

Government Deemed Illogical and Incomprehensible

Ditulis oleh David Dwiarto
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Government is stepping up efforts to renegotiate its contract with PT Freeport Indonesia. Freeport's payments of royalty on gold are set to be raised from a rate of 1% to a rate of 3%. According to Reforminer Institute Deputy Director Komaidi, a 3% royalty rate clearly demonstrates the minimal level of state sovereignty. A 3% royalty is indicative of the pragmatism that state administrators have been practicing. Within the context of the economy, business and sovereignty, the 3% figure is clearly illogical (does not make sense) and incomprehensible to many. Even a simple village person leasing his sawah (paddy field) will receive 50% of the proceeds; therefore the 3% indicates the government's illogical stance," stated Kamiadi to Neraca on Monday (1/16).

Komiadi stated that the 3% royalty figure is not stated in a Law instead in a government regulation. This means that the 3% royalty is the government's domain to determine (if one asks who is "under the weather"; the reply is clearly, the executive/government). The government is not seriously concerned about national interest because the government stance is merely getting some royalty. On the other hand, the government is not seriously developing domestic ability to be able to independently manage the mining sector," explained Komiadi.

In fact, he considers that President Yudhoyono is inconsistent about contract of work renegotiations; he says one thing but does another. "In the past the president was very eager to discourse renegotiation, but it turns out that he is merely requesting 3%. Meanwhile, the entrepreneur is getting 97%," he stated while adding that the 3% royalty figure clearly shows/indicates the result of the negotiation or compensation and the nation's dependence degree on the US.

Meanwhile, in the eyes of executive director Indonesian Resources Studies IRES, Marwan Batubara PT Freeport does have to pay 3% in royalties as per regulation to the government. "And that is quite a small figure. In addition there are allegations that taxes remitted to the government are also quite small compared to the profit Freeport gains," thus Marwan disclosed yesterday.

He considers that in this case the government has to be firm. "However, regrettably the government lacks the courage. Actually it's quite simple really; if they refuse to renegotiate, let them leave Indonesia. And because it is related to the lack of attention the people's welfare is getting there surely is a connection so many riots/incidents happen. Our president also lacks the courage to fight for a higher royalty figure," he explained.

When actually, according to Marwan, we don't have to be afraid the statement by Freeport is putting "pressure" on the Indonesian government and the workers. "There is no other way, the workers have to hold out a bit longer until Freeport gives in to the workers' demands. All this time the government has supported Freeport more over its own people," added Marwan.

The way Marwan perceives the matter is Freeport continues to try to stay put and maintain its position by frightening the workers and sending out signals that these occurrences are bringing

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losses to the government. "Or they state that this causes pressure on both sides, namely the government and the workers union," stated Marwan.

Should be 10%

Meanwhile a post-graduate lecturer at Muhammadiyah University in Jakarta, Muhammad Qudrat Nugraha considers that something is amiss with the royalty sharing by PT Freeport to the government of Indonesia. Because, actually the state should be getting at least 10%. "That is too small, a mere 2% increase over the previous; the work contract should be renewed," stated Qudrat on Monday.

However, he refused to elaborate on the conspiracy details of the royalty sharing which is far from just. He claims there still are many good Indonesian people who are all for nationalism. There is possible indication (towards conspiracy) but there are also still a number of good people in this country," he stated.

Qudrat mentioned that the key to all this is renegotiating the contract; the government has to renew the current contract of work. And if they (Freeport) refuse, thus continued Qudrat, the government must have the courage to evict them from the country. "Come on... they are exploiting/plundering our resources and we are only getting an insignificant amount, we have no other option; however this is if all else fails," he iterated.

Qudrat sees no problems about evicting them from Indonesia, because for such a strategic business there are plenty of other partners in the field. "Even if Freeport does quit Indonesia, there will be plenty of other investors; we should not be afraid of an investor quitting Indonesia, there will be plenty of others who are eager to become an investor; we should not be afraid because this is a strategic business," Qudrat stated.

Given this situation, Qudrat thinks that there will be no eviction for Freeport because the government does not have the courage to do it and will continue to endeavor peaceful approaches. "What is needed here on the part of the government is not just having the courage but also a degree of smartness," disclosed Qudrat.

Evaluation Team Performance

In the meantime ESDM deputy minister for Energy and Mineral Resources, Widjajono Partowidagdo stated after a hearing at the House of Representatives, Senayan in Jakarta on Monday (1/16), in line with a presidential regulation the renegotiation will change the gold royalty from the previous 1% to 3%. "It is in Law Number 4/2009 that after the renegotiation, the gold royalty will become 3%," he stated.

President Yudhoyono established an Evaluation Team for the adjustment of the contracts of work and mining agreements.

The team was established by means of Presidential Decree No. 3 Year 2012 dates January 10, 2012. The team is led by the coordinating minister for economic affairs, Hatta Radjasa and

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ESDM Minister, Jero Wacik, as chairman and member.

The members of the team comprise Minister of Finance; Minister of Home Affairs; Minister for Law and Human Rights; Minister for Trade; The Minister for State-controlled Enterprises; Cabinet Secretariat Minister; Attorney General, BPKP Chief and BKPM Chief.

*Source : **Harian Ekonomi Neraca**, January 17, 2012*