



ANALYSIS

Resource nationalism in  
post-boom Indonesia:  
The new normal?

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## EXECUTIVE SUMMARY

During the global commodity boom, Indonesia emerged as an exemplar of resource nationalism. The government introduced a range of nationalist policies in the mining sector, ranging from export bans to forced foreign divestment. Once commodity booms end, however, analysts generally predict that resource-rich states such as Indonesia will abandon the nationalist position with a view to attracting foreign investment. Indeed, historically, economic nationalism in Indonesia has peaked during the good times of a resources boom, and faded during an economic downturn. But the situation in Indonesia today seems to challenge these market-cycle theories.

This Analysis examines the durability of contemporary resource nationalism in Indonesia. It argues that structural features of the post-Suharto political economy have sustained the nationalist policy trajectory that emerged during the boom. First, Indonesia's business class is more liquid and more engaged in the resource industries than at any previous time in Indonesia's history. The notion that Indonesians should both own and run their own extractive sector is, therefore, no longer merely aspirational. The mood of contemporary Indonesian politics has also boosted resource nationalism's appeal. This points to a second factor sustaining resource nationalism: popular mobilisation and electoral politics in post-authoritarian Indonesia.

## INTRODUCTION

During the global commodity boom, in the decade to 2013, Indonesia emerged as an exemplar of resource nationalism.<sup>1</sup> China's insatiable demand for Indonesia's natural resources spurred impressive growth. Over this same period, the Indonesian Government introduced more and more nationalist policies — new divestment obligations for foreign miners, a ban on the export of raw mineral ores, stringent new local content requirements, and restrictions on foreign investment in the oil and gas sector. The government also set about expanding the assets of state-owned oil and gas company, Pertamina. Beyond these government interventions, observers noted an increase in court cases and popular mobilisation against foreign companies.

Analysts generally consider cases of resource nationalism to be epiphenomenal, which means they rise and fall in tandem with commodity prices.<sup>2</sup> According to this market cycle theory, booms prompt an increase in nationalist intervention because governments and local companies try to increase revenue from resource industries when prices are rising. But once the boom is over, this market cycle theory predicts resource-rich states will abandon the nationalist position with a view to attracting foreign investment. Scholarship on Indonesia's economy suggests a similar pattern. Historically, nationalist ideas enjoyed greater traction among policymakers during an economic boom.<sup>3</sup> Mohammad Sadli, a prominent economist during the New Order government, argued that in Indonesia "bad times may produce good economic policies, and good times frequently the reverse".<sup>4</sup>

The situation in Indonesia today, however, seems to challenge 'Sadli's Law'. When President Joko Widodo (Jokowi) was elected in September 2014, he inherited a troubled economy. Demand for Indonesia's commodities had slowed and the current account deficit was at its worst level since the 1997–98 Asian Financial Crisis. In response, the new president and his ministers spoke of the need for Indonesia to open up its markets, deregulate more, and attract foreign business. Yet despite the rhetoric, nationalist interventions persist, particularly in the resources sector. In some instances, Jokowi has embraced the nationalist position with more enthusiasm than his predecessor.

How should we interpret the persistence of nationalist interventions despite Indonesia's more challenging economic circumstances? What explains the enduring quality of contemporary resource nationalism?

This Analysis argues that particular features of the post-Suharto political economy have created conditions ripe for an enduring brand of resource nationalism, even in the context of a commodity bust and an economic downturn. First, Indonesia's business class is more powerful, more liquid, and more engaged in resource industries than ever before. Local businesses have enthusiastically pursued foreign-operated extractive projects over the past 15 years, sometimes with state backing.

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Ownership structures have changed significantly, and Indonesian businesses are demonstrably capable of running large extractive projects. Private sector preferences also carry weight with the political and bureaucratic elite who depend on business support to underwrite an expensive political system driven by patronage and money politics.<sup>5</sup> In short, the notion that Indonesians should own, run, and profit from their extractives sector is no longer merely aspirational.

The mood of contemporary Indonesian politics has also boosted the appeal of resource nationalism within policymaking circles. This points to a second factor sustaining resource nationalism: popular mobilisation and electoral politics in post-authoritarian Indonesia. Civil society groups, industry associations, and the media generally favour the nationalist position. In election season, nationalist and anti-foreign narratives have become useful tools for political aspirants in a landscape largely devoid of ideological differences and substantive policy debate.<sup>6</sup> A process of populist outbidding pushes policy in a more nationalist direction, even in the context of low or fluctuating commodity prices. Retreating from the nationalist position is also politically difficult.

Still, nationalist interventions are not simply the product of rent-seekers and opportunistic politicians. Resource nationalism is, ultimately, an ideological economic project with much public support. Its protagonists envision a state-led and domestically owned model of resource exploitation that connects with popular notions of economic sovereignty and Indonesia's developmentalist roots. Like many resource-rich countries, Indonesia mandates state ownership of natural resources in its constitution.<sup>7</sup> But the question of how to extract and manage these resources continues to be the subject of intense debate. The nationalist model has always appealed to a wide range of actors in Indonesia, many of whom have no material interest in resource industries and no political points to score. This Analysis argues, however, that in post-Suharto Indonesia, an expanding domestic capitalist class and the imperatives of popular politics have given rise to a particularly *durable* brand of resource nationalism, one that is more resistant to boom and bust cycles than in the past.

## YUDHOYONO, THE BOOM, AND THE RISE OF RESOURCE NATIONALISM

During the Yudhoyono presidency (2004–2014), resource policy took a nationalist turn. In the mining sector, Law No 4 2009 on Mineral and Coal Mining (2009 Mining Law) fundamentally restructured the industry and set it on a more nationalist path. The law required that all mining contracts, including contracts of work for foreign and large-scale domestic mining projects, be changed to mining licences. Under the licence system, the state has more control and discretion throughout the life of long-term extractive projects and can force companies to pay more tax, increase royalty rates, and introduce more stringent divestment

obligations. In disposing of the contract system, the government removed much of the privilege and certainty foreign companies had enjoyed for decades, particularly protection against tax increases during the life of the contract. The law caused much consternation because it required that existing contracts be renegotiated in order to reflect the new regulatory regime.<sup>8</sup>

In 2010, the Ministry of Energy and Mineral Resources mandated foreign companies sell a 20 per cent stake in their mining enterprise to local parties after five years in operation. Then in 2012 the government shocked the industry by introducing another rule, this time forcing foreign companies to divest 51 per cent by the tenth year of production.<sup>9</sup> Negotiations with foreign contract of work holders became increasingly fraught and industry associations lobbied hard against the onerous divestment obligations. Previously, divestment was negotiated in each company's contract with the Indonesian Government. These new regulations marked a much more discretionary approach to foreign ownership in Indonesia's mining sector.

The Yudhoyono government also embarked on an assertive program for downstream industrialisation. In January 2014, the government banned mineral ore exports. The goal was to compel the development of a downstream mineral processing industry, and move Indonesia up the global value chain, such that it produced higher-value mineral products (as opposed to cheaper raw ores). The ban brought Indonesia's bauxite and nickel industries to a standstill. The government also placed a burdensome tax on the export of unprocessed copper until January 2017.<sup>10</sup> The intention was to pressure US mining companies Freeport-McMoRan (Freeport) and Newmont, which together account for 97 per cent of Indonesia's copper exports, to invest in smelting facilities and process ore locally. After the ban was introduced, the World Bank estimated revenue loss for 2014 to be US\$400 million.<sup>11</sup> Despite the immediate economic pain, the Yudhoyono government remained committed to what it regarded as a long-term plan for industrialising Indonesia's resource economy.

Nationalist interventions affected the oil and gas sector too. Oil production in Indonesia had been falling steadily since the 1990s as old wells dried up and consumption increased. As a result, in 2004 Indonesia became a net oil importer. Experts concluded that new foreign investment was needed if Indonesia was to maintain or increase its oil production.<sup>12</sup> But the Yudhoyono government also wanted to enhance local content and create opportunities for domestic companies, often at the expense of foreign investors.<sup>13</sup> For example, in 2013 the Ministry of Energy and Mineral Resources introduced a new rule that compelled oil and gas companies to use more local goods and services providers, and outlined restrictions on the use of foreign staff.<sup>14</sup> Then in April 2014, the Yudhoyono administration added a large number of oil and gas service sectors including onshore drilling, and piping and construction services

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to the negative investment list, either closing them off to foreign companies altogether, or placing new and stringent limitations on foreign shareholding.<sup>15</sup>

Meanwhile, Law No 22 2001 on Oil and Gas (2001 Oil and Gas Law) was sent to the legislature for revision at the behest of nationalist coalitions. In 2012 a group of Islamic associations, former staff of the state-owned oil company Pertamina, and high-profile politicians and economists challenged the law in the Constitutional Court. They argued the law favoured foreign interests and violated Article 33 of the Constitution, which states that Indonesia's natural resources belong to the people and must be managed by the state. The court agreed. It declared parts of the 2001 Oil and Gas Law unconstitutional, and dissolved the independent industry regulator, BP Migas.<sup>16</sup> The court ruled that BP Migas favoured foreign company contractors, and that the law had opened the door to liberalisation.<sup>17</sup> The legislature was tasked with revising the law and designing a new regulatory model, while an ad hoc regulator, SKK Migas, continued the duties of BP Migas. But lawmakers have had a hard time deciding what form the new regulator should take and negotiations have stalled for four years, leaving the industry dogged by legal uncertainty.

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Accompanying these regulatory changes, Indonesian mining companies themselves became increasingly assertive, which helped sustain the trend toward resource nationalism. Ownership structures in Indonesia's extractive sectors changed rapidly after the turn of the twenty-first century, with local companies taking a much larger market share and squeezing out their foreign counterparts. During the Suharto era (1967–1998), the mineral, coal, and energy industries were in practice the domain of foreign investors because they were too risky and capital intensive for domestic companies. However, according to the World Bank, by 2012, “close to 100 per cent of tin production, 95 per cent of thermal coal production and 80 per cent of nickel production, came from domestically owned companies”.<sup>18</sup>

Rather than invest in risky exploration, the majority of big Indonesian miners expanded their assets by acquiring existing foreign mines. For example, between 2000 and 2009, foreign-owned coal concessions such as Rio Tinto's Kaltim Prima Coal, New Hope Mining's Adaro, BHP's Arutmin, and Korean-based coal company Kideco all began divesting shares under the terms set by their contracts of work. The early 2000s was also a time of low global coal prices, which allowed local business people to acquire assets from foreign miners at an opportune moment.<sup>19</sup> As a result, between 2002 and 2009, over 75 per cent of Indonesia's coal exports came from the six largest mining companies of which only one, PT Banpu, was majority foreign-owned.<sup>20</sup> In the more capital-intensive gold and copper sectors, Indonesian tycoons such as Eka Tjipta Widjaja (Sinar Mas Group), Edwin Soeryadjaya (Saratoga Capital), and

Johan Lensa (J Resources) entered the market through acquisitions and foreign divestment deals.<sup>21</sup>

In the upstream oil and gas sector, Pertamina embarked on an “aggressive policy of expansion and acquisition” during the boom years.<sup>22</sup> Pertamina focused on taking over expiring foreign contracts and expanding its interest in foreign-operated blocks. For example, ExxonMobil and Pertamina were engaged in a years-long dispute over the rights to the massive Cepu oil and gas block in East and Central Java. Pertamina abandoned the old wells at Cepu in the late 1990s, having failed to tap significant reserves, and Exxon took over in 1999. But when Exxon discovered enormous hydrocarbon deposits in 2001, Pertamina demanded a controlling stake. Years of conflict ended in 2005 when President Yudhoyono granted Exxon the lead role in the project; however, Pertamina and Exxon each received a 45 per cent participating interest, and 10 per cent went to a consortium of local government-owned enterprises.

Pertamina has improved its corporate practices over the past 15 years and dramatically increased its share of Indonesia’s oil production. At the end of the New Order, Pertamina produced less than 5 per cent of the country’s oil and gas. Today, the company is the second-largest oil producer in Indonesia, and contributes to almost 20 per cent of total oil and gas production.<sup>23</sup> The oil boom from 2009 to 2013 doubled the company’s profits, and in 2013 it became the first Indonesian company to feature on the Fortune 500 list.

As the Yudhoyono years drew to a close, however, so too did the ‘good times’ of the resources boom. By the end of 2013 global commodity prices were falling. The value of Indonesia’s commodity exports dropped significantly, leaving a gaping hole in state revenue and foreign exchange earnings. Yudhoyono had failed to embark on any significant structural economic reforms during his decade in power. President Jokowi inherited an economy still largely dependent on the export of natural resources, a budget crippled by fuel subsidies, an infrastructure crisis, and a burgeoning deficit. Yudhoyono had also failed to resolve some of the country’s most fraught natural resources problems. These included Total Indonesia’s request for a contract extension on the strategic Mahakam Block; Freeport’s contract extension for the Grasberg gold and copper mine; a struggling downstream mineral processing industry; the unfinished work of transitioning foreign contracts to mining licences; and the ongoing revisions to the 2001 Oil and Gas Law.

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## JOKOWI, THE END OF THE BOOM, AND THE PERSISTENCE OF RESOURCE NATIONALISM

When President Jokowi took office in 2014, his government faced a revenue problem. One immediate solution, which drew praise from many quarters, was to reduce Indonesia’s burdensome fuel subsidy and spend



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the savings on infrastructure development.<sup>24</sup> Beyond that first groundbreaking reform, however, the Jokowi administration's approach to the resources sector has been marked by more continuity than change. Analysts lament the government's mixed messages. To foreign audiences, Jokowi claims Indonesia is open for business. His economic team introduced a set of deregulation packages to make specific sectors more attractive for foreign investors.<sup>25</sup> But in relation to resource industries, Jokowi has been reluctant to roll back protectionist and anti-foreign regulations, and in some cases has embraced the nationalist position with more gusto than his predecessor.

For example, in 2016 Jokowi made a point of denying Freeport's request for an early contract extension and the administration became embroiled in a stand-off with the US mining giant. By law the company could only apply for an extension in 2019 (the contract expires in 2021), but it was seeking contract certainty for its plans to invest US\$16 billion in an underground development at the Grasberg mine. The Jokowi administration, however, showed little sympathy for a company with a long and controversial past. Freeport cultivated a close relationship with Suharto's authoritarian government, and the company was regularly the subject of public criticism over its poor environmental and human rights record.<sup>26</sup>

In January 2017, the Ministry of Energy and Mineral Resources introduced a new set of regulations that demanded contract holders, including Freeport, forfeit their contracts and sign new licensing agreements before being granted an export permit. The Jokowi government also reintroduced an obligation for foreign licence holders to divest a controlling share in their operations (51 per cent) within ten years. Back in late 2014, the government had flirted with a more conciliatory approach to contract negotiations, and proposed a divestment regime that allowed more foreign ownership for companies, such as Freeport, engaged in underground mining.<sup>27</sup> This regulation was abandoned in 2017 and the majority divestment obligation was brought back to life.

At the time of writing, Freeport was on the verge of seeking international arbitration, arguing that the government cannot unilaterally cancel its contract of work and acquire its mine. With the backing of the legislature, the Papuan government where the mine is based, business groups, and a range of non-government organisations, the Indonesian Government appears determined to force Freeport's hand. While many foreign analysts believe Indonesia has neither the capital nor the skill to run the complex mine, senior lawmakers and business interests are adamant they can, and preparations are underway for a transition to local ownership. Indeed senior members of the executive commented publicly that the commodity bust has hurt Freeport more than Indonesia, and the company is in a far worse bargaining position than the government.<sup>28</sup>

President Jokowi has, however, changed tack in relation to the mineral export ban. Initially, and despite the government's revenue woes, the Jokowi administration came out in strong support of Yudhoyono's export ban. The Minister for Energy and Mineral Resources, Ignasius Jonan, and his deputy, Arcandra Tahar, reaffirmed the government's commitment to downstream processing and to the total ban on nickel and bauxite ores. However, in January 2017, the government relaxed the ban, not just for copper as many observers expected, but also for nickel and bauxite.

On the surface it may appear as though budget difficulties and stagnant commodity prices compelled the government to retreat from its nationalist position — as market cycle theories predict. On closer inspection, however, the story is more complicated. State-owned company PT Aneka Tambang (Antam) suffered significant losses when the nickel ban was introduced.<sup>29</sup> Industry insiders have suggested that the government was concerned about Antam's bottom line, as much as it was with broader budget troubles. Indeed, the Jokowi administration has demonstrated a stronger commitment to reforming and expanding the state-owned sector than Yudhoyono ever did. In an initiative driven by Rini Soemarno, Minister for State-Owned Enterprises, the government plans to consolidate SOEs under a state-run mining holding company (PT Inalum) with a view to acquiring shares in privately run mines.<sup>30</sup> This new regulation is designed to bolster Antam's profits, and improve Antam's (and Inalum's) financial situation in preparation for future investments in foreign-operated mining projects, such as Freeport's Grasberg mine.<sup>31</sup> The relaxation of the export ban is, therefore, part of a broader plan that is largely nationalist in orientation.

Despite the commodity slump, Indonesian private mining companies are continuing to acquire new assets. For example, in July 2016 PT Medco Energi, owned by Indonesian businessman and one-time Indonesian Democratic Party of Struggle (PDI-P) politician Arifin Panigoro, acquired 82 per cent of PT Newmont Nusa Tenggara, buying out America's Newmont Mining Corporation and Japan's Sumitomo Corporation. The acquisition put the country's second-largest gold and copper exporter into Indonesian hands. BHP Billiton also decided to leave the Indonesian market in 2016. It sold its 75 per cent stake in the coal mining company, IndoMet, to Adaro, Indonesia's largest coal company. Adaro already held a 25 per cent stake in IndoMet, and now has full ownership of the company's seven coal contracts of work. BHP cited "more attractive" growth options in its portfolio as the reason for bowing out.<sup>32</sup> But industry insiders had speculated for years that the foreign miner might leave due to the volatile regulatory environment and fraught contract negotiations with the government.

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In relation to the oil and gas industry, the Jokowi government has emphasised its commitment to attracting foreign investment and reversing the persistent decline in production. Oil and gas production has declined steadily since 2010 from over 1 million barrels per day (bpd) to just 779,000 bpd in 2015.<sup>33</sup> While the Ministry of Energy and Mineral Resources and the Finance Ministry have plans for more fiscal incentives for upstream exploration,<sup>34</sup> prohibitive nationalist interventions remain. For example, Jokowi's economic team revised the negative investment list in 2016, and removed or adjusted restrictions on sectors deemed to be strategic to the government's development goals — infrastructure, tourism, electricity plants, and transportation. However, no adjustments were made to the many upstream oil and gas services that were placed on the list in 2014.

Contract sanctity also continues to be a major problem under the Jokowi administration. In 2016 Jokowi forced Inpex and Shell to revise their (previously approved) development plans for the Masela Block in the eastern Arafura Sea. The president and his advisers argued Inpex and Shell must build their LNG terminal onshore, rather than offshore as initially planned. The logic was that an onshore terminal would produce a larger 'multiplier effect' for Indonesian businesses and the community living on nearby islands.<sup>35</sup>

The Jokowi administration has continued to support Pertamina's enthusiastic pursuit of expiring foreign contracts — despite concern among some experts in government that the national oil company's resources and capacities are already stretched. In 2015, for example, Jokowi decided — at the very last moment — not to extend Total's contract for the strategic Mahakam Block in East Kalimantan, which accounts for 25 per cent of Indonesia's total gas production. Instead, the president transferred the operating rights and a 70 per cent stake to Pertamina.<sup>36</sup> A new regulation introduced in 2015 also mandated that, if the government does decide to extend a foreign contract, Pertamina must be offered a maximum 15 per cent participating interest.

There are plans to expand Pertamina's authority over the industry. In 2015 the Minister for State-Owned enterprises, Rini Soemarno, unveiled a proposal to transform Pertamina into an energy holding company. This new holding company would become an umbrella for other state-owned companies working in the sector, and would have a regulatory arm to manage foreign oil and gas contracts — much like the Foreign Contractors Monitoring Agency that sat within Pertamina during the New Order government. In other words, Pertamina — albeit a different kind of Pertamina — would become the industry regulator, despite the obvious conflicts of interest involved. According to the former Pertamina Director, Dwi Soetjipto, all oil and gas contracts currently managed by the ad hoc regulator SKK Migas would be transferred to the company.<sup>37</sup> Doing so would significantly expand the company's assets, giving it more leverage

to borrow and accrue debt, which could be invested in upstream exploration or used to acquire existing blocks.

In sum, the Jokowi government has attempted some piecemeal changes in order to generate investments from abroad. But such reforms are highly circumscribed. Overall, despite the more challenging economic circumstances, the picture is one of a statist and nationalist approach to developing Indonesia's extractive industries.

## AN EXPANDING CLASS OF DOMESTIC MINERS

How are we to explain the persistence of resource nationalism in Indonesia after the boom? What features of the post-Suharto political economy have created conditions ripe for a more enduring brand of resource nationalism?

The growth of domestic capital and the changing nature of business–state relations have helped to 'lock in' the national trajectory of natural resource policy. Domestic businesses began expanding into the extractive sectors at the same time Indonesia embarked on its transition to democracy. These two trends strengthened the political and business elite (at both the national and regional levels) with significant interests in the mineral, coal, and energy sectors. Wealthy business people had more entry points to access the state and state actors and, therefore, to the licences and contracts that could expand their business empires. The entanglement of private mining interests with public office can help explain particular nationalist interventions. In other words, Indonesia's private sector today has the means and the will to run large extractive projects that were once the domain of foreign multinationals.<sup>38</sup>

Indonesia's most powerful political elite include individuals who feature prominently in the extractive and energy sectors. They include Aburizal Bakrie, former Chairperson of Golkar Party; Suryah Paloh, Chairperson of National Democratic Party (Nasdem); Prabowo Subianto, Chairperson of Gerindra and former presidential candidate; Hatta Rajasa, former Chairperson of the National Mandate Party (PAN) and former vice presidential candidate; Jusuf Kalla, vice president and former Chairperson of Golkar; and Luhut Panjaitan, Coordinating Minister for Natural Resources and Maritime Affairs and close ally of President Jokowi. This list is not exhaustive, and many lower-level party officials and parliamentarians, as well as district heads and legislators, have direct interests in the mining and hydrocarbon industries.

Indonesia's prominent businessmen expanded their assets in the extractive industries by acquiring foreign shares of mining projects, or taking over foreign assets. Their closeness to the state, at both national and local levels, helped facilitate lucrative mining deals. Bakrie's company, for example, bought into Newmont's Batu Hijau mine when the company was contractually obliged to divest (he was the

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Coordinating Minister for Social Welfare in Yudhoyono's cabinet at the time).<sup>39</sup> The company ensured it could purchase the divested shares at below market price by backing a consortium of local government-owned enterprises. Surya Paloh organised a similar arrangement with the Bojonegoro local government in order buy into the profitable Cepu oil and gas block in 2005.<sup>40</sup> In another case, the district head of East Kutai in East Kalimantan, Isran Noor, cancelled Churchill Mining's coal contract on a legal technicality (for which the company was later admonished at an international tribunal). Noor promptly transferred the lucrative operating licence to Nusantara Group, a company owned by Noor's political ally, Prabowo Subianto.<sup>41</sup>

Mining entrepreneurs also make direct contributions to political parties. It is common practice in many democracies around the world for businesses to donate to parties and individual politicians in order to purchase influence and ensure a favourable legislative environment for their investments. These sorts of practices have been widely documented in Indonesia since the transition to multiparty democracy.<sup>42</sup> Private sector contributions are hard to track. But it is clear that business figures who derive significant wealth from their natural resources holdings permeate national politics, and they spread their allegiances across different political parties and elite networks.

For example, Partai Demokrat's Convention Committee for 2013 included high-profile business people with direct interests in the extractive industries, including Theodore Rachmat of Adaro Energy and Wishnu Wardhana of Indika Energy, two of the country's largest integrated energy and coal companies. Wishnu cultivated a particularly close relationship with the Democratic Party and President Yudhoyono personally, and in 2016 he became the campaign manager for Yudhoyono's son, Agus, in his bid for the Jakarta governorship. Another example is Sandiaga Uno of Saratoga Capital, the prominent mining investment company behind Adaro Energy. Sandiaga has a close relationship with Prabowo and his Gerindra Party. In 2015 he was made the deputy head of Gerindra's board of trustees, and in 2016 became Gerindra's candidate for deputy governor in Jakarta's 2017 Gubernatorial election. Gerindra is also bankrolled by Prabowo's brother, Hashim Djodjohadikosumo, another Indonesian tycoon whose array of business interests include coal, energy, and palm oil.<sup>43</sup>

Because of the entanglement of private sector extractive interests with public office, many within the mining industry believe the stringent divestment regulations introduced under the Yudhoyono administration were subject to intervention by vested interests. One example was the regulation requiring 51 per cent local ownership of foreign-operated mines, which was introduced without broad industry consultation in 2012. This prompted suspicion among industry experts that the ambitions of politically connected business interests were directing policy. One senior manager in a large domestic mining firm explained,

*...many within the mining industry believe the stringent divestment regulations introduced under the Yudhoyono administration were subject to intervention by vested interests.*

“... the government is preparing an environment where well-connected local businessmen can take a majority share in existing projects, taking projects mid-way”.<sup>44</sup>

Similar dynamics are at play in relation to investment restrictions in the oil and gas sector. The negative investment list and local content requirements have always been subject to intense lobbying efforts by domestic business groups.<sup>45</sup> Investing in upstream oil and gas exploration and operations is risky and capital intensive, and attracts few Indonesian companies — Arifin Panigoro’s Medco Energi is a rare exception. But the services subsector (i.e. transport, logistics, and machinery for oil and gas projects) has long been an attractive option for Indonesian businesses (Panigoro too started out in services). It is here, for example, that prominent businessmen such as Hatta Rajasa and Aburizal Bakrie have significant interests. Business people from the oil and gas services sector have also held strategic leadership positions in the influential business lobby, Kadin, Indonesia’s chamber of commerce. By closing these sectors to foreign investment, the government is responding to the policy preferences of an assertive and often politically connected class of local entrepreneurs.

The preferences of Indonesia’s domestic business class matters to politicians and state officials. Indonesia’s patronage-driven democracy is expensive, and political parties need wealthy business people to help finance election campaigns, party events, and raise the necessary funds for building political coalitions.<sup>46</sup> Nationalist policies that favour domestic business interests help lubricate the relationship between business and politics that has come to define post-Suharto Indonesia.

At the same time, however, observers can often be too quick to dismiss nationalist intervention as nothing more than a cover for rent-seeking. The ambitions of private sector actors dovetail with the ideological preference of many within Indonesia’s bureaucratic and policymaking circles, making it difficult to disentangle who or what motivates a given intervention. Take the mineral export ban, for example. Some industry analysts assumed business interests close to the Yudhoyono government drove the export ban, because they stood to benefit from a captive smelting industry.<sup>47</sup> But the ban was also supported by technocratic economists within government who argued that Indonesia must evolve beyond exporting its raw mineral ores and instead commit to a long-term vision for downstream industrialisation. The policy did attract new investments, particularly from China, and so the economic argument in favour of value-adding (at least in relation to nickel) seems to have been justified.<sup>48</sup> Politically connected business interests may leverage nationalist policies such as these for their private gain, but that does not mean that interest groups are always “lurking” behind nationalist interventions.<sup>49</sup>

*“... the government is preparing an environment where well-connected local businessmen can take a majority share in existing projects, taking projects mid-way”*

## POPULAR POLITICS AND NATIONALIST MOBILISATION

In the post-authoritarian era, nationalist economic ideas have taken on new meaning and greater political utility than in the past. Few analyses of resource nationalism account fully for its ideological appeal, and the fact that policymakers and elected officials perceive a public preference for nationalist policies.

In their 2015 Lowy Institute Analysis on trade protectionism, Arianto Patunru and Sjamsu Rahardja argued that anti-foreign ideas were legitimised by Indonesia's experience of the Asian Financial Crisis.<sup>50</sup> Following the crisis, the International Monetary Fund's conditional loans program forced Indonesia to take on a wide-ranging set of neo-liberal economic reforms. These reforms were painful, often economically harmful, and in many ways humiliating for state officials and politicians. Memories of that humiliation have hardened the dirigiste resolve of politicians and lawmakers, who already maintain a healthy scepticism towards free markets, foreign capital, and liberal economic models. For Patunru and Rahardja, the Jokowi government's attraction to autarchy, and its ongoing nationalist approach to the resources sector, reflect a widespread distrust of free markets and foreign economic intervention.

Resource nationalism also dovetails with broader post-Suharto nationalist narratives and the rise of an aggressive nationalist discourse within mainstream politics during the later Yudhoyono years. Edward Aspinall of the Australian National University describes this "new nationalism" as defensive and bellicose, and usually centred on a narrative in which Indonesia is regularly the victim of insult and exploitation at the hands of foreign agents.<sup>51</sup> It is common for mainstream politicians to push the idea that Indonesia's economy is 'dikuasai asing' or 'controlled by foreigners'. This political zeitgeist has emerged in a context where there is little ideological distinction between political parties. Politicians from across the party spectrum rely on patronage to garner votes in both legislative and regional head elections.<sup>52</sup> As Aspinall explains, "nationalism is a useful legitimating device by which political actors can try to distinguish themselves from rivals and court public support".<sup>53</sup>

*...in Indonesia resource nationalism is tied to an "electoral cycle, not a commodity cycle".*

As one prominent Indonesian businessman with investments in energy and agribusiness commented to the author, in Indonesia resource nationalism is tied to an "electoral cycle, not a commodity cycle".<sup>54</sup> Indeed, during the 2014 presidential elections, Prabowo Subianto made resource nationalism a key element of his campaign. In doing so, he challenged Jokowi to take a similar nationalist stance on questions of natural resource governance. Both candidates promised to wean the country off foreign oil imports, cultivate a value-added resource economy, and renegotiate contracts with foreign mining companies. In many ways, by embracing resource nationalism, Jokowi has simply been fulfilling his campaign promise. To retreat from the nationalist position — whether on divestment or renegotiating foreign contracts — would leave the president

vulnerable to political attack, especially considering that during his first 18 months in office, Jokowi's public approval ratings were shaky, and he faced an obstructive opposition coalition in the parliament.<sup>55</sup> In relation to resource decisions, the president paid attention to what counted politically, and ignored the advice of independent experts, consultants, and sometimes even his own ministers.

The Masela Block case is perhaps the most illustrative. In 2010, the government approved Inpex's plans to develop a floating offshore LNG terminal for the Abadi gas field in the Arafura Sea. Initial testing proved the Abadi field held 9 trillion cubic feet of gas. However, after Shell joined as an operating partner, proven gas reserves jumped to 12.4 trillion, with expectations the field could hold up to 40 trillion cubic feet. This meant Masela could potentially become the largest-producing gas field in the country. After the new discovery was announced, a nationalist coalition of bureaucrats, politicians, and business representatives protested the plans for an offshore floating terminal, and argued the government should compel the foreign companies to build onshore. Senior members of cabinet, including Luhut Panjaitan and Rizal Ramli, along with staff at the Presidential Office, advised the president that an onshore plant would provide a greater 'multiplier effect' for the community living close to the field, and offer domestic companies more opportunity to collaborate.

The president received numerous assessments, including from the Ministry of Energy and Mineral Resources, SKK Migas, and two independent consultants. They all advised that the offshore LNG terminal would be more efficient and viable than piping gas onshore.<sup>56</sup> After months of political intrigue and public spats between the warring ministers, Jokowi dismissed the recommendations of the independent consultants, his minister Sudirman Said, and the independent regulator, and instead chose to pursue the onshore option as it was more politically expedient. Not only was the idea of a multiplier effect attractive to Jokowi's developmentalist sensibilities, but the decision demonstrated to the public that their president could be tough on multinational mining companies.

Like the mineral export ban, the Masela case also shows how political imperatives and vested business interests are so often neatly aligned. The onshore plan was backed by domestic interest groups that stood to benefit from onshore service contracts. For example, Aburizal Bakrie's company, PT Bakrie Pipe Industries, openly lobbied for an onshore terminal, which would require more piping and offer more contract opportunities for the oligarch's debt-stricken business empire.<sup>57</sup> The media speculated that an onshore lobby group made up of prominent and politically connected engineers was also seeking access to Masela contracts. It is not clear whether the president himself was aware of the private business interests backing the onshore proposal. Ultimately, the political and developmentalist arguments in favour of an onshore project may have been enough to convince Jokowi of the nationalist cause.

*In relation to resource decisions, the president paid attention to what counted politically, and ignored the advice of independent experts...*



## THE NEW NORMAL?

When it comes to explaining resource nationalism in Indonesia's extractive sectors, market cycle theories are less convincing than they once were. There has been a striking shift towards local ownership in the mining sector in Indonesia, and over the past decade Pertamina has risen to become a prominent upstream operator in the oil and gas industry. The slump in commodity prices since 2013 has, in many instances, helped local private players increase their market share. The government continues to expand and empower its state-owned enterprises, and appears committed to cultivating a domestically owned and value-added resources sector. This indicates that perhaps a permanent transition is underway.

This Analysis argues that two interrelated features of the post-Suharto political economy help explain the durability of contemporary resource nationalism. First, nationalist interventions satisfy the preferences of a more liquid and bullish class of business elite, with whom politicians and state officials partner to underwrite their political activities. Second, while the ideological foundations of resource nationalism have deep roots in Indonesia, the contemporary political milieu has given it more political utility and enduring appeal, as politicians mobilise nationalist narratives to satisfy public demands, win public office, and outbid their rivals.

Does this mean that Indonesia's resources sector is set on an irreversible, nationalist trajectory? Is resource nationalism the 'new normal'? There are many within Indonesia's bureaucracy, law-making circles, and the local business community who are deeply ambivalent about the impact of nationalist interventions on the Indonesian economy, and who try to resist interventions they believe serve interest groups and rent-seekers, rather than the economy and the community at large. Activists, bureaucrats, and lawmakers interviewed for this Analysis were concerned that nationalist policies be geared towards ensuring benefits for the broader Indonesian community, and warned against the emergence of a 'narrow' brand of nationalism that primarily benefits a wealthy class of business tycoons.

Yet despite the many cases of nationalist mobilisation that have emerged over the past decade, Indonesia's policy regime is not *radically* nationalist. Rather than rigid rules, resource nationalism has often given rise to inscrutable regulatory and institutional ambiguity — as the 2001 Oil and Gas Law revisions demonstrate. Regulations are constantly in flux, laws are regularly revised and often end up containing language that is sufficiently vague to appease nationalist demands, while still attempting to maintain an open investment environment. This ambiguity is a function of the constant push and pull between different sets of policymakers, and competing patronage networks within the political and business elite.

*...despite the many cases of nationalist mobilisation that have emerged over the past decade, Indonesia's policy regime is not radically nationalist.*

Foreign and domestic business representatives remain cautiously optimistic that the Jokowi administration is slowly working towards creating a more investor-friendly and business-oriented regulatory regime. Private investment is crucial for achieving the government's ambitious growth targets. At the same time, however, Jokowi believes nationalist interventions can offer a greater distribution of the benefits from Indonesia's resource industries. It is difficult to predict how Jokowi's economic plans will evolve over the coming years. Jokowi is in many ways defined by ad hocery.<sup>58</sup> The president holds to no firm ideological principles, and his approach to the economy is not coherently nationalist. His team of advisers and his cabinet bring together a diverse range of economic thinkers. Indeed, Jokowi has selectively embraced liberalisation and deregulation to the extent that he believes it will help him achieve an ambitious set of infrastructure programs. On one hand the president speaks passionately about the need for Indonesia to embrace globalisation, and succeed in today's competitive global marketplace. On the other, he is clearly convinced that protectionism and self-sufficiency will help him achieve his developmentalist agenda and his political goals.

In a sense, the president embodies the tensions that have long characterised Indonesian economic planning, and that often seem to colour public opinion. An *Economist* survey revealed that a vast majority of Indonesians believe globalisation to be a positive phenomenon; yet the majority also believe Indonesia should strive for economic self-sufficiency.<sup>59</sup> The contradictions in Jokowi's economic policy approach are, it seems, reflective of how many Indonesians think about economic issues.

For now the nationalist trajectory looks stable. Structural features of Indonesia's post-Suharto political economy have created conditions ripe for a resilient brand of resource nationalism. The rise of capital and the imperatives of popular politics help explain why, in post-authoritarian Indonesia, nationalist policymaking has not met the fate that Sadli's law predicts.

## NOTES

<sup>1</sup> The term 'resource nationalism' is used to characterise varying patterns of protectionism and anti-foreign mobilisation in resource-rich countries around the world. It refers broadly to both state and non-state efforts to exert greater national control over, and extract more value from, natural resources sectors, usually at the expense of foreign capital. Jeffrey Wilson, "Understanding Resource Nationalism: Economic Dynamics and Political Institutions", *Contemporary Politics* 21, Issue 4 (2015), 399–416; Paul A Haslam and Pablo Heidrich, *The Political Economy of Natural Resources and Development: From Neoliberalism to Resource Nationalism* (London and New York: Routledge, 2016); Ian Bremmer and Robert Johnston, "The Rise and Fall of Resource Nationalism", *Survival: Global Politics and Strategy* 51, Issue 2 (2009), 149–158.

<sup>2</sup> Bremmer and Johnston, "The Rise and Fall of Resource Nationalism"; Joseph A Stanislaw, "Power Play: Resource Nationalism, the Global Scramble for Energy, and the Need for Mutual Interdependence" (Deloitte, 2009); Rob Minto, "2012: The Year of Resource Nationalism?", *Beyondbrics*, 18 January 2012, <http://blogs.ft.com/beyond-brics/2012/01/18/2012-the-year-of-resource-nationalism/> - axzz2O2cFeBCx; Chantelle Benjamin, "Mining: Resource Nationalism All the Rage", *Mail and Guardian*, 8 February 2013, <http://mg.co.za/article/2013-02-08-mining-resource-nationalism-all-the-rage>; Paul Stevens, "National Oil Companies and International Oil Companies in the Middle East: Under the Shadow of Governments and the Resource Nationalism Cycle", *Journal of World Energy Law and Business* 1, Issue 1 (2008), 5–30.

<sup>3</sup> Arianto Patunru and Sjamsu Rahardja, *Trade Protectionism in Indonesia: Bad Times and Bad Policy*, Lowy Institute Analysis (Sydney: Lowy Institute for International Policy, 2015), <http://www.lowyinstitute.org/publications/trade-protectionism-indonesia-bad-times-and-bad-policy>.

<sup>4</sup> Hal Hill and Thee Kian Wie, "Moh. Sadli (1922–2008), Economist, Minister and Public Intellectual", *Bulletin of Indonesian Economic Studies* 44, No 1 (2008), 154.

<sup>5</sup> Edward Aspinall, "The Triumph of Capital? Class Politics and Indonesian Democratisation", *Journal of Contemporary Asia* 43, Issue 2 (2013), 226–242; Edward Aspinall, "Indonesia's 2014 Elections: Parliament and Patronage", *Journal of Democracy* 25, Issue 4 (2014), 96–110.

<sup>6</sup> Edward Aspinall, "The New Nationalism in Indonesia", *Asia and the Pacific Policy Studies* 3, Issue 1 (2015), 72–82.

<sup>7</sup> Article 33(3) of the Indonesian Constitution states: "The earth and water and the natural riches contained within should be controlled by the state and used for the greatest possible prosperity of the people."

<sup>8</sup> The actual wording of the law is contradictory and has created a lot of confusion; in one section it states that existing contracts must be honoured and in another that existing contracts must reflect the contents of the new law. See Raras Cahyafitri, "Contract of Work Amendments in Indonesia in Limbo", *AsiaOne Business*, 30 December 2015, <http://business.asiaone.com/news/contract-work-amendments-indonesia-limbo.as>.

<sup>9</sup> Simon Butt and Luke Nottage, “Divestment of Foreign Mining Interests in Indonesia”, *East Asia Forum*, 13 May 2012, <http://www.eastasiaforum.org/2012/05/13/divestment-of-foreign-mining-interests-in-indonesia/>.

<sup>10</sup> Bill Sullivan, “The Export Ban Finally Introduced: A Grand Compromise with Much Residual Uncertainty”, *Coal Asia Magazine*, January 2014. The ban also includes gold, tin, silver, and chromium, but these minerals are not exported in large volumes in an unprocessed form and the regulation is therefore less relevant for these minerals.

<sup>11</sup> World Bank, “Investment in Flux”, *Indonesia Economic Quarterly*, March 2014, 24, <http://www.worldbank.org/en/news/feature/2014/03/18/indonesia-economic-quarterly-march-2014>.

<sup>12</sup> Michael Agustinus, “Investor Asing Lebih Tertarik Cari Minyak Di Malaysia Daripada RI [Foreign Investors More Interested in Exploring Oil in Malaysia than Indonesia]”, *Detikfinance*, 23 September 2016, <https://finance.detik.com//d-3305376/investor-asing-lebih-tertarik-cari-minyak-di-malaysia-daripada-ri>.

<sup>13</sup> Michael Boyd et al, “A Note on Policies for the Oil and Gas Sector”, *Bulletin of Indonesian Economic Studies* 46, Issue 2 (2010), 237–248.

<sup>14</sup> Ministerial Regulation No 15/2013 on the Use of Domestic Products in Upstream Oil and Gas Activities and Ministerial Regulation No 31/2013 on the Use of Foreign Workers and the Development of Indonesian Workers in Upstream Oil and Gas Activities.

<sup>15</sup> PricewaterhouseCoopers, *Oil and Gas in Indonesia: Investment and Taxation Guide*, 6th edition, May 2014, [https://www.pwc.com/id/en/publications/assets/oil\\_and\\_gas\\_guide\\_2014.pdf](https://www.pwc.com/id/en/publications/assets/oil_and_gas_guide_2014.pdf).

<sup>16</sup> A majority of the Constitutional Court reasoned that direct management for the prosperity of the public should be achieved through state enterprise. As noted by Butt and Siregar, this is because “handing over natural resource management to the private sector meant sharing profits between state and private entities, thereby reducing the benefits flowing to the people”. The majority also argued that the 2001 Oil and Gas Law undercut state control by denying state actors the capacity to directly appoint “state agencies or corporations in exploiting oil and gas reserves. The Law required them to go “through the proper competition and market mechanism”. In effect, it appeared that the court was suggesting a return to having a state-owned enterprise take over regulatory capacity, not unlike the old system under Pertamina. See Simon Butt and Fritz Edward Siregar, “State Control over Natural Resources in Indonesia: Implications of the *Oil and Natural Gas Law Case of 2012*”, *Journal of Energy & Natural Resources Law* 31, Issue 2 (2013), 107–121.

<sup>17</sup> “Compang-Camping UU Migas [Oil and Gas Law in Tatters]”, *Hukumonline.com*, 24 February 2015, <http://www.hukumonline.com/berita/baca/lt54ec68c7d2cac/compang-camping-uu-migas>.

<sup>18</sup> World Bank, “High Expectations”, *Indonesia Economic Quarterly*, March 2015, 41, <https://openknowledge.worldbank.org/bitstream/handle/10986/22505/Indonesia0econ0000High0expectations.pdf?sequence=1&isAllowed=y>.

<sup>19</sup> Bart Lucarelli, "The History and Future of Indonesia's Coal Industry: Impact of Politics and Regulatory Framework on Industry Structure and Performance", Program on Energy and Sustainable Development Working Paper No 93, Stanford University (2010), 30.

<sup>20</sup> Ibid.

<sup>21</sup> Henny Sender, "Adaro Executives Enjoy Rise in Coal Demand", *Financial Times*, 5 July 2011, <http://www.ft.com/intl/cms/s/0/30bb1c5e-a729-11e0-b6d4-00144feabdc0.html - axzz3glHhQKmd>; "Surya Paloh Dan Edwin Rebutan Gunung Emas [Surya Paloh and Edwin Scramble for the Golden Mountain]", *Tempo*, 22 October 2012, <http://bisnis.tempo.co/read/news/2012/10/22/090437013/surya-paloh-dan-edwin-rebutan-gunung-emas>; Teguh Hidayat & Partners, "J Resources, Backdoor Listing with a Little Magic", 26 March 2012, <http://www.teguhhidayat.com/2012/03/j-resources-backdoor-listing-with.html>.

<sup>22</sup> *The Report: Indonesia, 2012* (London: Oxford Business Group, 2012), 116.

<sup>23</sup> PricewaterhouseCoopers, *Oil and Gas in Indonesia: Investment and Taxation Guide*, 7th Edition, May 2016, <http://www.pwc.com/id/en/pwc-publications/industry-publications/energy--utilities---mining-publications/oil-and-gas-in-indonesia--investment-and-taxation-guide-2016.html>.

<sup>24</sup> Jokowi has continued to subsidise fuel, albeit in a different form. When global oil prices increased, the government was reluctant to pass that on to the public and effectively forced Pertamina to pay the price difference. Rendi A Witular, "No Reform in Fuel Subsidies, Jokowi Just Forces Others to Pay the Tab", *The Jakarta Post*, 31 July 2015, <http://www.thejakartapost.com/news/2015/07/31/no-reform-fuel-subsidies-jokowi-just-forces-others-pay-tab.html>.

<sup>25</sup> Eve Warburton, "What Does Jokowi Want for the Indonesian Economy?", *East Asia Forum*, 30 October 2016, <http://www.eastasiaforum.org/2016/10/30/what-does-jokowi-want-for-the-indonesian-economy/>.

<sup>26</sup> Gustidha Budiartie and Eve Warburton, "Indonesia's Freeport Saga", *New Mandala*, 22 December 2015, <http://www.newmandala.org/indonesias-freeport-saga/>.

<sup>27</sup> Fifi Junita, "The Foreign Mining Investment Regime in Indonesia: Regulatory Risk under Resource Nationalism Policy and How International Investment Treaties Provide Protection", *Journal of Energy & Natural Resources Law* 33, Issue 3 (2015), 241–265.

<sup>28</sup> "Discourse: President Knows Well Those Orchestrating the Event: Luhut", *The Jakarta Post*, 20 November 2015, <http://www.thejakartapost.com/news/2015/11/20/discourse-president-knows-well-those-orchestrating-event-luhut.html>.

<sup>29</sup> "Antam Plunges into the Red as Export Ban Hurts Sales", *The Jakarta Post*, 10 March 2015, <http://www.thejakartapost.com/news/2015/03/10/antam-plunges-red-export-ban-hurts-sales.html>.

<sup>30</sup> Erwida Maulia, "Indonesia Pressing Ahead with SOE Mergers", *Nikkei Asian Review*, 12 January 2017, <http://asia.nikkei.com/Business/AC/Jakarta-accelerates-merger-of-state-owned-energy-mining-companies>.

<sup>31</sup> "Menteri Luhut: Dibahas Proses BUMN Akuisisi Freeport [Minister Luhut: The Process for SOE Acquisition of Freeport Was Discussed]" *Tempo*, 27 February 2017, <https://m.tempo.co/read/news/2017/02/27/090850607/menteri-luhut-dibahas-proses-bumn-akuisisi-freeport>.

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- <sup>34</sup> Michael Agustinus, "Sri Mulyani Dan Luhut Sepakat Rombak Aturan Cost Recovery Dan Pajak Migas [Sri Mulyani and Luhut Agree to Reorganise Rules on Cost Recovery and Oil and Gas Tax]", *Detikfinance*, 23 September 2016, <http://finance.detik.com/energi/d-3305231/sri-mulyani-dan-luhut-sepakat-rombak-aturan-cost-recovery-dan-pajak-migas>.
- <sup>35</sup> John McBeth, "Masela: Indonesia's Odd LNG Plan", *The Diplomat*, 14 April 2016, <http://thediplomat.com/2016/04/masela-indonesias-odd-lng-plan/>.
- <sup>36</sup> John McBeth, "The Dividing Trench: Indonesia's Offshore Resource Development", *The Strategist*, 4 February 2016, <https://www.aspistrategist.org.au/the-dividing-trench-indonesias-offshore-resource-development/>.
- <sup>37</sup> "Dirut Pertamina Dwi Soetjipto: Pertamina Bisa Kalahkan Petronas [Pertamina President Director Dwi Soetjipto: Pertamina Can Beat Petronas]", 2 March 2016, <http://katadata.co.id/opini/2016/03/02/dirut-pertamina-dwi-soetjipto-pertamina-bisa-kalahkan-petronas>.
- <sup>38</sup> Eve Warburton, "Resource Nationalism in Indonesia: Ownership Structures and Sectoral Variation in Mining and Palm Oil", *Journal of East Asia Studies*, forthcoming.
- <sup>39</sup> State-owned and regional government-owned enterprises are, by law, given priority in divestment tenders. Bakrie's company financed the regional-owned consortium as a means of getting access early and for a significantly low price. It should also be noted that Bakrie formally stepped down from the company when he entered government in 2004 and handed the reins to his brother, Nirwan. However, few in the industry see that formal measure has having reduced the oligarch's influence over the company's investment decisions. Alfian, "Bakrie-Led Venture Picks Up More Shares in Newmont", *The Jakarta Post*, 18 March 2010, <http://www.thejakartapost.com/news/2010/03/18/bakrieled-venture-picks-more-shares-newmont.html>; "Editorial: Twist in Newmont Divestment", *The Jakarta Post*, 1 August 2012, <http://www.thejakartapost.com/news/2012/08/01/editorial-twist-newmont-divestment.html>; Lionel Barber, David Pilling and Ben Bland, "Bakrie Sets Sights on Indonesia's Top Job", *Financial Times*, 3 April 2013, <https://www.ft.com/content/eadd10ea-9784-11e2-b7ef-00144feabdc0>.
- <sup>40</sup> "MoU Blok Cepu BUMD Bojonegoro & Perusahaan Paloh Tak Wajar [MoU Cepu Block between Bojogenoro Regional Government Owned Enterprise and Paloh's Company Is Illegitimate]", *Detikfinance*, 8 September 2005, <https://finance.detik.com/berita-ekonomi-bisnis/d-437903/mou-blok-cepu-bumd-bojonegoro--perusahaan-paloh-tak-wajar>.

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- <sup>42</sup> Marcus Mietzner, “Party Financing in Post-Soeharto Indonesia: Between State Subsidies and Political Corruption”, *Contemporary Southeast Asia* 29, No 2 (2007), 238–263. Legislative commissions in Indonesia are tasked with formulating and discussing bills in their determined fields — for example, foreign affairs, agriculture, and trade.
- <sup>43</sup> Edward Aspinall, “Oligarchic Populism: Prabowo Subianto’s Challenge to Indonesian Democracy”, *Indonesia*, No 99 (2015), 1–28.
- <sup>44</sup> Interview with government relations consultant for a domestic gold mining company, 16 December 2014.
- <sup>45</sup> Interview with former cabinet minister, 13 July 2015.
- <sup>46</sup> Mietzner, “Party Financing in Post-Soeharto Indonesia”.
- <sup>47</sup> John McBeth, “Nationalist Mining Rules in Indonesia Spell Trouble Ahead”, *AsiaOne*, 21 November 2013, <http://news.asiaone.com/news/asia/nationalist-mining-rules-indonesia-spell-trouble-ahead>; John McBeth, “How to Kill an Industry in Indonesia”, *Asia Times*, 10 February 2014, [http://www.atimes.com/atimes/Southeast\\_Asia/SEA-01-100214.html](http://www.atimes.com/atimes/Southeast_Asia/SEA-01-100214.html); John Kurtz and James Van Zorge, “The Myth of Indonesia’s Resource Nationalism”, *Wall Street Journal*, 1 October 2013, [http://online.wsj.com/article/SB10001424052702304373104579108622070263560.html?mod=wsj\\_streaming\\_stream](http://online.wsj.com/article/SB10001424052702304373104579108622070263560.html?mod=wsj_streaming_stream).
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- <sup>50</sup> Patunru and Rahardja, *Trade Protectionism in Indonesia*.
- <sup>51</sup> Aspinall, “The New Nationalism in Indonesia”.
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- <sup>53</sup> Aspinall, “The New Nationalism in Indonesia”.
- <sup>54</sup> Confidential interview with Indonesian businessman, 15 August 2016.
- <sup>55</sup> Burhanuddin Muhtadi, “Jokowi’s First Year: A Weak President Caught between Reform and Oligarchic Politics”, *Bulletin of Indonesian Economic Studies* 51, Issue 3 (2015), 349–368.
- <sup>56</sup> McBeth, “Masela: Indonesia’s Odd LNG Plan”.
- <sup>57</sup> Arnold Sirait, “Anak Usaha Bakrie Incar Proyek Jaringan Pipa Blok Masela [Bakrie Subsidiary Targets Project for the Masela Block Pipe Network]”, 22 February 2016, <http://katadata.co.id/berita/2016/02/22/anak-usaha-bakrie-incar-proyek-pipa-blok-masela>.

<sup>58</sup> Eve Warburton, “Indonesian Politics in 2016: Jokowi and the New Developmentalism”, *Bulletin of Indonesian Economic Studies* 52, No 3 (2016), 297–320.

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