu Hijau, Nusa Tenggara Barat (NTB) employs more than 7000 people. It has also provided a major influence on the level of economy in West Sumbawa Regency. In this case the (mining) indonesia is still very hopeful to foreign investment to develop natural resources, because capital and Technology is a central factor in the positioning of a region in the core or the periphery. Wallerstein in her writings reveal that the country's position in the World system is tied to his role in the activities of processing industry. Thus the position of Indonesia in the world System is under the control of USA in which Indonesia the periphery country and USA of the core.

Keywords: Pt. Newmont, Sumbawa, wallerstein world system theory, periphery and core

INTRODUCTION

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. 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 there is one to be done namely feasibility study.

Each is discussed as follow.

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.

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.

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

A. The Framework Of The Theory

The Modern World-System theory

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 3 in his own first definition, Wallerstein (1974) *said that a world-system is a "multicultural territorial 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.

INDONESIA-US BILATERAL RELATIONSHIP

Indonesia accounted for any country that was vulnerable to communism and which mainly as a provider of natural resources to the United States. Since the start of diplomatic relations in 1949, relations between Indonesia and the United States continued to grow and more and more important in the reciprocal for the two countries.

Indonesia and the US have a relationship containing a long history but not much understand that the relationship is capable of is worth that much," said the Chairman of Kadin'S U.S. international relations, Myron Brilliant, in the event of "Indonesia-US Investment Summit 2016 ", *Jakarta, Kamis (15/9)*.

A. Foreign Investment (PMA)

Leadership transition for postcolonial President Sukarno to Ir. Soeharto in 1967 gave a pretty fundamental change in the system of diplomacy of Indonesia. One success form the of diplomacy of Indonesia in rebuilding the economy of this nation is through the Intergovernmental Group for Indonesia forum Inter Governmental Group On Indonesia (IGGI). It's an international group founded in 1967 initiated by the United States to coordinate multilateral aid funds to Indonesia. Suspension of payment of a debt was not enough to build the economy of Indonesia. IGGI itself has now become a place of discussion or sharing of opinion to achieve the best possible deal for the sake of helping the Government of Indonesia in building the economy. IGGI does not have coercive ties.

PROFILE OF PT NEWMONT

PT Newmont Nusa Tenggara or in addition abbreviated PTNNT is the company that manages the green stone mining Sumbawa openly. This company is a joint venture by the comparison stock ownership i.e. Newmont of 45%, sumitomo corporation of 35% and PT pukuafu indah by 20%. In 1986, PT NNT handle project to conduct exploration and exploitation in the area of contract works in NTB in 1990, PT NNT do mining in batu hijau, is it a copper mine containing gold. After the discovery of the mines, the technical study was conducted and the environment was run for six years ago after obtaining approval from the Government in 1996. Green stone mines project begins every ton of ore processed and produce 4.84 kilograms of copper and 0.37 grams of gold about 30% concentrates treated and purified by PT Smelting in gresik and some 70 percent are exported to foreign countries, among others, to Japan with a total investment value of USD 1.8 billion.

The presence of PT Newmont Nusa Tenggara was expected to play an important role in providing a positive contribution to the enhancement of the national economy, creating jobs, becoming obedient taxpayers, supporting government programs and specific policies, and carrying out social responsibility in place of operation of the company. "Just for information, all customs 2016 out of translucent Rp2,9 trillion. Approximately Rp2,5 trillion comes from customs exit export minerba."

B. Program of PT. Newmont

Support The Human Resource Development (DPSDM)

Community development program of achievement is an assistance program funds for secondary and high school students a potential boost for

their achievements expected to pursue their education level to College (PT) in Indonesia and a potential for students to improve their both academic and non-academic achievements in the field of education (for example: sports, art and cultural accomplishments, etc).

Support Community Development.

Corporate social responsibility is the commitment of the company or business to behave ethically and contribute to sustainable economic development while improving the quality of life of employees, their families, local communities, and the wider community, because in essence many mining companies are taking resources that originally belong to the local community. The existence of these mining companies in the midst of local communities has also been creating social jealousy because of the discrepancy between facilities and access to the company owned by citizens of the community, so the company must perform CSR programs to empower communities (community development) as a business favors therefore, the researcher will raise some issues about community development in the form of CSR programs on one of the biggest mining companies in Indonesia, namely PT Newmont Nusa Tenggara, and How it will affect the level of well-being of the local community. Community development (Community Development) is one of the forms. Community development illustrates the important meaning of two concepts: community quality, meaningful social relations and development, changes in the direction of the planned progress and are way up. This meaning is important to the sense of real community

development. Community development programs of PT. Newmont Nusa Tenggara alone is quite effective, though most of its construction implementation is handled by the PT. Newmont. Then, various aids from PT. Newmont have changed the face of West Sumbawa. The community really feels more considerable value added benefits from the assistance and facilities provided by PT Newmont Nusa Tenggara, as formal education scholarship assistance, training, infrastructure development and relief activities in religious social.

C. Strategic Plan of PT Newmont Nusa Tenggara

According to the Department of the Interior, LAN RI, BAPPENAS and BPKP (2001), the sense of strategic planning are described as: performance accountability system in government agencies. Strategic planning is the first step to carry out its mandate. Strategic planning of government agencies require integration between human resources, expertise and other resources in order to be able to answer the demands of the development of the strategic environment, nationally and globally. The relationship between the community and the company has been experiencing a shift, the company initially launched a program of Community Development (CD) in its attempt to build a relationship with the community. Then with CSR activities as a social license to operate. Lastly, companies are expected to have a role of leadership in the community. Strategic planning along with 16 measurement of performance as well as the accountability system is a series of his performance is important. According to Anggie (2012), "the sense of

strategic planning is the process done by an organization to determine strategy or direction, as well as to take decision to allocate resources (capital and human resources) to accomplish this strategy". The purpose of the strategy is a competitive advantage that can be maintained and arised from both parts of the activities of the organization. Meanwhile the strategy according to Kolopaking (2013) is the science and art in utilizing existing resources to achieve the objectives that have been determined.

The Responsibility of PT. Newmont Through CSR

Corporate social responsibility programs or Corporate Social Responsibility (CSR) was firstly put forward by Howard r. Bowen in 1953. After that, the CSR experience concept was developed continuously. The original CSR activities are oriented in the "Philanthropy", so this time it has been used as one of the company's strategies to improve corporate image that will affect the company's financial performance. Financial sector mane is co-designer, along with the importance of community development towards the implementation of CSR. In 1962, Rachel Calson through his book "*the-slient spring*" presented the world about environmental damage and result in life by lethal peptisida toxins. The exposure presented in the book "silent spring" arouse the consciousness of many parties that the behaviour of corporations must be fixed before it reaches destruction together. From this era of awareness about the environmental impact of the standing of each Corporation CSR (Corporate Social Responsibility) began to be built in the era of the 1970. Many professor tried to figure out how to profit by writing a book about the importance of corporate social responsibility. Among these books are: "*beyond the bottom line*" by Prof. Courtney c. Brown, the first person to receive the title

of professor of public policy and business Responsibility at the University who was in Colombia.

Putting the aspects of social responsibility as an important part of the company's performance, it is realized by building a parallel partnership based on the belief that promoting professional values as well as adding value to Community about mine. In order to support and realize the vision of social responsibility, PTNNT has formulated the first strategic plan (Renstra) in 2004. It was used as an instrument and reference in the implementation of community development programs every five yearly, either for the medium or long term so that programs that are implemented are relevant to the needs and objectives to be accomplished is a comprehensive contribution from the corporate world toward continuing its construction, taking into account the impact of economic, social, and environment of its activities. Indeed it is the seeds of philanthropic spirit of CSR in the company. However, the pressure from the community, especially in the Middle the community is critical to the European communities, which makes the CSR becomes a kind of social license to operate, and this is done by the community, not by the State. Thus, the action is characterized with the implementation of CSR principles that include decentralization, participation, empowerment, networking, preservation, territorial, and local economies. In line with the context of the CSR, then various attempts of intervention for speed up the process of community development by are performed involving all parties and stakeholders, where private parties/companies will take the role as a

catalyst in helping the community achieve its goals, and support the strategy policy of local governments that are realized by designing and implementing community development programs that can eventually transfer the ownership to the community or government objective to realize an independent society and to have a provision to live in prosperity in the long term. Relevant to the theory of social change Stating that a process usually results in social circumstances and the social structure which is totally new. However the implementation of CSR still has drawbacks. CSR programs run by many companies have only short-term influence with limited scale.

Sustainable Development for Post Closure.

The aspects of sustainability of CSR implementation are indispensable because of the associated increase in social welfare and achievement against the growing issues surrounding (social, environmental, economic), and making the community to better developed and independent to this issue. In addition to bring positive impact to the community, this implementation also gives a positive impact for companies i.e. companies are capable to indirectly boost its image at the same time a reputation for a long span of time is created. This is reinforced by the opinions revealing that CSR is an activity that is often referred to as "continuity and sustainability" or synergize and sustainable which is a vital element of CSR. An activity is not only a "charity" or sheer philanthropy (acts of generosity to help communities), but it is an activity that is characterized by long term perspective on the instant, not happening, nor

the bombing. CSR is a mechanism that is planned, systematic and can be evaluated. The success of this activity can also be seen that the occurrence of more independence in the community compared with before the CSR programs are present. Sustainability at a strategic plan of PT Newmont. The program is expected to build sustainable communities, i.e. provide opportunities for underprivileged families with a background of farmers and ranchers living, where their children could not continue their education well. For that reason, the implementation of CSR in the sustainability is embodied in order to give a positive impact on the environment and the social. Thus, the conception that the exists in this sponsorship program is a form of social activity, due to corporate social responsibility, it is a commitment at the corporate responsibility to provide activities that impact operations within the dimension of the economic, social and environmental issues in the community on the programs that have been granted by HESS Indonesia and ISCO Foundations. Therefore the company is obliged to keep the impacts remain a benefit rather than harm to the community stakeholders on program recipients. Paul a. Argenty corporate communications mentioning in his book that corporate responsibility or also referred to as corporate social responsibility shaping the honor of an organization for the interests of the community, demonstrated by taking the effect of sense of belonging towards the key constituent activity including consumer, employees, shareholders, communities and the environment, in all parts of their operations. Accountability often extends to exceed basic implementation with existing

regulations to include voluntary efforts and proactively to improve the quality of life of employees and their families as well as for the local community and society at large.

PT. NEWMONT'S INFLUENCES TOWARD INDONESIA

In the processing of natural resources, very large capital required is, sophisticated equipment, experts are required. Moreover, there is also a huge risk. Indonesia as a developing country is in need of funds in organizing the economy of the country. One form is to establish cooperation in minerals processing (mine) that can be made directly by the Government and/or designating a Contracting Party when required to carry out work that is not or can not be done by the Government which is stated in article 10 paragraph (1) of Act No. 11 of the year 1967. When the mining venture undertaken by the contractors, the Government's position is as the giver of the consent to the contractor concern. The PT Newmont Nusa Tenggara and the Government of Indonesia signed a contract on December 2 of 1986 and became the basis to the start of construction of a green Stone Mines, with a total investment of \$1.8 Billion US. PT Newmont was appointed permissions that are granted in the form of Government include the power of mining, contract works, the Covenant of works and the production sharing contract. In this case the contractor is national and foreign private parties. By the Government as a single contractor for the mining concession in Indonesia. The entry of the PT Newmont as an investors gave a fresh breath for Indonesia in building the economy and any gaps that occur in the periphery of the mines as well as the national level because of the positive contributions provided by the parties of

Newmont in building Indonesia. Then the influx of PT Newmont through Contract Work give rise to reciprocal in profits to two sides between Indonesia and the investors (Newmont). The sole rights granted to PT Newmont Government within the works contract is the right to search and conduct mineral exploration in the area of contract works to develop and mine the every deposition. Minerals found in the area of mining, processing, transporting, storing and purifying of all minerals produced, marketed, sold, and conducts all operations and other activities as needed. Except against radioactive minerals or hydrocarbons compounds, the stones, then mining activities by PT Newmont must first get approval from the Government.

D. Contribution of PT Newmont in Investments

In ACT N 0.25/2007 described the role of the investor towards national development, namely: that to accelerate national economic development and realize the political and economic sovereignty of Indonesia, required an increase in capital investment to managing the economic potential into real economic strength by using capital originating from domestic and abroad. Gold and copper mining company, PT Newmont Nusa Tenggara (NNT) project the production of gold concentrates approximately 114,000 ounces and copper 192 million pounds in mine Batu Hijau, West Sumbawa, West Nusa Tenggara (NTB) this year. Batu Hijau mine currently employs more than 4,000 workers and 3,000 contract workers. More than 60% of workers comes from the province NTB. Employees in Green Stone has sustainable opportunities to attend training increased skills according to your needs. This provides direct economic benefits for the province NTB and

improve the skills and ability of the local community in various fields of skills commonly used in the mining industry. With the start of the investment of PT. Newmont on Sumbawa barat gives significant influence in the development of the economy, after West Sumbawa do expansion that caused nearly all West Sumbawa economy depend on mine results. The Director of revenue and Customs and Excise Regulations, the Directorate General of customs and Excise, Sugeng Aprianto, say the Government is targeting customs acceptance out of Rp 2.88 trillion in 2016. This figure is below the realization of year 2015 amounting to Rp 3.9 trillion It said the exit of customs contributors come from two companies, namely PT snapper class of Freeport Indonesia and PT Newmont Nusa Tenggara. "Is expected this year to Rp 1.4 trillion Newmont. The total Rp 2.88 trillion, almost equally from both. Last year its realization of Rp 3.9 trillion, if combined, barely above 90 per cent both, "says he Jakarta, Friday (8/1/2015).

E. Bargaining Power of PT. Newmont to Indonesia

One form of interaction or relationships are good in diplomacy is the existence of a reciprocal relationship between one party when another party. These relationships can happen through collaboration in even a problem though. The existence of the problem will appear an intention to try to fix the issue is going to become a joint attention these interactions are then showed that the existence of the role of power belonging to each party's good or whether the relationship reciprocity was dependent upon the attitude of the two camps involved in harnessing the power that is in it. The efforts of the Government of Indonesia has done getting the response from the mining

company PT. Newmont Nusa Tenggara which shows rejection policy development of industrial smelters since the beginning. A review of some regulations still have not been assessed based on the mutual benefit that is contained in the Contract Works since long time. So that the effort over this rejection is still not fully accepted by the mining company was already 17 years old exploring and exploitation the results of natural resources of Indonesia. As a follow-up to the response above, PT. Newmont did a pretty thorough efforts affect many facets of this country.

Conclusion

Wallerstein in her writings reveal that the country's position in the World system is tied to his role in the activities of processing industry. According to him the State possess the source production with low ability to perform processing of the sources, potentially becoming the country's Periphery. On the other hand, the country's core is a country which not only has a source of production but also has other production factors such as capital and technology to be able to manage the sources of production. However, according to him, the country's core will have a huge tendency to not do the processing to excessive resource assets and prefer to hold a lot of cooperation with the country's Periphery, the position of Indonesia in the world System is a State of the United States as the country with the Periphery core. It can be seen from the ownership of the production as a source of raw materials in Sumbawa has now managed by PT. Newmont. In the new order era, Indonesia as the third world countries did not have enough technology to be able to manage the abundant energy sources in Sumbawa, but economic needs. Thus,

the position of the United States as the core is visible from the United States Government how to manage companies in other countries with binding company in the provisions that bring the interests of United States as a country. It also shows the superiority of the State in controlling the Distribution Of Technology carried out by his country's MNC to other countries. In fact, the bond contract between MNC with the Government are not only done to the MNC amounting to Newmont or Freeport which became the main supplier of gold United States but also against other MNC like Coca cola, Petral and other.

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