



Indonesia's Economic Development and Investment Models that Guarantee People's Sovereignty over Natural Resources.

National Conference Of Indonesia CSOs

In celebrating Farmer's Day, Indonesia for Global justice, together with 37 civil society organizations in Indonesia, holds a national conference to set a working agenda to achieve an actual agrarian reform. A series of activities are done at multinational level, international financial and trade institutions as well as industrialized Northern countries' leaders continue to seek ways to sustain their dominance.

One of the focus of discussion in the national conference is Indonesia's economic development and investment in natural resources sector. The issue is an important part in achieving an actual agrarian reform. Capitalistic economic development and massive foreign investments dominated the country's natural resources sector have caused deprivation of Indonesians' agrarian rights.

Indonesia' economic agenda in The Masterplan for Acceleration and Expansion of Indonesia's Economic Development (MP3EI) is a real proof where Indonesia's economic development and investment models have taken people's rights. MP3EI was born out of pressure from global economic situation, which promotes foreign investment to play its role in Indonesia's economic development.

MP3EI and Deprivation of the Rights of People by Corporations

Global economic crisis since 2008 has created overaccumulated capital crisis. When happens in developed countries, it could caused capital surplus absorption problem. Consequently, multinational companies, international financial and trade institutions as well as developed countries' leaders continue to seek ways to sustain their dominance.

It is done in various ways: First, seeking new locations and areas to reap profit. Second, seeking a long-term investment model with a long-term rate of

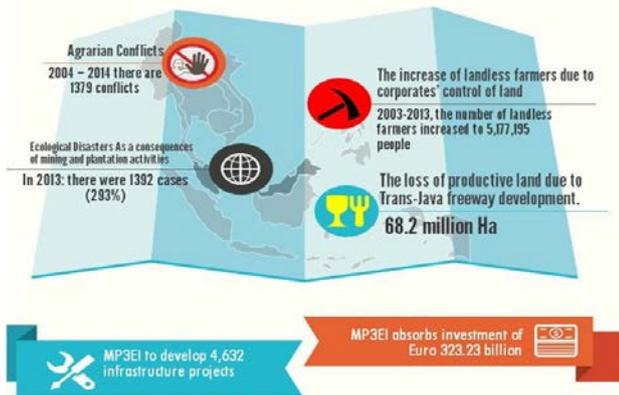
return, such as investment in infrastructures, research, education and technological development sectors. Third, promoting expansion of Structural Adjustment Program so Southern countries can be more investment and free-movement of capital friendly.

Such free movement of capital then encourages the World's two big economic development agendas: **(1) Economic Regionalism**. This agenda is aimed to accelerate capital movement, either in trade or investment liberalization framework, through the elimination of trade and investment barriers. Harmonization of national regulations and free trade agreement becomes the main precondition in economic regionalism.

Various international agendas have formed economic regionalism with many instruments, such as ASEAN Economic Community, Regional Comprehensive Economic Partnership, and Trans-Pacific Partnership. On APEC meeting held in China in 2014 Free Trade Area in Asia Pacific (FTA-AP) was further discussed. Regionalism is aimed to strengthen the role of transnational corporations in all activities of economic development through industrialization scheme.



4 FACTS: THE IMPACTS OF MP3EI TOWARDS INDONESIAN PEOPLE



(2) **Regional connectivity development.** It promotes infrastructure development as the main agenda. Since 2010, in Asia there are various development initiatives, which are promoted as infrastructure development. Having been initiated in October 2010, ERIA released CADP and Masterplan on ASEAN Connectivity (MPAC) as an infrastructure development initiative framework. In Indonesia, it has been adopted into MP3EI agenda.

MP3EI will absorb investment of IDR 4,934.8 trillion that cover 4,632 infrastructure projects, such as development of freeways, ports, airports, power plant, food estate (big-scale farms), and industrial zones. Thus, economic development policy with MP3EI model is a global scheme to rescue world-class giant corporations from crisis and a corporate-driven economic development design.

Multinational corporations' aggressive investment in MP3EI works through two important mechanisms, first, expanding concession policy. It is done by expanding or increasing land concession for mining, plantation, forestry sectors as well as economic zones development such as industrial estates or Special Economic Zones to produce global commodities. This expansion will create agrarian conflict, loss of livelihoods, and ecological disasters. (Look at diagram, Four MP3EI Facts)

Second, liberal investment regime. It is done through the provision of protection and facilities for foreign investors as regulated on Investment Law No. 25/2007. The law opens up to 95% of access to foreign ownership in mining, plantation and agricultural sectors.

The Investment Law is adopted from foreign investment protection regime, which is regulated in Bilateral Investment Treaty bilaterally signed by the Government of Indonesia and the other country, especially developed country.

Several investor protection standards, which are regulated in the Bilateral Investment Treaty are as follows: (1) equal and fair treatment or non-discrimination from other investment both foreign and domestic; (2) National Treatment and Most Favored Nation principle implementation; (3) protection from government's takeover or nationalization; and (4) dispute settlement mechanism, either state-to-state or investor-state. Moreover, there is BIT that includes protection that allows

investors to transfer money and protection from war and civil unrest.

The most effective investor protection scheme in Bilateral Investment Treaty is through dispute settlement mechanism. Dispute settlement mechanism could allow the investor to hold the government feet to the fire in making policy. Violation of BIT regulations can cause Indonesia to be taken to International Dispute Settlement Institution such as ICSID, UNCITRAL, or other international arbitration institutions. Almost 75% cases involving Indonesia taken to ICSID or UNCITRAL based on BIT are related to natural resources sectors, especially mining, oil and gas (Newmont in 2014 and Churchill Mining in 2012).

Bilateral Investment Treaty (BIT) In Indonesia

Indonesia has signed 63 BIT and 45 among that had been into forced.

BIT Adoption Scheme in Indonesia



ISDS--> Indonesia Vs TNCs 75% of the ISDS is in Mining Sector



Indonesia Economic Development and Investment Models that Bring back People's Sovereignty over Natural Resources.

Indonesia's economic development and investment, which based on MP3EI, has put people to be the victims of investment expansion by transnational corporations. Investment practices within MP3EI are not based on sovereignty of the people principle.

In March 2014 Government of Indonesia has canceled Bilateral Investment Treaty between Indonesia and the Netherlands. It plans to terminate sixty two other treaties signed by Indonesia. The government is now developing a new investment policy model.

Therefore a new formulation in drafting the country's economic development and investment that can bring back the sovereignty over natural resources to the Indonesian people is needed. The new formulation has to be based on ten Indonesia's economic development and investment basic principles. (Look at the box: 10 Basic Principles)

The new leaders in Indonesia are expected to be able to change the direction of Indonesia's economic and

investment policies to be based on people's sovereignty. Therefore, resolutions that National Conference on Agrarian Reform offers is to put pressure on the Government of Indonesia to repeal MP3EI and replace it with a development model that is in line with agrarian reform principles.

In addition, the National Conference on Agrarian Reform also give pressure on the government to immediately implement **six programs of improving Indonesia's economic development and investment policies**, as follows:

1. **Evaluating all license and large-scale land concession in mining, forestry, plantation, and ecosystem restoration sectors.**
2. **Limiting land concession, either land tenure by domestic or foreign corporations, and limiting the period of land tenure.**
3. **Taking over assets of large-scale concession owner that takes people's land and cause agrarian conflict. The land that has been taken over by the State should be redistributed for people's welfare.**
4. **Forming a national institution that focus on serving indigenous people and solving their issues.**
5. **Revising Investment Law No. 25/2007, which has become the basis to protect foreign investment and to permit dominance of foreign ownership over State's strategic economic sectors.**
6. **Reviewing and revising Indonesia's commitment in international agreements, that of WTO, ASEAN, or Bilateral Free Trade Agreements.**

(This Material is coordinated by IGJ, Walhi, Sains, Infid, and AMAN).

10 Basic Principles of Indonesia's Economic Development and Investment Policies:

- 1) Economic development has to be based on mainstreaming the power of people's economy as initial capital to develop national industry.
- 2) Prioritizing environment and ecosystem protection.
- 3) Prioritizing economic development and investment, which are based on food sovereignty instead of food security.
- 4) Preventing land monopoly by either local or foreign corporations.
- 5) Implementing agricultural diversification.
- 6) Limiting foreign capital that dominate state's strategic economic sectors, especially mining, oil and gas.
- 7) Ensuring people's access to safe water, and that the public interest is served instead of privatizing it.
- 8) Prioritizing rural areas' infrastructure development.
- 9) Equitable development for indigenous people should be put as government's priority to protect their rights.
- 10) Investment should not promote cheap labor.